

**For Information**

**Legislative Council Subcommittee  
to Follow Up Issues Relating to the  
Three-Runway System at the Hong Kong International Airport  
Follow-Up to Members' Joint Letter**

**Introduction**

Some Members submitted a joint letter to the Chairman of this Subcommittee on 13 February 2017 (vide LC Paper No. CB(4)560/16-17(01)) requesting supplementary information on the financial arrangement plan of the Three-Runway System (“3RS”) project prepared by the Airport Authority Hong Kong (“AAHK”). AAHK has provided its reply via LC Paper No. CB(4)788/16-17(02). On the part of the Government, the joint letter requested the Government to engage an independent financial consultant to vet and monitor the detailed funding plan to be formulated by AAHK for raising debts from the market. This paper sets out the Government’s response.

**Financial Arrangement Plan for the 3RS Project**

2. In 2013, AAHK appointed The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) as its financial advisor to devise a financial arrangement plan for implementing the 3RS project. The study examined the various sources of funding for the project, one of which is to raise third party debts from the market leveraging on AAHK’s financial capability and excellent credit rating.

**Detailed Funding Plan for the 3RS Project**

3. In 2016, as a follow up to the above financial arrangement plan, AAHK appointed HSBC as its financial advisor to formulate a detailed funding plan to raise incremental debt from the market to bridge the \$69 billion funding gap of the 3RS project. The amount will be raised from the market in phases as and when required.

4. As explained by AAHK at the meeting of this Subcommittee on 7 February 2017, the financial advisor will analyse different debt structures and identify different forms of financial instruments in both the bank loan and capital markets, and make detailed recommendations on the instruments (such as retail bonds, where appropriate and practicable, to increase public participation in the 3RS project) in relation to timing, size, tenor, etc., that will enable AAHK to raise funding for the 3RS project in the most optimal manner. The study is expected to be completed by mid-2017.

5. Given that HSBC's study will only focus on the detailed options for AAHK to raise debt from the market on the clear understanding that no government support or backing will be required, and that the AAHK is required by law to conduct its business according to prudent commercial principles, Government does not have plan or consider that there is a need to appoint an independent consultant to review the study findings.

**Transport and Housing Bureau  
March 2017**