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3 April 2002

Ms Connie Szeto
Clerk to Panel on Commerce and Industry
3/F, Citibank Tower
3 Garden Road
Hong Kong

Dear Ms Szeto,

**Supplementary Information for
LegCo Panel on Commerce and Industry**

At the LegCo Commerce and Industry Panel meeting held on 14 January 2002, during the discussion on the proposed new exhibition centre at Chek Lap Kok, Members requested the Administration to provide information on the financial position of the Hong Kong Airport Authority (AA). The letter sets out such information.

The financial position of the AA as of 31 March 2001 was set out in the AA's accounts published in its 2000/01 Annual Report which was tabled in the Legislative Council in July 2001. According to the information provided by the AA, as of 22 February 2002, the net debt to equity ratio of the AA stood at 23:77 (unaudited), with net borrowings and equity holding at \$8.5 billion and \$36.4 billion respectively. This net debt to equity ratio is not out of line with those of other international airports. For example, according to the latest published accounts, the net debt to equity ratios of the Amsterdam Schiphol Airport, British Airport Authority and Beijing Capital International Airport are 20:80, 32:68 and 12:88 respectively.

In accordance with section 6 of the Airport Authority Ordinance (copy at Annex), the AA shall conduct its business according to prudent commercial principles. In view of the expected low project return of the proposed new exhibition centre, the AA believes that it would not be prudent to undertake this as a commercial project on its own.

Please convey the information above to Members for information.

Yours sincerely,

(Ellen Choy)
for Secretary for Commerce and Industry

Encl.

c.c. Director-General of Investment Promotion
(Attn: Mr Simon Galpin)
Secretary for the Treasury
(Attn: Mr Tommy Yuen)
Secretary for Economic Services
(Attn: Mr Danny Lau)

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Section of Enactment

Chapter : 483 Title : AIRPORT AUTHORITY ORDINANCE Gazette Number :

Section : 6 Heading : Commercial principles; operational Version Date : 30/06/1997
objectives

(1) Subject to the other provisions of this Ordinance, the Authority shall conduct its business according to prudent commercial principles and shall, as far as practicable, ensure that, taking one year with another, its revenue is at least sufficient to meet its expenditure.

(2) The Authority shall, in conducting its business or in otherwise performing its functions, have regard to safety, security, economy and operational efficiency and the safe and efficient movement of aircraft, air passengers and air cargo.

(Enacted 1995)

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