IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR TO ANY U.S. PERSON

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

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 UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**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 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 AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR 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 ADDRESS IN THE UNITED STATES. 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.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States and must not be a U.S. person or acting for the account or benefit of a U.S. person. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, you are not a U.S. person or acting for the account or benefit of a U.S. person and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular 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 the 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, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular 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, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and UBS AG Hong Kong Branch (the "**Arrangers**"), Agricultural Bank of China Limited Hong Kong Branch, Australia and New Zealand Banking Group Limited, Bank of China (Hong Kong) Limited, Bank of Communications Co., Ltd. Hong Kong Branch, Barclays Bank PLC, BNP Paribas, Merrill Lynch (Asia Pacific) Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, CIBC World Markets Corp., Citigroup Global Markets Inc., CMB Wing Lung Bank Limited, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., Industrial and Commercial Bank of China (Asia) Limited, J.P. Morgan Securities plc, Mizuho Securities Asia Limited, Morgan Stanley & Co. International plc, Oversea-Chinese Banking Corporation Limited, The Bank of Nova Scotia, Australia Branch and SMBC Nikko Securities (Hong Kong) Limited (together with the Arrangers, the "**Dealers**"), nor any person who controls the Arrangers or the Dealers, any director, officer, employee or agent of the Issuer, the Arrangers or the Dealers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

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.

Offering Circular

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.$8,000,000,000
Medium Term Note Programme

Under the Medium Term Note Programme described in this Offering Circular (the "**Programme**"), the Airport Authority (the "**Issuer**" or the "**Airport Authority**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$8,000,000,000 (or its equivalent in other currencies).

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for listing of the Programme 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) (the "**Professional Investors**") only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Notes to be issued under the Programme are intended for purchase by Professional Investors only and the Programme and the Notes, to the extent that such Notes are to be listed on the Hong Kong Stock Exchange, 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 Programme or 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 Programme, the Notes, the Issuer, the Group or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, 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 Circular.

Unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement (as defined herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, other exchange or quotation system).

Each Series (as defined on page 2) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each, a "**temporary Global Note**") or a permanent global note in bearer form (each, a "**permanent Global Note**") (collectively, the "**Global Note**"). Each series of Notes in registered form will be represented by registered certificates (each, a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes and Global Certificates (as defined on page 3) may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**") or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Programme has been rated "AA+" by S&P Global Ratings ("**S&P**"). Tranches (as defined on page 2) of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular in connection with an investment in the Notes.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered 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**")) except in certain transactions exempt from the registration requirements of the Securities Act.

PRIIPs/IMPORTANT — EEA RETAIL INVESTORS— If the Pricing Supplement in respect of any Notes includes a legend entitled "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 (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 Directive 2014/65/EU (as amended, "**MiFID II**"), (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 or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). 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.

UK PRIIPs/IMPORTANT — UK RETAIL INVESTORS — If the Pricing Supplement includes a legend entitled "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 (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 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; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 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.

MiFID II product governance/target market— The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the 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 target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance / target market — The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the 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 target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE— The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**"). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a) of the SFA. Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

Arrangers

HSBC **Standard Chartered Bank** **UBS**

Dealers

Agricultural Bank of China Limited Hong Kong Branch
ANZ
Bank of China (Hong Kong)
Bank of Communications
Barclays
BNP PARIBAS
BofA Securities
China Everbright Bank Hong Kong Branch
CIBC Capital Markets
Citigroup
CMB Wing Lung Bank Limited
Crédit Agricole CIB
DBS Bank Ltd.
Deutsche Bank
Goldman Sachs (Asia) L.L.C.
HSBC
ICBC (Asia)
J.P. Morgan
Mizuho
Morgan Stanley
OCBC Bank
Scotiabank
Standard Chartered Bank
SMBC Nikko
UBS

Coordinating Arranger

Standard Chartered Bank

Dated 18 September 2023

NOTICE TO INVESTORS

The Issuer having made all reasonable enquiries confirms that (i) this Offering Circular contains all information with respect to the Issuer and the Issuer and its subsidiaries taken as a whole (the "Group") 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 Circular 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 Circular 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.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any of the Issuer, the Arrangers or the Dealers (as defined in "Summary of the Programme"). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. None of the Issuer, the Arrangers or the Dealers represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restriction. The 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 may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of bearer notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in "Regulation S"). For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see "Subscription and Sale".

PRIIPs/IMPORTANT — EEA RETAIL INVESTORS — If the Pricing Supplement in respect of any Notes includes a legend entitled "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 (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 Directive 2014/65/EU (as amended, "MiFID II"), (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 or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). 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.

UK PRIIPs/IMPORTANT — UK RETAIL INVESTORS — If the Pricing Supplement includes a legend entitled "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 (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 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; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 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.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET — THE PRICING SUPPLEMENT IN RESPECT OF ANY NOTES MAY INCLUDE A LEGEND ENTITLED "MIFID II PRODUCT GOVERNANCE" WHICH WILL OUTLINE THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES AND WHICH CHANNELS FOR DISTRIBUTION OF THE NOTES ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A "DISTRIBUTOR") SHOULD TAKE INTO CONSIDERATION THE 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 TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET — THE PRICING SUPPLEMENT IN RESPECT OF ANY NOTES MAY INCLUDE A LEGEND ENTITLED "UK MIFIR PRODUCT GOVERNANCE" WHICH WILL OUTLINE THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES AND WHICH CHANNELS FOR DISTRIBUTION OF THE NOTES ARE APPROPRIATE. ANY DISTRIBUTOR SHOULD TAKE INTO CONSIDERATION THE 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 TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE — The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "SFA"). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a) of the SFA. Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arrangers or the Dealers to subscribe for, or purchase, any Notes.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular 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.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular. The Securities and Futures Commission, Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, 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 Circular.

The Arrangers and the Dealers have not separately verified the information contained in this Offering Circular or incorporated by reference in this Offering Circular. None of the Arrangers or the Dealers, or any director, officer, employee, agent or affiliate of such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme, and none of the Arrangers or the Dealers or any director, officer, employee, agent or affiliate of such person accepts any responsibility for any acts or omissions of the Issuer or any other person (other than the relevant Dealers) in connection with the issue and offering of the Notes.

To the fullest extent permitted by law, none of the Arrangers or the Dealers or any director, officer, employee, agent or affiliate of such person accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by an Arranger or a Dealer or on its behalf in connection with the Issuer, the Group, or the issue and offering of the Notes. Each of the Arrangers and the Dealers accordingly disclaims all and any liability

whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Offering Circular or of any such information should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigation as it deems necessary. None of the Arrangers or the Dealers or any director, officer, employee, agent or affiliate of such person undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON THEIR BEHALF) (THE "STABILISATION MANAGER(S)") IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISATION MANAGER(S) TO DO THIS. SUCH STABILISATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

The Issuer has undertaken to the Dealers in the Dealer Agreement (as defined in "Subscription and Sale") that it shall, subject to certain exceptions, update or amend this Offering Circular by the publication of a supplement thereto or a new Offering Circular in the event that a significant new factor, material mistake or inaccuracy relating to the information included in this Offering Circular arises or is noted which is capable of affecting the assessment of any Notes which may be issued under the Programme.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "PRC", "China" and "Mainland China" are to The People's Republic of China and for geographical reference only exclude Hong Kong, Macao Special Administrative Region of the PRC and Taiwan, to "Hong Kong" or "Hong Kong SAR" are to the Hong Kong Special Administrative Region of the PRC, to CNY or Renminbi are to the lawful currency of the People's Republic of China, to "U.S." and the "United States" are to the United States of America, to "HK$" are to Hong Kong dollars, to U.S.$ are to U.S. dollars, to sterling or £ are to the currency of the United Kingdom and to euro or € are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In this Offering Circular, 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, and references to the "Government" are to the Government of Hong Kong.

Notice to capital market intermediaries and prospective investors pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to the Programme, each such offering, a "CMI Offering", including certain Dealers, may be "capital market intermediaries" (the "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 a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

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 relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. 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 relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

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). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer 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 relevant CMI Offering. 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 relevant Dealer, 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 Dealer 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 relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

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 relevant Dealers 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 relevant CMI Offering. Failure to provide such information may result in that order being rejected.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the respective financial positions of the Issuer and the Group, their business strategy, plans and objectives of management for future operations (including their respective development plans and objectives relating to their businesses), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer and the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's and the Group's present and future business strategies and the environment in which the Issuer and the Group will operate in the future. Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". These forward-looking statements speak only as at the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in their respective expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published annual audited financial statements and any interim reviewed financial statements published subsequently to such annual audited financial statements of the Issuer from time to time (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Any unaudited financial statements should not be relied upon to provide the same quality of information associated with information that has been subject to an audit nor taken as an indication of the expected financial condition and results of operations of the Issuer for the relevant full financial year. Potential investors must exercise caution when using such data to evaluate the Issuer's financial condition, results of operations and results. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents set out at the end of this Offering Circular. See "General Information" for a description of the financial statements currently published by the Issuer.

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SUMMARY OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuer	Airport Authority (Legal Entity Identifier code: 254900748HGC4RBR4O84)
Description	Medium Term Note Programme
Size	Up to U.S.$8,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the aggregate nominal amount of the programme in accordance with the terms of the Dealer Agreement.
Arrangers	The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank UBS AG Hong Kong Branch
Dealers	Agricultural Bank of China Limited Hong Kong Branch Australia and New Zealand Banking Group Limited Bank of China (Hong Kong) Limited Bank of Communications Co., Ltd. Hong Kong Branch Barclays Bank PLC BNP Paribas Merrill Lynch (Asia Pacific) Limited China Everbright Bank Co., Ltd., Hong Kong Branch CIBC World Markets Corp. Citigroup Global Markets Inc. CMB Wing Lung Bank Limited Crédit Agricole Corporate and Investment Bank DBS Bank Ltd. Deutsche Bank AG, Hong Kong Branch Goldman Sachs (Asia) L.L.C. The Hongkong and Shanghai Banking Corporation Limited Industrial and Commercial Bank of China (Asia) Limited J.P. Morgan Securities plc Mizuho Securities Asia Limited Morgan Stanley & Co. International plc Oversea-Chinese Banking Corporation Limited The Bank of Nova Scotia, Australia Branch SMBC Nikko Securities (Hong Kong) Limited Standard Chartered Bank UBS AG Hong Kong Branch

	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent and Paying Agent .	The Bank of New York Mellon, London Branch
Transfer Agent	The Bank of New York Mellon, London Branch
Registrar.	The Bank of New York Mellon SA/NV, Luxembourg Branch (formerly known as the Bank of New York Mellon (Luxembourg) S.A.)
CMU Lodging and Paying Agent.	The Bank of New York Mellon, Hong Kong Branch
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each, a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each, a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the pricing supplement (the "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Partly Paid Notes	Partly-paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes.	The Notes may be issued in bearer form only ("**Bearer Notes**"), in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") or in registered form only ("**Registered Notes**"). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "Selling Restrictions" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as "**Global Certificates**".
Clearing Systems	The CMU, Clearstream, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes.	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and/or Clearstream or deposited with a sub-custodian for the CMU or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities.	Subject to compliance with all relevant laws, regulations and directives, any maturity, including, for the avoidance of doubt, undated perpetual Notes with no fixed maturity, as agreed between the Issuer and the relevant Dealer(s).

Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; (ii) by reference to EURIBOR, HIBOR, CNH HIBOR or SOFR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or (iii) on such other basis as agreed between the Issuer and the relevant Dealer(s). Interest periods will be specified in the relevant Pricing Supplement.
Benchmark Replacement	See Condition 7(g) and 7(h).
Zero Coupon Notes.	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer and any relevant Dealer(s) may agree to issue and subscribe, respectively, under the Programme will be set out in the relevant Pricing Supplement.
Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Early Redemption	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons.
Status of Notes	The Notes will be direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank (save for certain obligations required to be preferred by law) equally with all other unsecured obligations and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Negative Pledge	See "Terms and Conditions of the Notes — Negative Pledge".
Cross Default	See "Terms and Conditions of the Notes — Events of Default".
Ratings	The Programme has been rated "AA+" by S&P. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold any Notes and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.

Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Hong Kong, subject to customary exceptions, all as described in "Terms and Conditions of the Notes — Taxation".
Governing Law	English law.
Listing and Admission to Trading	Application has been made to list the Programme under which Notes may be issued during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. Separate application will be made for the listing of the Notes on the Hong Kong Stock Exchange. The Notes may be listed on the Hong Kong Stock Exchange and on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s). Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions.	For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering materials in the United States, the European Economic Area, the Netherlands, the UK, Japan, Hong Kong, the PRC and Singapore, see "Subscription and Sale". Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act. The Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Pricing Supplement states that Bearer Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Bearer Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable. In connection with the offering and sale of a particular Series of the Notes, additional restrictions may be imposed which will be set out in the relevant Pricing Supplement.

SUMMARY FINANCIAL INFORMATION

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

The Issuer's consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards and the Airport Authority Ordinance (Cap. 483) of the laws of Hong Kong (the "**Ordinance**") and have been audited by KPMG, Certified Public Accountants, Hong Kong.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the years ended 31 March		
	2023	2022	2021
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Airport charges	2,173	2,101	1,731
Security charges	343	46	23
Aviation security services	501	567	486
Airside support services franchises	1,673	1,759	1,755
Retail licences and advertising revenue	752	62	203
Other terminal commercial revenue	613	677	915
Real estate revenue	178	169	188
Convention and exhibition revenue	1,605	—	—
Other income	379	417	635
Revenue	**8,217**	**5,798**	**5,936**
Staff costs and related expenses	(2,898)	(2,800)	(2,850)
Repairs and maintenance	(946)	(765)	(734)
Operational contracted services	(995)	(672)	(854)
Government services	(961)	(758)	(712)
Government rent and rates	(285)	(250)	(521)
Utilities	(401)	(261)	(217)
Other operating expenses	(918)	(670)	(2,166)
Operating expenses before depreciation and amortisation	**(7,404)**	**(6,176)**	**(8,054)**
Operating profit/(loss) before depreciation and amortisation	**813**	**(378)**	**(2,118)**
Depreciation and amortisation	(3,308)	(3,039)	(3,169)
Operating loss before interest and finance costs	**(2,495)**	**(3,417)**	**(5,287)**
Interest and finance costs:			
Finance costs	(192)	(14)	(63)
Interest income	700	91	134
	508	77	71
Share of results of an associate	—	78	53
Share of results of joint ventures	(456)	(46)	(34)
Loss before taxation	**(2,443)**	**(3,308)**	**(5,197)**
Income tax credit	513	553	829
Loss for the year	**(1,930)**	**(2,755)**	**(4,368)**
Attributable to:			
Equity holders of the Airport Authority			
— Holder of ordinary shares	(2,142)	(3,014)	(4,400)
— Holder of perpetual capital securities	264	263	—
Non-controlling interests	(52)	(4)	32
Loss for the year	**(1,930)**	**(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 Airport Authority	(9)	50	238
Add/(less): deferred tax	1	(8)	(39)
	(8)	42	199
— a subsidiary in the PRC	(2)	(3)	2
— a joint venture in the PRC	2	(5)	11
	(8)	34	212
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of a subsidiary and joint ventures in the PRC	(405)	221	433
Cash flow hedge: net movement in the hedging reserve, net of tax	204	682	177
Cash flow hedge: net movement in the cost of hedging reserve, net of tax	(646)	(117)	(42)
	(847)	786	568
Other comprehensive income for the year	**(855)**	**820**	**780**
Total comprehensive income for the year	**(2,785)**	**(1,935)**	**(3,588)**
Attributable to:			
Equity holders of the Airport Authority			
— Holder of ordinary shares	(2,972)	(2,206)	(3,651)
— Holder of perpetual capital securities	264	263	—
Non-controlling interests	(77)	8	63
Total comprehensive income for the year	**(2,785)**	**(1,935)**	**(3,588)**

Consolidated Statements of Financial Position

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

TERMS AND CONDITIONS OF THE NOTES

*The following, save for the words in italicised text, is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form held on behalf of Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream**") or the Hong Kong Monetary Authority, as operator of the Central Moneymarkets Unit Service (the "**CMU**") will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described in such Note in global form and under "Summary of Provisions Relating to the Notes while in Global Form".*

1. Introduction

(a) ***Programme***: Airport Authority (the "**Airport Authority**") has established a Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$8,000,000,000 in aggregate principal amount of notes (the "**Notes**").

(b) ***Pricing Supplement***: Notes issued under the Programme are issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each, a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) ***Agency Agreement***: The Notes are the subject of a fiscal agency agreement dated 15 July 2010 as amended and restated by an amended and restated fiscal agency agreement dated 3 November 2011, as amended and restated by a second amended and restated fiscal agency agreement dated 22 November 2013, as amended and restated by a third amended and restated fiscal agency agreement dated 23 September 2022 and as amended and restated by a fourth amended and restated fiscal agency agreement dated 18 September 2023 (the "**Agency Agreement**") between the Airport Authority, The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), The Bank of New York Mellon, Hong Kong Branch as CMU lodging agent (the "**CMU Lodging Agent**", which expression includes any successor CMU lodging agent appointed from time to time in connection with the Notes), The Bank of New York Mellon SA/NV, Luxembourg Branch (formerly known as the Bank of New York Mellon (Luxembourg) S.A.) as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent and the CMU Lodging Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions, references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU (as defined below), be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly.

(d) ***Deed of Covenant***: The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes are constituted by a deed of covenant dated 15 July 2010, as amended and restated by an amended and restated deed of covenant dated 3 November 2011 and as amended and restated by a second amended and restated deed of covenant dated 23 September 2022 (the "**Deed of Covenant**") entered into by the Airport Authority.

(e) ***The Notes***: All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing by Noteholders of the relevant Series at HKIA Tower, 1 Sky Plaza Road, Hong Kong International Airport, Lantau, Hong Kong.

(f) ***Summaries***: Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) 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 Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

(a) ***Definitions***: In these Conditions, the following expressions have the following meanings:

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

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Adjustment Spread**" means (a) a spread (which may be positive or negative or zero) or (b) a formula or methodology for calculating a spread, in each case required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Airport Authority) or the Airport Authority (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if the Independent Adviser (in consultation with the Airport Authority) or the Airport Authority (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Airport Authority) or the Airport Authority in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (iii) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders;

"**Affiliate**" means, in relation to a person, (i) a company which is deemed to be a subsidiary of that person by virtue of section 15 of the Companies Ordinance, (ii) a Holding Company of that person or (iii) any other company which is deemed to be a subsidiary of that Holding Company by virtue of section 15 of the Companies Ordinance;

"**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;

"**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;

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Airport Authority (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Airport Authority (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Airport Authority (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

"**Benchmark Event**" means, in respect of a Reference Rate for Notes (other than Notes where the Reference Rate is specified as being SOFR Benchmark):

(i) such Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;

(ii) a public statement by the administrator of such Reference Rate that it has ceased or will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);

(iii) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used either generally or in respect of the Notes or that its use will be subject to restrictions or adverse consequences;

(v) a public statement by the supervisor of the administrator of such Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed; or

(vi) it has become unlawful for any Paying Agent, the Calculation Agent, the Airport Authority or other party to calculate any payments due to be made to any Noteholder or Couponholder using such Reference Rate, provided that in the case of sub-paragraphs (ii), (iii) and (iv) of this definition, the Benchmark Event shall occur on the date of the cessation of publication of such Reference Rate, the discontinuation of such Reference Rate, or the prohibition of use of such Reference Rate, as the case may be, and not the date of the relevant public statement;

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

"**Business Day**" means:

(a) in relation to any sum payable in euro, a day on which T2 is open for settlement of payments in euro and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and

(c) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**" in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**, **Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

   (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

"**Companies Ordinance**" means the Companies Ordinance (Cap. 622) of the laws of Hong Kong;

"**CMU**" means the Hong Kong Monetary Authority, as operator of the Central Moneymarkets Unit Service;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(iii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(vi) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{([360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1))}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{([360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1))}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

(viii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{([360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1))}{360}$$

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Director of Lands**" means the Director of Lands appointed from time to time to such post in the Lands Department of the Government of Hong Kong, or any successor to or replacement of such post or department;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**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;

"**Holder**" in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

"**Holding Company**" means, in respect of any company, each company which is deemed to be a holding company of the first mentioned company pursuant to section 13 of the Companies Ordinance;

"**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;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Airport Authority at its own expense;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention. Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Pricing Supplement, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Pricing Supplement;

"**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 Airport Authority and any lease created pursuant thereto including any actual or deemed lease;

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Maturity Date**" has the meaning given in the relevant Pricing Supplement;

"**Maximum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Member State**" means a Member State of the European Communities;

"**Minimum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**MTRC**" means MTR Corporation Limited of Hong Kong;

"**Noteholder**" in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes. has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Pricing Supplement;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Pricing Supplement;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

  (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies;

  (ii) a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Finance Centre and in each (if any) Additional Business Centre; and

  (iii) in the case of payment by transfer to an account, a day on which T2 is open for settlement of payments in euro and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; or

(b) if the currency of payment is Renminbi, any day on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong; or

(c) if the currency of payment is not euro or Renminbi, any day which is:

  (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

  (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Security Interest**" means:

(a) any Security Interest over any interest of the Airport Authority in land or buildings effected for the purpose of the development (for such purposes and in such manner as the Airport Authority may think fit) of the Airport Related Development (as defined in the relevant documents under the Land Grant);

(b) any Security Interest over any assets purchased by the Airport Authority (or documents of title thereto) as security for all or part of the purchase price thereof or for funds borrowed to finance the purchase price of any such asset;

(c) any Security Interest over any assets (or documents of title thereto) purchased by the Airport Authority subject to that Security Interest;

(d) any leasing, sale and leaseback or sale and repurchase of any assets of the Airport Authority;

(e) liens arising in the ordinary course of business (including the operation of the Airport and/or the development of all or any of the land or buildings of the Airport Authority) and not in connection with the borrowing of money, which in the aggregate do not materially and adversely affect or impair the operations or financial condition of the Airport Authority; and

(f) any Security Interest created over the present and future assets of the Airport Authority in connection with the SKYCITY CLK No. 3 Portion or the 3RS Project;

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

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(a) in relation to euro, it means the principal financial centre of such Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder in accordance with Condition 10(c) (*Redemption and Purchase — Redemption upon a Relevant Event*) or Condition 10(f) (*Redemption and Purchase — Redemption at the option of Noteholders*);

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" has the meaning given in the relevant Pricing Supplement;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment 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 Noteholders;

"**Relevant Event**" has the meaning specified in Condition 10(c) (*Redemption and Purchase — Redemption upon a Relevant Event*);

"**Relevant Event Early Redemption Date**" means the date specified as such by the Airport Authority in accordance with Condition 10(c) (*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;

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Nominating Body**" means, in respect of a reference rate: (i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" means (i) 11.00 a.m. (Brussels time, in the case of EURIBOR or Hong Kong time, in the case of HIBOR) or (ii) as defined in the relevant Pricing Supplement;

"**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 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;

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

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

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

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

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Successor Rate**" means the rate that the Independent Adviser or the Airport Authority (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose board of directors the first Person controls the composition of;

(b) more than half the voting power of which the first Person controls; or

(c) which is itself a Subsidiary of another Subsidiary of the first Person;

"**Talon**" means a talon for further Coupons;

"**T2**" means the real-time gross settlement system operated by the Eurosystem or any successor or replacement for that system.

"**Treaty**" means the Treaty establishing the European Communities, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement.

(b) ***Interpretation***: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Interpretation — Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is **not applicable** then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

3. Form, Denomination, Title and Transfer

(a) ***Bearer Notes***: Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons for further Coupons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) ***Title to Bearer Notes***: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) ***Registered Notes***: Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

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

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

(f) ***Transfers of Registered Notes***: Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note 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 Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) ***Registration and delivery of Note Certificates***: Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered 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 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.

(h) ***No charge***: The transfer of a Registered Note will be effected without charge by or on behalf of the Airport Authority or 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.

(i) ***Closed periods***: Noteholders 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 or interest in respect of the Registered Notes;

(ii) during the period of 15 days ending on any date on which Notes may be called for redemption by the Airport Authority at its option pursuant to Condition 10(b) (*Redemption and Purchase — Redemption for tax reasons*) or Condition 10(d) (*Redemption and Purchase — Redemption at the option of the Airport Authority*);

(iii) after a Put Option Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(c) (*Redemption and Purchase — Redemption upon a Relevant Event*) or Condition 10(f) (*Redemption and Purchase — Redemption at the option of Noteholders*); or

(iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 12(g) (*Payments — Registered Notes — Record date*).

(j) ***Regulations concerning transfers and registration***: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Airport Authority with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status

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

5. Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement), the Airport Authority shall not create or permit to be outstanding any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking or assets in order to secure any existing or future Securities (or Guarantees in respect thereof granted by it) unless in any case at the same time the relevant Notes and the relative Coupons are equally and rateably secured so as to rank *pari passu* with such Securities or Guarantees or other security is granted in respect of the Notes as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

6. Fixed Rate Note Provisions

(a) ***Application***: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Accrual of interest***: The Notes bear interest on their outstanding nominal amount (or, in the case of a partly paid note, on the nominal amount paid up) from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) 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 Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment),

(c) ***Fixed Coupon Amount***: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination, Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount therein specified.

(d) ***Calculation of interest amount***: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note Provisions

(a) ***Application***: This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Accrual of interest***: The Notes bear interest on their outstanding nominal amount (or, in the case of a partly paid note, on the nominal amount paid up) from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (*Floating Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) 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 Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Screen Rate Determination (other than Notes where the Reference Rate is specified as SOFR Benchmark)***: If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined where the Reference Rate is not SOFR Benchmark, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, **provided that** if five or more Reference Rates are available on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, the highest (or, if there is more than one such highest Reference Rate, only one of such Reference Rates) and the lowest (or, if there is more than one such lowest Reference Rate, only one of such Reference Rates) shall be disregarded by the Calculation Agent for the purposes of determining the arithmetic mean of such Reference Rates;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than three such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will promptly inform the Airport Authority, and the Airport Authority shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser, and procure such Independent Adviser to request the principal Relevant Financial Centre office of each of the Reference Banks to provide the Independent Adviser and the Calculation Agent with a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time, and the Calculation Agent will determine the arithmetic mean of such quotations; and

(iv) if fewer than three such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate as determined by the Independent Adviser) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Independent Adviser and communicated to the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(v) notwithstanding the foregoing, if the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as CNH HIBOR:

(A) the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear on the Relevant Screen Page as at 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then 2.30 p.m. (Hong Kong time) on the Interest Determination Date in question as determined by the Calculation Agent.

(B) the Relevant Screen Page is not available or, if sub-paragraph (v)(A)(1) above applies and no such offered quotation appears on the Relevant Screen Page, or, if subparagraph (v)(A)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request the principal Hong Kong office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent. If all four Reference Banks provide the Calculation Agent with such offered quotations, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations;

(C) if subparagraph (v)(B) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Hong Kong inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Bank suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Hong Kong inter-bank market, **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period); and

(D) in no event shall the Rate of Interest be less than zero per cent. per annum.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(d) ***Screen Rate Determination for Notes where the Reference Rate is specified as being SOFR Benchmark***

If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest(s) is/are to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be equal to the sum of the SOFR Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), all as calculated by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on SOFR Compounded Index (as specified in the Pricing Supplement), as follows (subject to Condition 7(h) (*Floating Rate Note Provisions — Benchmark Replacement (SOFR Benchmark)*):

If SOFR Compounded Index ("**SOFR Compounded Index**") is specified as applicable in the relevant Pricing Supplement, the SOFR Benchmark with respect to an Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{(SOFR\ Index_{Start}} - 1 \right) \times \left(\frac{360}{d_c} \right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or .0987655)) and where:

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means:

(a) the SOFR Index value as published on the SOFR Administrator's Website at or about 3:00 p.m. (New York time) on such U.S. Government Securities Business Day (the "**SOFR Index Determination Time**"); provided that in the event that the value originally published by the SOFR Administrator at or about 3:00 p.m. (New York time) on any U.S. Government Securities Business Day is subsequently corrected and such corrected value is published by the SOFR Administrator on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SOFR Index value as of the SOFR Index Determination Time in relation to such U.S. Government Securities Business Day; and

(b) if a SOFR Index value does not so appear as specified in (a) above of this definition, then:

   (i) if a Benchmark Event (as defined in Condition 7(h) (*Floating Rate Note Provisions — Benchmark Replacement (SOFR Benchmark)*)) and its related Benchmark Replacement Date (as defined in Condition 7(h) (*Floating Rate Note Provisions — Benchmark Replacement (SOFR Benchmark)*)) have not occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to Condition 7(e) (*Floating Rate Note Provisions — SOFR Index Unavailable*); or

   (ii) if a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to Condition 7(h) (*Floating Rate Note Provisions — Benchmark Replacement (SOFR Benchmark)*).

"**SOFR Index$_{\mathbf{End}}$**" means, in respect of an Interest Period, the SOFR Index value on the date which is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement preceding the last day of such Interest Period (or in the final Interest Period, the Maturity Date);

"**SOFR Index$_{\mathbf{Start}}$**" means, in respect of an Interest Period, the SOFR Index value on the date which is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement preceding the first day of such Interest Period;

"**d_c**" means the number of calendar days in the relevant SOFR Observation Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement; and

"**SOFR Observation Period**" means, in respect of an Interest Period, the period from (and including) the date which is the number of SOFR Observation Shift Days preceding the first date of such Interest Period (and in respect of the first Interest Period, the number of SOFR Observation Shift Days preceding the Issue Date) to, but excluding, the date which is the number of SOFR Observation Shift Days preceding the last day of such Interest Period (or in the final Interest Period, the Maturity Date).

The following defined terms shall have the meanings set out below for purpose of this Condition 7(d) (*Floating Rate Note Provisions — Screen Rate Determination for Notes where the Reference Rate is specified as being SOFR Benchmark*):

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate.

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(e) ***SOFR Index Unavailable***

If a SOFR Index value is not published on the relevant Interest Determination Date and a Benchmark Event (as defined in Condition 7(h) (*Floating Rate Note Provisions — Benchmark Replacement (SOFR Benchmark)*)) and its related Benchmark Replacement Date (as defined in Condition 7(h) (*Floating Rate Note Provisions — Benchmark Replacement (SOFR Benchmark)*)) has not occurred with respect to SOFR, then the SOFR Index shall be calculated in accordance with the Compounded SOFR formula and the related definitions as set out below in this Condition 7(e) (*Floating Rate Note Provisions — SOFR Index Unavailable*):

"**Compounded SOFR**" means, for the applicable Interest Period for which the SOFR Index is not available, the rate of return on a daily compounded interest investment during the relevant SOFR Observation Period (with the daily SOFR reference rate as the reference rate for the calculation of interest) and calculated by the Calculation Agent in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)):

$$\left(\prod_{i=1}^{d_0}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\left(\frac{360}{\mathrm{d}_c}\right)$$

where:

"**d_c**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_o**" means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to d_o, each representing the relevant U.S. Government Securities Business Days in chronological order from (and including) the number of U.S. Government Securities Business Day as specified in the relevant Pricing Supplement in the relevant SOFR Observation Period (each, a "**U.S. Government Securities Business Day (i)**");

"**n_i**" for any U.S. Government Securities Business Day (i) in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day (i) up to (but excluding) the following U.S. Government Securities Business Day (i);

"**$SOFR_i$**" for any U.S. Government Securities Business Day (i) in the relevant SOFR Observation Period, is equal to SOFR in respect of that U.S. Government Securities Business Day (i);

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "**SOFRRATE**" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "**USDSOFR=**" or any successor page or service;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day:

(a) the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Bloomberg Screen SOFRRATE Page, the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Reuters Page USDSOFR=, or the Secured Overnight Financing Rate that appears at the SOFR Determination Time on the SOFR Administrator's Website; or

(b) if the rate specified in (a) above does not appear, the SOFR published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website;

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate;

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source;

"**SOFR Determination Time**" means on or about 3:00 p.m. (New York City time) on the SOFR Administrator's Website on the immediately following U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of each Interest Period, the period from (and including) the date falling a number of U.S. Government Securities Business Days equal to the SOFR Observation Shift Days preceding the first date in such Interest Period to (but excluding) the date falling a number of U.S. Government Securities Business Days equal to the number of SOFR Observation Shift Days preceding the last day of such Interest Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(f) ***ISDA Determination***: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on (x) the Euro-zone inter-bank offered rate (EURIBOR) or (y) the Hong Kong inter-bank offered rate (HIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.

(g) ***Benchmark Replacement for Notes (other than Notes where the Reference Rate is specified as being SOFR Benchmark)***

Where the reference Rate is not SOFR Benchmark, in addition and notwithstanding the provisions above in this Condition 7 (*Floating Rate Note Provisions*), if the Airport Authority determines that a Benchmark Event (as defined in Condition 2(a) (*Interpretation — Definitions*)) has occurred in relation to the relevant Reference Rate specified in the relevant Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(i) the Airport Authority shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in a reasonable manner), no later than five Business Days prior to the relevant Interest Determination

Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**"), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(ii) if the Airport Authority (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Airport Authority (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(g) (*Floating Rate Note Provisions — Benchmark Replacement for Notes (other than Notes where the Reference Rate is specified as being SOFR Benchmark)*)); provided, however, that if sub-paragraph (ii) applies and the Airport Authority (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin, Maximum Rate of Interest or Minimum Rate of Interest that applied to such preceding Interest Period for the Margin, Maximum Rate of Interest or Minimum Rate of Interest that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(g) (*Floating Rate Note Provisions — Benchmark Replacement for Notes (other than Notes where the Reference Rate is specified as being SOFR Benchmark)*);

(iv) if the Independent Adviser or the Airport Authority (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Airport Authority (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Adviser (in consultation with the Airport Authority) or the Airport Authority (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Airport Authority (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. The Fiscal Agent shall, at the direction and expense of the Airport

Authority, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 7(g) (*Floating Rate Note Provisions — Benchmark Replacement for Notes (other than Notes where the Reference Rate is specified as being SOFR Benchmark)*), provided that the Fiscal Agent shall not be bound by or be obliged to give effect to any Successor Rate or Alternative Reference Rate (as applicable) or other consequential changes, if in the reasonable opinion of the Fiscal Agent, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement and/or the relevant Pricing Supplement(s). Noteholder or Couponholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required);

(v) the Airport Authority shall give a written notice to the Fiscal Agent and the Calculation Agent which specify the determination of the Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions and their effective dates at least five Business Days (or such shorter period as may be agreed by the Fiscal Agent) prior to the first date on which the relevant calculation is to be made by the Calculation Agent; and

(vi) the Airport Authority shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Noteholders and Couponholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law. Neither the Agents nor the Calculation Agent shall be responsible or liable for any determinations, decisions or elections made by the Airport Authority or the Independent Adviser with respect to the Successor Rate, Alternative Reference Rate or any other changes and shall be entitled to rely conclusively on any certifications provided to it in this regard.

(h) ***Benchmark Replacement (SOFR Benchmark)***

The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable in the relevant Pricing Supplement:

(i) Benchmark Replacement

If the Airport Authority or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Airport Authority or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Airport Authority, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 7(h)

(*Floating Rate Note Provisions — Benchmark Replacement (SOFR Benchmark)*)). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Airport Authority or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) Decisions and Determinations

Any determination, decision or election that may be made by the Airport Authority or its designee pursuant to this Condition 7(h) (*Floating Rate Note Provisions — Benchmark Replacement (SOFR Benchmark)*), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Airport Authority or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the Noteholders or any other party.

The following defined terms shall have the meanings set out below for purpose of Conditions 7(d) (*Floating Rate Note Provisions — Screen Rate Determination for Notes where the Reference Rate is specified as being SOFR Benchmark*) and this Condition 7(h) (*Floating Rate Note Provisions — Benchmark Replacement (SOFR Benchmark)*):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the relevant Pricing Supplement; provided that if the Airport Authority or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Airport Authority or its designee as of the Benchmark Replacement Date:

(i) the sum of:

(1) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(2) the Benchmark Replacement Adjustment;

(ii) the sum of:

(1) the ISDA Fallback Rate; and

(2) the Benchmark Replacement Adjustment; or

(iii) the sum of:

(1) the alternate reference rate that has been selected by the Airport Authority or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Notes at such time; and

(2) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Airport Authority or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Airport Authority or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Airport Authority or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Airport Authority or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Airport Authority or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Airport Authority or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) in the case of sub-paragraph (i) or (ii) of the definition of "**Benchmark Event**", the later of:

(1) the date of the public statement or publication of information referenced therein; and

(2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of sub-paragraph (iii) of the definition of "**Benchmark Event**", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Airport Authority in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Index Determination Time (where SOFR Compounded Index is specified in the relevant Pricing Supplement); or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Airport Authority or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(i) ***Maximum or Minimum Rate of Interest***: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(j) ***Calculation of Interest Amount***: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a subunit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(k) ***Calculation of other amounts***: If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.

(l) ***Publication***: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Airport Authority, the Paying Agents and each competent authority, stock exchange and/ or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and details of which have been notified to the Calculation Agent by the Airport Authority, as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the second day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(m) ***Notifications etc***: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Floating Rate Note Provisions*) by the Calculation Agent will (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Airport Authority, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

(a) ***Application***: This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Late payment on Zero Coupon Notes***: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) 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 Noteholder and (B) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Dual Currency Note Provisions

(a) ***Application***: This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Rate of Interest***: If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10. Redemption and Purchase

(a) ***Scheduled redemption***: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*).

(b) ***Redemption for tax reasons***: The Notes may be redeemed at the option of the Airport Authority in whole, but not in part:

(i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) the Airport Authority has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*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 the date of issue of the first Tranche of the Notes; and

(B) such obligation cannot be avoided by the Airport Authority 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 Airport Authority 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 paragraph, the Airport Authority shall deliver to the Fiscal Agent (A) a certificate signed by an authorised officer of the Airport Authority stating that the Airport Authority is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Airport Authority so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Airport Authority has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b) (*Redemption and Purchase — Redemption for tax reasons*), the Airport Authority shall be bound to redeem the Notes in accordance with this Condition 10(b) (*Redemption and Purchase — Redemption for tax reasons*).

(c) ***Redemption upon a Relevant Event***

The Airport Authority will, at the option of the Holder of any Note, redeem the Notes held by that Noteholder on the Relevant Event Early Redemption Date at their principal amount, together with interest accrued (if any) to the date fixed for redemption, on the occurrence of either of the following events (each, a "**Relevant Event**"):

(i) as a result of any action on the part of the Airport Authority or the Government of Hong Kong or as a result of any new law or regulation of Hong Kong, the Government of Hong Kong either (A) ceases to have power to control the composition of the majority of the Board of the Airport Authority; or (B) ceases to hold, directly or indirectly, more than half in nominal value of the voting share capital of the Airport Authority; or

(ii) the Airport Authority 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 Airport Authority or where such vesting will not materially prejudice the interests of the Noteholders) all or substantially all of the Restricted Assets, and to impose upon such other body corporate all or substantially all of the obligations and liabilities of the Airport Authority or, as the case may be, such of them as relate to the Restricted Assets, including all the obligations and liabilities of the Airport Authority under the Agency Agreement, the Notes and the Coupons; 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 Airport Authority; or (G) any disposal made by the Airport Authority in connection with the SKYCITY CLK No. 3 Portion or the 3RS Project.

The Airport Authority shall give notice to Noteholders in accordance with Condition 20 (*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 10(c) (*Redemption and Purchase — Redemption upon a Relevant Event*), 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 together with all unmatured Coupons relating thereto 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 Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(c) (*Redemption and Purchase — Redemption upon a Relevant Event*), 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 Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder 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 10(c) (*Redemption and Purchase — Redemption upon a Relevant Event*), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(d) ***Redemption at the option of the Airport Authority***: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Airport Authority in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Airport Authority's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Airport Authority to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus interest accrued (if any) to such date).

(e) ***Partial redemption***: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(d) (*Redemption and Purchase — Redemption at the option of the Airport Authority*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(d) (*Redemption and Purchase — Redemption at the option of the Airport Authority*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

So long as the Notes are in global form and the certificate representing or evidencing such Notes is held on behalf of Euroclear, Clearstream, the CMU and/or an alternative clearing system, the selection of Notes for redemption under Condition 10(e) (Redemption and Purchase — Partial redemption) shall be effected in accordance with the rules of the relevant clearing system.

(f) ***Redemption at the option of Noteholders***: If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Airport Authority shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest accrued (if any) to such date. In order to exercise the option contained in this Condition 10(f) (*Redemption and Purchase — Redemption at the option of Noteholders*), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto 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 Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(f) (*Redemption and Purchase — Redemption at the option of Noteholders*), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder 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 10(f) (*Redemption and Purchase — Redemption at the option of Noteholders*), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(g) ***No other redemption***: The Airport Authority shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.

(h) ***Early redemption of Zero Coupon Notes***: Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(h) (*Redemption and Purchase — Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) ***Purchase***: The Airport Authority or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith. Any Notes purchased pursuant to this Condition 10(i) (*Redemption and Purchase — Purchase*) may be held, reissued or resold, or may be surrendered to the Fiscal Agent for cancellation.

(j) ***Cancellation***: All Notes so redeemed or purchased and surrendered for cancellation by the Airport Authority or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. Payments — Bearer Notes

This Condition 11 (*Payments — Bearer Notes*) is only applicable to Bearer Notes.

(a) ***Principal — Bearer Notes not held in CMU***: Payments of principal in respect of Notes not held in the CMU shall be made against presentation and (**provided that** payment is made in full) surrender of Bearer Notes (i) in the case of a currency other than Renminbi, at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); and (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

(b) ***Interest — Bearer Notes not held in CMU***: Payments of interest in respect of Notes not held in the CMU shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons (i) in the case of a currency other than Renminbi, at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above; and (ii) in the case of Renminbi, by transfer to a Renminbi account as described in paragraph (a) above.

(c) ***Principal and Interest — Bearer Notes held in CMU***: Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Airport Authority in respect of that payment.

(d) ***Payments in New York City***: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Airport Authority has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(e) ***Payments subject to fiscal laws***: All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(f) ***Deductions for unmatured Coupons***: If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(g) ***Unmatured Coupons void***: If the relevant Pricing Supplement specifies that this Condition 11(g) (*Payments — Bearer Notes — Unmatured Coupons void*) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption and Purchase — Redemption for tax reasons*), Condition 10(f) (*Redemption and Purchase — Redemption at the option of Noteholders*), Condition 10(d) (*Redemption and Purchase — Redemption at the option of the Airport Authority*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(h) ***Payments on business days***: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(i) ***Payments other than in respect of matured Coupons***: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (d) above).

(j) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will enface thereon a statement indicating the amount and date of such payment.

(k) ***Exchange of Talons***: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. Payments — Registered Notes

This Condition 12 (*Payments — Registered Notes*) is only applicable to Registered Notes.

(a) ***Principal — Registered Notes not held in CMU***: Payments of principal in respect of Registered Notes not held in the CMU shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent, and (ii) in the case of Renminbi, by transfer to the registered account of the Noteholder on the fifth day before the due date for payment thereof.

(b) ***Interest — Registered Notes not held in CMU***: Payments of interest in respect of Registered Notes not held in the CMU shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by (i) in the case of a currency other than Renminbi, a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent, and (ii) in the case of Renminbi, by transfer to the registered account of the Noteholder on the fifth day before the due date for payment thereof. In Conditions 12(a) (*Payments — Registered Notes — Principal — Registered Notes not held in CMU*) and 12(b) (*Payments — Registered Notes — Interest — Registered Notes not held in CMU*), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) ***Principal and Interest — Registered Notes held in CMU***: Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Airport Authority in respect of that payment.

(d) ***Payments subject to fiscal laws***: All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(e) ***Payments on business days***: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note 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 Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 (*Payments — Registered Notes*) arriving after the due date for payment or being lost in the mail.

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

(g) ***Record date***: Each payment in respect of a Registered 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**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

13. Taxation

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Airport Authority 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 therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Airport Authority shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts 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 or Coupon:

(a) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon 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 Coupon; or

(b) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

14. 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, interest or other amount due in respect of any Note; or

(b) ***Cross default***: (i) the Airport Authority shall default in the payment of any principal of or interest on any Borrowed Money beyond any period of grace provided in respect thereof, or (ii) the Airport Authority shall fail to honour when due and called upon any guarantee of any Borrowed Money, or (iii) any Borrowed Money of the Airport Authority shall become due and 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 Airport Authority; or

(c) ***Other default***: the Airport Authority 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 Noteholder; or

(d) ***Liquidation***: an order is made or an effective resolution is passed or an enactment is passed for the winding up, liquidation or dissolution of the Airport Authority, other than in the case of a Relevant Event; or

(e) ***Enforcement of security***: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Airport Authority or a distress or execution shall be levied or enforced upon or sued out against any substantial part of the undertaking, assets and revenues of the Airport Authority and is not discharged within 60 days of being levied or enforced,

then any Note may, by written notice addressed by the Holder thereof to the Airport Authority and delivered to the Airport Authority 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 Early Termination Amount together with accrued interest (if any) without further formality.

15. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years (in the case of principal) and five years (in the case of interest) of the appropriate Relevant Date.

16. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system 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 Airport Authority may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17. Agents

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

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Airport Authority reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that**:

(a) the Airport Authority shall at all times maintain a fiscal agent and a registrar;

(b) the Airport Authority shall at all times maintain a CMU Lodging Agent in relation to Notes accepted for clearance through the CMU;

(c) if a Calculation Agent is specified in the relevant Pricing Supplement, the Airport Authority shall at all times maintain a Calculation Agent; and

(d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Airport Authority shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Any variation, termination, appointment, change or appointment referred to in this Condition 17 (*Agents*) shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 20 (*Notices*).

18. Meetings of Noteholders; Modification and Waiver

(a) ***Meetings of Noteholders***: The Agency Agreement contains provisions for convening meetings of Noteholders 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 Airport Authority and shall be convened by them upon the request in writing of Noteholders 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 Noteholders 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 Noteholders 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 Noteholders and Couponholders, whether present or not.

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

(b) ***Modification***: The Fiscal Agent and the Airport Authority may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes, the Coupons, 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 Coupons, the Conditions, the Deed of Covenant or the Agency Agreement. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 20 (*Notices*) as soon as practicable thereafter.

19. Further Issues

The Airport Authority may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes 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.

20. Notices

(a) ***Bearer Notes***: Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) ***Registered Notes***: Notices to the Holders of Registered Notes shall 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.

So long as the Notes are in global form and the certificate representing or evidencing such Notes is held on behalf of Euroclear, Clearstream, the CMU and/or an alternative clearing system, notices to Noteholders shall be given by delivery of the relevant notice to Euroclear, Clearstream, the CMU and/or the alternative clearing system, as the case may be, for communication by it to entitled accountholders in substitution for notification as required by the Conditions ***provided that****, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a leading daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear, Clearstream, the CMU and/or the alternative clearing system, as the case may be.*

21. Currency Indemnity

If any sum due from the Airport Authority in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Airport Authority, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Airport Authority shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Airport Authority and delivered to the Airport Authority or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Airport Authority and shall give rise to a separate and independent cause of action.

22. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (ii) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (iii) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (iv) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. 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 Airport Authority 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 Airport Authority, the Airport Authority shall, on the written demand of any Noteholder addressed and delivered to the Airport Authority 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 Noteholder shall be entitled to appoint such a person by written notice addressed to the Airport Authority and delivered to the Airport Authority or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

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

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Global Notes and Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and/or Clearstream (the "**Common Depositary**") or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with the Common Depositary or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear and/or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems (such as the CMU) through direct or indirect accounts with Euroclear and/or Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules at the relevant time (which notification, in either case, shall be conclusive evidence of the records of the CMU) shall be the only person(s) entitled, as in the case of Registered Notes, directed or deemed by the CMU as entitled, to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held with the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable, in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any exchange between a temporary Global Note and a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant accountholders (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU) have certified as to non-U.S. beneficial ownership as set out above.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes", in part for Definitive Notes:

(i) on the expiry of such period of notice as may be specified in the Pricing Supplement; or

(ii) if the Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

   (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream or the CMU or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

   (2) if any of the circumstances described in Condition 14 (*Events of Default*) occurs.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

If the Pricing Supplement states that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, or the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 3(f) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;

(ii) if any of the circumstances described in Condition 14 (*Events of Default*) occurs; or

(iii) with the prior consent of the Issuer, **provided that**, in the case of the first transfer of part of a holding pursuant to (i) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Definitive Notes if principal in respect of any Notes is not paid when due, or (2) as set out in the relevant Pricing Supplement relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes, as the case may be. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not more than 60 days, or in the case of an exchange for Registered Notes, five days, or in the case of the circumstances described in Condition 14 (*Events of Default*) arising, 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions.

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership. All payments in respect of Notes represented by a Global Note (except with respect to Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 17(c) and Condition 13(b) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note (except with respect to Global Note held through the CMU), the relevant place of presentation shall be disregarded in the definition of "**Payment Business Day**" set out in Condition 2(a).

All payments in respect of Notes represented by a Global Certificate (except with respect to Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note are credited (as set out in the records of the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 2).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by a permanent Global Note or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or Global Certificate.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for notation.

Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU.

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The business, financial condition and/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 its obligations under the 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 the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay principal, interest or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks in connection with holding the 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 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. While travel restrictions have been lifted in most countries, the pace and magnitude of air travel recovery remain uncertain. Furthermore, the previous pandemic related traveling restrictions have resulted in a significant shortage of labour. This has caused and may continue to cause, among others, delay in completion of and increased difficulties in hiring workers for infrastructure construction projects, as well as resumption of services even after uplift of travel restrictions.

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 2022, HKIA handled 1.4 million passengers and 144,510 flight movements, representing increases of 75% and 13%, respectively, compared to the year ended 31 March 2021. For the year ended 31 March 2023, the number of passengers and flight movements handled by HKIA further increased to 12.4 million and 161,160, respectively, representing increases of 769.8% and 11.5%, respectively compared to the year ended 31 March 2022. Such numbers have rebounded significantly after pandemic-related travel restrictions were lifted. Although there has been gradual resumption in air traffic movements since restrictions were completely lifted in Hong Kong in February 2023, the drop in traffic throughput in HKIA brought by the COVID-19 pandemic had an adverse impact on the overall business, financial condition and results of operations of the Airport Authority.

Despite the gradual resumption of passenger traffic, the passenger traffic has not rebounded to pre-pandemic level and 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 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, during the COVID-19 pandemic, 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 air-bridge 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. 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*".

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

In addition to the outbreak of COVID-19, there were other outbreaks of contagious diseases in the past, such as 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 31 March 2023, the Airport Authority had total interest-bearing borrowings of HK$102,828 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 31 March 2023, 32% and 68% 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 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 that extraordinary time, the Airport Authority has previously relaxed certain credit terms and undertaken other measures to help its counterparties weather the storm. The Airport Authority will closely monitor its business and operations and, if appropriate, will take into account the operating environment of the Airport Authority and its counterparties.

As a result of the foregoing, as at 31 March 2023, the Airport Authority has recognised a loss allowance in respect of trade debtors of HK$1,082 million, which is a slight decrease comparing to the year ended 31 March 2022. The Airport Authority has also incurred net loss of HK$2,755 million and HK$1,930 million, respectively, for the years ended 31 March 2022 and 2023, which represents a year-on-year decrease of 30%.

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

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

Of the approximately 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.

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

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

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

As at 31 March 2023, the Airport Authority had total interest-bearing borrowings of HK$102,828 million. The Airport Authority's interest payments in respect of notes and bank loans for the year ended 31 March 2023 amounted to HK$2,014 million. For example, in January 2023, the Airport Authority issued U.S.$3 billion multi-tranche notes comprising the U.S.$500 million 4.875 per cent. senior notes due 2026, the U.S.$1 billion 4.750 per cent. green notes due 2028, the U.S.$700 million 4.875 per cent. senior notes due 2030 and the U.S.$800 million 4.875 per cent. senior notes due 2033. In January 2022, the Airport Authority issued U.S.$4 billion multi-tranche notes comprising the U.S.$1.2 billion 2.500 per cent. notes due 2032, the U.S.$1.2 billion 3.250 per cent. notes due 2052, the U.S.$600 million 3.500 per cent. notes due 2062 and the U.S.$1 billion 1.750 per cent. green notes due 2027. In February 2021, the Airport Authority issued U.S.$900 million principal amount of notes and U.S.$600 million principal amount of notes due 2031 and 2051, respectively. In June 2020, the Airport Authority established five-year unsecured HK$35 billion term and revolving credit facilities with 21 local and international banks. The facilities comprise a term loan tranche of HK$17.5 billion and a revolving credit facility tranche of the same amount. At the scheduled maturity of the notes issued and the term and revolving credit facilities, and subject to the recovery of traffic in HKIA, the Airport Authority may need to refinance a portion of the notes and the term and revolving credit facilities. The availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and, therefore, any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets. In addition, factors such as the geopolitical risks may adversely affect market confidence, which in turn, affects the cost and availability of funding. No assurance can be given that refinancing or additional financing will be readily available or on attractive or historically comparable terms or that the cost of such refinancing or additional financing will not have a material adverse effect on the Airport Authority's business, financial condition and results of operations.

The Airport Authority requires significant funding for its business

The Airport Authority incurs substantial capital expenditure and other expenses each year to provide, operate, develop and maintain HKIA. 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 Project 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 was opened to the public on 23 September 2018. The high speed rail is expected to dramatically improve rail service quality and raise train transportation to a competitive level to air travel. These high-speed connections may compete with air transportation and reduce the number of passengers using HKIA.

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

The military conflicts between Russia and Ukraine have resulted in significant market disruptions, volatility to the prices of energy, oil and other commodities and disruptions to the supply chain globally. The United States and other countries and certain international organisations have imposed broad-ranging financial and economic sanctions on, and export controls and import restrictions against Russia and certain Russian individuals, banking entities and corporations, including Russian airlines and Russian-operated airplanes. In particular, the United States and certain other countries have imposed a flight ban on Russian planes and Russia has also closed off its airspace to airlines from certain countries. In order for foreign registered aircraft to operate scheduled journeys to and from Hong Kong, an operating permit must be obtained from the Director-General of Civil Aviation under section 3(1)(a) of the Air Transport (Licensing of Air Services) Regulations (Cap. 448A) of the laws of Hong Kong. In addition, all airline or aircraft operators shall obtain a slot allocated by the Civil Aviation Department for each aircraft movement (arrival and departure) before operating to or from HKIA. The Airport Authority is accordingly not empowered to direct or reject aircraft to land at or depart from the HKIA. Pursuant to section 34 of the Ordinance, the Airport Authority has a statutory obligation to charge for services that it provides. The Airport Authority would be legally obliged to allow Russian airplanes, if any, to land at the HKIA and charge for services provided (e.g. landing and parking services). Depending on the facts and circumstances and enforcement priorities of the relevant sanctions authorities, the Airport Authority may potentially face sanctions or export control risks. The 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 Circular, 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 (the "**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. As at the date of this Offering Circular, the law enforcement actions and relevant legal proceedings in relation to the former staff are still ongoing.

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 works of the 3RS kicked off.

In September 2017, the Airport Authority released the report on the detailed funding study for the 3RS Project submitted by its financial 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. 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, a series of flight checks for the third runway was completed. In July 2022, operation familarisation for flights on the third runway commenced. On 25 November 2022, the third runway was officially commissioned on time and within budget. As at the date of this Offering Circular, works progress steadily on all fronts with the target to complete the 3RS in 2024. The Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand.

Although the 3RS Project is underway, there is no assurance that HKIA's runway capacity can be increased to meet its future growth. 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 further system failures and delays in the future, or the measures taken by the Airport Authority to reduce the risk of system disruptions are effective or adequate.

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

The Airport Authority is subject to the Personal Data (Privacy) Ordinance (Cap. 486) of the laws of Hong Kong (the "**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 grants 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. In November 2022, the Airport Authority has deepened its collaboration with Zhuhai by signing a memorandum of understanding with the Zhuhai Municipal People's Government. On 16 February 2023, the Airport Authority signed a co-operation framework agreement with the Dongguan Municipal People's Government to deepen collaboration. In addition to setting up the HKIA Logistics Park and a new airside intermodal cargo pier at HKIA, the co-operation framework agreement covers various areas on which the Dongguan Municipal People's Government and the Airport Authority will work together to enhance air cargo services in Greater Bay Area, and to implement customs clearance facilitation initiatives by Mainland authorities. There can be no assurance that due to other factors such ventures will materialise as envisaged or at all. Any failure of such new ventures may have a material adverse effect on the Airport Authority's business, financial condition and results of operations.

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 changes such as increasing temperature in Hong Kong may also result in higher energy consumption and increase the operating costs of the Airport Authority in running HKIA.

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

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

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

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 — Hong Kong is exposed to geopolitical risk which may affect the Airport Authority's 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, and the collapse of a number of financial institutions, all of which have led to less favourable financial and economic conditions.

In addition, the Sino-U.S. trade tensions since July 2018 have also caused volatility in the global markets. For example, air cargo continues to face headwinds from the trade war between the United States and the PRC, and the trade tension has had a negative impact on HKIA's cargo throughput. The considerable 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. 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 Circular 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 Circular, 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 issued under the Programme

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.

Notes may not be a suitable investment for all investors

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

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

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

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

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

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments 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 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 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 Conditions of the Notes are based on English law in effect as at the date of issue of the relevant 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 relevant Notes.

As the Global Notes and Global Certificates are held by or on behalf of Euroclear and Clearstream or CMU, investors will have to rely on their procedures for transfer, payment and communication with the Airport Authority

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes and Global Certificates will be deposited with a Common Depositary for Euroclear and Clearstream or lodged with a sub-custodian for CMU. Except in the circumstances described in the relevant Global Note or a Global Certificate, investors will not be entitled to receive definitive Notes. Euroclear, Clearstream and CMU will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream or, as the case may be, CMU.

While the Notes are represented by one or more Global Notes or Global Certificates, the Airport Authority will discharge its payment obligations under the Notes by making payments to the Common Depositary for Euroclear and Clearstream or, as the case may be, to CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of Euroclear and Clearstream or, as the case may be, CMU, to receive payments under the relevant Notes. The Airport Authority has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates. Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream or, as the case may be, CMU, to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the Global Notes or Global Certificates to take enforcement action against the Airport Authority in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

Notes issued with a minimum denomination

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or a Global Certificate and Euroclear and Clearstream or, as the case may be, CMU (or other relevant clearing system) so permit, the 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) Euroclear or Clearstream or, as the case may be, CMU (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 14 (Events of Default) occurs. The Pricing Supplement may provide that, if definitive Notes are issued, such Notes will be issued in respect of all holdings 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 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.

Risks relating to Renminbi-denominated Notes

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible. There are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar. However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC Government.

Although the People's Bank of China ("**PBoC**") has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Airport Authority to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Airport Authority's ability to source Renminbi outside the PRC to service the Renminbi Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBoC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC, although PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Airport Authority is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Airport Authority will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The PBoC has in recent years implemented changes to the way it calculates the Renminbi's daily mid-point price against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and other changes such as widening the trading band that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Renminbi Notes.

Payments with respect to the Renminbi Notes may be made only to investors in the manner designated in the Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the Common Depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Airport Authority cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Investment in Renminbi Notes may be subject to PRC tax

In considering whether to invest in the Renminbi Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the Noteholders' investment in the Renminbi Notes may be materially and adversely affected if the Noteholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Renminbi Notes.

Remittance of proceeds in Renminbi into or out of the PRC

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the PRC Government will not impose any interim or long-term restrictions on capital inflow or outflow which may restrict cross-border Renminbi remittances, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Airport Authority

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, 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 in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Airport Authority may elect to redeem Notes, 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 Notes when its cost of borrowing is lower than the interest rate on the Notes. 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 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.

Dual Currency Notes

The Airport Authority may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Notes payable in instalment

The Airport Authority may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (including the euro interbank offered rate ("**EURIBOR**") and the Hong Kong inter-bank offered rate ("**HIBOR**")) are the subject of national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event (as defined in the Conditions) occurs in respect of an original Reference Rate or other relevant reference rate and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Conditions), with the application of an adjustment spread (which could be positive, negative or zero), and may include amendments to the Conditions to ensure the proper operation of the new benchmark, all as determined by the Airport Authority (acting in good faith and in consultation with an Independent Adviser) and as more fully described at Condition 7(g) and Condition 7(h). It is possible that the adoption of a Successor Rate or Alternative Reference Rate, including any adjustment spread, may result in any Notes linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the original Reference Rate were to continue to apply in its current form. There is also a risk that the relevant fallback provisions may not operate as expected or intended at the relevant time.

Furthermore, in certain circumstances, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The use of SOFR as a reference rate is subject to important limitations

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 7(d)).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to U.S. dollar London interbank offered rate ("**LIBOR**"). However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in the SOFR as an indicator of future changes in the SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of the SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources. The Issuer has no control over its determination, calculation or publication. There can be no guarantee that the SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which the SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event with respect to SOFR occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes

Investors should be aware that the market continues to develop in relation to SOFR as a reference in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Conditions. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR does not prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Airport Authority may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Airport Authority's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Airport Authority may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Airport Authority converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Airport Authority converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

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

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes 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 Airport Authority. Although an application has been made for the Programme to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes issued under the Programme 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 Tranche of Notes.

Exchange rate risks and exchange controls

The Airport Authority will pay principal and interest on the Notes in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 Inventor's Currency relative to the Specified Currency 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.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. 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. 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 any 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 net proceeds of any Notes issued under the Programme 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, or as may otherwise be disclosed in the relevant Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

Capitalisation and indebtedness of the Airport Authority

The following table sets out the consolidated capitalisation and indebtedness of the Issuer as at 31 March 2023:

	As at 31 March 2023
	(HK$ million)
Interest-bearing borrowings due after one year	102,828
Total interest-bearing borrowings	**102,828**
Share capital [(1)]	30,648
Reserves	47,078
Perpetual capital securities	11,585
Non-controlling interests	349
Capital and reserves	**89,660**
Total capitalisation and indebtedness [(2)]	**192,488**

Notes:

(1) As at 31 March 2023, the Issuer has an authorised share capital of HK$30,648,000,000, divided into 306,480 ordinary shares of HK$100,000 each, and an issued share capital of HK$30,648,000,000 consisting of 306,480 ordinary shares of HK$100,000 each, all of which are fully paid.

(2) Total capitalisation and indebtedness represents the sum of total interest-bearing borrowings, and capital and reserves.

Other than as stated herein, there has been no material change to the capitalisation and indebtedness of the Airport Authority since 31 March 2023.

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, a series of flight checks for the third runway was completed. In July 2022, operation familiarisation for flights on the third runway commenced. On 25 November 2022, the third runway was officially commissioned on time and within budget. As at the date of this Offering Circular, works progress steadily on all fronts with the target to complete the 3RS in 2024. The Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand.

As of May 2023, the total floor area of Terminal 1 ("**T1**"), T1 Midfield Concourse, T1 Satellite Concourse, Sky Bridge and SkyPier was around 752,000 square metres with 119 passenger stands, 55 cargo stands, 29 long term and maintenance stands and nine temporary stands.

HKIA can handle 69 aircraft movements per hour at peak hours. HKIA ranked as the world's busiest international cargo airport for 12 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 4.6 million tonnes cargo throughput in the same year. For the years ended 31 March 2022 and 2023, HKIA's cargo and airmail throughput reached 4.9 million tonnes and 4.1 million tonnes, respectively, again making HKIA the world's busiest airport in terms of international cargo. The following tables set forth passenger traffic, cargo and airmail throughput and aircraft movements of HKIA for the periods indicated.

	For the years ended 31 March		
	2023	**2022**	**2021**
Passenger traffic[1] (in millions of passengers)	12.4	1.4	0.8
Cargo and airmail throughput[2] (in millions of tonnes)	4.1	4.9	4.6
Aircraft Movements (in thousands)	161	145	128

Notes:

(1) Passenger traffic includes originating, terminating, transfer and transit passengers. Transfer and transit passengers are counted twice.

(2) Cargo throughput includes originating, terminating and transshipment cargo. Transshipment cargo is counted twice. Airmail throughput includes airmail from Hongkong Post and transit mail from airlines.

For the years ended 31 March 2021, 2022 and 2023, the consolidated revenue of the Group amounted to HK$5,936 million, HK$5,798 million and HK$8,217 million, respectively. The revenue streams of the Group can be divided into aeronautical and non-aeronautical.

Aeronautical revenue consists of airport charges, security charges and aviation security services. For the years ended 31 March 2021, 2022 and 2023, aeronautical revenue of the Group amounted to HK$2,240 million, HK$2,714 million and HK$3,017 million, representing approximately 38%, 47% and 37%, respectively, of the Group's revenue.

Non-aeronautical revenue consists of airside support services franchises, retail licences and advertising revenue, other terminal commercial revenue, real estate revenue, convention and exhibition revenue and other income. For the years ended 31 March 2021, 2022 and 2023, non-aeronautical revenue of the Group amounted to HK$3,696 million, HK$3,084 million and HK$5,200 million, representing approximately 62%, 53% and 63%, 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 the Income and Expenditures*".

Recent Developments

Gradual traffic resumption

Passenger traffic at HKIA has been rising since the relaxation of travel restrictions. As at July 2023, HKIA handled over 120,000 passengers a day, representing about 60% of the pre-pandemic level.

Over the first seven months of 2023, HKIA handled 20.4 million passengers, increasing more than 15 times from the low base recorded during the same period in 2022. HKIA handled 142,840 flight movements, representing 94% year-on-year growth. Cargo volume declined by 4.2% year-on-year to 2.4 million tonnes.

On a 12-month rolling basis, passenger volume at HKIA increased significantly 10 times year-on-year to 24.8 million, while flight movements rose by 44.6% to 207,925. Cargo throughput saw a decrease of 14% to 4.1 million tonnes.

Rebuilding passenger traffic

In March 2023, the Airport Authority launched the HKIA "World of Winners" Tickets Giveaway Campaign. Around 500,000 air tickets will be given away to travellers in major passenger markets in support of the Government's global promotions, with a view to expediting the recovery of the aviation and tourism industries. The giveaway started in Southeast Asia markets on 1 March 2023, followed by the Mainland China, Northeast Asia, Hong Kong and other markets.

On 15 April 2023 and 18 April 2023, the Airport Authority launched the giveaway in Shanghai and Beijing, respectively, with 140,000 tickets for travellers from the Mainland China. On 22 April 2023, the Airport Authority launched the giveaway in Guangzhou, with 80,000 tickets for residents of the Greater Bay Area. On 13 May 2023, the Airport Authority launched the giveaway in Seoul, with 24,000 tickets for travellers from Korea. On 18 May 2023, the Airport Authority launched the giveaway in the United States and Canada. On 24 June 2023, the Airport Authority launched the giveaway in Tokyo, with over 38,000 tickets for Japanese residents to visit Hong Kong. On 11 July 2023, the Airport Authority launched the giveaway for Hong Kong residents, with a total of 80,000 tickets available for distribution.

With the steady recovery of air traffic, the HKIA recently welcomed a new passenger airline, Royal Air Philippines, operating a new flight route connecting Hong Kong and the Philippines. The airline had been operating three flights a week to and from Caticlan since 9 July 2023. In addition, a new destination, Nantong in Jiangsu Province, the Mainland China, has been added to further expand HKIA's extensive air network.

Labour importation schemes

In June 2023, the Government announced the introduction of sector-specific labour importation schemes which allow import of up to 6,300 frontline workers for the aviation industry, on the premise that local workers' priority for employment is safeguarded. The ten job types under the scheme for the aviation industry include passenger services agent, customer services agent, aircraft tug driver, tractor driver, cabin worker, ramp services agent, warehouse operator/cargo handler, aircraft maintenance mechanic/technician, equipment/loader operator and maintenance technician. The labour importation schemes also cover the construction sector, which aims to alleviate the shortage of construction workers and provide support to the progress of major airport projects. See also "*Risk Factors — Risks relating to the Airport Authority and its activities and operations — Labour shortages could materially and adversely affect the recovery of the aviation industry in Hong Kong and the Airport Authority's business, prospects and results of operations*".

Progress of 3RS

As at the date of this Offering Circular, works progress steadily on all fronts with the target to complete the 3RS in 2024. The Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand.

Competitive Strengths

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

HKIA is strategically located in Asia

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

Rights of Government to negotiate flight routes and air services agreements

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

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

Favourable policy regime for trade and travel

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

The Airport Authority is a statutory body 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.

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

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

In particular, the third runway was officially commissioned on 25 November 2022. The third runway has been operating smoothly and the air traffic at HKIA has been undergoing solid recovery since COVID-19 related travel restrictions were lifted. Works progress steadily on all fronts with the target to complete the 3RS in 2024. While all building and infrastructural works for the 3RS are proceeding, the Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand. The 3RS is expected to enable HKIA to handle 120 million passengers and 10 million tonnes of cargo per year. HKIA was the world's busiest cargo airport in 2022 according to the data released by ACI in July 2023.

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

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

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

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

Strategies

The Group intends to seek to increase 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 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, a series of flight checks of the third runway was satisfactorily completed. In May 2022, the renewed aerodrome licence to operate HKIA was issued by the Civil Aviation Department to the Airport Authority, with the third runway and associate taxiways included in the licence. Furthermore, amendments were made to the Map of Restricted Area Order under the Ordinance to reflect the changes in the boundaries of the restricted area arising from the latest developments at HKIA. The new boundaries of the restricted area delineated under the Ordinance include the third runway and associated infrastructure. In July 2022, operation familiarisation for flights on the third runway commenced. On 25 November 2022, the third runway was officially commissioned on time and within budget. As at the date of this Offering Circular, works progress steadily on all fronts with the target to complete the 3RS in 2024. The Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand.

For further details, see "— *Business Operations*" below.

Transform HKIA into a new landmark

In view of the long-term global air traffic growth, especially in the Greater Bay Area, the Airport Authority is undertaking a series of expansion and development projects to reinforce HKIA's status as an international aviation hub and transform it from a city airport to an Airport City. 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 contribute to the economic development of the Greater Bay Area and provide value contribution to other countries.

To improve convenience and service level for cross-boundary intermodal passengers, HKIA will strengthen its land and sea connectivity with the Greater Bay Area with parking facilities and enhancement of connection infrastructure through clean and autonomous transportation with nearby boundary facilities for the Hong Kong-Zhuhai-Macao Bridge ("**HZMB**") and HKIA's nearby local community at Tung Chung. The Airport Authority already has management control of the Zhuhai Airport, the PRC and has also deepened its collaboration with Zhuhai by signing a memorandum of understanding with the Zhuhai Municipal People's Government in November 2022. The key collaboration projects in discussion 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. Through the memorandum of understanding, the Airport Authority would be able to synergise the networks of HKIA and the Zhuhai Airport with the enhanced connectivity provided by HZMB to develop transit services for both passengers and cargo. In addition, on 30 August 2023, the SkyPier Terminal at HKIA commenced operation and welcomed the first group of transfer passengers who travelled by bonded bus from Macao to the HKIA's restricted area directly via the Hong Kong—Zhuhai—Macao Bridge.

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.

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

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

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.

In October 2022, the Airport Authority launched the biometrics-based "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.

In addition, all departure gates in T1 now have e-Boarding Gates that support Flight Token. Passengers can enrol in the Flight Token programme at smart check-in kiosks and airline check-in counters. The Airport Authority is also working with its airline partners to enable enrolment through their mobile apps. Flight Token won the "Award of the Year" and "Smart Mobility Grand Award" at the Hong Kong ICT Awards 2022.

Further, to meet increasing passenger demand for mobile connectivity, the Airport Authority has increased the number of high-speed Wi-Fi zones. It has also introduced advanced Wi-Fi technology that improves data transmission rates and connection stability in environments with many connected devices. It has also established 5G infrastructure and 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. "My HKG" was named "Best in Future of Digital Innovation" at the Hong Kong IDC Future Enterprise Awards 2022.

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

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

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

Airport sustainability commitment

The Airport Authority is committed to achieving net-zero emissions of carbon dioxide ("**Net Zero Carbon**") by 2050. The Airport Authority launched an airport-wide carbon reduction campaign in 2010. Between 2010 and 2015, the Airport Authority and its over 40 business partners successfully collaborated to reduce airport-wide carbon emissions by 25.6% per workload unit from a 2008 baseline. In 2012, the Airport Authority together with other entities operating in HKIA pledged to make HKIA the world's greenest airport and the Airport Authority started publishing sustainability reports in the same year. In 2013, HKIA was awarded level 3 "Optimisation" in the ACI Airport Carbon Accreditation scheme ("**ACA**"), being the first airport in APAC to achieve this rating, and HKIA was also the first airport in APAC to secure a 3-yearly renewal in 2016. In the same year, the Airport Authority set a new pledge to further reduce carbon emissions intensity by 10% by 2020 from 2015 levels. Although on track to achieve the second intensity reduction through to early 2019 with 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 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. In October 2022, the Airport Authority was awarded the ACA Level 4 'Transformation' accreditation, which recognises airports that align with the goals of the United Nations' Paris Agreement. This higher level of accreditation demonstrates the Airport Authority's ongoing commitment to transition to a net zero carbon and climate resilient airport 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 features a vibrant design echoing Hong Kong's hills and peaks, and it introduced a convenient service that helps diners avoid queuing by ordering meals via their mobile device or self-service kiosks located in the food court. To enrich the shopping experience at HKIA, the Airport Authority is also focused on refreshing HKIA's retail offering and has been carefully monitoring the recovery in the retail sector after the COVID-19 pandemic to realign the retail portfolio in line with prevailing market trends. In the year ended 31 March 2021, the Airport Authority also refurbished T1's luxury shopping zone to widen the retail mix and elevate the shopping experience. T1's departure area has been transformed into 12 vibrant zones with themes of entertainment, family-friendliness and relaxation.

In November 2022, the Airport Authority launched its HKairport Rewards loyalty programme to the public. In May 2023, the programme had around 200,000 members. In addition to year-round privileges, members of HKairport Rewards receive points for purchases in HKIA's shops and restaurants, and the online shop, HKairportShop.com. Points can be converted into e-coupons for purchases at HKIA. To further delight shoppers, in March 2023 the Airport Authority debuted a luxury concierge service on HKairportShop.com that allows customers explore their favourite premium products before they fly. Using WhatsApp, WeChat and video calls, passengers can obtain personalised advice, check availability, and buy or reserve products. Meanwhile, product showcases and personal shopping services are available upon request for passengers using the HKIA VIP Lounge.

Ensure safety and security

The Airport Authority's first priority is always the safety and security of passengers, staff and business partners. As HKIA becomes a data-driven airport, the Airport Authority will continue to focus on cybersecurity by using an array of advanced technologies to monitor, analyse and prevent security threats and to protect airport systems and data. In the year ended 31 March 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 2023, 37 drills and exercises and 72 training workshops were held, covering emergency response, public health, security, fire safety, adverse weather preparedness, training for new airline and ground handling staff.

History and Constitution

In April 1990, the Provisional Airport Authority (the "**PAA**") was established by the Provisional Airport Authority Ordinance (Cap. 407) 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 31 March 2023 or consolidated net loss for the year ended 31 March 2023.

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

(a) the Ordinance, which establishes the Airport Authority's status as a statutory body corporate with all appropriate powers to carry out its task; and

(b) the Land Grant (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 Circular, 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 new land grant.

Civil Aviation Regulation and Related Issues

Civil Aviation Regulation

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

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

International civil aviation obligations arise from air services agreements, and treaties such as the Chicago Convention. It is the responsibility of the Government 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. HKIA benefits from air, road and sea transport links to the Pearl River Delta and other regions of Mainland China. For connections with local destinations, the Airport Express Line arrives at Central downtown in 24 minutes or at AsiaWorld-Expo in two minutes. Franchised bus companies also operated about 85 routes as at July 2023. Prior to the COVID-19 pandemic, for connections with the Greater Bay Area, coaches made approximately 550 daily trips between HKIA and more than 110 Mainland cities and towns. Ferries at SkyPier arrive at ten ports in the Greater Bay Area and Macao in 30 to 90 minutes, and SkyLimo operates a fleet of approximately 300 vehicles serving HKIA and the cities in the Greater Bay Area.

HKIA can handle 69 flights per hour at peak hours. It features three runways, two of which are operational — a north runway, a centre runway and a south runway— which are each 3,800 meters in length and 60 meters in width. In addition, a series of flight checks for the north runway was completed in April 2022 and in July 2022, operation familiarisation for flights on the north runway commenced. After the new runway commenced operations, the centre runway was closed for reconfiguration. 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 of May 2023, the total floor area of HKIA was approximately 752,000 square metres, including T1, the T1 Midfield Concourse, the T1 Satellite Concourse, Sky Bridge and SkyPier. HKIA has 369 passenger check-in counters servicing around 120 operating airlines and HKIA has 12 customer service counters.

Cargo Operations

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

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

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

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

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

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

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

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.

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

From City Airport to Airport City

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

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.

3RS Project

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

In April 2016, the Chief Executive in Council granted the approval for the draft Chek Lap Kok OZP, as well as authorisation of the reclamation under the Foreshore and Sea-bed (Reclamations) Ordinance for the expansion of HKIA into a 3RS. On 1 August 2016, the construction of the 3RS Project kicked off. In December 2016, the Airport Authority appointed an independent financial consultant to study the detailed funding plan for the 3RS Project. In September 2017, the Airport Authority released the report on the detailed funding study for the 3RS Project submitted by its financial 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. 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, the 3RS Project achieved several milestones. Around 610 hectares of reclaimed land was handed over to follow-on contractors and construction of the associated sea wall was substantially completed. In the year ended 31 March 2023, installation of the Third Runway's essential systems — including the air navigation service systems, the instrument landing system and the airfield ground lighting system — was completed. In April 2022, a series of flight checks of the third runway was satisfactorily completed. In May 2022, the renewed aerodrome licence to operate HKIA was issued by the Civil Aviation Department to the Airport Authority, with the third runway and associate taxiways included in the licence. In July 2022, operation familiarisation for flights on the third runway commenced. On 25 November 2022, the third runway was officially commissioned on time and within budget. As of the date of this Offering Circular, works progress steadily on all fronts with the target to complete the 3RS in 2024. The Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand.

The Airport Authority signed entrustment agreements with the Architectural Services Department for 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 of May 2023, ten ports in the Greater Bay Area and Macao were linked to the SkyPier which provides speedy cross-boundary ferry services. Sea-to-air and air-to-sea ferry services to Dongguan Humen, Macao Taipa and Zhongshan also restarted. With the introduction of upstream check-in service at some of the ports, SkyPier passengers of the participating airlines can obtain boarding passes and check in baggage at those ports. In July 2022, Greater Bay Airlines joined the upstream check-in service, with Vietjet Air joining in February 2023. SkyPier at HKIA commenced on 28 April 2023 the trial of speedy ferry services serving Pazhou in Guangzhou, connecting the restricted area of HKIA to the downtown of Guangzhou. The new ferry services offer international business parties, members of the exhibition and convention sectors and Guangzhou residents a hassle-free journey to and from Guangzhou and destinations worldwide via HKIA.

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

The Airport Authority has 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. In November 2022, the Airport Authority has deepened its collaboration with Zhuhai by signing a memorandum of understanding with the Zhuhai Municipal People's Government. The key collaboration projects in discussion 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. Through the memorandum of understanding, the Airport Authority would be able to synergise the networks of HKIA and the Zhuhai Airport with the enhanced connectivity provided by HZMB to develop transit services for both passengers and cargo.

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 Circular, construction of the SkyPier Terminal and the associated bonded bridge has been substantially completed and is expected to open in 2023. Upon receipt of statutory approvals, the SkyPier Terminal and the brand new air-to-bridge and bridge-to-air bonded bus transfer service between HKIA and the Zhuhai and Macao BCF via the HZMB and the SkyPier Terminal Bonded Vehicular Bridge will begin operation.

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 31 March 2023, there were three franchisees, namely AFSC Refuelling Ltd., CNAF Hong Kong Refuelling Ltd. and Worldwide Flight Services Fueling (Hong Kong) Ltd., providing into-plane fuelling services at HKIA.

Ground Support Equipment Maintenance

To maintain safe and efficient operation of the airport, as at 31 March 2023, there were two service providers at HKIA to carry out repair, maintenance, engineering and modification services for all types of ground support equipment, vehicle and 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 2022, passenger numbers of HXIA were 20.0 million, a decline of 28.9% compared to 2021. Flight movements also dropped 20.1% to 190,400 largely due to COVID-19. Despite a drop in passenger numbers and flight movements, HXIA ranked fifth among airports in Mainland China. HXIA launched domestic passenger services to Alaer Talimu, Changzhi, Jixi, Qinyang and Tumxuk and launched international passenger and all-cargo flights to Hanoi. In 2022, 60 airlines at HXIA served 135 domestic destinations and 29 regional and international destinations. An off-airport cargo station was also established in Jiaxing. 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 officially commenced. Three major airlines, Air China, China Southern Airlines and Sichuan Airlines moved to the brand-new terminal. With a design capacity of 50 million passengers annually, the new Terminal 4 occupies 720,000 square metres.

Shanghai Hongqiao International Airport

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

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

Zhuhai Airport

In 2006, the Airport Authority established a joint venture with the Zhuhai Municipal Government to manage Zhuhai Airport. As at the date of this Offering Circular, 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 2022, passenger throughput at Zhuhai Airport dropped by 50.0% to 4.0 million, compared to same period last year. Flight movements also contracted by 44.3% to 37,323 and cargo throughput shrank 28.9% to 28,462 tonnes, compared to same period last year. As at 31 March 2023, the Zhuhai Airport served 70 domestic destinations.

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

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

To stimulate traffic growth, 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. A memorandum of understanding was signed by the Airport Authority and Zhuhai Municipal People's Government in November 2022 which included the initiative of the development of a transit service between HKIA and Zhuhai Airport for international cargo, modelled on the "Fly-Via-Zhuhai-HK" passenger service.

Other Operations

Asia World-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 of AWE, 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 "**HKIAA**"), the first civil aviation academy in Hong Kong, was established by the Airport Authority in 2016 with a view to nurturing young talent for the continuous development of Hong Kong's and 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.

In 2022, the HKIAA signed collaboration agreements with the Civil Aviation University of China, the Hong Kong Fire Services Department, Hong Kong Metropolitan University and The Hong Kong Polytechnic University which will further strengthen HKIAA's curriculum and drive its long-term growth. The HKIAA also launched the 12-month Greater Bay Area Youth Aviation Industry Internship Programme, which provides opportunities to about 300 students from Mainland China to gain practical experience at the HKIA.

The HKIAA is also seeking approval from the Civil Aviation Department for a flying training organisation authorisation to conduct a new commercial airline pilot training programme. Such cadet pilot training programme is expected to be launched in late 2023 upon receiving such approval. Upon completion of cadet pilot training, graduates would be provided with job interview opportunities from Hong Kong Airlines for the post of second officer, as part of the carrier's collaboration with HKIAA.

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 Limited which provides dedicated, holistic and tailor-made solutions to its clients. The team comprises experts who have all-round airport experience and comprehensive knowledge of airport functions as well as the specific requirements of airport customers and operators.

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

Aviation Security Company Limited

Aviation Security Company Limited ("**AVSECO**"), one of the subsidiaries of the Airport Authority, is engaged in the provision of aviation security services at HKIA. Based at HKIA, AVSECO's primary role is the provision of aviation security services to safeguard the travelling public and civil aviation operations at HKIA.

Financial Risk Management

The Airport Authority manages its financial risks with a variety of instruments and techniques, including natural hedges achieved by spreading its loan portfolio over different 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 high speed rail was opened to the public in 2018. The high speed rail is expected to dramatically improve rail service quality and raise train transportation to a competitive level 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 31 March 2023, the Airport Authority, excluding its subsidiaries, employed 2,646 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 Circular.

Name	Age	Position
The Honourable Jack So Chak-kwong GBM GBS JP	78	Chairman
Mr. Fred Lam Tin-fuk* GBS JP	65	Member
Ms. Sabrina Chao Sih-ming BBS JP	49	Member
Mr. Philip Chen Nan-lok GBS JP	68	Member
The Honourable Rock Chen Chung-nin NPC Deputy SBS JP	57	Member
Ms. Irene Chow Man-ling	53	Member
The Honourable Christopher Hui Ching-yu* GBS JP	46	Member
The Honourable Lam Sai-hung* GBS JP	61	Member
Mr. Laurence Li Lu-jen SC JP	52	Member
Captain Victor Liu Chi-yung* JP	57	Member
Ir Dr. the Honourable Lo Wai-kwok GBS MH JP	70	Member
Ir Edwin Tong Ka-hung SBS	64	Member
Mr. Adrian Wong Koon-man BBS MH JP	59	Member
Dr. William Wong Ming-fung SC JP	51	Member
Mr Stephen Yiu Kin-wah JP	63	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 and Executive Directors as at the date of this Offering Circular.

Name	Age	Position
Mr. Fred Lam Tin-fuk GBS JP	65	Chief Executive Officer
Mrs. Vivian Cheung Kar-fay	62	Chief Operating Officer
Mr. Steven Yiu Siu-chung	58	Executive Director, Airport Operations
Mr. Ricky Leung Wing-kee	63	Executive Director, Engineering & Technology
Mr. Tommy Leung King-yin	60	Executive Director, Third Runway
Ms. Cissy Chan Ching-sze	57	Executive Director, Commercial
Mr. Julian Lee Pui-hang	48	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 15 Members. The three public officers serving on the Board are the Secretary for Financial Services and the Treasury, the Secretary for Transport and Logistics, and the Director-General of Civil Aviation. The Members of the Board are as follows.

The Honourable Jack So Chak-kwong GBM GBS JP, was appointed Chairman of the Board in June 2015 and reappointed in June 2018, 2021 and 2023. Mr. So is the former Chairman of the Hong Kong Trade Development Council. He is a member of the Chief Executive's Council of Advisers on Economic Advancement and Sustainability. He is also an independent non-executive director of AIA Group Limited and China Resources Power Holdings Company Limited. Previously, Mr. So has acted as Chairman and Chief Executive of the MTR Corporation Limited from 1995 to 2003, Deputy

Chairman and Group Managing Director of PCCW from 2003 to 2007, 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), 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, the President of BIMCO and the Founder & Chairman of SeaKapital Limited. Ms. Chao graduated from Imperial College London with a Bachelor of Science degree in Mathematics with Management and is a leader in 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, a member of the Vocational Training Council and a member of the Council and ex-officio member of the Court in Hong Kong Lingnan University.

Mr. Philip Chen Nan-lok GBS JP, was appointed to the Board in June 2022. Mr. Chen is the former Chief Executive Officer of Hang Lung Group Limited and Hang Lung Properties Limited, Chairman of John Swire & Sons (China) Limited, Chief Executive of Cathay Pacific Airways Limited, Chief Executive of Hong Kong Dragon Airlines Limited, Executive Director of Swire Pacific Limited, John Swire & Sons (H.K.) Ltd. and Chairman of the Hong Kong Jockey Club. He was a Non-Executive Director and currently is an Independent Non-executive Director of Hang Lung Properties Limited, Member of the Hong Kong-Japan Business Co-operation Committee, Advisor to Our Hong Kong Foundation, Director of both the China Overseas Friendship Association and the Shanghai Chinese Overseas Friendship Association. Mr. Chen is a Professor of Practice in Management and Strategy and a Member of the International Advisory Council of the Faculty of Business and Economics, as well as a Member of the Advisory Committee of Shun Hing College, the University of Hong Kong.

The Honourable Rock Chen Chung-nin NPC Deputy SBS JP, was appointed to the Board in June 2020 and reappointed in June 2023. Mr. Chen is a Member of the Legislative Council representing the Election Committee Constituency. Mr. Chen is the Chairman of Pacific Falcon Investment Group Limited with over 30 years of experience in the financial industry and was licensed as a Responsible Officer by the Hong Kong Securities and Futures Commission for over 15 years. He is the Chairman of Hong Kong Council for Accreditation of Academic and Vocational Qualifications. Mr. Chen is a Council Member of the Hong Kong University of Science and Technology, an Independent Non-executive Director of The Bank of East Asia (China) Limited and an Independent Non-executive Director of Chu Kong Shipping Enterprises (Group) Co., Ltd. He is a Deputy to the 14th National People's Congress of the People's Republic of China and a Member of the 12th and 13th National Committees of the Chinese People's Political Consultative Conference. Previously, Mr. Chen was the Chairman of the Hong Kong Examinations and Assessment Authority from 2012 to 2018 and the

Chairman of the Hong Kong Award for Young People from 2010 to 2016. Mr. Chen holds a Bachelor's degree in Economics from the Wharton School, the University of Pennsylvania and a Master's degree in Business Administration from J.L. Kellogg Graduate School of Management, Northwestern University.

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

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

The Honourable Lam Sai-hung GBS JP, became a Board Member in July 2022 upon his appointment as Secretary for Transport and Logistics. Mr. Lam joined the Government 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 infrastructure projects. Between October 2018 and October 2021, he was the Permanent Secretary for Development (Works) overseeing public works policy and infrastructural development. Mr Lam received his Bachelor of Science in Engineering from the University of Hong Kong in 1983. He is a fellow member of the Hong Kong Institution of Engineers and the Institution of Civil Engineers.

Mr. Laurence Li Lu-jen SC JP, was appointed to the Board in June 2022. Mr. Li is the Chairman of the Financial Services Development Council ("**FSDC**"), which is an advisory body to the Government 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 Qatar International Court and Dispute Resolution Centre. He is also a Fellow of the Hong Kong Polytechnic University, an Honorary Fellow of the Asian Institute of International Financial Law at the University of Hong Kong, and a Senior Fellow at the Centre for Financial Regulation and Economic Development at the Chinese University of Hong Kong.

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

Ir Dr the Honourable Lo Wai- 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.

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 the International Institute of Utility Specialists and the Chartered Institution of Water and Environmental Management.

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

Dr. William Wong Ming-fung SC JP, was appointed to the Board in October 2020 and reappointed in June 2023. He is a Senior Counsel of Des Voeux Chambers. Dr. Wong's practice covers a wide spectrum of contentious commercial litigation and has a special focus and substantial experience in the areas of company, insolvency and securities law. He is a Recorder of the High Court of Hong Kong and Chairman of the Committee on Overseas Lawyers Examination of the Hong Kong Bar Association. He is the Vice Chairman of the Board of Review of the Inland Revenue Department and also an Advisor to the Middle Temple Society in Hong Kong. Dr. Wong graduated from the Business Faculty of the Chinese University of Hong Kong in 1994 as the Rhodes Scholar of the year. In 1996, he obtained his degree in Jurisprudence from Wadham College, Oxford. In 2004, he also obtained his LL.M degree from Peking University. In 2012, he was awarded the Doctoral degree from Peking University with a dissertation on corporate insolvency laws.

Mr Stephen Yiu Kin-wah JP, was appointed to the Board in June 2023. Mr Yiu is currently the Chairman of the Insurance Authority, a director of Hong Kong Academy of Finance, an Independent Non-Executive Director of China Mobile Limited (HK) and ANTA Sports Products Limited. He is Council member and the Treasurer of the University of Science and Technology, and a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority and Independent Commission Against Corruption Complaints Committee. He was formerly an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited. Mr Yiu was the Chairman and Chief Executive Officer of KPMG China and Hong Kong, a member of the Executive Committee and the Board of KPMG International and KPMG Asia Pacific. Mr Yiu also served as a member of the Audit Profession Reform Advisory Committee and the Mainland Affairs Committee of the Hong Kong Institute of Certified Public Accountants. Mr Yiu is a fellow member of the Association of Chartered Certified

Accountants and the Hong Kong Institute of Certified Public Accountants. He received a professional diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1983, and holds a Master's degree in Business Administration from the University of Warwick in the United Kingdom.

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), 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 from Southern Illinois University and a Bachelor of Computer Science 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 currently a Director of the Hong Kong-Zhuhai Airport Management Company Limited and the Vice Chairman of the Shanghai Hong Kong Airport Management Co., Ltd. Active in community service, she is a member of the Town Planning Board and the Hong Kong Trade Development Council's Infrastructure Development Advisory Committee.

Mr Steven Yiu Siu-chung, holds a Master of Computer Based IS from 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 of the Terminal of Shanghai Hongqiao International Airport from 2009 to 2012. Mr Yiu is also a registered professional surveyor. Prior joining the Airport Authority, he was actively involved in airport developments since 1990, including the 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 from the Chinese University of Hong Kong and a Bachelor of Science (Engineering) from the University of Hong Kong. Mr. Leung was appointed Executive Director, Engineering & Technology in January 2020. With more than 30 years of experience at the Airport Authority, Mr. Leung is responsible for Airport Authority's engineering and technology development, managing assets and delivering engineering projects at 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 more than 40 years of experience, of which over 30 years are on the planning, design, construction, operation and maintenance of airport infrastructure, facilities and systems. Mr. Leung is also a member of the Vocational Training Council, the Construction Industry Council and a Board member of the Logistics and Supply Chain MultiTech R&D Centre Limited.

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

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

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

Ms. Florence Chung Wai-yee, holds a Master of Science from the Chaminade University of Honolulu and a Bachelor of Social Science from the Chinese University of Hong Kong. Ms. Chung was appointed in October 2014. Before joining the Airport Authority, Ms. Chung was the General Manager of Group Human Resources at HKR International Limited. Ms. Chung has over 30 years of experience in general and human resources management and has held senior positions in sizable companies and public utilities in Hong Kong, including Hutchison Port Holdings Limited and CLP Group. Areas of expertise include organisational development as well as leadership, talent and change management. Ms. Chung is a member of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, 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 NPC Deputy SBS JP, Ms. Irene Chow Man-ling, the Honourable Christopher Hui Ching-yu GBS JP and Mr. Laurence Li Lu-jen SC 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, 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 NPC Deputy SBS JP as Chairman, as well as Mr. Fred Lam Tin-fuk GBS JP, the Honourable Lam Sai-hung GBS JP, Ir Dr. the Honourable Lo Wai-kwok GBS MH JP, Dr. William Wong Ming-fung SC JP and Mr. Adrian Wong Koon-man BBS MH JP as Members.

3RS & Works Committee

The 3RS and Works Committee (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 awards; reviewing and making recommendations to the Board on contract variations; monitoring the progress and implementation of mitigation directions/measures and other commitments as undertaken in the 3RS EIA Report and advising on the Airport Authority's execution plan and ensuring smooth implementation of works projects. The 3RSWC comprises 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, 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.

Compensation of Members and Directors

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

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

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 Circular, as well as "Summary Financial Information". The consolidated financial statements of the Group as at and for the years ended 31 March 2022 and 2023 have been prepared in conformity with HKFRS issued by 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 Circular 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, a series of flight checks for the third runway were completed. In July 2022, operation familiarisation for flights on the third runway commenced. On 25 November 2022, the third runway was officially commissioned on time and within budget. As of the date of this Offering Circular, works progress steadily on all fronts with the target to complete the 3RS in 2024. The Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand.

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 69 aircraft movements per hour at peak hours. HKIA ranked as the world's busiest international cargo airport for 12 times since 2010 according to airport traffic data released by ACI. While recording a significant drop in passenger traffic due to the impact of the COVID-19 pandemic in 2020, HKIA remained as the world's busiest airport in terms of international cargo throughput in 2020. For the years ended 31 March 2022 and 2023, HKIA's cargo and airmail throughput reached almost 4.9 million tonnes and 4.1 million tonnes, respectively, again making HKIA the world's busiest airport in terms of international cargo. The following tables set forth passenger traffic, cargo and airmail throughput and aircraft movements handled by HKIA for the periods indicated.

	For the years ended 31 March		
	2023	**2022**	**2021**
Passenger traffic[1] (in millions of passengers)	12.4	1.4	0.8
Cargo and airmail throughput[2] (in millions of tonnes)	4.1	4.9	4.6
Aircraft movements (in thousands)	161	145	128

Notes:

(1) Passenger traffic includes originating, terminating, transfer and transit passengers. Transfer and transit passengers are counted twice.

(2) Cargo throughput includes originating, terminating and 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 2021, 2022 and 2023, the consolidated revenue of the Group amounted to HK$5,936 million, HK$5,798 million and HK$8,217 million, respectively. The revenue streams of the Group can be divided into aeronautical and non-aeronautical.

Aeronautical revenue consists of airport charges, security charges and aviation security services. For the years ended 31 March 2021, 2022 and 2023, aeronautical revenue of the Group amounted to HK$2,240 million, HK$2,714 million and HK$3,017 million, representing approximately 38%, 47% and 37%, respectively, of the Group's revenue.

Non-aeronautical revenue consists of airside support services franchises, retail licences and advertising revenue, other terminal commercial revenue, real estate revenue, convention and exhibition revenue and other income. For the years ended 31 March 2021, 2022 and 2023, non-aeronautical revenue of the Group amounted to HK$3,696 million, HK$3,084 million and HK$5,200 million, representing approximately 62%, 53% and 63%, 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 United States 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.

The 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 127,760 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 144,510 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. With the relaxation of COVID-19 pandemic-related travel restrictions and the resumption of normal travel between Hong Kong and the Mainland China, the number of flights and passengers rebounded in the year ended 31 March 2023. For the year ended 31 March 2023, HKIA handled 12.4 million passengers and 161,160 flight movements, representing increases of 770% and 12%, respectively, compared to the year ended 31 March 2022. Cargo and airmail throughput dropped 16%, to 4.1 million tonnes for the year ended 31 March 2023, due to the global economic slowdown and supply chain disruptions. In particular, the Group had 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.

As the continuing impact of the COVD-19 pandemic outbreak is difficult to predict, it is impracticable for the Group to estimate the potential impact of the COVID-19 pandemic on its financial performance. See "*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. 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, 2022 and 2023, retail licences and advertising revenue were HK$203 million, HK$62 million and HK$752 million, respectively, representing 3%, 1% and 9%, of the total revenue of the Group during the same period. The increase in the retail licences and advertising revenue for the year ended 31 March 2023 was mainly due to the reopening of shops and restaurants in T1 following the gradual increase in passenger traffic, new duplex boutiques opened in the East Hall luxury shopping zone as well as the reduction in rental relief provided to shops and restaurants. 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 31 March 2023, the Group had cash and bank balances of approximately HK$42,290 million and undrawn committed bank facilities of HK$17,500 million. As at the same date, the Group did not have any interest-bearing borrowings due to be repaid in the upcoming 12 months after 31 March 2023 or on demand.

As at 31 March 2023, the Group's total interest-bearing borrowings amounted to HK$102,828 million, all of which are fixed rate borrowings (after taking account of the impact of designated interest rate swaps) and are due after one year. Such external financing raised by the Group may expose it to the impact of 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. 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 Operations — 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 Circular 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 financial statements as at and for the year ended 31 March 2023 included in this Offering Circular consolidate AsiaWorld-Expo's assets and liabilities as at 31 March 2023 and results of operations for the year ended 31 March 2023. Accordingly, the Group's results of operations for the year ended 31 March 2023 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 year ended 31 March 2023 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 2021, 2022 and 2023 have been prepared in conformity with HKFRS issued by 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 Circular.

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 years ended 31 March					
	2023		2022		2021	
	(in HK$ million)	*%*	*(in HK$ million)*	*%*	*(in HK$ million)*	*%*
Aeronautical						
Airport charges	2,173	27	2,101	36	1,731	29
Security charges	343	4	46	1	23	1
Aviation security services	501	6	567	10	486	8
Non-aeronautical						
Airside support services franchises	1673	20	1,759	30	1,755	30
Retail licences and advertising revenue	752	9	62	1	203	3
Other terminal commercial revenue	613	7	677	12	915	15
Real estate revenue	178	2	169	3	188	3
Convention and exhibition revenue	1,605	20	—	—	—	—
Other income	379	5	417	7	635	11
Revenue	**8,217**	**100**	**5,798**	**100**	**5,936**	**100**

Aeronautical revenue

Aeronautical revenue consists of airport charges, security charges and aviation security services. For the years ended 31 March 2021, 2022 and 2023, aeronautical revenue of the Group amounted to HK$2,240 million, HK$2,714 million and HK$3,017 million, representing approximately 38%, 47% and 37%, 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 2021, 2022 and 2023, airport charges accounted for approximately 29%, 36% and 27%, 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 2021, 2022 and 2023, security charges accounted for approximately 1%, 1% and 4%, 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 2021, 2022 and 2023, aviation security services accounted for approximately 8%, 10% and 6%, 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 2021, 2022 and 2023, non-aeronautical revenue of the Group amounted to HK$3,696 million, HK$3,084 million and HK$5,200 million, representing approximately 62%, 53% and 63%, 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, into-plane fuelling, aircraft catering, aircraft ramp handling, business aviation aircraft handling, airside vehicle parking permits and ground support equipment maintenance. For the years ended 31 March 2021, 2022 and 2023, airside support services franchises accounted for approximately 30%, 30% and 20%, respectively, of the Group's revenue.

Retail licences and advertising revenue

Retail licences and advertising revenue are rents and fees payable to the Airport Authority by licencees providing retail services (primarily duty free shops and general merchandise shops), food and beverage outlets and advertising. For the years ended 31 March 2021, 2022 and 2023, retail licences and advertising revenue accounted for approximately 3%, 1% and 9%, respectively, of the Group's revenue.

Other terminal commercial revenue

Other terminal commercial revenue are income from leasing offices, airport lounges ad check-in counters to airlines and other tenants. For the years ended 31 March 2021, 2022 and 2023, other terminal commercial revenue accounted for approximately 15%, 12% and 7%, 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 2021, 2022 and 2023, real estate revenue accounted for approximately 3%, 3% and 2%, respectively, of the Group's revenue.

Convention and exhibition revenue

Convention and exhibition revenue primarily represents event services and licence income from AsiaWorld-Expo, 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 year ended 31 March 2023, convention and exhibition revenue accounted for approximately 20% of the Group's revenue.

Other income

Other income primarily consists of amortisation of the subsidy from the Government. For the years ended 31 March 2021, 2022 and 2023, other income accounted for approximately 11%, 7% and 5%, 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, government rent and rates, utilities, 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 2021, 2022 and 2023, total operating expenses of the Group amounted to HK$11,223 million, HK$9,215 million and HK$10,712 million, respectively.

	For the years ended 31 March					
	2023		2022		2021	
	(in HK$ million)	%	*(in HK$ million)*	%	*(in HK$ million)*	%
Staff costs and related expenses	2,898	27	2,800	31	2,850	25
Repairs and maintenance	946	9	765	8	734	7
Operational contracted services	995	9	672	7	854	8
Government services	961	9	758	8	712	6
Government rent and rates	285	2	250	3	521	5
Utilities	401	4	261	3	217	2
Other operating expenses	918	9	670	7	2,166	19
Depreciation and amortisation	3,308	31	3,039	33	3,169	28
Total operating expenses	**10,712**	**100**	**9,215**	**100**	**11,223**	**100**

Staff costs and related expenses

Staff costs and related expenses consist primarily of base salaries, housing and other allowances, performance-related compensation and retirement benefits. For the years ended 31 March 2021, 2022 and 2023, staff costs and related expenses accounted for approximately 25%, 31% and 27%, 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 expenses. For the years ended 31 March 2021,2022 and 2023, repairs and maintenance accounted for approximately 7%, 8% and 9%, 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 2021, 2022 and 2023, operational contracted services accounted for approximately 8%, 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 2021, 2022 and 2023, government services accounted for approximately 6%, 8% and 9%, 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 2021, 2022 and 2023, government rent and rates accounted for approximately 5%, 3% and 2%, 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 2021, 2022 and 2023, utilities accounted for approximately 2%, 3% and 4%, respectively, of the Group's total operating expenses.

Other operating expenses

Other operating expenses consist primarily of the corporate promotional activities, consultancy studies, 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 2021, 2022 and 2023, other operating expenses accounted for approximately 19%, 7% and 9%, 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 2021, 2022 and 2023, depreciation and amortisation expense accounted for approximately 28%, 33% and 31%, 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 2021, 2022 and 2023, the Group recorded net interest income of HK$71 million, HK$77 million and HK$508 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 2021, 2022 and 2023.

	For the years ended 31 March		
	2023	**2022**	**2021**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Airport charges	2,173	2,101	1,731
Security charges	343	46	23
Aviation security services	501	567	486
Airside support services franchises	1,673	1,759	1,755
Retail licences and advertising revenue	752	62	203
Other terminal commercial revenue	613	677	915
Real estate revenue	178	169	188
Convention and exhibition revenue	1,605	—	—
Other income	379	417	635
Revenue	**8,217**	**5,798**	**5,936**
Staff costs and related expenses	(2,898)	(2,800)	(2,850)
Repairs and maintenance	(946)	(765)	(734)
Operational contracted services	(995)	(672)	(854)
Government services	(961)	(758)	(712)
Government rent and rates	(285)	(250)	(521)
Utilities	(401)	(261)	(217)
Other operating expenses	(918)	(670)	(2,166)
Operating expenses before depreciation and amortisation	**(7,404)**	**(6,176)**	**(8,054)**
Operating profit/(loss) before depreciation and amortisation	**813**	**(378)**	**(2,118)**
Depreciation and amortisation	(3,308)	(3,039)	(3,169)
Operating loss before interest and finance costs	**(2,495)**	**(3,417)**	**(5,287)**
Interest and finance costs:			
Finance costs	(192)	(14)	(63)
Interest income	700	91	134
	508	77	71
Share of results of an associate	—	78	53
Share of results of joint ventures	(456)	(46)	(34)
Loss before taxation	(2,443)	(3,308)	(5,197)
Income tax credit	513	553	829
Loss for the year	(1,930)	(2,755)	(4,368)

Results of Operations

Year ended 31 March 2023 compared to the year ended 31 March 2022

Aeronautical revenue

Airport charges

Airport charges were HK$2,173 million for the year ended 31 March 2023, representing a 3% increase from HK$2,101 million for the year ended 31 March 2022. The increase was mainly due to an increase in departing passenger traffic and passenger flight movements resulting from the relaxation of restrictions and quarantine measures for inbound travellers, and the resumption of normal travel between Hong Kong and the Mainland China.

Security charges

Security charges were HK$343 million for the year ended 31 March 2023, representing a 646% increase from HK$46 million for the year ended 31 March 2022. The increase was mainly due to the significant rebound of passenger traffic resulting from the relaxation of restrictions and quarantine measures for inbound travellers, and the resumption of normal travel between Hong Kong and the Mainland China.

Aviation security services

Aviation security services revenue was HK$501 million for the year ended 31 March 2023, representing a 12% decrease from HK$567 million for the year ended 31 March 2022. The decrease was mainly due to the suspension of quarantine-related security services provided to the Department of Health in relation to COVID-19.

As a result of the foregoing factors, aeronautical revenue was HK$3,017 million for the year ended 31 March 2023, representing a 11% increase from HK$2,714 million for the year ended 31 March 2022.

Non-aeronautical revenue

Airside support services franchises

Airside support services franchises revenue was HK$1,673 million for the year ended 31 March 2023, representing a 5% decrease from HK$1,759 million for the year ended 31 March 2022, mainly due to (i) lower franchise fees from air cargo handling resulting from the drop in cargo throughput at HKIA; (ii) lower franchise fees from the aviation fuel system due to the relief measures provided to airlines; and (iii) lower ground handling service and cargo revenues at Zhuhai Airport that accompanied decreases in flight movements and cargo throughput.

Retail licences and advertising revenue

Retail licences and advertising revenue was HK$752 million for the year ended 31 March 2023, representing a 1,113% increase from HK$62 million for the year ended 31 March 2022. The increase was mainly due to (i) the reopening of shops and restaurants in T1 following the gradual increase in passenger traffic; (ii) new duplex boutiques that opened in the East Hall luxury shopping zone; as well as (iii) the reduction in rental relief provided to shops and restaurants.

Other terminal commercial revenue

Other terminal commercial revenue was HK$613 million for the year ended 31 March 2023, representing a 10% decrease from HK$677 million for the year ended 31 March 2022. The decrease was mainly due to (i) the amortisation of rental relief for offices and lounges in the terminals; (ii) a decrease in rental income from the Department of Health in relation to the temporary specimen collection centre for arriving passengers in T1 Midfield Concourse; and (iii) lower licence fees from commercial lounges upon contract renewal.

Real estate revenue

Real estate revenue was HK$178 million for the year ended 31 March 2023, representing a 5% increase from HK$169 million for the year ended 31 March 2022.

Convention and exhibition revenue

Convention and exhibition revenue was HK$1,605 million for the year ended 31 March 2023. For further details, see "*— Factors Affecting the Results of Operations — Acquisition of AsiaWorld-Expo*."

Other income

Other income was HK$379 million for the year ended 31 March 2023, representing a 9% decrease from HK$417 million for the year ended 31 March 2022. The decrease was mainly due to a one-off gain on the acquisition of IEC Holdings Limited of HK$59 million for the year ended 31 March 2022.

As a result of the foregoing factors, non-aeronautical revenue was HK$5,200 million for the year ended 31 March 2023, representing a 69% increase from HK$3,084 million for the year ended 31 March 2022,

Staff costs and related expenses

Staff costs and related expenses were HK$2,898 million for the year ended 31 March 2023, representing a 4% increase from HK$2,800 million for the year ended 31 March 2022. The increase was mainly due to adjustments to ensure the market competitiveness of employees' remuneration.

Repairs and maintenance

Repairs and maintenance were HK$946 million for the year ended 31 March 2023, representing a 24% increase from HK$765 million for the year ended 31 March 2022. The increase was mainly due to additional work on the airfield and terminals to ensure safe and reliable operations amid increased traffic, and additional repairs and maintenance costs incurred by Hong Kong IEC Limited.

Operational contracted services

Operational contracted services were HK$995 million for the year ended 31 March 2023, representing a 48% increase from HK$672 million for the year ended 31 March 2022. The increase was mainly due to the consolidation of the results of Hong Kong IEC Limited into the Group.

Government services

Government services were HK$961 million for the year ended 31 March 2023, representing a 27% increase from HK$758 million for the year ended 31 March 2022. The increase was mainly due to higher air traffic control fees as a result of increased flight movements.

Government rent and rates

Government rent and rates were HK$285 million for the year ended 31 March 2023, representing a 14% increase from HK$250 million for the year ended 31 March 2022. The increase was primarily due to higher government rent and rates in relation to airport operations and retail outlets.

Utilities

Utilities were HK$401 million for the year ended 31 March 2023, representing a 54% increase from HK$261 million for the year ended 31 March 2022. 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 were HK$918 million for the year ended 31 March 2023, representing a 37% increase from HK$670 million for the year ended 31 March 2022. The increase was mainly due to additional retail promotional activities after the relaxation of restrictions and quarantine measures for inbound travellers, increases in insurance premiums and additional costs incurred by Hong Kong IEC Limited after completion of the acquisition in March 2022.

Depreciation and amortisation

Depreciation and amortisation were HK$3,308 million for the year ended 31 March 2023, representing a 9% increase from HK$3,039 million for the year ended 31 March 2022. The increase was mainly due to the commissioning of the 3RS at HKIA, and the depreciation charges of Hong Kong IEC Limited.

Net interest and finance income

Net interest and finance income was HK$508 million for the year ended 31 March 2023, a 560% increase from HK$77 million for the year ended 31 March 2022. 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 year

As a result of the factors described above, the Group recorded a loss of HK$1,930 million for the year ended 31 March 2023 as compared to a loss of HK$2,755 million for the year ended 31 March 2022.

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.

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 Airport 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 31 March 2023, the Group had cash and bank balances of approximately HK$42,290 million and undrawn committed bank facilities of HK$17,500 million. In addition, the Group expects to continue charging the airport construction fee until all 3RS Project-related debts are fully repaid. As at 31 March 2023, the outstanding commitments in respect of capital expenditure not provided for in the consolidated financial statements amounted to about HK$34,366 million in relation of 3RS Project and about HK$33,244 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 and unused airport construction fee. As at 31 March 2023, the net current assets of the Group amounted to HK$29,498 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 years ended 31 March		
	2023	**2022**	**2021**
	(in HK$ million)	*(in HK$ million)*	*(in HK$ million)*
Net cash generated from/(used in) operating activities	3,886	(472)	(2,942)
Net cash used in investing activities	(51,414)	(21,084)	(32,878)
Net cash generated from financing activities	27,712	29,886	48,120
Cash and cash equivalents at beginning of year	26,866	18,521	6,188
Cash and cash equivalents at end of year	7,030	26,866	18,521

Cash Flows from Operating Activities

For the year ended 31 March 2023, the net cash generated from operating activities were HK$3,886 million, primarily due to the improvement in operating results.

For the year ended 31 March 2022, the net cash 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 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.

Cash Flows from Investing Activities

For the year ended 31 March 2023, the net cash used in investing activities were HK$51,414 million, primarily consisting of payments for the purchase of other property, plant and equipment of HK$27,720 million and net placement of deposits with banks with over three months of maturity when placed of HK$24,034 million.

For the year ended 31 March 2022, the net cash 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 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.

Cash Flows from Financing Activities

For the year ended 31 March 2023, the net cash generated from financing activities were HK$27,712 million, primarily consisting of receipts from issue of note of HK$30,140 million, partially offset by interest paid on notes and bank loans of HK$2,014 million.

For the year ended 31 March 2022, the net cash 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 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.

Contractual Obligations

The following table summarises the Group's contractual obligations as at 31 March 2023.

	Carrying amount at 31 March 2023	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.	102,828	137,904	3,537	8,433	52,150	73,784
Trade and other payables. . .	17,695	17,776	15,791	1,776	137	72
Interest rate swaps (net settled)	(1,256)	(1,385)	(574)	(574)	(237)	—
Cross currency swaps (net settled)	619	994	27	27	1,072	(132)
Forward exchange contracts (net settled)	8	8	1	—	2	5
Total	**119,894**	**155,297**	**18,782**	**9,662**	**53,124**	**73,729**

Contingent Liabilities

As at 31 March 2023, the Group did not have any material contingent liabilities.

Capital Expenditures

For the years ended 31 March 2021, 2022 and 2023, the capital expenditures of the Group capitalised as assets amounted to HK$22,250 million, HK$28,214 million and HK$31,418 million, respectively. Going forward, the Group expects to incur capital expenditures of HK$33,406 million, HK$16,550 million, HK$14,582 million and HK$7,156 million in the years ended 31 March 2024, 2025, 2026 and 2027, respectively. For the years ended 31 March 2021, 2022 and 2023, the large majority of the Group's capital expenditure has comprised expenditure associated with the 3RS Project, construction of the SkyPier Terminal, automated car parks, Airportcity Link 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*".

As at 31 March 2023, the Group has incurred approximately HK$107,134 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 31 March 2023, 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.

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 31 March 2023, the Group's total interest-bearing borrowings amounted to HK$102,828 million, all of which are fixed rate borrowings (after taking account of the impact of designated interest rate swaps).

Foreign Currency Risk

It is the Airport 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 31 March 2023, the Group was exposed to U.S. dollar currency risk in respect of the U.S. dollar-denominated borrowings of U.S.$9,000 million, perpetual capital securities of U.S.$1,500 million and cash and bank balances of U.S.$1,557 million.

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 Circular, 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 interest 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).

Interest 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 and 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 addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

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

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong) (the "**SDO**").

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 1 August 2021, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer, nor any Arranger or Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant 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 Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "**HKMA**") for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the reference manual relating to the operation of the CMU issued by the HKMA to CMU Members, as amended from time to time (the "**CMU Reference Manual**") as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the "**income proceeds**") by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book- entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a Common Depositary for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream. Each Global Note will have an International Securities Identification Number ("**ISIN**") and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Note only through Euroclear, Clearstream or the CMU, as the case may be.

Registered Notes

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book- entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an ISIN and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Certificate only through Euroclear, Clearstream or the CMU, as the case may be.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 18 September 2023 (the "**Dealer Agreement**") between the Issuer, the Arrangers and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. Where the Issuer agrees to sell Notes to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe for, Notes at an issue price set forth in the applicable Pricing Supplement (less commissions, if any, in connection with such issue of Notes), the Notes may be reoffered and resold at a price different from their issue price, including (without limitation) at prevailing market prices or at prices related thereto, at the time of such reoffer and resale in each case as may be determined by the relevant Dealer(s). The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The Issuer will pay each Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Subscription Agreement. The Issuer may agree, through the relevant Dealers, a rebate or commission to certain private banks based on the principal amount of the Notes purchased by the clients of such private banks, and such rebate or commission may be deducted from the purchase price for the Notes payable by such private banks upon settlement. If a rebate or commission is agreed for a particular drawdown it shall be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers and certain of their respective affiliates may have performed, and may in the future perform, certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business.

In the ordinary course of their various business activities, the relevant Dealers and/or their respective affiliates may enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). The relevant Dealers and/or their respective affiliates may place orders for, purchase and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution (and such order, purchase and allocation may represent a substantial or significant portion of the total orders or total amount of Notes issued). Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

Notice to capital market intermediaries and prospective investors pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct — 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 relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

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 relevant 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 relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering 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 Circular and/or the applicable Pricing Supplement.

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 relevant 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 relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

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 Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant 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 and will result in that private bank not being entitled to, and not being paid, any rebate.

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 the Managers named in the relevant Pricing Supplement.

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 relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers 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 Dealer with such evidence within the timeline requested.

Selling Restrictions

United States

The 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 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 Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche of which the Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto 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.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the **Prohibition of Sales to EEA Investors** as **Not Applicable**, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

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

  (ii) a customer within the meaning of Directive 2016/97/EU (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; or

  (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement in respect of any Notes specifies **Prohibition of Sales to EEA Investors** as **Not Applicable**, in relation to each Member State of the European Economic Area, each Dealer has represented, warranted and agreed, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may, make an offer of such Notes to the public in that Member State:

(a) **Qualified investors:** at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) **Fewer than 150 offerees:** at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) **Other exempt offers:** at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

The Netherlands

If the Pricing Supplement in respect of any Notes specifies **Prohibition of Sales to EEA Retail Investors** as **Not Applicable**, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither the Offering Circular nor any other document in relation to any offering of the Notes (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in the Prospectus Regulation, provided that these parties acquire the Notes for their own account or that of another qualified investor. However, the Notes may be offered free of any restrictions in the Netherlands provided that each such Notes has a minimum denomination in excess of EUR100,000 (or the equivalent thereof in non-Euro currency) and subject to compliance with the relevant requirements under Regulation (EU) No 1286/2014.

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement specifies **Prohibition of Sales to UK Retail Investors** as **Not Applicable**, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

    (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 EUWA;

    (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; or

    (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies **Prohibition of Sales to UK Retail Investors** as **Not Applicable**, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

- the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other Regulatory Restrictions

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

(a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:

    (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

    (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

        (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

        (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of 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

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

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 Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a 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 re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer will represent, warrant and agree and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) 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 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

(ii) 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 or 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 persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the offer of the Notes is not an offer of securities within the meaning of the PRC securities law or other pertinent laws and regulations of the PRC and 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 Macao Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree, 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 Circular 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 Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (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 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:

(i) 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)(i)(B) of the SFA;

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

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

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

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

General

These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement, in all cases at its own expense.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Pricing Supplement but denotes directions for completing the Pricing Supplement.

Legend for issuances involving one or more MiFID Firm manufacturers

[**MiFID II product governance/Professional investors and ECPs only target market** — Solely for the purposes of [the/each] 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 [Directive 2014/65/EU (as amended, "**MiFID II**")][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/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/s'] target market assessment) and determining appropriate distribution channels.]

Legend for issuances where there are no MiFID Firm manufacturers

[**MiFID II product governance/Professional investors and ECPs only target market** — For the purposes of Directive EU 2014/65/EU (as amended, "**MiFID II**"), the target market in respect of the Notes is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.]

Legend for issuances involving one or more UK MiFIR Firm manufacturers

[**UK MiFIR product governance / Professional investors and ECPs only target market** — Solely for the purposes of [the/each] 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 (the "**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/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/s'] target market assessment) and determining appropriate distribution channels.]

Legend for issuances where there are no UK MiFIR Firm manufacturers

[**UK MiFIR product governance / Professional investors and ECPs only target market** — For the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"), the target market in respect of the Notes is expected to be eligible counterparties, as defined in the COBS, and professional clients, as defined in UK MiFIR. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; 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 and determining appropriate distribution channels.]

[**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 (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 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/[; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**").] 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 (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 the European Union (Withdrawal) Act 2018 ("**EUWA**"); (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[; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 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.]

[**Singapore Securities and Futures Act Product Classification —** Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).][1]

[This Pricing Supplement is for distribution 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.

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 Stock Exchange of Hong Kong Limited (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.

1 For any Notes to be offered to Singaporean investors, the Issuer needs to consider whether the Notes should be re-classified pursuant to Section 309B of the SFA prior to the launch of the offer.

The Hong Kong Stock Exchange has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme or 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 Programme, the Notes or the Issuer or the Group or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Pricing Supplement, 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 Pricing Supplement.

This Pricing Supplement, together with the Offering Circular, include particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement 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.][2]

Pricing Supplement dated [●]

Airport Authority
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under its U.S.$8,000,000,000
Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 18 September 2023. This Pricing Supplement contains the pricing supplement of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [●]. This Pricing Supplement contains the pricing supplement of the Notes and must be read in conjunction with the Offering Circular dated 18 September 2023, save in respect of the Conditions which are extracted from the Offering Circular dated [●] and are attached hereto.]

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2 Applicable for Notes to be listed on the Hong Kong Stock Exchange only.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

1.	Issuer:	Airport Authority
2.	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
		(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
5.	(i) Specified Denominations:[3]	[●]
	(*in the case of Registered Notes, this means the minimum integral amount in which transfers can be made*)	(*N.B. Where Bearer Notes with multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed[4]:* "€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000".) (*N.B. If an issue of Notes is (i) not admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €[1,000]/ [100,000] minimum denomination is not required.*)

3 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies

4 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

	(ii)	Calculation Amount:	[●]
			(*If there is only one Specified Denomination, insert the Specified Denomination.* *If there is more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.*)
6.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
7.		Maturity Date:	[*Fixed rate — specify date*] [*Floating rate* — Interest Payment Date falling in or nearest to [*relevant month and year*]][5] [*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.*]
8.		Interest Basis:	[[●] per cent. Fixed Rate] [[*Specify reference rate*] +/- [●] per cent. Floating Rate] [Zero Coupon] [Dual Currency Interest] [Other (*Specify*)] (further particulars specified below)
9.		Redemption/Payment Basis:	[Redemption at par] [Dual Currency] [Partly Paid] [Instalment] [Other (*Specify*)]

5 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will benecessary to use the second option here.

10.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
11.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
12.	Date of [Board] approval for issuance of Notes obtained:	[●] [and [●], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
13.	Listing:	[The Stock Exchange of Hong Kong Limited/*specify other*/None]
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted][6] (*N.B.: This will need to be amended in the case of long or short coupons*)

6 Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "**provided that** if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "**Business Day**" means a day, other than a Saturday or a Sunday on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchangeand currency deposits) in Hong Kong and [●]."

	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[7]
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA)/Actual/365 (Fixed)[8] /*Specify other*]
	(vi)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16.		Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[●]
	(ii)	Specified Period:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
	(iii)	Specified Interest Payment Dates:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
	(iv)	[First Interest Payment Date]:	[●]
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vi)	Additional Business Centre(s):	[Not Applicable/*give details*]

7 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "**Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes,being rounded upwards.**"

8 Applicable to Renminbi and Hong Kongdollar denominated Fixed Rate Notes.

(vii) Manner in which the Rate(s) of Interest is/ are to be determined:	[Screen Rate Determination/Screen Rate Determination (SOFR)/ ISDA Determination/other (*give details*)]
(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
(ix) Screen Rate Determination:	
• Reference Rate:	[*For example, EURIBOR, HIBOR or CNH HIBOR*]
• Interest Determination Date(s):	[●] (*first day of each Interest Period if Sterling or HIBOR and the second day on which T2 is open prior to the start of each Interest Period if EURIBOR*) (*Second business day in Hong Kong prior to the first day of each Interest Period if CNH HIBOR*)
• Relevant Screen Page:	[*For example, Reuters EURIBOR 01*](*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the Euro*]
(x) Screen Rate Determination (SOFR)	
• Reference Rate:	SOFR Compounded Index
• Interest Determination Date(s):	The [●] U.S. Government Securities Business Day prior to the last day of each Interest Period (*no less than five U.S. Government Securities Business Days prior to the last day of each Interest Period*)
• SOFR Observation Shift Days:	[●] U.S. Government Securities Business Days
• SOFR $\text{Index}_{\text{Start}}$:	[●] U.S. Government Securities Business Days
• SOFR $\text{Index}_{\text{End}}$:	[●] U.S. Government Securities Business Days

(xi)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(xii)	Margin(s):	[+/-][●] per cent. per annum
(xiii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiv)	Maximum Rate of Interest:	[●] per cent. per annum
(xv)	Day Count Fraction:	[●]
(xvi)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Event/Benchmark Event (SOFR)/specify if fallback provisions different from those set out in the Conditions]

17.	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) [Amortisation/Accrual] Yield:	[●] per cent. per annum
	(ii) Reference Price:	[●]
	(iii) Any other formula/basis of determining amount payable:	[*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(h)*]
	(iv) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[●]
18.	Dual Currency Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) [*give details*]
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[●]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]

	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

19.	Call Option		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period:	[●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent*)
20.	Put Option		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount

	(iii) Notice period:	[●]
		(*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent*)
21.	Final Redemption Amount of each Note:	[●] per Calculation Amount
22.	Early Redemption Amount	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[Not Applicable] (*If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes*) [[●] per Calculation Amount] (*Specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:	[Bearer Notes] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/in the limited circumstances specified in the Permanent Global Note][9] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice in the limited circumstances specified in the Permanent Global Note][10] [Registered Notes]

[9] If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "**€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000**", the Temporary Global Noteshall not be exchangeable on [●] days' notice

[10] If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "**€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000**", the Permanent Global Note shall not be exchangeableon [●] days' notice.

		[Global Registered Note exchangeable for Individual Note Certificates on [●] days' notice/ in the limited circumstances specified in the Global Registered Note][11]
24.	Ratings:	[The Notes to be issued are unrated.] / [*insert ratings, if any*]
25.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/give details.] (*Note that this paragraph relates to the date and place of payment, and not interest period end dates*)
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/give details.]
28.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*.]
29.	Consolidation provisions:	[Not Applicable/The provisions [in Condition 19 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
30.	Other terms or special conditions:	[Not Applicable/*give details*.]

DISTRIBUTION

31.	(i) If syndicated, names and addresses of Managers and underwriting commitments:	[Not Applicable/*give names, addresses and underwriting commitments*]
	(ii) Date of Subscription Agreement:	[●]
	(iii) Stabilisation Manager(s) (if any)	[Not Applicable/*give name*]

[11] If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "**€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000**", the Global Registered Note shall notbe exchangeable on [●] days' notice.

32.	If non-syndicated, name and address of Dealer	[Not Applicable/*give name and address*]
33.	Gross proceeds:	[●]
34.	Use of proceeds:	[Refer to the **Use of Proceeds** section in the Offering Circular/*give details if different*]
35.	Total commission and concession:	[●] per cent. of the Aggregate Nominal Amount
36.	Hong Kong SFC Code of Conduct:	
	(i) Rebates:	[A rebate of [●] basis points is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.][12] / [Not Applicable]
	(ii) Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent — Overall Coordinators to provide*] / [Not Applicable]
	(iii) Marketing and Investor Targeting Strategy:	[*if different from the programme Offering Circular*]
37.	U.S. Selling Restrictions:	[Reg. S Category 2]; (*In the case of Bearer Notes*) — [TEFRA C/TEFRA D/TEFRA not applicable] (*In the case of Registered Notes*) — *Not Applicable*
38.	(i) Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]

[12] If Paragraph 21 of the SFC Code applies to this issuance, the parties should consider preparing and circulating the Preliminary Pricing Supplement to investors prior to pricing or including the same ina BBG announcement to investors.

		(*If the Notes clearly do not constitute **packaged** products or the Notes do constitute **packaged** products and a key information document will be prepared in the EEA, **Not Applicable** should be specified. If the Notes may constitute **packaged** products and no key information document will be prepared, **Applicable** should be specified*)
	(ii) Prohibition of Sales to UK Retail Investors	[Applicable/Not Applicable]
		*(If the Notes clearly do not constitute **packaged** products or the Notes do constitute **packaged** products and a key information document will be prepared in the UK, **Not Applicable** should be specified. If the Notes may constitute **packaged** products and no key information document will be prepared, **Applicable** should be specified.)*
39.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

40.	ISIN Code:	[●]
41.	Common Code:	[●]
		(*insert any other relevant codes e.g. CMU instrument number*)
42.	Legal Entity Identifier:	254900748HGC4RBR4O84
43.	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[CMU/Not Applicable/*give name(s) and number(s)*]
44.	Delivery:	Delivery [against/free of] payment
45.	Names and addresses of initial Paying Agent(s):	[●]
46.	Names and addresses of additional Paying Agent(s) (if any):	[●]
47.	[Contact email addresses of the Overall Coordinators where the underlying investor information should be sent:	[*Give details*]][13]
48.	[Offering:	[*Give details*]][13]

[13] In the event that a Manager is a CMI, provide relevant details. If Paragraph 21 of the SFC Code applies to this issuance, the parties should consider preparing and circulating the Preliminary Pricing Supplement to investors prior to pricing or including the same in a BBGannouncement to investors.

[**LISTING APPLICATION**

This Pricing Supplement comprises the pricing supplement required for the issue of Notes described herein pursuant to the U.S.$8,000,000,000 Medium Term Note Programme of the Airport Authority.]

[STABILISATION

In connection with the issue of the Notes, [*insert name of Stabilisation Manager(s)*] (or persons acting on their behalf) (the "**Stabilisation Manager(s)**") may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilisation Manager(s) to do this. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an 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. Such stabilising shall be in compliance with all applicable laws, regulations and rules.]

MATERIAL ADVERSE CHANGE STATEMENT

There has been no significant change in the financial condition of the Issuer since [insert date of last audited full year or interim financial statements] and no material adverse change in the financial position or prospects of the Issuer since [insert date of last published audited annual financial statements].

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ________________________________
Duly authorised

* In the event that a Manager is a CMI, provide relevant details.

GENERAL INFORMATION

1. Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investors only. The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted for the listing of the Programme, commence on or about the date of listing of the Programme.

2. The Issuer has obtained all necessary consents, approvals and authorisations in Hong Kong in connection with the establishment and update of the Programme. The establishment and maintenance of the Programme was authorised by resolutions of the Board of the Issuer passed on 22 February 2010 and 27 September 2021.

3. The legal entity identifier of the Issuer is 254900748HGC4RBR4O84.

4. Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer since 31 March 2023.

5. The Issuer is not involved in any litigation, arbitration or administrative proceedings relating to claims which are material in the context of the issue of the Notes and, so far as it is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

6. Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code".

7. Notes have been accepted for clearance through the Euroclear and Clearstream systems. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the Common Code and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

8. For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the head office of the Airport Authority at HKIA Tower, 1 Sky Plaza Road, Hong Kong International Airport, Lantau, Hong Kong and at the specified office of the Paying Agents:

   (a) the Agency Agreement;

   (b) the Deed of Covenant;

   (c) the Dealer Agreement;

   (d) the Ordinance;

   (e) the latest published annual report and any reviewed interim reports published subsequently to such annual report of the Issuer; and

(f) a copy of this Offering Circular together with any supplement (including any Pricing Supplement save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Offering Circular or further Offering Circular.

Copies of the documents referred to in sub-paragraphs (d) to (f) above will also be available free of charge during the hours referred to above from the specified office of the Paying Agents for the time being in Hong Kong so long as any of the Notes is outstanding.

9. The consolidated financial statements of the Issuer for the years ended 31 March 2022 and 2023 included in this Offering Circular have been audited by its independent auditor, KPMG, Certified Public Accountants (the "**Issuer's Auditors**"), as stated in their reports appearing therein.

KPMG have given and not withdrawn their written consent to the reproduction in this Offering Circular of their auditor's reports in the form and context in which they appear in this Offering Circular.

INDEX TO FINANCIAL STATEMENTS

Note: The audited financial statements as at and for the years ended 31 March 2022 and 2023 set out herein have been reproduced from the Airport Authority's published annual reports for the years ended 31 March 2022 and 2023 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 103 to 162, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Airport Authority Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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, airside support services franchises, and convention and exhibition	
Refer to note 29(t) to the consolidated financial statements for the relevant accounting policies	
The Key Audit Matter	**How the matter was addressed in our audit**
Revenue from airport charges, airside support services franchises, and convention and exhibition accounted for approximately 66% of the Authority's total revenue for the year ended 31 March 2023. 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. Revenue from convention and exhibition mainly comprises event services income and licence income from operating leases which are recognised when services are rendered and in equal instalments over the periods covered by the licence term, respectively. We identified the recognition of revenue from airport charges, airside support services franchises, and convention and exhibition as a key audit matter because of its significance to the consolidated financial statements and because the determination of airport charges involves complex information technology systems.	Our audit procedures to assess the recognition of revenue from airport charges, airside support services franchises, and convention and exhibition included the following: • evaluating the design, implementation and operating effectiveness of key internal controls over the recording of revenue, which included, for revenue from airport charges, engaging our internal information technology specialists to assess the operating effectiveness of key automated controls and interfaces over the capturing of aircraft movements and passenger traffic and the processing of revenue transactions and to assess the completeness and accuracy of the transaction details contained within the Authority's information technology systems; • performing analytical procedures on the Authority's airport charges recognised during the current year by developing expectations with reference to figures for aircraft movements and passenger traffic extracted from government statistics and the Scheme of Airport Charges published in the Government Gazette and comparing our expectations with the revenue recorded by the Authority; • for airside support services franchises and licence income, comparing the minimum fees/licence fee received and receivable with underlying franchise/licence information, including the licence fee/monthly payments and the franchise/licence periods as set out in the signed franchise/licence agreements, on a sample basis; • for airside support services, re-performing the calculation of minimum fees and assessing whether the minimum fees or the royalties, whichever was higher, had been recorded in the appropriate accounting period; • for airside support services, re-performing the calculation of royalties received and receivable with reference to turnover reports submitted by the franchisees and licensees and the bases of calculation thereof as set out in the signed franchise/licence agreements, on a sample basis, and assessing whether the royalties had been recorded and accounted for in the appropriate accounting period; and • for event services income, comparing income received and receivable with the underlying order forms and invoices, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Assessing project provisions for capital works projects

Refer to note 27(b)(ii) to the consolidated financial statements and notes 29(g)(vi) and 29(s) for the relevant accounting policies

The Key Audit Matter	How the matter was addressed in our audit
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 2022 to assess the reliability of management's assessment process and evaluating significant variances identified; and • in respect of projects which were undergoing dispute resolution procedures, holding discussions with management and the Authority's internal legal counsel to assess the Authority's legal obligations and financial exposure in connection with these claims.

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

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

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

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

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

Responsibilities of the Board Members for the Consolidated Financial Statements

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

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

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

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

INDEPENDENT AUDITOR'S REPORT

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

(continued)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Wai Shun, Wilson.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 May 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

$ million	Note	**2023**	2022
Airport charges		**2,173**	2,101
Security charges		**343**	46
Aviation security services		**501**	567
Airside support services franchises		**1,673**	1,759
Retail licences and advertising revenue		**752**	62
Other terminal commercial revenue		**613**	677
Real estate revenue		**178**	169
Convention and exhibition revenue	22	**1,605**	–
Other income		**379**	417
Revenue	8	**8,217**	5,798
Staff costs and related expenses	4	**(2,898)**	(2,800)
Repairs and maintenance		**(946)**	(765)
Operational contracted services		**(995)**	(672)
Government services		**(961)**	(758)
Government rent and rates		**(285)**	(250)
Utilities		**(401)**	(261)
Other operating expenses		**(918)**	(670)
Operating expenses before depreciation and amortisation		**(7,404)**	(6,176)
Operating profit/(loss) before depreciation and amortisation		**813**	(378)
Depreciation and amortisation		**(3,308)**	(3,039)
Operating loss before interest and finance costs	3	**(2,495)**	(3,417)
Interest and finance costs:			
Finance costs	5	**(192)**	(14)
Interest income		**700**	91
		508	77
Share of results of an associate	22	**–**	78
Share of results of joint ventures	12	**(456)**	(46)
Loss before taxation		**(2,443)**	(3,308)
Income tax credit	6(a)	**513**	553
Loss for the year		**(1,930)**	(2,755)
Attributable to:			
Equity holders of the Authority			
– Holder of ordinary shares		**(2,142)**	(3,014)
– Holders of perpetual capital securities		**264**	263
		(1,878)	(2,751)
Non-controlling interests		**(52)**	(4)
Loss for the year		**(1,930)**	(2,755)

The notes on pages 109 to 162 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

$ million	**2023**	2022
Loss for the year	**(1,930)**	(2,755)
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit retirement obligations of:		
– the Authority	**(9)**	50
Add/(less): deferred tax	**1**	(8)
	(8)	42
– a subsidiary in the People's Republic of China ("the PRC")	**(2)**	(3)
– a joint venture in the PRC	**2**	(5)
	(8)	34
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries and joint ventures in the PRC	**(405)**	221
Cash flow hedge: net movement in the hedging reserve, net of tax	**204**	682
Cash flow hedge: net movement in the cost of hedging reserve, net of tax	**(646)**	(117)
	(847)	786
Other comprehensive income for the year	**(855)**	820
Total comprehensive income for the year	**(2,785)**	(1,935)
Attributable to:		
Equity holders of the Authority		
– Holder of ordinary shares	**(2,972)**	(2,206)
– Holders of perpetual capital securities	**264**	263
	(2,708)	(1,943)
Non-controlling interests	**(77)**	8
Total comprehensive income for the year	**(2,785)**	(1,935)

The notes on pages 109 to 162 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023 (Expressed in Hong Kong dollars)

$ million	Note	**2023**	2022
Non-current assets			
Investment property	9	**48**	44
Interest in leasehold land	9	**5,905**	6,041
Other property, plant and equipment	9	**159,613**	131,799
		165,566	137,884
Intangible assets	10	**55**	77
Interests in joint ventures	12	**4,043**	4,851
Net defined benefit retirement asset	19	**–**	12
Trade and other receivables	13	**17**	20
Derivative financial assets	23(e)	**802**	1,035
		170,483	143,879
Current assets			
Stores and spares		**139**	132
Trade and other receivables	13	**3,835**	2,679
Tax recoverable	6(c)	**311**	313
Derivative financial assets	23(e)	**555**	124
Cash and bank balances	14	**42,290**	38,092
		47,130	41,340
Current liabilities			
Trade and other payables	15	**(16,692)**	(11,570)
Interest-bearing borrowings	16	**–**	(554)
Current taxation	6(c)	**(50)**	–
Unused airport construction fee	17	**(779)**	(456)
Deferred income	18	**(109)**	(215)
Derivative financial liabilities	23(e)	**(2)**	(2)
		(17,632)	(12,797)
Net current assets		**29,498**	28,543
Total assets less current liabilities		**199,981**	172,422
Non-current liabilities			
Trade and other payables	15	**(1,754)**	(1,431)
Interest-bearing borrowings	16	**(102,828)**	(72,463)
Deferred income	18	**(1,752)**	(1,862)
Derivative financial liabilities	23(e)	**(726)**	(49)
Net defined benefit retirement obligations	19	**(80)**	(70)
Deferred tax liabilities	6(d)	**(3,181)**	(3,838)
		(110,321)	(79,713)
Net assets		**89,660**	92,709
Capital and reserves	20		
Share capital		**30,648**	30,648
Reserves		**47,078**	50,050
Perpetual capital securities	21	**11,585**	11,585
Total equity attributable to equity holders of the Authority		**89,311**	92,283
Non-controlling interests		**349**	426
Total equity		**89,660**	92,709

Approved and authorised for issue on behalf of the Members of the Board on 29 May 2023.

The Hon Jack So Chak-kwong
Chairman

Mr Fred Lam Tin-fuk
Chief Executive Officer

Mr Julian Lee Pui-hang
Executive Director, Finance

The notes on pages 109 to 162 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

		Attributable to equity holders of the Authority										
$ 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
At 1 April 2021		30,648	478	1,099	–	155	73	49,664	11,585	93,702	480	94,182
Changes in equity for the year:												
Loss for the year		–	–	–	–	–	–	(3,014)	263	(2,751)	(4)	(2,755)
Other comprehensive income		–	208	–	–	682	(117)	35	–	808	12	820
Total comprehensive income		–	208	–	–	682	(117)	(2,979)	263	(1,943)	8	(1,935)
Transfer from retained profits to capital reserve	20(c)(ii)	–	–	39	–	–	–	(39)	–	–	–	–
Contribution from the Government	20(c)(iii)	–	–	–	787	–	–	–	–	787	–	787
Distribution to perpetual capital securities holders	21	–	–	–	–	–	–	–	(263)	(263)	–	(263)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(62)	(62)
At 31 March 2022 and 1 April 2022		**30,648**	**686**	**1,138**	**787**	**837**	**(44)**	**46,646**	**11,585**	**92,283**	**426**	**92,709**
Changes in equity for the year:												
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(2,142)**	**264**	**(1,878)**	**(52)**	**(1,930)**
Other comprehensive income		**–**	**(381)**	**–**	**–**	**204**	**(646)**	**(7)**	**–**	**(830)**	**(25)**	**(855)**
Total comprehensive income		**–**	**(381)**	**–**	**–**	**204**	**(646)**	**(2,149)**	**264**	**(2,708)**	**(77)**	**(2,785)**
Transfer from retained profits to capital reserve	20(c)(ii)	**–**	**–**	**19**	**–**	**–**	**–**	**(19)**	**–**	**–**	**–**	**–**
Distribution to perpetual capital securities holders	21	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(264)**	**(264)**	**–**	**(264)**
At 31 March 2023		**30,648**	**305**	**1,157**	**787**	**1,041**	**(690)**	**44,478**	**11,585**	**89,311**	**349**	**89,660**

The notes on pages 109 to 162 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

$ million	Note	2023	2022
Operating activities			
Loss before taxation		**(2,443)**	(3,308)
Adjustments for:			
Depreciation		**3,156**	2,847
Amortisation of interest in leasehold land		**136**	156
Amortisation of intangible assets		**16**	36
Interest on notes and bank loans		**2,402**	897
Interest on lease liabilities		**3**	–
Other borrowing costs and interest expense		**116**	92
Borrowing costs capitalised into assets under construction		**(2,058)**	(1,039)
Interest income		**(700)**	(91)
Fair value loss on derivative financial instruments in fair value hedges		**–**	1
Net (gain)/loss on derivative financial instruments in cash flow hedges		**(269)**	64
Net gain on underlying hedged interest-bearing borrowings in fair value hedges		**(4)**	(11)
Share of results of an associate		**–**	(78)
Share of results of joint ventures		**456**	46
Reversal of loss allowance for expected credit loss (“ECL”) of trade and other receivables		**(6)**	(28)
Net loss on disposal of other property, plant and equipment		**17**	11
Gain on step acquisition		**–**	(59)
Net foreign exchange loss		**2**	10
Amortisation of deferred income		**(216)**	(215)
Expenses recognised in respect of defined benefit retirement plans		**37**	43
Operating profit/(loss) before changes in working capital		**645**	(626)
Increase in stores and spares		**(7)**	(10)
Increase in trade and other receivables		**(434)**	(88)
Increase in trade and other payables		**3,703**	312
Decrease in net defined benefit retirement obligations		**(18)**	(19)
Cash generated from/(used in) operations		**3,889**	(431)
Hong Kong Profits Tax paid		**(8)**	(34)
PRC Corporate Income Tax refunded/(paid)		**5**	(7)
Net cash generated from/(used in) operating activities		**3,886**	(472)
Investing activities			
Net (placement)/maturity of deposits with banks with over three months of maturity when placed		**(24,034)**	5,362
Interest received		**362**	106
Dividend received from an associate	22	**–**	268
Dividend received from a joint venture		**1**	1
Dividend paid to non-controlling interests		**–**	(62)
Advance payments to contractors		**(9)**	(14)
Payments for the purchase of other property, plant and equipment		**(27,720)**	(26,785)
Payment of annual franchise fee for a PRC subsidiary		**(14)**	(26)
Net cash inflows arising from the Step Acquisition	22	**–**	66
Net cash used in investing activities		**(51,414)**	(21,084)

CONSOLIDATED CASH FLOW STATEMENT

$ million	Note	2023	2022
Financing activities			
Interest paid on notes and bank loans	14(b)	**(2,014)**	(713)
Interest element of lease rentals paid	14(b)	**(3)**	–
Other borrowing costs and interest expense paid	14(b)	**(179)**	(227)
Capital element of lease rentals paid	14(b)	**(25)**	(16)
Airport construction fee received	14(b)	**354**	128
Receipts from issue of notes	14(b)	**30,140**	31,049
Repayment of notes	14(b)	**(550)**	–
Net interest income received/(expense paid) on interest rate swaps	14(b)	**253**	(72)
Distribution paid on perpetual capital securities	21	**(264)**	(263)
Net cash generated from financing activities		**27,712**	29,886
Net (decrease)/increase in cash and cash equivalents		**(19,816)**	8,330
Cash and cash equivalents at beginning of year		**26,866**	18,521
Effect of foreign exchange rate changes		**(20)**	15
Cash and cash equivalents at end of year	14(a)	**7,030**	26,866

The notes on pages 109 to 162 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. Principal Activities of the Authority

The Airport Authority ("the Authority") is a statutory corporation wholly owned by the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("the Government"). It was formally established on 1 December 1995 when the Airport Authority Ordinance ("the Ordinance") was brought into effect as a continuation of the Provisional Airport Authority which had been set up in 1990.

The Authority's statutory purpose is to provide, operate, develop and maintain Hong Kong's airport at Chek Lap Kok, in order to maintain Hong Kong's status as a centre of international and regional aviation. Pursuant to these purposes, the Authority may also engage in airport-related activities in trade, commerce or industry at Chek Lap Kok and is permitted to engage in or carry out airport-related activities at any place in or outside Hong Kong. The Authority is required under the Ordinance to conduct its business according to prudent commercial principles.

The Authority's principal subsidiaries and their principal activities are set out in note 11.

The Authority and its subsidiaries are collectively referred to as the group.

2. Statement of Compliance and Basis of Preparation of the Consolidated Financial Statements

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") with the exception of disclosure of Earnings Per Share which is not relevant to the Authority as the Authority's shares are not publicly traded. A summary of the significant accounting policies adopted by the group is set out in note 29.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the Authority. Note 29(a) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these consolidated financial statements. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 30).

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements comprise the financial statements of the group as well as the group's interests in joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain assets and liabilities and financial instruments which are adjusted for or stated at their fair values as explained in note 22 and the accounting policies set out in notes 29(e), (f) and (n), respectively.

2. Statement of Compliance and Basis of Preparation of the Consolidated Financial Statements (continued)

(b) Basis of preparation of the consolidated financial statements (continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 27.

3. Operating Loss Before Interest and Finance Costs

Operating loss before interest and finance costs of the group is arrived at after charging/(crediting):

$ million	**2023**	2022
Auditors' remuneration:		
– audit services	**6**	5
– tax services	**1**	2
– other services	**2**	–
Stores and spares expensed	**48**	51
Net loss on disposal of other property, plant and equipment	**17**	11
Gain on step acquisition (note 22)	**–**	(59)
Reversal of loss allowance for ECL of trade and other receivables (note 13(b))	**(6)**	(28)
Depreciation:		
– owned assets leased out under operating leases (note 9(d))	**111**	116
– right-of-use assets	**26**	15
– other assets	**3,019**	2,716
Amortisation:		
– interest in leasehold land		
– leased out under operating leases (note 9(d))	**9**	12
– others	**127**	144
– intangible assets (note 10)	**16**	36
Expense relating to short-term leases and low-value assets	**2**	2
Rentals from investment property less direct outgoings of $27 million (2022: $24 million)	**5**	(2)

4. Staff Costs and Related Expenses

$ million	**2023**	2022
Contributions to defined contribution retirement plans	**156**	154
Expenses recognised in respect of defined benefit retirement plans (note 19)	**37**	43
Total retirement costs	**193**	197
Salaries, wages and other benefits	**3,709**	3,557
Total staff costs and related expenses	**3,902**	3,754
Less: staff costs and related expenses capitalised into assets under construction	**(1,004)**	(954)
	2,898	2,800

5. Finance Costs

$ million	**2023**	2022
Interest on bank loans	**557**	161
Interest on notes	**1,845**	736
Interest on lease liabilities	**3**	–
Other borrowing costs	**99**	74
Other interest expense	**17**	18
Total interest expense	**2,521**	989
Net foreign exchange loss	**2**	10
Fair value loss on derivative financial instruments in fair value hedges [1]	**–**	1
Net (gain)/loss on derivative financial instruments in cash flow hedges	**(269)**	64
Net gain on underlying hedged interest-bearing borrowings in fair value hedges	**(4)**	(11)
Less: borrowing costs capitalised into assets under construction	**(2,058)**	(1,039)
	192	14

[1] Includes net interest income of $1 million (2022: $7 million) in respect of interest rate swaps under fair value hedging arrangements.

The borrowing costs have been capitalised at the average cost of funds to the group calculated on a monthly basis. The average interest rate used for capitalisation for the year was 2.58% (2022: 2.13%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Taxation

(a) Taxation in the consolidated statement of profit or loss represents:

$ million	2023	2022
Current tax – Hong Kong Profits Tax		
– provision for the year	55	16
Current tax – PRC Corporate Income Tax		
– provision for the year	–	1
– under-provision in respect of prior year	–	2
Deferred tax (note 6(d))		
– origination and reversal of temporary differences	(568)	(572)
Income tax credit	(513)	(553)

The provisions for Hong Kong Profits Tax for both years are calculated at 8.25% of the estimated assessable profits for the year up to $2 million and 16.5% on any part of the estimated assessable profits for the year over $2 million.

The provision for PRC Corporate Income Tax is calculated at 25% (2022: 25%) of the estimated assessable profits for the year.

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

$ million	2023	2022
Loss before taxation	(2,443)	(3,308)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(346)	(563)
Tax effect of non-deductible expenses	38	34
Tax effect of non-taxable income	(162)	(29)
Under-provision in respect of prior year	–	2
Tax effect of tax loss and other temporary differences not recognised	17	5
Tax effect of temporary differences previously not recognised	–	(2)
Utilisation of tax losses previously not recognised	(60)	–
Actual tax credit	(513)	(553)

(c) Taxation in the consolidated statement of financial position represents:

$ million	2023	2022
Provision for the year (note 6(a))		
– Hong Kong Profits Tax	55	16
– PRC Corporate Income Tax	–	1
Provisional Hong Kong Profits Tax paid	(8)	(33)
PRC Corporate Income Tax refunded/(paid)	5	(7)
Balance of tax recoverable relating to prior years	(313)	(290)
	(261)	(313)
Classified in the consolidated statement of financial position as:		
Tax recoverable	(311)	(313)
Current taxation	50	–
	(261)	(313)

6. Taxation (continued)

(d) Deferred tax assets and liabilities recognised in the consolidated statement of financial position represents:

The components of deferred tax (assets)/liabilities of the group recognised in the consolidated statement of financial position and the movements during the year are as follows:

$ 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 2021	5,810	(1,390)	(177)	48	4,291
Charged/(credited) to profit or loss	891	(1,457)	(4)	(2)	(572)
Charged to other comprehensive income	–	–	119	–	119
At 31 March 2022	6,701	(2,847)	(62)	46	3,838
At 1 April 2022	**6,701**	**(2,847)**	**(62)**	**46**	**3,838**
Charged/(credited) to profit or loss	**1,475**	**(2,019)**	**1**	**(25)**	**(568)**
Charged to other comprehensive income	**–**	**–**	**(89)**	**–**	**(89)**
At 31 March 2023	**8,176**	**(4,866)**	**(150)**	**21**	**3,181**

(e) Deferred tax assets not recognised in the consolidated statement of financial position:

The group has not recognised deferred tax assets in respect of subsidiaries' cumulative tax losses and other temporary differences of $199 million (2022: $125 million) and $3 million (2022: $nil) respectively as it is not probable that sufficient future taxable profits against which the cumulative tax losses and other temporary differences can be utilised. Tax losses relating to subsidiaries in Hong Kong do not expire under the current tax legislation.

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors

Members of the Board, the Chief Executive Officer, Chief Operating Officer and Executive Directors are considered to be key management personnel of the Authority. There are three components of emoluments paid to the Chief Executive Officer, Chief Operating Officer and Executive Directors.

Basic compensation

Basic compensation consists of base salary, housing and other allowances and benefits in kind.

Performance-related compensation

This represents discretionary payments depending on individual performance and the performance of the group.

Retirement benefits

Retirement benefits relate to the group's contribution to retirement funds or gratuities in lieu of retirement plan contributions accrued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors (continued)

(a) Emoluments of the Members of the Board

The emoluments of the Members of the Board of the Authority are as follows:

2023 *$'000*	**Board Member's fee**	**Basic compensation**	**Performance-related compensation**	**Retirement benefits**	**Total**
Members of the Board					
Non-executive Members					
Jack So Chak-kwong [1]	–	–	–	–	–
Sabrina Chao Sih-ming	110	–	–	–	110
Philip Chen Nan-lok (appointed in June 2022)	92	–	–	–	92
Rock Chen Chung-nin	110	–	–	–	110
Irene Chow Man-ling	110	–	–	–	110
Stuart Thomson Gulliver	110	–	–	–	110
Nisa Bernice Leung Wing-yu	110	–	–	–	110
Laurence Li Lu-jen (appointed in June 2022)	92	–	–	–	92
Lo Wai-kwok	110	–	–	–	110
Edwin Tong Ka-hung	110	–	–	–	110
Adrian Wong Koon-man	110	–	–	–	110
William Wong Ming-fung	110	–	–	–	110
Secretary for Financial Services and the Treasury [2]	110	–	–	–	110
Secretary for Transport and Logistics [2]	110	–	–	–	110
Director-General of Civil Aviation [2]	110	–	–	–	110
Thomas Jefferson Wu (retired in May 2022)	18	–	–	–	18
Frankie Yick Chi-ming (retired in May 2022)	18	–	–	–	18
Allan Zeman (retired in May 2022)	18	–	–	–	18
Executive Member					
Fred Lam Tin-fuk (Chief Executive Officer)	–	6,864	3,362	912	11,138
	1,558	6,864	3,362	912	12,696

[1] Jack So Chak-kwong has donated his Chairman's Fee as "Jack So Scholarship" to children of Airport Authority employees and therefore no payment has been made to him.

[2] Members who are public officers. Fees payable to the Members who are public officers are received by the Government rather than by the individuals concerned.

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors (continued)

(a) Emoluments of the Members of the Board (continued)

2022 *$'000*	Board Member's fee	Basic compensation	Performance-related compensation	Retirement benefits	Total
Members of the Board					
Non-executive Members					
Jack So Chak-kwong [1]	–	–	–	–	–
Sabrina Chao Sih-ming (appointed in June 2021)	92	–	–	–	92
Rock Chen Chung-nin	110	–	–	–	110
Irene Chow Man-ling	110	–	–	–	110
Stuart Thomson Gulliver	110	–	–	–	110
Nisa Bernice Leung Wing-yu	110	–	–	–	110
Lo Wai-kwok	110	–	–	–	110
Edwin Tong Ka-hung (appointed in June 2021)	92	–	–	–	92
Adrian Wong Koon-man	110	–	–	–	110
William Wong Ming-fung	110	–	–	–	110
Thomas Jefferson Wu	110	–	–	–	110
Frankie Yick Chi-ming	110	–	–	–	110
Allan Zeman	110	–	–	–	110
Secretary for Financial Services and the Treasury [2]	110	–	–	–	110
Secretary for Transport and Housing [2]	110	–	–	–	110
Director-General of Civil Aviation [2]	110	–	–	–	110
Steven Ho Chun-yin (retired in May 2021)	18	–	–	–	18
Billy Wong Wing-hoo (retired in May 2021)	18	–	–	–	18
Executive Member					
Fred Lam Tin-fuk (Chief Executive Officer)	–	6,810	3,300	905	11,015
	1,650	6,810	3,300	905	12,665

[1] Jack So Chak-kwong has donated his Chairman's Fee as "Jack So Scholarship" to children of Airport Authority employees and therefore no payment has been made to him.

[2] Members who are public officers. Fees payable to the Members who are public officers are received by the Government rather than by the individuals concerned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors (continued)

(b) Emoluments of Chief Operating Officer and Executive Directors

The aggregate of the emoluments of the Chief Operating Officer and Executive Directors of the Authority is as follows:

$'000	**2023**	2022
Basic compensation	**21,604**	21,482
Performance-related compensation	**9,825**	9,379
Retirement benefits	**2,589**	2,505
	34,018	33,366

The emoluments of the Chief Operating Officer and Executive Directors of the Authority are within the following bands:

	Number of individuals	
$	**2023**	2022
500,001 – 1,000,000	**–**	1
1,000,001 – 1,500,000	**1**	1
4,000,001 – 4,500,000	**–**	1
4,500,001 – 5,000,000	**2**	1
5,000,001 – 5,500,000	**2**	3
5,500,001 – 6,000,000	**1**	–
6,500,001 – 7,000,000	**–**	1
7,000,001 – 7,500,000	**1**	–
	7	8

During the year, the five individuals with the highest emoluments comprise the Chief Executive Officer, Chief Operating Officer and three Executive Directors (2022: five comprise the Chief Executive Officer and four Executive Directors), whose emoluments are disclosed under note 7(a) and above, respectively.

8. Segmental Information

Services from which reportable segments derive their revenue

Information reported to the group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the group as a whole, as all of the group's activities are considered to be primarily dependent on the airport traffic and are highly integrated and interdependent on each other. Resources are allocated based on what is beneficial for the group in enhancing the airport experience as a whole rather than any specific department. Performance assessment is based on the results of the group as a whole with operating parameters set out for each department. Consequently, management considers there to be only one operating segment under the requirements of HKFRS 8, "*Operating segments*", and believes that this presentation provides more relevant information.

Reconciliation of segmental information to the information presented in the consolidated financial statements has not been presented, as the reconciling items net of consolidation adjustments are considered to be immaterial to the group.

Information provided to management in respect of the group's revenues, expenses, assets and liabilities is materially similar to that reported in these consolidated financial statements.

8. Segmental Information (continued)

Revenue from major services

The group's revenue from its major services is set out in the consolidated statement of profit or loss.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major services is as follows:

$ million	**2023**	2022
Revenue from contracts with customers within the scope of HKFRS 15		
Airport charges	**2,173**	2,101
Security charges	**343**	46
Aviation security services	**501**	567
Convention and exhibition revenue	**1,210**	–
Others	**165**	297
	4,392	3,011
Revenue from other sources		
Airside support services franchises	**1,602**	1,660
Retail licences and advertising revenue	**752**	62
Other terminal commercial revenue	**613**	677
Convention and exhibition revenue	**395**	–
Others	**463**	388
	3,825	2,787
	8,217	5,798

The group's revenue from contracts with customers within the scope of HKFRS 15 is mainly recognised at a point in time.

Geographical information

No geographical information is shown as the revenue and operating loss of the group is substantially derived from activities in Hong Kong, other than its investments in certain subsidiaries and interests in joint ventures in the PRC, details of which are disclosed under notes 11 and 12 to the consolidated financial statements respectively.

Information about major customers

The group's customer base is diversified and includes one customer (2022: one customer) with whom transactions have exceeded 10% of the group's revenue.

Included in the revenue for the year are aggregated revenues of approximately $1,560 million which arose from this customer (2022: $1,164 million from one customer). This includes only revenue arising from those entities which are known to the group to be under common control of this customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment

(a) Reconciliation of carrying amount

	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 2021	14,989	31,516	16,107	15,703	3,286	60	62,812	144,473	136	11,309	155,918
Exchange adjustments	–	7	–	9	11	–	3	30	–	–	30
Additions	3	55	33	316	205	28	27,451	28,091	–	–	28,091
Acquired through step acquisition (note 22)	–	–	651	284	–	–	9	944	–	127	1,071
Reclassifications	234	1,157	956	220	171	–	(2,712)	26	(26)	–	–
Disposals	(9)	(4)	(12)	(72)	(43)	(11)	–	(151)	–	–	(151)
At 31 March 2022	15,217	32,731	17,735	16,460	3,630	77	87,563	173,413	110	11,436	184,959
At 1 April 2022	**15,217**	**32,731**	**17,735**	**16,460**	**3,630**	**77**	**87,563**	**173,413**	**110**	**11,436**	**184,959**
Exchange adjustments	**–**	**(14)**	**–**	**(18)**	**(24)**	**–**	**(25)**	**(81)**	**–**	**–**	**(81)**
Additions	**62**	**239**	**154**	**1,094**	**292**	**43**	**29,186**	**31,070**	**–**	**–**	**31,070**
Reclassifications	**7,791**	**5,068**	**1,544**	**1,209**	**47**	**–**	**(15,682)**	**(23)**	**23**	**–**	**–**
Disposals	**(65)**	**(23)**	**(4)**	**(36)**	**(49)**	**(9)**	**–**	**(186)**	**–**	**–**	**(186)**
At 31 March 2023	**23,005**	**38,001**	**19,429**	**18,709**	**3,896**	**111**	**101,042**	**204,193**	**133**	**11,436**	**215,762**
Accumulated depreciation, amortisation and impairment											
At 1 April 2021	5,662	14,827	8,653	7,624	2,078	38	–	38,882	77	5,239	44,198
Exchange adjustments	–	3	–	4	6	1	–	14	–	–	14
Charge for the year	447	901	538	737	205	15	–	2,843	4	156	3,003
Reclassifications	–	–	13	1	1	–	–	15	(15)	–	–
Written back on disposals	(9)	(3)	(11)	(67)	(39)	(11)	–	(140)	–	–	(140)
At 31 March 2022	6,100	15,728	9,193	8,299	2,251	43	–	41,614	66	5,395	47,075
At 1 April 2022	**6,100**	**15,728**	**9,193**	**8,299**	**2,251**	**43**	**–**	**41,614**	**66**	**5,395**	**47,075**
Exchange adjustments	**–**	**(4)**	**–**	**1**	**1**	**–**	**–**	**(2)**	**–**	**–**	**(2)**
Charge for the year	**465**	**884**	**600**	**912**	**266**	**26**	**–**	**3,153**	**3**	**136**	**3,292**
Reclassifications	**–**	**–**	**(13)**	**(2)**	**(1)**	**–**	**–**	**(16)**	**16**	**–**	**–**
Written back on disposals	**(65)**	**(10)**	**(4)**	**(32)**	**(49)**	**(9)**	**–**	**(169)**	**–**	**–**	**(169)**
At 31 March 2023	**6,500**	**16,598**	**9,776**	**9,178**	**2,468**	**60**	**–**	**44,580**	**85**	**5,531**	**50,196**
Net book value											
At 31 March 2023	**16,505**	**21,403**	**9,653**	**9,531**	**1,428**	**51**	**101,042**	**159,613**	**48**	**5,905**	**165,566**
At 31 March 2022	9,117	17,003	8,542	8,161	1,379	34	87,563	131,799	44	6,041	137,884

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

(b) Under the Private Treaty Land Grant issued by the Government for the period from 1 December 1995 to 30 June 2047 ("the Land Grant"), the Government has granted to the Authority up to the year 2047 the legal rights to the entire airport site at Chek Lap Kok together with the rights necessary to develop such site for the purposes of its business. In September 2016, the Government approved that the North Commercial District ("NCD") area be carved out from the original land lease and put under a new lease with a 50-year term granted to the Authority up to the year 2066 to support NCD development. In August 2021, the lease term of the remaining portions in the original land lease shall be extended to the year 2071 by way of a reversionary lease granted by the Government ("the extended Land Grant"). This resulted in a decrease in the group's annual depreciation charge in prior year of $368 million. The net land formation cost of $11,436 million (2022: $11,436 million) and the land premium of $4,000 (2022: $4,000) have been classified as interest in leasehold land. The costs of interest in leasehold land do not include future land premium, if any.

In August 2021, a Private Treaty Land Grant for the Three-runway System ("3RS") at new reclamation land at Chek Lap Kok has been granted by the Government to the Authority up to the year 2071. The net reclamation cost and the land premium of $1,000 (2022: $1,000) have been classified as construction in progress.

(c) Fair value measurement of investment property

The investment property is stated at cost net of accumulated depreciation and impairment losses with fair value disclosed for reference purpose.

The group engaged an independent firm of surveyors, Knight Frank Petty Limited ("the valuer"), who have among their staff Fellow members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued, to value its investment property for disclosure purposes. The valuer has considered the assignment restrictions on the investment property in the valuation. The fair value of the group's investment property as at 31 March 2023 calculated by reference to net rental income allowing for reversionary income potential amounted to $540 million (2022: $334 million), which falls under Level 3 of the fair value hierarchy (note 23(e)).

The fair value of the group's investment property is determined by the Income Approach. Under the Income Approach, the existing rental income from all lettable space of the investment property is capitalised for their respective unexpired terms of contractual tenancies. Upon reversion, i.e. the expiry of an existing tenancy, each office space is assumed to be let at the market rent at the reporting date, which in turn is capitalised at the market yield as expected by investors for this type of property and due consideration has been made of the market expectation of the renewal of Government leases upon expiry. Vacant units, if any, are assumed to be let at their respective market rents at the reporting date. The summation of the capitalised value of the term income and the capitalised value of the reversion income as appropriately deferred provides the market value of the investment property.

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

(d) The group has granted sub-leases of its interest in leasehold land for airport related development and the provision of airside support services under franchise/sub-lease agreements for periods ranging from 5 to 49 years. Under the franchise/sub-lease agreements, the franchisees/lessees are granted sub-leases of interest in leasehold land for the periods of the respective franchises/sub-leases. The group also leases out part of the terminal complexes, other building and related assets under operating leases for periods generally ranging from one year to five years. All terms are renegotiated on renewal.

Payments receivable under the above mentioned operating leases and franchise/sub-lease arrangements either are adjusted periodically to reflect prevailing market indices or contain contingent rentals based on passenger flow and revenue of tenants and franchisees.

The total future minimum payments (excluding contingent rentals) under non-cancellable operating leases and franchise/sub-lease agreements receivable by the group are as follows:

$ million	**2023**	2022
Within one year	**2,822**	2,989
After one but within five years	**6,232**	6,242
After five years	**10,093**	11,036
	19,147	20,267

In addition to the above, in a prior year, the group began to sub-lease a portion of its interest in leasehold land to a developer to develop and manage a commercial development in SKYCITY which is scheduled to be opened in phases. The sub-lease agreement is for the period to 2066. The group will receive revenue rent only during the initial phase of operations, as set out in the agreement. Subsequent to the initial phase, the group will receive the higher of a guaranteed rent or revenue rent throughout the remaining lease term. Revenue rent represents 20%, or 30%, subject to subsequent adjustment, of the gross revenue derived from the commercial development.

During the year, $3,135 million (2022: $2,534 million) was recognised as income in profit or loss in respect of the operating leases and franchise/sub-lease agreements, which included contingent rentals of $1,263 million (2022: $514 million).

The cost less accumulated amortisation of the interest in leasehold land for airport related development and the provision of airside support services sub-leased to third parties under non-cancellable franchise/sub-lease agreements for the group as at 31 March 2023 was $458 million with annual amortisation amounting to $9 million.

The cost less accumulated depreciation of other property, plant and equipment leased to third parties under non-cancellable operating leases for the group as at 31 March 2023 was $2,529 million with annual depreciation amounting to $111 million.

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

(e) A review of the useful life of investment property and other property, plant and equipment is undertaken by the Authority periodically. There is no material change in the estimated useful lives of investment property and other property, plant and equipment from the review undertaken during the year. Apart from those disclosed in note 9(b), a similar review undertaken during the previous year also resulted in no change in the group's annual depreciation charge.

10. Intangible Assets

$ million	**2023**	2022
Cost		
At 1 April	**340**	565
Exchange adjustments	**(25)**	13
Eliminated upon step acquisition (note 22)	**–**	(238)
At 31 March	**315**	340
Accumulated amortisation		
At 1 April	**263**	284
Exchange adjustments	**(19)**	9
Charge for the year	**16**	36
Eliminated upon step acquisition (note 22)	**–**	(66)
At 31 March	**260**	263
Net book value		
At 31 March	**55**	77

As at 31 March 2023 and 2022, intangible asset represents the right to operate and manage Zhuhai Airport which is being amortised over 20 years on a straight line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Investments in Subsidiaries

The following list contains only the particulars of principal subsidiaries. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up ordinary share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Authority	Proportion of ownership interest: 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") (note 22)	Hong Kong	Ordinary shares: $2,267,084,251 Preference shares: $403,758,261	100%	–	100%	Development and holding of AsiaWorld-Expo exhibition centre

* A sino-foreign equity joint venture

(a) HKZAM

The following table lists out the information relating to HKZAM, the only subsidiary of the group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

$ million	**2023**	2022
NCI percentage	**45%**	45%
Non-current assets	**546**	652
Current assets	**374**	474
Non-current liabilities	**(148)**	(120)
Current liabilities	**(244)**	(299)
Net assets	**528**	707
Carrying amount of NCI	**238**	318
Revenue	**390**	540
Loss for the year	**(124)**	(52)
Total comprehensive income for the year	**(127)**	(55)
Loss for the year allocated to NCI	**(55)**	(24)
Total comprehensive income for the year allocated to NCI	**(56)**	(25)

11. Investments in Subsidiaries (continued)

(b) AWEM

AWEM operates AsiaWorld-Expo exhibition centre under a management and operating agreement up to 2031 in return for a management fee. AsiaWorld-Expo exhibition centre is held by HKIEC, an indirect wholly owned subsidiary of the Authority since 31 March 2022 (see note 22).

12. Interests in Joint Ventures

$ million	**2023**	2022
Share of net assets	**3,824**	4,614
Goodwill	**219**	237
	4,043	4,851

Details of the group's interests in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up registered capital	Proportion of ownership interest: 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	**2023**	2022
Gross amounts of HXIA		
Non-current assets	**31,566**	32,758
Current assets	**4,891**	3,748
Non-current liabilities	**(16,713)**	(13,409)
Current liabilities	**(8,988)**	(10,097)
Net assets/equity	**10,756**	13,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Interests in Joint Ventures (continued)

(a) HXIA (continued)

$ million	**2023**	2022
Income	**2,148**	3,031
Expenses	**(3,437)**	(3,151)
Loss before taxation	**(1,289)**	(120)
Income tax	**(17)**	(13)
Loss after taxation	**(1,306)**	(133)
Other comprehensive income	**6**	(14)
Total comprehensive income	**(1,300)**	(147)

$ million	**2023**	2022
Reconciled to the group's interest in HXIA		
Gross amounts of HXIA's net assets	**10,756**	13,000
Group's effective interest	**35%**	35%
Group's share of HXIA's net assets	**3,765**	4,550
Goodwill	**219**	237
Carrying amount in the consolidated financial statements	**3,984**	4,787

The movements in retained profits during the year are as follows:

$ million	**2023**	2022
Share of loss after taxation	**(457)**	(47)
Share of other comprehensive income	**2**	(5)
Less: transfer to capital reserve	**(16)**	(17)
Share of loss and other comprehensive income to be retained	**(471)**	(69)
Share of retained profits brought forward from previous years	**1,163**	1,232
Share of retained profits carried forward to next year	**692**	1,163

The movements in capital reserve during the year are as follows:

$ million	**2023**	2022
At 1 April	**1,030**	1,013
Transfer from retained profits	**16**	17
At 31 March	**1,046**	1,030

The outstanding commitments of HXIA in respect of capital expenditure not provided for in the consolidated financial statements are as follows:

$ million	**2023**	2022
Contracted for	**2,880**	1,822
Authorised but not contracted for	**12,743**	11,528
	15,623	13,350

These are to be financed independently by HXIA through its internal resources or borrowings. No commitment has been made by the group to contribute by way of equity, loans or guarantees thereof for this purpose.

12. Interests in Joint Ventures (continued)

(b) SHKAM

SHKAM, an unlisted sino-foreign equity joint venture, manages and operates the terminals at HIA, under a management contract signed for 20 years commencing from December 2009 in return for a management fee to be paid by Shanghai Airport (Group) Co. Ltd. Hongqiao International Airport Company.

Summarised financial information of SHKAM, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

$ million	**2023**	2022
Gross amounts of SHKAM		
Current assets	**130**	139
Current liabilities	**(10)**	(9)
Net assets/equity	**120**	130

$ million	**2023**	2022
Income	**12**	12
Expenses	**(9)**	(9)
Profit before taxation	**3**	3
Income tax	**(1)**	(1)
Net profit and other comprehensive income	**2**	2

$ million	**2023**	2022
Reconciled to the group's interest in SHKAM		
Gross amounts of SHKAM's net assets	**120**	130
Group's effective interest	**49%**	49%
Group's share of SHKAM's net assets and carrying amount in the consolidated financial statements	**59**	64

13. Trade and Other Receivables

$ million	**2023**	2022
Trade debtors	**4,194**	3,483
Less: loss allowance (note 13(b))	**(1,082)**	(1,088)
	3,112	2,395
Other debtors	**443**	35
	3,555	2,430
Advance payments to contractors	**17**	20
Prepayments	**236**	218
Deposits and debentures	**44**	31
	3,852	2,699
Classified in the consolidated statement of financial position as:		
Current assets	**3,835**	2,679
Non-current assets	**17**	20
	3,852	2,699

As at 31 March 2023, all of the trade and other receivables under current assets are expected to be recovered or recognised as an expense within one year except for $27 million (2022: $20 million), which is expected to be recovered after more than one year.

13. Trade and Other Receivables (continued)

(a) The ageing analysis of trade debtors, based on overdue days and net of loss allowance, included above is as follows:

$ million	**2023**	2022
Amounts not yet due	**1,693**	1,432
Less than one month past due	**116**	38
One to three months past due	**256**	106
More than three months past due	**1,047**	819
	3,112	2,395

Trade debtors are generally due within 14 to 30 days from the date of billing. The group's credit policy is set out in note 23(a). The group holds cash deposits and bank guarantees of $3,417 million (2022: $3,335 million) as collateral over the trade debtors.

(b) ECLs of trade debtors

ECLs in respect of trade debtors are recorded using an allowance account unless the group considers that recovery of the amount is remote, in which case the ECL is written off against trade debtors directly (note 29(l)).

The movements in the loss allowance during the year are as follows:

$ million	**2023**	2022
At 1 April	**1,088**	1,116
Losses reversed and credited to other operating expenses	**(6)**	(28)
At 31 March	**1,082**	1,088

(c) Credit risk arising from trade debtors

The group measures loss allowance for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Expected loss rates are based on actual loss experience in the past for the respective customer bases. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the trade debtors.

Expected loss rates ranged from 35% to 89% for debtors 1-30 days past due to 211-240 days past due (2022: 31% to 88% for debtors 1-30 days past due to 211-240 days past due). The Authority usually fully provides for trade receivables aged over 240 days (2022: 240 days) based on historical experience save for any exceptional exposures.

14. Cash and Bank Balances and Other Cash Flow Information

(a) Cash and bank balances comprise:

$ million	2023	2022
Deposits with banks within three months of maturity when placed	4,267	22,044
Cash at bank and in hand	2,763	4,822
Cash and cash equivalents in the consolidated cash flow statement	7,030	26,866
Deposits with banks with over three months of maturity when placed	35,260	11,226
Cash and bank balances in the consolidated statement of financial position	42,290	38,092

As at 31 March 2023, cash and bank balances of $244 million (2022: $389 million) held by subsidiaries are subject to currency exchange restrictions in the PRC.

(b) Reconciliation of (assets)/liabilities arising from financing activities:

The table below details changes in the group's (assets)/liabilities from financing activities, including both cash and non-cash changes. (Assets)/liabilities arising from financing activities are (assets)/liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

$ million	Interest-bearing borrowings	Interest and other borrowing costs payables and deferred finance charges	Lease liabilities	Airport construction fee receivable	Net derivative financial assets	Total
	(Note 16)		(Note 15)		(Note 23(e))	
At 1 April 2022	73,017	314	45	(446)	(1,108)	71,822
Changes from financing cash flows:						
Interest paid on notes and bank loans	–	(2,014)	–	–	–	(2,014)
Interest element of lease rentals paid	–	–	(3)	–	–	(3)
Other borrowing costs and interest expense paid	(69)	(110)	–	–	–	(179)
Capital element of lease rentals paid	–	–	(25)	–	–	(25)
Airport construction fee received	–	–	–	354	–	354
Receipts from issue of notes	30,140	–	–	–	–	30,140
Repayment of notes	(550)	–	–	–	–	(550)
Net interest income received on interest rate swaps	–	253	–	–	–	253
Total changes from financing cash flows	29,521	(1,871)	(28)	354	–	27,976
Non-cash changes:						
Interest on notes and bank loans (note 5)	–	2,402	–	–	–	2,402
Interest on lease liabilities (note 5)	–	–	3	–	–	3
Other borrowing costs (note 5)	–	99	–	–	–	99
Airport construction fee	–	–	–	(671)	–	(671)
Other non-cash movements	290	(424)	43	–	479	388
Total other changes	290	2,077	46	(671)	479	2,221
At 31 March 2023	102,828	520	63	(763)	(629)	102,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Cash and Bank Balances and Other Cash Flow Information (continued)

(b) Reconciliation of (assets)/liabilities arising from financing activities: (continued)

$ million	Interest-bearing borrowings	Interest and other borrowing costs payables and deferred finance charges	Lease liabilities	Airport construction fee receivable	Net derivative financial assets	Total
	(Note 16)		(Note 15)		(Note 23(e))	
At 1 April 2021	41,769	52	33	(453)	(273)	41,128
Changes from financing cash flows:						
Interest paid on notes and bank loans	–	(713)	–	–	–	(713)
Other borrowing costs and interest expense paid	(223)	(4)	–	–	–	(227)
Capital element of lease rentals paid	–	–	(16)	–	–	(16)
Airport construction fee received	–	–	–	128	–	128
Receipts from issue of notes	31,049	–	–	–	–	31,049
Net interest expense paid on interest rate swaps	–	(72)	–	–	–	(72)
Total changes from financing cash flows	30,826	(789)	(16)	128	–	30,149
Non-cash changes:						
Interest on notes and bank loans (note 5)	–	897	–	–	–	897
Other borrowing costs (note 5)	–	74	–	–	–	74
Airport construction fee	–	–	–	(121)	–	(121)
Other non-cash movements	422	80	28	–	(835)	(305)
Total other changes	422	1,051	28	(121)	(835)	545
At 31 March 2022	73,017	314	45	(446)	(1,108)	71,822

15. Trade and Other Payables

$ million	2023	2022
Creditors and accrued charges	**14,928**	10,025
Deposits received	**1,075**	1,050
Contract retentions	**2,380**	1,881
Lease liabilities	**63**	45
	18,446	13,001
Classified in the consolidated statement of financial position as:		
Current liabilities	**16,692**	11,570
Non-current liabilities	**1,754**	1,431
	18,446	13,001

15. Trade and Other Payables (continued)

As at 31 March 2023, all of the trade and other payables are expected to be settled or recognised as income within one year except for $1,754 million (2022: $1,431 million), which are expected to be settled after more than one year and mainly relate to licence deposits received from retail licensees and contract retentions.

The ageing analysis of creditors and accrued charges included above by due dates is as follows:

$ million	**2023**	2022
Due within 30 days or on demand	**3,647**	3,442
Due after 30 days but within 60 days	**1,742**	1,604
Due after 60 days but within 90 days	**805**	911
Due after 90 days	**8,734**	4,068
	14,928	10,025

16. Interest-Bearing Borrowings

$ million	**2023**	2022
Notes payable (a)		
HK dollar fixed rate notes due 2024 to 2043	**13,728**	7,433
HK dollar floating rate notes due 2027	**1,500**	1,500
US dollar notes due 2026 to 2062	**70,648**	46,993
Bank loans (b)	**17,500**	17,500
Less: unamortised finance costs	**(548)**	(409)
	102,828	73,017

(a) The Authority maintained a United States ("US") $8 billion Medium Term Note programme.

During the year, the Authority issued a total of $6,849 million notes under the US$8 billion Medium Term Note programme and repaid $550 million in full. All of these notes issued are fixed rate notes with maturities of 2 to 5 years and annual coupon rates ranging between 2.60% and 3.30%.

In January 2022, the Authority issued totally US$4 billion multi-tranche notes. These notes are listed on the Hong Kong Stock Exchange with maturities of 5 to 40 years at annual coupon rates ranging from 1.75% to 3.50%.

In January 2023, the Authority issued totally US$3 billion multi-tranche notes. These notes are listed on the Hong Kong Stock Exchange. The multi-tranche offering comprises of:

– US$500 million notes due 2026 with coupon rate of 4.875% issued at 99.917%;

– US$1 billion green notes due 2028 with coupon rate of 4.75% issued at 99.705%;

– US$700 million notes due 2030 with coupon rate of 4.875% issued at 99.380%; and

– US$800 million notes due 2033 with coupon rate of 4.875% issued at 99.258%.

As at 31 March 2023, the Authority's outstanding fixed rate notes have annual coupon rates ranging from 1.55% to 4.875% (2022: 1.55% to 4.20%). The fixed rate notes are unsecured and repayable in full upon maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Interest-Bearing Borrowings (continued)

(b) In June 2020, the Authority signed a five-year unsecured Hong Kong dollar term and revolving credit facility of $35 billion. The facility consists of a term loan tranche and a revolving loan tranche of $17.5 billion each. Interest is payable on amounts drawn down at a rate related to Hong Kong Interbank Offered Rate ("HIBOR"). In the same year, $17.5 billion was drawn down from the term loan tranche and the amount was swapped from floating rate to fixed rate through use of interest rate swaps. As at 31 March 2023, there was no outstanding amount under the revolving loan tranche (2022: $nil).

(c) As at 31 March 2023, the Authority has uncommitted money market line facilities of $2,692 million (2022: $2,692 million). Interest is payable on amounts drawn down at a rate related to HIBOR. As at 31 March 2023, there was no outstanding amount under these facilities (2022: $nil).

(d) As at 31 March 2023, the unsecured interest-bearing borrowings were repayable as follows:

$ million	**2023**	2022
Within one year or on demand	**–**	554
After one year but within two years	**4,990**	–
After two years but within five years	**43,997**	25,919
After five years	**53,841**	46,544
	102,828	72,463
	102,828	73,017

(e) None of the interest-bearing borrowings is subject to any financial covenants imposed by the lenders. Interest-bearing borrowings are carried at amortised cost. The carrying amount of those hedged for fair value risks in prior years are adjusted for the change in fair value attributable to the risk being hedged. Further details of the group's management of liquidity risk are set out in note 23(b).

17. Unused Airport Construction Fee ("ACF")

$ million	**2023**	2022
At 1 April	**456**	458
Add: ACF received or receivable for the year	**671**	121
Less: payment of 3RS capital expenditure	**(348)**	(123)
At 31 March	**779**	456

ACF is accrued upon the enplanement of the passenger and is remitted to the Authority by the airlines based on airlines' passenger counts.

ACF collected by the Authority, together with the interest generated thereon, is maintained in designated bank accounts and is used exclusively for paying 3RS related projects capital expenditure.

18. Deferred Income

Deferred income mainly represents amounts received in respect of sub-leases of interest in leasehold land of the airport site and subsidy from the Government. They are accounted for in accordance with the accounting policies detailed in notes 29(t)(v) and 29(t)(ix) respectively.

The amount expected to be recognised as income more than one year after the end of the reporting period is included in non-current liabilities.

19. Employee Retirement Benefits

(a) Defined benefit retirement plans

The Authority makes contributions to a defined benefit retirement plan ("the Hong Kong plan") registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong), which covers 8% (2022: 9%) of the Authority's employees. The plan is administered by independent trustees with its assets held separately from those of the Authority. The trustees are required by the Trust Deed to act in the best interests of the plan participants and are responsible for setting the investment policies of the plan. Under the plan, an employee is entitled to a lump sum payment upon termination of membership, which is calculated with reference to the final scheme salary and the eligible number of years of service that the employee had.

The plan is funded by contributions from the Authority in accordance with an independent actuary's recommendation based on periodic actuarial valuations (at least every three years).

Based on an independent actuarial valuation of the plan as at 31 March 2023 according to HKAS 19, "*Employee benefits*" prepared by qualified staff of Mercer (Hong Kong) Limited (2022: Mercer (Hong Kong) Limited) using the "projected unit credit" actuarial method and a set of actuarial assumptions, the Authority's obligation under the plan is 98% (2022: fully) covered by the plan assets held by the trustees. The signing actuaries are either Fellow members of the Society of Actuaries of the United States of America or an equivalent in another actuarial body.

HKZAM established a defined benefit retirement plan ("the HKZAM plan") for its eligible employees, which is unfunded and covers 25% (2022: 25%) of HKZAM's employees. Under the plan, a retired employee is entitled to a monthly fixed payment over a period upon retirement. An independent actuarial valuation of this plan according to HKAS 19, "*Employee benefits*", as at 31 March 2023 was also prepared by qualified staff of Mercer (Hong Kong) Limited using the projected unit credit method.

The plans expose the group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the retirement plans is disclosed below:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

$ million	**2023**	2022
The Hong Kong plan		
Present value of funded obligations	**641**	730
Fair value of plan assets	**(630)**	(742)
	11	(12)
The HKZAM plan		
Present value of unfunded obligations	**69**	70
	80	58
Classified in the consolidated statement of financial position as:		
Net defined benefit retirement asset	**–**	(12)
Net defined benefit retirement obligations	**80**	70
	80	58

A portion of the above liabilities is expected to be settled after more than one year. The Authority expects to pay $15 million in contributions to the Hong Kong defined benefit retirement plan for the year ending 31 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(ii) Plan assets consist of the following:

$ million	**2023**	2022
Equity securities	**256**	373
Corporate bonds	**307**	330
Cash	**70**	39
Net other payables	**(3)**	–
	630	742

All of the equity securities and bonds have quoted prices in active markets.

An asset-liability modelling study is performed periodically to analyse the strategic investment policies of the Hong Kong plan. Based on the latest review, the strategic asset allocation of the Hong Kong plan is around 42.5% in equities and 57.5% in bonds and cash.

The HKZAM plan is unfunded and without any plan assets.

(iii) The movements in the present value of the defined benefit obligations are as follows:

$ million	**2023**	2022
The Hong Kong plan		
At 1 April	**730**	845
Remeasurements:	**(48)**	(68)
– Actuarial gains arising from changes in demographic assumptions	**(2)**	–
– Actuarial gains arising from changes in financial assumptions	**(33)**	(37)
– Experience adjustments	**(13)**	(31)
Benefits paid by the plans	**(86)**	(90)
Current service cost	**30**	35
Interest cost	**15**	8
At 31 March	**641**	730
The HKZAM plan	**69**	70
At 31 March	**710**	800

The weighted average durations of the defined benefit obligations for the Hong Kong and the HKZAM plans are 4.1 years (2022: 4.9 years) and 8.2 years (2022: 8.4 years) respectively.

(iv) The movements in plan assets are as follows:

$ million	**2023**	2022
At 1 April	**742**	825
Group's contributions paid to the plans	**18**	19
Benefits paid by the plans	**(86)**	(90)
Actual return on plan assets	**(44)**	(12)
– Interest income	**15**	8
– Return on plan assets, excluding interest income	**(57)**	(18)
– Administrative expenses paid from plan assets	**(2)**	(2)
At 31 March	**630**	742

19. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

$ million	**2023**	2022
Amounts recognised in profit or loss:		
The Hong Kong plan		
Current service cost	**30**	35
Administrative expenses paid from plan assets	**2**	2
	32	37
The HKZAM plan	**5**	6
Total amounts recognised in profit or loss	**37**	43
Amounts recognised in other comprehensive income:		
The Hong Kong plan		
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	**(2)**	–
– Actuarial gains arising from changes in financial assumptions	**(33)**	(37)
– Experience adjustments	**(13)**	(31)
Return on plan assets, excluding interest income	**57**	18
	9	(50)
The HKZAM plan	**2**	3
Total amounts recognised in other comprehensive income	**11**	(47)
Total defined benefit expense/(income)	**48**	(4)

The current service cost and administrative expenses paid are recognised in the following line items in the consolidated statement of profit or loss.

$ million	**2023**	2022
Staff costs and related expenses	**37**	43

(vi) Significant actuarial assumptions and sensitivity analysis are as follows:

	2023	2022
The Hong Kong plan		
Discount rate	**3.1%**	1.9%
Future long term salary increases	**3.5%**	3.5%
The HKZAM plan		
Discount rate	**2.8%**	2.8%

19. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(vi) Significant actuarial assumptions and sensitivity analysis are as follows: (continued)

The below analysis shows how the defined benefit obligations as at 31 March 2023 would have increased/(decreased) as a result of a 0.5% change in the significant actuarial assumptions:

$ million	**Increase by 0.5%**	**Decrease by 0.5%**
The Hong Kong plan		
Discount rate	**(12)**	**13**
Future long term salary increases	**16**	**(15)**
The HKZAM plan		
Discount rate	**(3)**	**3**

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plans

(i) The group also operates Mandatory Provident Fund Schemes ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance ("the MPF Ordinance") for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Ordinance, the employer and its employees are each required to make minimum statutory contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000. However, under the MPF schemes, contributions by the group range from 5% to 15% of employees' relevant income and have been charged to profit or loss. While statutory contributions to the plan vest immediately, voluntary contributions to the plan vest over a period of two to seven years.

(ii) As stipulated by the regulations of the PRC, the subsidiary in the PRC participates in a basic defined contribution pension plan administered by the Municipal Government under which it is governed. The group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate based on the salaries, bonuses and certain allowances of its employees.

20. Capital and Reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in equity on page 106.

(b) Share capital

	The Authority	
$ million	**2023**	2022
Authorised, issued, allotted and fully paid:		
306,480 ordinary shares of $100,000 each		
(2022: 306,480 ordinary shares of $100,000 each)	**30,648**	30,648

20. Capital and Reserves (continued)

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 29(u).

(ii) Capital reserve

The capital reserve primarily comprises the share of results of a joint venture in the PRC which are not distributable as required by the relevant PRC government regulations and the retained profits of AVSECO which according to its memorandum of association and the shareholders' agreement cannot be distributed.

(iii) Contribution from the Government

The contribution from the Government comprises the excess of the group's acquired interests in the net fair values of identifiable assets and liabilities of IEC Holdings Limited and its subsidiary over the consideration paid, which included its pre-existing interests in IEC Holdings Limited and its subsidiary ("IEC Holdings sub-group") remeasured at fair values as at the acquisition date (see note 22).

(iv) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow dealt with in accordance with the accounting policy adopted for cash flow hedges set out in note 29(f).

(v) Cost of hedging reserve

The cost of hedging reserve comprises the fair values of the effect of foreign currency basis spread and forward element of the derivative financial instruments used in cash flow hedges in accordance with the accounting policy adopted for cash flow hedges set out in note 29(f).

(vi) Distributability of reserves

As at 31 March 2023, the aggregated amount of reserves available for distribution to the equity shareholder of the Authority was $42,664 million (2022: $44,918 million). The Board did not propose any final dividend for the year ended 31 March 2023 (2022: $nil).

(vii) Capital management

The primary objectives of the group when managing capital are to safeguard the group's ability to continue as a going concern, maintain a strong credit rating and a healthy capital ratio to support the business and to enhance shareholder value.

The group manages its capital structure by taking into consideration its future capital requirements, capital efficiency and projected cash flow. To adjust its capital structure, the group may raise or reduce its outstanding debt. The group is also empowered by the Ordinance to either increase or reduce its share capital under the direction of the Financial Secretary and the Legislative Council. The Ordinance provides that these directions be made following consultation with the Authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Capital and Reserves (continued)

(c) Nature and purpose of reserves (continued)

(vii) Capital management (continued)

The group monitors its capital structure on the basis of a total debt/capital ratio. The total debt/capital ratios of the group at the end of the reporting periods are as follows:

$ million	Note	2023	2022
Total debt [1]	16	**102,828**	73,017
Total equity		**89,660**	92,709
Total capital [2]		**192,488**	165,726
Total debt/capital ratio		**53%**	44%

[1] Total debt represents interest-bearing borrowings.
[2] Total capital represents total debt plus total equity.

Neither the Authority nor any of its subsidiaries are subject to externally imposed capital requirements.

21. Perpetual Capital Securities

In December 2020, the Authority issued dual-tranche senior perpetual capital securities ("Series A Securities" and "Series B Securities" respectively) with principal amount of US$750 million each. The securities are listed on the Hong Kong Stock Exchange.

Series A Securities are non-callable in the first 7.5 years at a distribution rate of 2.40% per annum and floating thereafter with fixed initial spread and step up margin. Series B Securities are non-callable in the first 5.5 years at a distribution rate of 2.10% per annum and floating thereafter with fixed initial spread and step up margin. The payments of distributions can be deferred at the discretion of the Authority and the securities do not contain any contractual obligations to pay the distributions. The securities are classified as equity in the consolidated financial statements of the Authority.

22. Step Acquisition

In September 2018, the group acquired all preference shares issued by HKIEC, which represent 15.1% of the total equity interest of HKIEC, at a consideration of $652 million in cash and HKIEC became an associate of the group. HKIEC is the holding company of AsiaWorld-Expo exhibition centre and the net assets of HKIEC include mainly the carrying amounts of the AsiaWorld-Expo exhibition centre facilities.

The group is entitled to the equity return from HKIEC and the return arising from the preference shares in form of preferred dividend. The settlement of the preferred dividend is subject to the availability of the distributable profits or cash surplus of HKIEC.

On 31 March 2022, the Authority acquired the remaining equity interest of 84.9% in HKIEC through the acquisition of the remaining equity interest of 88.2% in IEC Holdings Limited at a nominal consideration of $1 (the "Step Acquisition") from the Government.

The Step Acquisition was completed on 31 March 2022 (the "Completion Date"). On the Completion Date, IEC Holdings Limited has become a wholly owned subsidiary of the Authority and HKIEC ceased to be an associate and has become a subsidiary of the group and the group holds the entire interest of AsiaWorld-Expo exhibition centre and consolidated the convention and exhibition revenue from 1 April 2022 onwards. In accordance with HKFRSs, the group continued to share the results of HKIEC under the equity method of accounting during the period from 1 April 2021 to the Completion Date and the share of profit from HKIEC and preferred dividend received in cash were $78 million and $268 million respectively.

22. Step Acquisition (continued)

On the Completion Date, the group remeasured the fair values of its pre-existing interests in IEC Holdings sub-group and recognised a gain of approximately $59 million. The pre-existing interests in IEC Holdings sub-group included the Authority's original equity interest of 11.8% in IEC Holdings Limited, the group's 15.1% interest in HKIEC (previously recognised as an interest in an associate) and an intangible asset, which represented the right to operate and manage AsiaWorld-Expo, before the Step Acquisition. The fair values of these formed part of the total consideration of the Step Acquisition and were included in the calculation of bargain purchase arising from the Step Acquisition. The bargain purchase has been recognised in equity as a contribution from the Government (see note 20(c)(iii)).

Details of the carrying values and fair values of the group's pre-existing interests in IEC Holdings sub-group on the Completion Date are summarised as follows:

$ 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 for the year ended 31 March 2022. If the acquisition had occurred on 1 April 2021, the group's consolidated revenue would have been $6,645 million and the group's consolidated loss attributable to the equity holders of the Authority for the year ended 31 March 2022 would have been $2,759 million. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Risk Management and Fair Values of Financial Instruments

The group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign currency risk. The group conducts its financial risk management activities in accordance with the policies and practices recommended by the Audit Committee and Finance Committee of the Authority. The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. The group's credit risk is primarily attributable to trade and other receivables, over-the-counter derivative financial instruments entered into for hedging purposes and cash and bank balances. Management has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, there are procedures in place to closely monitor the payment performance. Individual credit evaluations are performed on customers requiring credit over a certain amount or customers with long overdue history, which focus on their payment history, ability to pay, as well as information specific to the customers and the economic environment in which they operate. Trade receivables are generally due within 14 to 30 days from the date of billing. In respect of the group's rental and franchise income from operating leases and franchise/sub-lease arrangements respectively, sufficient deposits and bank guarantees are held to cover potential exposure to credit risk.

COVID-19 also has an impact on the Authority's trade receivables due to the travel restrictions implemented across the world. In response to the COVID-19 pandemic, management has been performing more frequent reviews of outstanding balances as the industry as a whole has been impacted.

Cash and bank balances are placed with financial institutions with sound credit ratings to minimise credit exposure. Transactions involving derivative financial instruments are with counterparties with sound credit ratings and with whom the group has signed netting agreements. Given their high credit ratings, management does not expect any investment counterparty to fail to meet its obligations.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, the group has a certain concentration of credit risk as 6% (2022: 3%) and 51% (2022: 64%) of the total trade and other receivables was due from the group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position after deducting any loss allowance. The group does not provide any guarantees which would expose the group to credit risk.

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 13.

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(b) Liquidity risk

All cash management of the group, including the short term investment of cash surpluses and raising of loans and other borrowings to cover expected cash demands, are managed centrally by the Authority except AVSECO, HKIA Services Holdings sub-group, HKZAM and IEC Holdings sub-group which handle their own cash management. The Authority's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate credit facilities from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting periods of the group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the group can be required to pay:

		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
2023						
Interest-bearing borrowings	**102,828**	**137,904**	**3,537**	**8,433**	**52,150**	**73,784**
Trade and other payables	**17,695**	**17,776**	**15,791**	**1,776**	**137**	**72**
Interest rate swaps (net settled)	**(1,256)**	**(1,385)**	**(574)**	**(574)**	**(237)**	**–**
Cross currency swaps (net settled)	**619**	**994**	**27**	**27**	**1,072**	**(132)**
Forward exchange contracts (net settled)	**8**	**8**	**1**	**–**	**2**	**5**
	119,894	**155,297**	**18,782**	**9,662**	**53,124**	**73,729**
2022						
Interest-bearing borrowings	73,017	99,680	2,154	1,598	30,544	65,384
Trade and other payables	12,001	12,097	10,296	556	1,043	202
Interest rate swaps (net settled)	(996)	88	23	25	39	1
Cross currency swaps (net settled)	(131)	(371)	(19)	(19)	(158)	(175)
Forward exchange contracts (net settled)	(1)	(10)	(1)	–	(2)	(7)
	83,890	111,484	12,453	2,160	31,466	65,405

As shown above, interest-bearing borrowings (including interest) of the group amounting to $3,537 million (2022: $2,154 million) are due to be repaid in the upcoming 12 months after 31 March 2023. The short term liquidity risk inherent in this contractual maturity will be addressed by internal sources of funds and new external borrowings.

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's interest rate risk arises primarily from long term interest-bearing borrowings. Borrowings at variable rates and at fixed rates expose the group to cash flow interest rate risk and fair value interest rate risk respectively. The group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedges of interest rate risk

Interest rate swaps, denominated in Hong Kong dollars, have been entered into to achieve an appropriate mix of fixed and floating interest rate exposure within the group's policy.

The group classifies interest rate swaps into either fair value or cash flow hedges and states them at their fair values in accordance with the policy set out in note 29(f).

Details of the notional amounts, maturity period and fair values of swaps entered into by the group at the end of the reporting periods are set out in note 23(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

The group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the borrowings. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationships:

$ million	**2023**	2022
At 1 April	**831**	147
Effective portion of the cash flow hedge recognised in other comprehensive income	**261**	819
Less: deferred tax	**(43)**	(135)
At 31 March	**1,049**	831
Change in fair value of the interest rate swaps during the year	**261**	816
Hedge ineffectiveness recognised in consolidated statement of profit or loss	**–**	3
Effective portion of the cash flow hedge recognised in other comprehensive income	**261**	819

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(c) Interest rate risk (continued)

(ii) Interest rate profile

The following table details the interest rate profile of the group's borrowings at the end of the reporting periods, after taking into account the effect of interest rate swaps designated as fair value hedging instruments ((i) above).

$ million	**2023**	2022
Fixed rate borrowings		
Bank loans [1]	**17,463**	17,445
Fixed rate notes	**83,867**	53,520
Floating rate notes [1]	**1,498**	1,498
	102,828	72,463
Variable rate borrowings		
Fixed rate notes [2]	**–**	554
Total borrowings	**102,828**	73,017
Fixed rate borrowings as a percentage of total borrowings	**100%**	99%

[1] Swapped to fixed rate
[2] Swapped to floating rate

(iii) Sensitivity analysis

As at 31 March 2023, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have decreased the group's loss after taxation and increased the group's retained profits by approximately $3 million (2022: $1 million), while a general decrease of 50 basis points in interest rates, with all other variables held constant, would have increased the group's loss after taxation and decreased the group's retained profits by approximately $3 million (2022: $1 million). Other components of consolidated equity would have increased by approximately $191 million (2022: $244 million) and decreased by approximately $194 million (2022: $248 million) in response to the general increase and decrease in interest rates respectively. The effect of interest-bearing bank deposits is expected to be not significant and is not taken into account in the analysis.

The sensitivity analysis above indicates the instantaneous change in the group's loss after taxation, retained profits and other components of consolidated equity that would have arisen assuming that the change in interest rates had occurred at the end of the reporting periods and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting periods. In respect of the exposure to cash flow interest rate risk arising from floating interest rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's loss after taxation and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis as for prior years.

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(d) Foreign currency risk

It is the Authority's policy to require all major operational contracts to be in Hong Kong dollars. The few exceptions to this have involved small value contracts or contracts that were hedged.

The group is exposed to foreign currency risk primarily through the issue of notes and future transactions which give rise to payables that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily US dollars and Australian dollars.

As at 31 March 2023, the group is exposed to US dollar currency risk in respect of the US dollar notes issued of US$9,000 million (2022: US$6,000 million) and cash and bank balances of US$1,557 million (2022: US$2,418 million).

Although the US dollar currency risk is substantially mitigated by the peg between Hong Kong dollar and US dollar, the group further reduces this risk by the use of cross currency swaps to hedge most of the payment of the US dollar notes into Hong Kong dollar. The group designates these cross currency swaps as cash flow hedges. Details of the notional amounts, maturity period and fair values of cross currency swaps entered into by the group at the end of the reporting periods are set out in note 23(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

The group uses forward exchange contracts to manage its Australian dollar currency risk until the settlement date of foreign currency payables. The group designates those forward exchange contracts as hedging instruments in cash flow hedges and separates the forward and spot element of a forward exchange contract and designates the change in value of the spot element as hedging instrument. Correspondingly, the hedged item is measured based on the forward exchange rate.

The group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between:

(i) the cross currency swaps and the US dollar notes; and

(ii) the forward exchange contracts and the highly probable forecast transactions, based on their currency amounts and the timing of their respective cash flows.

The main sources of ineffectiveness in these hedging relationships are due to the different day count and day adjustments in each of the deals.

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

$ million	**2023**	2022
At 1 April	**6**	8
Effective portion of the cash flow hedge recognised in other comprehensive income	**91**	171
Amount transferred from equity to consolidated statement of profit or loss	**(108)**	(174)
Less: deferred tax	**3**	1
At 31 March	**(8)**	6
Change in fair value of the cross currency swaps during the year	**108**	174
Change in fair value of the forward exchange contracts during the year	**(17)**	(3)
Effective portion of the cash flow hedge recognised in other comprehensive income	**91**	171

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(d) Foreign currency risk (continued)

As at 31 March 2023, the group's borrowings denominated in US dollar were largely swapped into Hong Kong dollar by entering into the cross currency swaps. The group targets to swap all borrowings in foreign currency into Hong Kong dollar. As the Hong Kong dollar is pegged to US dollar at a range between 7.75 to 7.85, management considers that the foreign currency risk associated with the unhedged US dollar exposure is not material to the group. Accordingly, no sensitivity analysis is considered necessary.

As at 31 March 2023, the group is exposed to Renminbi currency risk arising from cash and bank balances of RMB135 million (2022: RMB165 million). If Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, the group's loss after taxation would have been $7 million (2022: $8 million) higher/lower and the group's retained earnings would have been $7 million (2022: $8 million) lower/higher. The analysis is performed on the same basis for 2021/22.

The group has not hedged the foreign currency risk in respect of its investments in the PRC incorporated entities.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "*Fair value measurement*". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

The fair value disclosure of investment property carried at cost follows the above hierarchy (note 9(c)).

As at 31 March 2022 and 2023, the group's derivative financial instruments are carried at fair value. These instruments fall under Level 2 of the fair value hierarchy described above.

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: $nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

Fair values and notional amounts of derivative financial instruments outstanding at the end of the reporting periods are summarised as follows:

	Recurring fair value measurement using significant other observable inputs (Level 2)					
	2023			2022		
$ million	**Notional amount**	**Financial assets**	**Financial liabilities**	Notional amount	Financial assets	Financial liabilities
Cash flow hedges						
Interest rate swaps	**$19,000**	**1,256**	**–**	$19,000	995	–
Cross currency swaps	**US$8,350**	**94**	**(713)**	US$3,600	158	(27)
Forward exchange contracts	**AUD27**	**–**	**(8)**	AUD29	2	(1)
Fair value hedges						
Interest rate swaps	**$nil**	**–**	**–**	$550	1	–
Derivative financial instruments for perpetual capital securities		**7**	**(7)**		3	(23)
Total		**1,357**	**(728)**		1,159	(51)
Less: portion to be recovered/(settled) within one year						
Cash flow hedges						
Interest rate swaps	**$19,000**	**555**	**–**	$19,000	122	–
Forward exchange contracts	**AUD27**	**–**	**–**	AUD29	1	–
Fair value hedges						
Interest rate swaps	**$nil**	**–**	**–**	$550	1	–
Derivative financial instruments for perpetual capital securities		**–**	**(2)**		–	(2)
		555	**(2)**		124	(2)
Portion to be recovered/(settled) after one year		**802**	**(726)**		1,035	(49)

Derivative financial instruments qualifying as cash flow hedges as at 31 March 2023 have maturities of 0.3 year to 9.8 years (2022: 0.3 year to 9.8 years) from the end of the reporting period.

As at 31 March 2022, derivative financial instruments qualifying as fair value hedges have a maturity of less than one year from the end of the reporting period. These fair value hedges have subsequently expired during the year ended 31 March 2023.

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of forward exchange contracts, cross currency swaps and interest rate swaps are the estimated amount that the Authority would receive or pay to terminate the swap and forward exchange contracts at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the counterparties. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2023 and 2022 except for the following financial instruments, for which their carrying amounts and fair values and the level of fair value hierarchy are disclosed below:

				Fair value measurements categorised into		
$ million	Notional amount	Carrying amount at 31 March	Fair value at 31 March	Level 1	Level 2	Level 3
2023						
Fixed rate notes	**US$9,000 and $13,728**	**83,867**	**77,160**	**63,408**	**13,752**	**–**
2022						
Fixed rate notes	US$6,000 and $7,429	54,074	50,422	42,988	7,434	–

Discounted cash flow techniques are used in deriving the fair value of the fixed rate notes. The discount rates used are market related rates at the end of the reporting period.

24. Outstanding Commitments

The outstanding commitments in respect of capital expenditure not provided for in the consolidated financial statements are as follows:

	2023			2022		
$ million	**3RS**	**Others**	**Total**	3RS	Others	Total
Contracted for	**20,848**	**8,238**	**29,086**	39,663	6,747	46,410
Authorised but not contracted for	**13,518**	**25,006**	**38,524**	15,648	25,484	41,132
	34,366	**33,244**	**67,610**	55,311	32,231	87,542

The outstanding commitments of the group's joint venture, HXIA, are separately disclosed in note 12(a).

25. Material Related Party Transactions

The Authority is wholly owned by the Government. Transactions between the group and Government departments, agencies or Government controlled entities, other than those transactions such as the payment of fees, taxes, rent and rates, etc. that arise in the normal dealings between the Government and the group, are considered to be related party transactions pursuant to HKAS 24, "*Related party disclosures*" and are identified separately in these consolidated financial statements.

Members of the Board, Chief Operating Officer and Executive Directors, and parties related to them, are also considered to be related parties of the Authority. Material transactions with these parties, if any, are separately disclosed. Emoluments paid to Members of the Board, Chief Operating Officer and Executive Directors are disclosed in note 7.

During the year, other than disclosed elsewhere in the consolidated financial statements, the Authority has had the following material related party transactions:

(a) The Authority has entered into agreements with the Government under which the Government provides maintenance services in respect of sewage pumping system, waste water treatment plant and airfield ground lighting at the airport. The amounts incurred for these services for the year amounted to $76 million (2022: $61 million). As at 31 March 2023, the amounts due to the Government with respect to the above services amounted to $47 million (2022: $30 million).

(b) The Authority has also entered into service agreements with the Government under which the Government is to provide aviation meteorological and air traffic control services and aircraft rescue and fire fighting services at the airport. The amounts incurred for the year amounted to $952 million (2022: $756 million) and the amounts due to the Government as at 31 March 2023 with respect to the above services amounted to $0.4 million (2022: $0.4 million).

(c) The Authority and HKIA Staff Services Limited ("HKIASS"), a subsidiary of the Authority, have entered into a service agreement with the Government under which the Authority agreed through HKIASS, to provide additional manpower to the Government to meet foreseeable human resources demand in rendering air traffic control services at the airport (note 25(b)) at nil consideration.

(d) The Authority has entered into an agreement with MTR Corporation Limited ("MTRC"), in which the Government is the majority shareholder, under which MTRC provides maintenance services to the Automated People Mover System and Cars in both Terminals 1 and 2, SkyPier and T1 Midfield Concourse (formerly known as Midfield Concourse). The amounts incurred by the Authority for these services for the year amounted to $183 million (2022: $194 million). As at 31 March 2023, the amounts due to MTRC with respect to the maintenance services amounted to $189 million (2022: $154 million).

(e) The Authority has leased certain areas at the airport to Hongkong International Theme Parks Ltd. ("HKITP"), in which the Government is the majority shareholder. The aggregated amounts received and receivable for the year amounted to $5 million (2022: no material net amount received and receivable). As at 31 March 2023, the amounts due from HKITP amounted to $2.3 million (2022: amounts due to HKITP of $0.2 million).

25. Material Related Party Transactions (continued)

(f) AVSECO, a subsidiary of the Authority, has provided security-related services to various Government departments, agencies and Government controlled entities other than the Authority. The aggregated amounts received and receivable for the year amounted to $77 million (2022: $69 million). As at 31 March 2023, the aggregated amounts due from these departments, agencies or entities amounted to $8 million (2022: $9 million).

(g) AWEM, a subsidiary of the Authority, operates the AsiaWorld-Expo exhibition centre (note 11). The aggregated amounts received and receivable from the convention and exhibition revenue from various Government departments and Government controlled entities other than the Authority for the year amounted to $1,385 million (2022: $nil since the Completion Date, see note 22). As at 31 March 2023, the aggregated amounts due from these departments or entities amounted to $553 million (2022: $248 million).

(h) The Authority and AVSECO have provided quarantine-related services to various Government departments and Government controlled entities. The aggregated amounts received and receivable for the year amounted to $545 million (2022: $560 million). As at 31 March 2023, the aggregated amounts due from these departments or entities amounted to $0.1 million (2022: $20 million).

26. Immediate and Ultimate Controlling Party

As at 31 March 2023, the immediate parent and ultimate controlling party of the group is the Government.

27. Accounting Judgements and Estimates

(a) Critical accounting judgements in applying the group's accounting policies

In applying the group's accounting policies, management has made the following accounting judgements:

(i) Interest in leasehold land

On 1 December 1995, the Authority was granted the rights to the airport site at Chek Lap Kok for a nominal land premium of $2,000. The Authority was responsible for all of the costs for the formation of the airport site, with respect to which $11,571 million was initially incurred. The land formed is considered to have all the characteristics of land in Hong Kong and will revert to the lessor at the end of the Land Grant. Such cost is considered to have been incurred to obtain the benefits of a leasehold land. Accordingly, the land premium and the land formation costs have been classified as interest in leasehold land. Upon the granting of finance leases of portions of the land concerned, the cost of leasehold land excluded from the consolidated statement of financial position is based on an apportionment of the overall land cost.

(ii) Sub-lease of leasehold land

The Authority sub-leases part of its interest in leasehold land to various Government departments, agencies or Government controlled entities at 'nil' rental for substantially the full period of the Land Grant, to provide services for the sole benefit of the airport and its users. As it is considered that these sub-leases are for the sole benefit of the Authority for enhancing services at the airport, they are in substance held for the full and exclusive benefit of the Authority and accordingly such sub-leases continue to be treated as interest in leasehold land in the consolidated financial statements of the Authority and are not derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Accounting Judgements and Estimates (continued)

(a) Critical accounting judgements in applying the group's accounting policies (continued)

(iii) Interests in joint ventures

HXIA receives Civil Aviation Development Fund subsidies, airport construction fee subsidies and certain other subsidies (collectively known as "CADF") for airport development purposes from the PRC government which are required to be treated as a capital contribution in HXIA's PRC statutory financial statements.

In the group's consolidated financial statements, the group equity accounts for its share of the CADF according to its shareholding percentage, on the basis that all shareholders of HXIA can enjoy the economic benefits arising from the CADF received by HXIA.

Prior to June 2016, the group recognised its share of the CADF in the consolidated statement of profit or loss in the same period as recognised by HXIA. In June 2016, the group changed its method of recognising the CADF as a result of additional conditions being imposed by the Ministry of Finance and the Civil Aviation Administration of China in relation to the governance of CADF applications (財建 [2016] 362號). As these new conditions are similar to those imposed on government grants related to assets, from June 2016 onwards the group recognises its share of the CADF over the useful life of the subsidised assets.

As the CADF may only be used for restricted purposes and are not distributable, the group transfers such amounts from retained profits to the capital reserve.

(b) Major sources of estimation uncertainty

Notes 19 and 23(e) contain information about the assumptions and their risk factors relating to defined benefit retirement asset/obligations and the fair value of financial instruments respectively. Other major areas of estimation uncertainty are as follows:

(i) Estimated useful lives and depreciation of property, plant and equipment

In assessing the estimated useful lives of property, plant and equipment, management takes into account factors such as the expected usage of the asset by the group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the group.

Management reviews the useful lives of property, plant and equipment annually and if expectations are significantly different from previous estimates of useful lives, the useful lives and, therefore, the depreciation rate for the future periods are adjusted accordingly.

(ii) Project provisions

The group establishes project provisions for the settlement of estimated claims that may arise due to time delays, additional costs or other unforeseen circumstances common to major construction contracts. The claims provisions which are estimated based on a best assessment of the group's liabilities under each contract by professionally qualified personnel may differ from the actual claims settlement.

28. Fund-Raising Event Requiring Public Subscription Permit from Social Welfare Department

The Authority has a donation box fund-raising programme under Public Subscription Permit (Permit No.: 2022/026/1) from Social Welfare Department to support the services of certain charitable organisations. During the period from 1 April 2022 to 31 March 2023, the donations received was $0.17 million (2022: $0.08 million). After deducting handling fees of $0.03 million (2022: $0.01 million) charged by a service provider not related to the Authority, the net donations distributed of $0.14 million (2022: $0.07 million) were equally allocated among The Community Chest of Hong Kong, Changing Young Lives Foundation, Friends of the Earth (HK) Charity Limited, Green Power Limited, OIWA Limited, The Neighbourhood Advice-Action Council Tung Chung Integrated Services Centre and World Wide Fund for Nature Hong Kong.

29. Summary of Significant Accounting Policies

(a) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the group.

None of these developments has had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in these consolidated financial statements.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Authority, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholder of the Authority. Non-controlling interests in the results of the group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of the Authority. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 29(n) or (o) depending on the nature of the liability.

29. Summary of Significant Accounting Policies (continued)

(b) Subsidiaries and non-controlling interests (continued)

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (note 29(c)).

(c) Associate and joint ventures

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group or the Authority and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the group's equity investment. Thereafter, the investment is adjusted for the post-acquisition change in the group's share of the investee's net assets and any impairment losses relating to the investment (notes 29(d) and (j)). Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the group's share of losses exceeds its interest in the associate or the joint venture, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the group and its associate and joint ventures are eliminated to the extent of the group's interests in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

29. Summary of Significant Accounting Policies (continued)

(d) Goodwill

Goodwill represents the excess of the cost of an investment in a joint venture over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as at the acquisition date.

In respect of an investment in a joint venture, the carrying amount of goodwill is included in the carrying amount of the interest in the joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (note 29(j)).

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of an investment in a joint venture is recognised immediately in profit or loss.

On disposal of a joint venture, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(f) Accounting for derivative financial instruments and hedging activities

The group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or (2) hedges of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction (cash flow hedges).

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in other comprehensive income and accumulated separately in equity in the hedging reserve. Amounts accumulated in equity are reclassified from equity to profit or loss in the periods when the hedged transaction affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the group revokes designation of the hedge relationship but if the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

The foreign currency basis spread and forward element of derivatives, which have been separated and excluded from the designation as cash flow hedges, are recognised directly in other comprehensive income and accumulated separately in equity in the cost of hedging reserve. Amounts accumulated in equity are amortised and reclassified from equity to profit or loss over the term of derivatives.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

29. Summary of Significant Accounting Policies (continued)

(g) Investment property, interest in leasehold land, other property, plant and equipment

(i) The Authority was responsible for all of the costs of the formation of the airport site. The land formation cost and the land premium have been classified as interest in leasehold land. Interest in leasehold land is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 29(j)).

(ii) Investment property

Investment property includes leasehold land and its related improvements and/or buildings held to earn rental income. This includes land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment property is stated in the consolidated statement of financial position at cost net of accumulated depreciation and impairment losses (note 29(j)). Investment property is depreciated over its estimated useful life or the unexpired term of the lease, whichever is shorter. Rental income from investment property is accounted for as described in note 29(t).

(iii) Other property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (note 29(j)).

(iv) Repairs and maintenance expenditure in respect of investment property, and other property, plant and equipment is charged to profit or loss as and when incurred.

(v) Gains or losses arising from the retirement or disposal of investment property, interest in leasehold land, and an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of investment property, interest in leasehold land, and the item and are recognised in profit or loss on the date of retirement or disposal.

(vi) Construction in progress

Assets under construction and capital works are stated at cost. Costs comprise direct costs of construction, such as materials, direct staff costs, an appropriate proportion of production overheads, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and net borrowing costs (note 29(n)) capitalised during the period of construction or installation and testing. Capitalised costs also include provision amount assessed by the group that may be required for the settlement of contractual claims from contractors. Capitalisation of these costs ceases and the asset concerned is transferred to investment property, interest in leasehold land, other property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the policy detailed in note 29(h).

29. Summary of Significant Accounting Policies (continued)

(g) Investment property, interest in leasehold land, other property, plant and equipment (continued)

(vii) Leased assets

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(1) As a Lessee

At the lease commencement date, the group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the group enters into a lease in respect of a low-value asset, the group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses ((iii) above).

(2) As a Lessor

When the group acts a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When the group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and are depreciated in accordance with the group's depreciation policies set out in note 29(h) below. Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies set out in note 29(t) below.

When the group leases out its interest in leasehold land up to substantially the full period of the underlying Land Grant and the related risks and rewards are substantially transferred to the lessees, such leases are accounted for as finance leases. The interest in leasehold land is derecognised and the differences between the carrying amount of the interest in leasehold land and net proceeds received for such arrangements are recognised in profit or loss from the commencement dates of such finance leases.

29. Summary of Significant Accounting Policies (continued)

(h) Depreciation

Depreciation is calculated to write off the cost of items of investment property, interest in leasehold land, and other property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

The estimated useful lives are:

Interest in leasehold land	Unexpired term of lease
Airfields:	
Runway base courses, taxiways and road non-asphalt layers, aprons and tunnels	10 years to unexpired term of lease
Runway wearing courses, taxiways and road asphalt layers, lighting and other airfield facilities	5 to 25 years
Terminal complexes and ground transportation centre:	
Building structure and road non-asphalt layers	Unexpired term of lease
Road asphalt layers, building services and fit-outs	3 to 25 years
Access, utilities, other buildings and support facilities:	
Road and bridge non-asphalt layers	20 years to unexpired term of lease
Road and bridge asphalt layers, other building and support facilities	5 years to unexpired term of lease
Utility supply equipment	5 to 25 years
Systems, installations, plant and equipment	3 years to unexpired term of lease
Furniture, fixtures and equipment	3 to 15 years
Right-of-use assets	Unexpired term of lease
Investment property:	
Building structure	Unexpired term of lease
Building services and fit-outs	5 to 25 years
Furniture, fixtures and equipment	3 to 15 years

Where parts of an item of investment property, interest in leasehold land, and other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 29(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The group's intangible assets, which are a franchise with a finite useful life, are amortised from the date it became available for use over the franchise periods of 20 years. The period and method of amortisation are reviewed annually.

29. Summary of Significant Accounting Policies (continued)

(j) Impairment of assets

(i) Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

- interest in leasehold land;
- investment property;
- other property, plant and equipment;
- intangible assets; and
- interests in joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(ii) Interim financial reporting and impairment

At the end of the interim period, the group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

(k) Stores and spares

Stores and spares are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase and costs incurred in bringing the stores and spares to their present location and condition and is computed on a weighted average cost basis, less provision for obsolescence. The amount of any write-down of stores and spares to their net realisable value and provision for obsolescence are recognised as an expense in the period the write-down or provision occurs. Any obsolete and damaged stores and spares are written off to profit or loss.

(l) Trade and other receivables

Trade and other receivables are recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less loss allowance for credit losses.

The group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (trade and other receivables).

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

29. Summary of Significant Accounting Policies (continued)

(l) Trade and other receivables (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs (which are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies).

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as a gain or loss in profit or loss. The group recognises a gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of loss in profit or loss in the period in which the recovery occurs.

(m) ACF

The ACF is collected by the Authority from passengers exclusively for the purpose of meeting 3RS construction costs. ACF is recognised in the consolidated statement of financial position upon receipt or becoming receivable from the collecting parties. It is initially recognised as unused ACF, until it is used to settle the relevant costs of construction. At this point in time it will be transferred from the unused ACF account and deducted from the carrying amount of the 3RS assets. Consequently, ACF is effectively recognised in profit or loss over the useful life of the 3RS assets by way of reduced depreciation expense.

(n) Interest-bearing borrowings and borrowing costs

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the unhedged portion of interest-bearing borrowings is stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest rate method. Subsequent to initial recognition, the carrying amount of the portion of interest-bearing borrowings, which is the subject of a fair value hedge, is remeasured and the change in fair value attributable to the risk being hedged is recognised in profit or loss to offset the effect of the gain or loss on the related hedging instrument.

29. Summary of Significant Accounting Policies (continued)

(n) Interest-bearing borrowings and borrowing costs (continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, performance annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Authority and its subsidiaries in Hong Kong are required to make contributions to Mandatory Provident Funds under the MPF Ordinance. Such contributions are recognised as an expense in profit or loss as incurred.

The employees of the subsidiary in the PRC participate in a defined contribution retirement plan managed by the local governmental authorities whereby the subsidiary is required to contribute to the plan at fixed rates of the employees' salary costs.

(ii) Defined benefit retirement plan obligations

The group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

29. Summary of Significant Accounting Policies (continued)

(q) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognised in profit or loss and allocated as part of "staff costs and related expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/(asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the group's obligations. If there is no sufficiently deep market in such bonds, the market yield of government bonds is used.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)).

(r) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which that asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

29. Summary of Significant Accounting Policies (continued)

(r) Income tax (continued)

(iii) (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

Deferred tax assets and liabilities are not discounted.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Authority or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Authority or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

29. Summary of Significant Accounting Policies (continued)

(t) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Revenue is recognised in profit or loss as follows:

(i) Airport charges, representing landing charges, parking charges and terminal building charges, are recognised when the airport facilities are utilised.

(ii) Security charges in respect of aviation security services to passengers are recognised when the airport facilities are utilised.

(iii) Aviation security services revenue from the provision of security services to airlines, franchisees and licensees is recognised when the services are rendered.

(iv) Franchise revenue from awarded airside support services, retail revenue from awarded retail licences, advertising revenue from awarded advertising licences, other terminal commercial revenue from leasing of check-in counters and airline lounges and office rental and other service revenue and recoveries, are recognised on an accruals basis in accordance with the related agreements.

(v) Real estate revenue arising from sub-leases of interest in leasehold land and office buildings is recognised in profit or loss on a straight-line basis over the periods of the operating leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregated net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Amounts received in advance in respect of sub-leases of interest in leasehold land granted are accounted for as deferred income and are recognised in profit or loss on a straight-line basis over the periods of the respective sub-leases.

(vi) Income arising from finance leases of interest in leasehold land is recognised at the inception of such leases, when substantially all the risks and rewards incidental to ownership are transferred to the lessees.

(vii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(viii) Interest income is recognised as it accrues using the effective interest rate method.

(ix) Subsidy from the Government is recognised in profit or loss on a systematic basis over the periods in which the Authority recognises the relevant relief measures as expenses.

(x) Revenue from convention and exhibition mainly comprises event services income and licence income from operating leases which are recognised when services are rendered and in equal instalments over the periods covered by the licence term, respectively.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities and non-monetary assets and liabilities that are stated at fair value and are denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

29. Summary of Significant Accounting Policies (continued)

(u) Translation of foreign currencies (continued)

The results of entities outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of entities outside Hong Kong, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an entity outside Hong Kong, the cumulative amount of the exchange differences relating to that entity is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Related parties

(i) A person, or a close member of that person's family, is related to the group if that person:

a) has control or joint control over the group;

b) has significant influence over the group; or

c) is a member of the key management personnel of the group or the group's parent.

(ii) An entity is related to the group if any of the following conditions applies:

a) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

c) Both entities are joint ventures of the same third party.

d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

e) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

f) The entity is controlled or jointly controlled by a person identified in note (v)(i).

g) A person identified in note (v)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

h) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

29. Summary of Significant Accounting Policies (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

30. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for The Year Ended 31 March 2023

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 March 2023 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2, *"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
Amendments to HKAS 1, "*Classification of Liabilities as Current or Non-current*"	1 January 2024
Amendments to HKAS 16, *"Lease Liability in a Sale and Leaseback"*	1 January 2024

The group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it is concluded that the adoption of them is unlikely to have a significant impact on the group's consolidated financial statements.

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
Chairman

Mr Fred Lam Tin-fuk
Chief Executive Officer

Mr Julian Lee Pui-hang
Executive Director, Finance

The notes on pages 105 to 162 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

		Attributable to equity holders of the Authority										
$ 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
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

	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 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	Proportion of ownership interest: Held by the Authority	Proportion of ownership interest: 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).

(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.

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