



Annual Report **2012/13**



- + upholding high standards of safety and security
- + operating efficiently with care for the environment
- + applying prudent commercial principles
- + striving to exceed customer expectations
- + working in partnership with stakeholders
- + valuing human resources
- + fostering a culture of innovation

AIRPORT AUTHORITY HONG KONG (the Airport Authority) is a statutory corporation wholly owned by the Hong Kong SAR Government. The Airport Authority is responsible for the operation and development of HKIA.





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15 YEARS OF **GROWTH AND ACHIEVEMENTS**

1998

Hong Kong International Airport (HKIA) opened with a ceremony officiated by the then President Jiang Zemin.

1999

HKIA's second runway, the North Runway, began operations.

2000

The Northwest Concourse in Terminal 1 opened.

2001

Eight new aircraft stands were added to the air cargo apron.

The Marine Cargo Terminal opened, enhancing services between HKIA and the Pearl River Delta (PRD).

2002

Airport Authority Hong Kong (AAHK) awarded a franchise to build and operate an express cargo terminal, strengthening the airport's logistics capabilities









HKIA had been recognised as the world's

Airport Master Plan 2030 and began public consultations for HKIA's expansion plans.

best airport more than 50 times.

AAHK released Hong Kong International

2012

AAHK received a study brief from the Director of Environmental Protection for the Environmental Impact Assessment (EIA) for the three-runway system. The EIA had to be completed before an environmental permit could be issued and project approval could be sought.



A groundbreaking ceremony was held

Surpassing Memphis International

Airport, HKIA became the world's

busiest cargo airport for the first time.

for the Midfield development.



2012

2009

Hong Kong Aircraft Engineering Co. Ltd (HAECO) opened its third hangar and China Aircraft Services Ltd (CASL) opened its first aircraft maintenance hangar at HKIA.

AAHK signed a cooperation agreement with Shanghai Airport (Group) Co., Ltd, to manage part of Shanghai Hongqiao International Airport.

2010

AAHK led an airport-wide pledge to reduce carbon emissions by 25% per workload unit by 2015, the first commitment of its kind in Hong Kong and among airports worldwide.

The North Satellite Concourse and a new, permanent SkyPier officially opened.



2008

2011

AAHK provided consulting and training services to assist Beijing Capital International Airport as it commissioned a new, third terminal ahead of the Beijing 2008 Olympic Games.

2007

HKIA celebrated the Grand Opening of Terminal 2 and the 10th Anniversary of the Hong Kong Special Administrative Region (HKSAR).



AAHK began a HK\$4.5 billion capacity and facility enhancement programme.



The International Air Transport Association named HKIA the world's best airport.

2004

2005

HKIA was the first airport to adopt an end-to-end radio frequency identification (RFID) sorting and reconciliation system for all departing baggage.



SkyPier opened, providing a convenient link for passengers travelling between HKIA and four ports in the PRD.

The airport community joined forces to bring travellers back to Hong Kong after the outbreak of the severe acute respiratory syndrome (SARS) crisis.

Hong Kong International Airport

At Hong Kong International Airport ("HKIA"), six core values guide our staff and business partners in their day-to-day work and long-term plans. In a rapidly changing business environment, these principles are both constant and non-negotiable.

Safety

The safety of our passengers, employees and business partners is paramount. Through training, accident reporting and analysis, communications and staff recognition programmes, our goal is to achieve a zero-injury rate at HKIA.

Security

Effective security is an ongoing process that involves the entire airport community. We work closely with the police and other government departments to protect passengers, staff and business partners.

Environment

HKIA is committed to achieving high environmental standards. This includes minimising pollution, using energy and other resources efficiently, recycling and reusing wherever possible, and continually improving our environmental performance.

Quality

An airport-wide passion for customer service helps us maintain international standards of quality and customer satisfaction. As a result, HKIA has been named the world's best airport over 50 times.

CORE VATIFIS

Efficiency

By efficiently serving our customers and business partners, we reinforce Hong Kong's position as an aviation centre. That contributes to Hong Kong's social and economic development and its competitiveness in financial services, trading and logistics, and tourism.

People

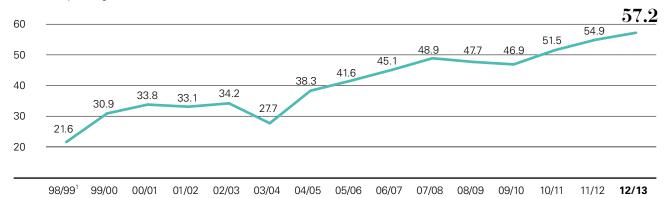
Top-quality people are the key to our high service standards. We use long-term training and development plans to ensure our staff are prepared to meet future challenges.

HKIA Facts

Airport Site Area	1,255 hectares
Total Terminal Area	750,000 square metres
Airlines	Over 100
Destinations	Around 180
Runways	2

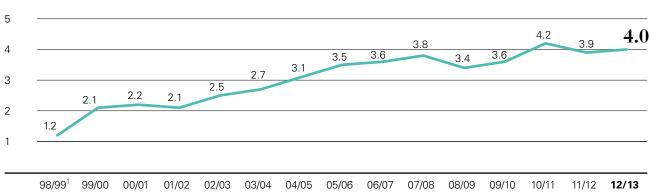
Performance Highlights

Passenger Traffic (millions of passengers)



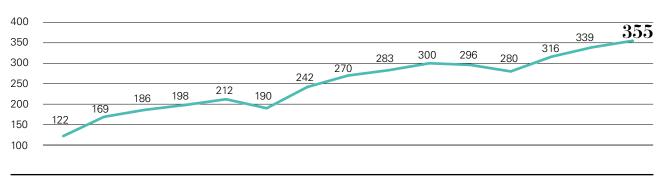
Cargo Throughput

(millions of tonnes)



Air Traffic Movements

(thousands)



99/00 00/01 01/02 02/03 03/04 04/05 05/06 06/07 07/08 08/09 09/10 10/11 11/12 12/13

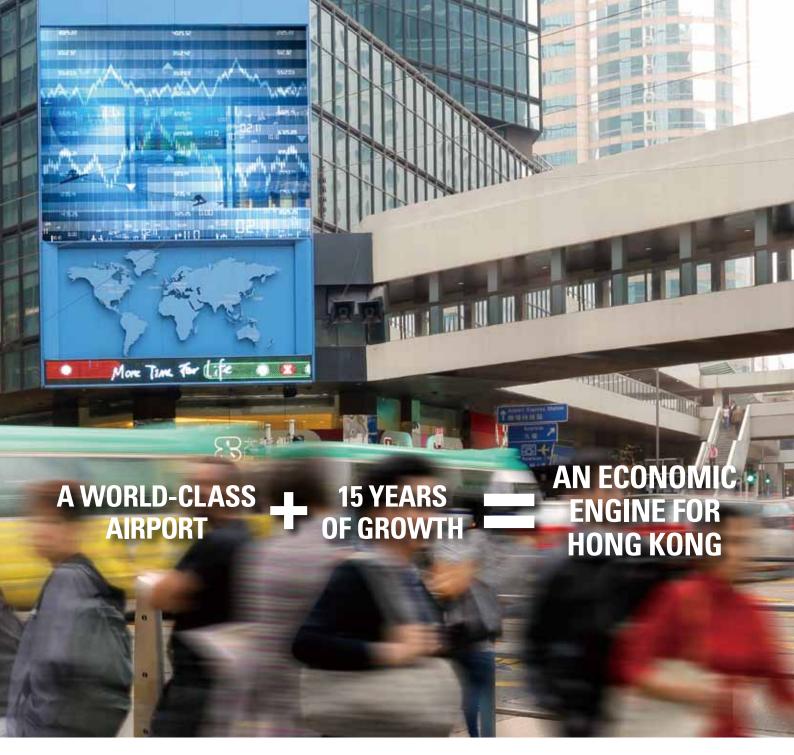
¹ Period from 6 July 1998 to 31 March 1999



Dear Stakeholders,

Hong Kong International Airport (HKIA) accomplished many achievements during the year ended 31 March 2013. Passenger volumes, air traffic movements and cross-boundary passenger trips set new records. In the face of market uncertainties, HKIA's cargo throughput increased 2.9% making us the world's busiest cargo airport for the third consecutive year.

Our performance was recognised with many accolades received during the year. For the 10th year running, HKIA was named the world's best airport by TTG. We were recognised as the best airport in Asia by *Frequent Business Traveller* and *FinanceAsia*.



HKIA delivered strong financial results, with profit attributable to equity shareholder rising 5.4%, to HK\$5,624 million. Of that amount, HK\$4,400 million will be paid to our shareholder, the Hong Kong SAR Government, as a dividend in respect of the profit for that year. In the 15 years since the airport opened, Airport Authority Hong Kong (AAHK) will have returned a total of HK\$30,380 million to the Hong Kong SAR Government in repaid capital and dividends.

Fifteen Years of Growth

HKIA's operations have grown dramatically since the airport opened in 1998. Passenger volumes, flight movements and cargo throughput have more than doubled. Our destination network has increased from 120 to about 180 cities, while the number of airlines serving Hong Kong has risen from 60 to over 100. The relocation of the airport from Kai Tak, which had a single runway, to Chek

"HKIA's operations have grown dramatically since the airport opened in 1998. Passenger volumes, flight movements and cargo throughput have more than doubled. Our destination network has increased from 120 to about 180 cities, while the number of airlines serving Hong Kong has risen from 60 to over 100."

Lap Kok enabled this expansion. The new airport's two-runway system allowed Hong Kong's aviation industry to develop and make a large contribution to the local economy. Additional capacity also helped us increase efficiency and customer satisfaction. In retrospect, we are fortunate that the right decision was made two decades ago. Without the new airport, thousands of jobs and billions of dollars of economic activity would never have materialised. Today, Hong Kong is in a similar situation. HKIA's proposed expansion into a three-runway system provides a viable long-term solution to growing demand until 2030 and beyond.

The Three-runway System

Despite global economic challenges in the past few years, passenger volumes and air traffic movements at HKIA have grown strongly. Both numbers, as well as that of cargo throughput, are now some years ahead of the forecast in *HKIA Master Plan 2030*. Under current growth trends, the two-runway system will reach capacity earlier than forecasted. As a result, the need to expand HKIA is more pressing than ever.

The three-runway system will take an estimated 11 years, from 2012 to 2023, to plan, approve, design and build. We are now conducting the statutory Environmental Impact Assessment (EIA) for this project. In the EIA study, we will investigate the potential environmental impact of the project by closely examining 12 environmental areas — air quality, hazards to human life, noise, water quality, sewerage and sewage treatment, waste management, land contamination, ecology (terrestrial and marine), fisheries, landscape and visual, cultural heritage, and health impact (air emissions and aircraft noise).

The EIA is being conducted by an internal team with support from external local and overseas consultants who are experts in the respective fields. By combining local knowledge with international expertise, we will deliver an assessment that is comprehensive, rigorous and professional. In the EIA study, we will have explored all possible ways to avoid, minimise and mitigate the project's potential environmental impact and adopted those that are practicable in the circumstances. Meanwhile, we are developing the related designs and studying different funding options.

The traffic figures are clear — there is an immediate need to expand HKIA. Delays today could have adverse long-term consequences for Hong Kong, ranging from higher costs to declining service levels, and even weakening of HKIA's hub airport status. In the public consultations on *HKIA Master Plan 2030* that were held in 2011, a clear majority of respondents supported expanding HKIA into a three-runway system to ensure that HKIA continues to deliver its full benefits to Hong Kong.

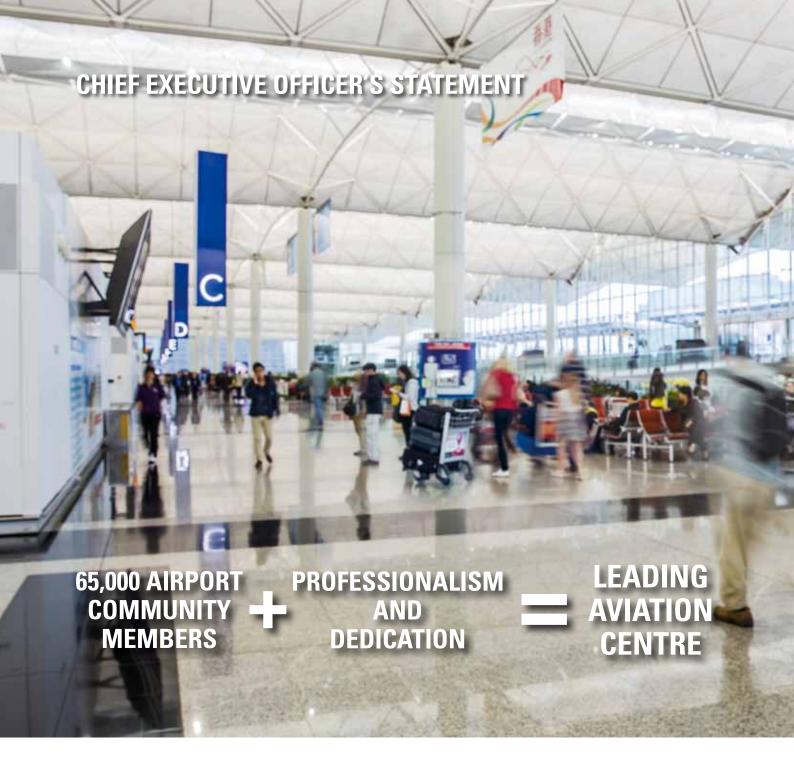
Outstanding People

HKIA's success is driven by the commitment and energy of our 1,300 employees and the 65,000 men and women who make up the airport community. With our business partners, we share a vision of operating the world's best airport and ensuring HKIA remains a regional and international aviation centre. And we continue to benefit from the unwavering support of the Hong Kong SAR Government.

I would like to welcome Mr Vincent Lo Hong-sui, who joined the AAHK Board on 1 January 2013, and thank the Hon Albert Ho Chun-yan and the Hon Chan Kam-lam for accepting new, three-year terms. Finally, I would like to express my gratitude to Dr Allan Wong Chi-yun, who served as a member of the Board from 1 January 2010 to 31 December 2012, for his guidance and many contributions to the airport's development.

Dr Marvin Cheung Kin-tung Chairman

Hong Kong, 20 May 2013



Dear Stakeholders,

I am pleased to report that Hong Kong International Airport (HKIA) delivered strong results in fiscal 2012/13, ended 31 March 2013.

Supported by regional economic growth, passenger throughput and flight movements set new records, increasing 4.1% to 57.2 million passengers and 4.7% to 355,000 flight movements respectively, comparing with the same period last year. Air cargo volume at HKIA grew 2.9% to 4.04 million tonnes — a solid performance in a year when difficult business conditions caused global volumes to fall by 1.5%, according to The International Air Transport Association (IATA).

In 2012/13, cross-boundary traffic between HKIA and destinations in the Pearl River Delta (PRD) reached new highs. The number of passengers using SkyPier, which links HKIA with ports in the PRD, grew 6.2%, to 2.6 million. Passenger trips via limousines and coaches rose 2.7%, to 2 million.



Meeting Future Demand

Construction of the Midfield development and apron expansion are on schedule. By the end of 2014, 28 new aircraft parking stands will enter service on the apron, helping us meet medium-term demand. When it is completed in 2015, the Midfield development will feature a concourse with an annual capacity of 10 million passengers and 20 new parking stands. We are now planning additional stands to meet future needs.

Assessing and Engaging

On 20 March 2012, the Hong Kong SAR Government gave Airport Authority Hong Kong (AAHK) in-principle approval to adopt, for planning purposes, the three-runway option as the future development direction for HKIA.

We started the Environmental Impact Assessment (EIA) that is required for the approval of the three-runway system in August 2012. To ensure the EIA is conducted in a thorough and transparent manner, we formed four technical briefing groups, each of which is composed of industry experts and academics. We also established community liaison groups in five neighbouring districts: Islands, Kwai Tsing, Shatin, Tsuen Wan and Tuen Mun. In total, the community liaison groups have about 150 members.

In addition, we expanded our public communications activities. In 2012/13, more than 6,500 secondary, university and postgraduate students visited HKIA. Since the EIA began, we have arranged and attended more than 310 seminars, meetings, briefings and airport visits for stakeholders. In order to reach out to greater numbers of people, we have organised exhibitions at the airport, established a dedicated website for the three-runway system, and produced leaflets and newsletters to keep stakeholders informed.

Expanding Our Reach

The record-high level of cross-boundary traffic in 2012/13 demonstrates HKIA's importance as a multi-modal transport hub, connecting the airport with the PRD by land and sea. To maintain this role, we support the construction of cross-boundary infrastructure, such as the Hong Kong – Zhuhai – Macao Bridge and the Tuen Mun – Chek Lap Kok Link. Today HKIA is connected by land to the rest of Hong Kong only via the Tsing Ma Bridge and the Airport Express. When these projects are completed in three to five years, the airport will be transformed from a "cul-de-sac" to a "crossroads" with better and more efficient connections to other parts of Hong Kong and the western region of the PRD.

These projects will facilitate the flow of goods and people between Hong Kong and the PRD, and will greatly expand the airport's catchment area to cover 11 PRD cities and 70 million people — three times larger than it is today.

Corporate Sustainability

Operating an environmentally friendly airport remains a major component of our sustainability activities. During the year, for example, we pledged to make HKIA the world's greenest airport. We also updated our three-year environmental plan and began work on our first sustainability report, which will be published in 2013.

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Recently, HKIA's carbon reduction efforts were recognised with an "optimisation" certificate in the Airport Carbon Accreditation Programme organised by Airports Council International. We are the only airport in Asia Pacific to have met this standard, which is the second-highest accreditation level in the programme and the highest level achieved by an Asia Pacific airport.

Recognition of Support

I am thankful for the guidance and insights of the AAHK Board and the steadfast support of the Hong Kong SAR Government during the year. I am also grateful to our business partners, the airlines and the 65,000 members of the airport community for their commitment to service, safety and efficiency. HKIA's hard-won reputation for excellence — and the numerous awards that the airport has received over the past 15 years — reflects the work of the entire airport community. I look forward to working with you in the year ahead.

Stanley Hui Hon-chung Chief Executive Officer

Hong Kong, 20 May 2013

THE BOARD



Dr Marvin Cheung Kin-tung



Mr Stanley Hui Hon-chung



Professor the Hon K C Chan



The Hon Chan Kam-lam



Mr Edward Cheng Wai-sun



Professor the Hon Anthony Cheung Bing-leung



Ms Anita Fung Yuen-mei



The Hon Albert Ho Chun-yan



Ir Dr Raymond Ho Chung-tai



Mr Benjamin Hung Pi-cheng



The Hon Jeffrey Lam Kin-fung



Ms Miriam Lau Kin-yee



Ir Lee Shing-see



Mr Norman Lo Shung-man



Mr Vincent Lo Hong-sui



Ms Caroline Mak Sui-king



Mr Huen Wong

Dr Marvin Cheung Kin-tungDBA Hon. GBS OBE JP Chairman

Aged 65. Appointed as Chairman of the Board in June 2008 and was reappointed in June 2011. First appointed as Member of the Board in June 2003 and was re-appointed in June 2005. Chairman of the Council of the Hong Kong University of Science and Technology. Member of the Working Group on Transportation under the Economic Development Commission. Independent Non-Executive Director of Hang Seng Bank Ltd, HKR International Ltd and HSBC Holdings plc.

Mr Stanley Hui Hon-chung JP Chief Executive Officer*

Aged 62. Appointed as Chief Executive Officer in February 2007. Former Chief Executive Officer of Dragonair and Chief Operating Officer of Air Hong Kong. First Vice Chairman of Hangzhou Xiaoshan International Airport Company Limited. Chairman of Hong Kong - Zhuhai Airport Management Company Limited. Member of the Hong Kong Government's Aviation Development Advisory Committee. Member of the 12th National Committee of Chinese People's Political Consultative Conference. Member of the Fifth Shenzhen Committee of the People's Political Consultative Conference of China, Member of the Greater Pearl River Delta Business Council. Chairman of the Chinese Cuisine Training Institute Training Board. Member of the Hong Kong Tourism Board.

Professor the Honourable K C Chan GBS JP Secretary for Financial Services and the Treasury*

Aged 56. Became a Board Member in July 2007 upon his appointment as Secretary for Financial Services and the Treasury. Chairman of the Managing Board of Kowloon-Canton Railway Corporation. Member of the Board of Directors of MTR Corporation Limited

The Honourable Chan Kam-lam SBS JP

Aged 64. Appointed to the Board in January 2010 and was reappointed in January 2013. Member of the Legislative Council representing the constituency of Kowloon East. Chairman of the Panel on Transport, Member of the Finance Committee & House Committee, and Member of the Panels on Administration of Justice & Legal Services, Development, Financial Affairs and Security of the Legislative Council. Member of the 12th National Committee of Chinese People's Political Consultative Conference. Non-Executive Director of Securities and Futures Commission. Council Member of Hong Kong Polytechnic University. Member of Deposit-taking Companies Advisory Committee. Member of Travel Industry Compensation Fund Management Board.

Mr Edward Cheng Wai-sun SBS JP

Aged 57. Appointed to the Board in June 2011. Deputy Chairman and Chief Executive of Wing Tai Properties Limited and Chairman of Lanson Place Hospitality Management Limited. Chairman of the University Grants Committee. Member of the Commission on Strategic Development of the HKSARG. Independent Non-Executive Director of Television Broadcasts Limited and Orient Overseas (International) Limited.

Professor the Honourable Anthony Cheung Bing-leung GBS JP Secretary for Transport and Housing*

Aged 60. Became a Board Member in July 2012 upon his appointment as Secretary for Transport and Housing. Former President of the Hong Kong Institute of Education and Chair Professor of Public Administration. Prior to 2008, he was a Professor at the Department of Public and Social Administration of the City University of Hong Kong. Professor Cheung was a member of the Legislative Council from 1995-97.

Ms Anita Fung Yuen-mei

Aged 52. Appointed to the Board in June 2010. Group General Manager of the HSBC Group. Chief Executive Officer Hong Kong of The Hongkong and Shanghai Banking Corporation Limited. Non-Executive Director of HSBC Bank (China) Company Limited. Non-Executive Director of Bank of Communications Co., Ltd. in mainland China. Non-Executive Director of Hang Seng Bank Limited. Vice-Chairman of the Hong Kong Association of Banks. Council Member of the Hong Kong University of Science and Technology. Member of the Banking Advisory Committee and the Financial Infrastructure Sub-Committee of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority, Nonofficial Member of the Hong Kong Housing Authority and Board Member of the Community Chest of Hong Kong.

The Honourable Albert Ho Chun-yan

Aged 62. Appointed to the Board in January 2010 and was reappointed in January 2013. Practising Solicitor and Notary Public. Member of the Legislative Council. Tuen Mun District Council Member. Member of the ICAC Complaints Committee.

Ir Dr Raymond Ho Chung-tai SBS MBE S.B.St.J. JP

Aged 74. Appointed to the Board in June 2008 and was reappointed in June 2011. Chairman of Hong Kong Trade Development Council Infrastructure Development Advisory Committee. Member of the Commission on Strategic Development of the Hong Kong SAR Government. Chairman of Guangdong Daya Bay Nuclear Plant and Lingao Nuclear Plant Safety Consultative Committee. Former Member of the Legislative Council (Engineering Functional Constituency) and the former Provisional Legislative Council since 1996. Former President of the Hong Kong Institution of Engineers.

Mr Benjamin Hung Pi-cheng JP

Aged 48. Appointed to the Board in June 2008 and was re-appointed in June 2011. **Executive Director and Chief Executive** Officer of Standard Chartered Bank (Hong Kong) Limited. Board Member of Hospital Authority. Member of the Financial Services Development Council, the Exchange Fund Advisory Committee and the Council for Sustainable Development. Council Member of the University of Hong Kong. Chairman of the Hong Kong Association of Banks. Chairman of Hong Kong Trade Development Council's Financial Services Advisory Committee. Board Member of the Community Chest and the Community Business.

The Honourable Jeffrey Lam Kin-fung GBS JP

Aged 61. Appointed to the Board in June 2011. Managing Director of Forward Winsome Industries Limited. Non-official Member of the Executive Council. Member of the Legislative Council. Chairman of Mega Events Funds Assessment Committee. Member of the Board of the West Kowloon Cultural District Authority. Member of the Fight Crime Committee. Member of the 12th National Committee of Chinese People's Political Consultative Conference.

Ms Miriam Lau Kin-yee GBS JP

Aged 65. Appointed to the Board in June 2011. Solicitor and Notary Public and China-Appointed Attesting Officer. Deputy to The 12th National People's Congress of the People's Republic of China. Member of the Hong Kong Maritime Industry Council. Member of Hong Kong Logistics Development Council and Chairman of its Subcommittee on Industry Development.

Ir Lee Shing-see GBS OBE JP

Aged 71. Appointed to the Board in June 2011. An Engineer by profession. Fellow of both the Hong Kong Institution of Engineers and the Institution of Civil Engineers (UK). Former Secretary for Works of the HKSAR Government. Chairman of the Construction Industry Council. Director of the Hong Kong Cyberport Management Company Ltd. Member of the Development Committee of the West Kowloon Cultural District Authority and the Committee on Education, Employment and Training of the Commission on Poverty. Convener of the Panel for the Testing & Certification of Construction Material Trade.

Mr Norman Lo Shung-man AE JP Director-General of Civil Aviation*

Aged 56. Became a Board Member in April 2004 upon his appointment as Director-General of Civil Aviation.

Mr Vincent Lo Hong-sui GBS JP

Aged 64. Appointed to the Board in January 2013. Chairman of the Shui On Group. Member of The 12th National Committee of Chinese People's Political Consultative Conference. Hong Kong's representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council. President of Council for the Promotion & Development of Yangtze. Economic Adviser of the Chongqing Municipal Government. Honorary Life President of Business and Professionals Federation of Hong Kong.

Ms Caroline Mak Sui-king

Aged 58. Appointed to the Board in June 2011. Group Director, Health & Beauty, The Dairy Farm Group. Chairman of the Hong Kong Retail Management Association. Chairmanperson of the Retail Industry Training Advisory Committee of Qualifications Framework Non-official Member of the Business Facilitation Advisory Committee and Convenor of the Wholesale and Retail Task Force under the Business Facilitation Advisory Committee. Member of the Steering Committee on Population Policy, the Standing Committee on Disciplined Services Salaries and Conditions of Service. Committee of the Employers' Federation of Hong Kong and the Quality Tourism Services Sub-Committee. Board Member of GS1 Hong Kong.

Mr Huen Wong JP

Aged 61. Appointed to the Board in June 2011. Chairman of the Hong Kong International Arbitration Centre. Deputy Chairman of the Board of Review (Inland Revenue Ordinance). Chairman of the Copyright Tribunal. Board Member of Hospital Authority. Former President of the Law Society of Hong Kong (2009 to 2011). Former China Managing Partner of two international law firms (1997 to 2011).

* Member by virtue of being holder of the post

Secretary to the Board Mr H Y Shu

Auditors **KPMG**

EXECUTIVE DIRECTORS



From left to right: Mr Wilson Fung Wing-yip, Mr William Lo Chi-chung, Miss Cissy Chan Ching-sze, Mr Ng Chi-kee, Mr John Chai Sung-veng

Mr John Chai Sung-veng Executive Director, Projects

Aged 62. An engineering graduate of the University of Hong Kong. Mr Chai was appointed in October 2012. He was the Director of the Civil Engineering and Development Department of the HKSAR Government before his retirement in 2011. He has had over 35 years of professional experience implementing and managing large, complex infrastructure projects.

Miss Cissy Chan Ching-sze Executive Director, Commercial

Aged 47. An MBA 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 & Marketing at Hysan Development Company Ltd. Prior to that, she gained substantial management and commercial experience in multinational companies while holding senior positions at Reckitt Benckiser (Hong Kong/ Taiwan) and Johnson & Johnson Hong Kong.

Mr Wilson Fung Wing-yip Executive Director, Corporate Development

Aged 49. Holds a Bachelor Degree in Social Science (First Class Honours). Mr Fung was appointed in August 2010. Before joining the Airport Authority, Mr Fung was the Executive Director of Hong Kong Productivity Council between 2006 and 2010. He has had over 20 years of experience in public administration. He joined the civil service as an Administrative Officer in 1985 and has since served in various Government policy bureaux and departments. His experience stretches from air services to lands and city planning, housing policies, consumer protection and competition policies.

Mr William Lo Chi-chung Executive Director, Finance

Aged 53. An MBA graduate from Warwick University in the United Kingdom. Mr Lo was appointed in July 2010. Before joining the Airport Authority, Mr Lo was Group Senior Director (Finance and Administration) of Vitasoy International Holdings Limited and has had more than 25 years of wide-ranging experience in auditing, accounting, finance management and control, corporate finance and investors relation. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a director of Hangzhou Xiaoshan International Airport Company Limited.

Mr Ng Chi-kee Executive Director, Airport Operations

Aged 58. Holds a Bachelor Degree in Applied Economics from the UK. Joined the Airport Authority in 1996 and was appointed Executive Director in March 2012. Mr Ng was previously the Deputy Director, Airport Operations of AAHK. With more than 27 years of experience in airport management, he has held a number of managerial and senior management positions in the fields of airfield operations, passenger services, security operation, commercial and property, technical administration and systems management since the Kai Tak Airport days to the present time. He is a Director of Hong Kong - Zhuhai Airport Management Company Limited.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	2012/13	2011/12	±% 1
Financial Results (in HK\$ million)			
Turnover	13,134	12,154	+8.1%
EBITDA	8,864	8,235	+7.6%
Depreciation and amortisation	2,208	2,221	-0.6%
Interest and finance costs	121	174	-30.5%
Profit attributable to the equity shareholder	5,624	5,336	+5.4%
Dividend declared	4,400	3,900	+12.8%
Financial Position and Ratios (in HK\$ million)			
Total assets	53,757	51,449	+4.5%
Total borrowings	5,780	5,714	+1.2%
Total equity	40,558	38,763	+4.6%
Return on equity	14.2%	14.2%	
Total debt/capital ratio	12%	13%	
Credit Ratings			
Standard & Poor's:			
Long-term local currency	AAA	AAA	
Long-term foreign currency	AAA	AAA	
Operational Highlights ²			
Passenger traffic ³ (millions of passengers)	57.2	54.9	+4.1%
Cargo throughput ⁴ (millions of tonnes)	4.0	3.9	+2.9%
Air traffic movements (thousands)	355	339	+4.7%

¹ Subject to rounding differences.

² "Operational Highlights" is based on Airport Authority Hong Kong's data for Hong Kong International Airport only.

³ "Passenger traffic" includes originating, terminating, transfer and transit passengers. Transfer and transit passengers are counted twice.

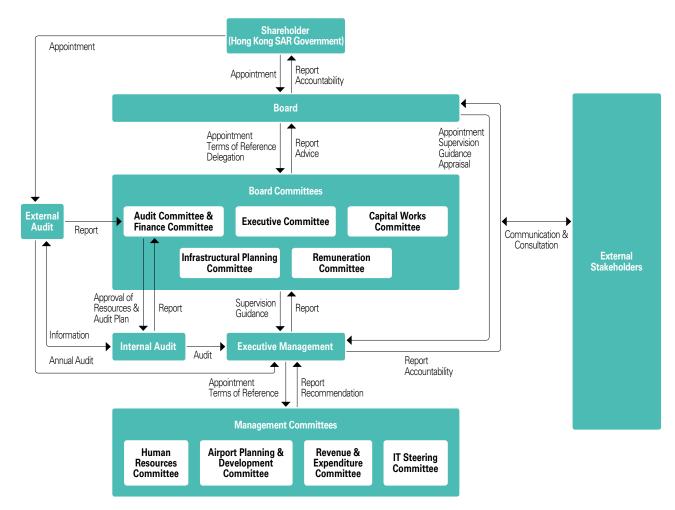
⁴ "Cargo throughput" includes originating, terminating and transshipment cargo. Transshipment cargo is counted twice. Airmail is excluded.

CORPORATE GOVERNANCE

Airport Authority Hong Kong ("AAHK") is committed to high standards of corporate governance, on the belief that good corporate governance not only meets the expectation of key stakeholders, but is also essential to attaining long-term sustainable growth. We strive to achieve this commitment by institutionalising a clear and comprehensive governance framework and fostering an ethical and responsible culture at all levels of the organisation.

Key features of our corporate governance framework are described below:

Corporate Governance Structure



The Board

The Board has overall responsibility for the leadership, control and performance of AAHK. Each Board Member has a duty to act in good faith and in the best interests of AAHK.

To ensure effective discharge of duties by Board Members, the Board assumes the responsibility of ensuring that each Board Member has spent sufficient time to attend to the affairs of AAHK.

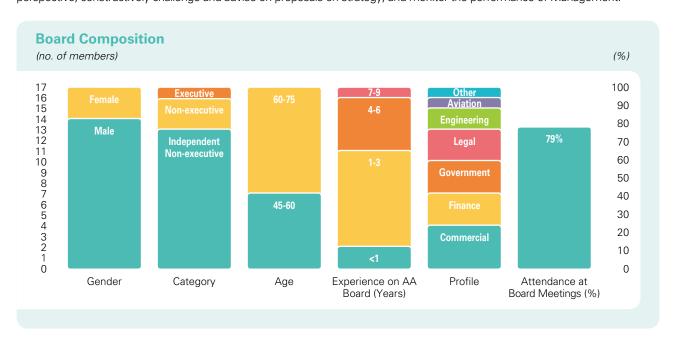
Board Structure

The Airport Authority Ordinance (the "Ordinance") provides that the Board shall comprise a Chairman, a Chief Executive Officer (ex-officio) and between 8 and 15 other Members. The Members who are public officers shall not be more than the Members who are not public officers. This structure effectively ensures that the Board would comprise a majority of independent members and is conducive to maintaining an independent and objective Board decision-making process.

Board Composition

The Board has 17 Members, whose details are set out on pages 20 to 21 and are available on the AAHK website.

With the exception of the Chief Executive Officer, all Board Members are non-executive and 13 of whom are considered independent¹. Currently, the three public officers serving on the Board are the Secretary for Financial Services and the Treasury, the Secretary for Transport and Housing, and the Director-General of Civil Aviation. Non-executive Members bring an external perspective, constructively challenge and advise on proposals on strategy, and monitor the performance of Management.



Appointment

The appointment of Board Members, including the Chairman, is determined by the Chief Executive of the Hong Kong Special Administrative Region (SAR). With the exception of the Chief Executive Officer who is an ex-officio member, the Chairman and all other Board Members are appointed for a term of three years.

Remuneration

Pursuant to the Ordinance, the remuneration of Board Members, including the Chairman, are determined by the Chief Executive of the Hong Kong SAR. No Board Member is involved in deciding his or her own remuneration.

The remuneration of Board Members for the year under review is disclosed on page 95.

Training

Full, formal and tailored induction programmes are arranged for newly appointed Board Members. The programmes consist of a series of meetings with the Chief Executive Officer, Executive Directors and Management, briefings on airport operations and major developments, and visits to airport facilities to enable new Members to familiarise themselves with the aviation industry and AAHK's objectives, strategies, operations and internal controls.

Recognising that training and development is an ongoing process, Members are invited from time to time to attend training sessions, work-related briefings and visits. In the year under review, Board Members were invited to attend briefings on airport developments, corporate sustainability, landside commercial development and environmental management.

¹ Any member who is not a public officer or an executive of AAHK and is not related to any member of the Board or executive management is considered to be independent.

Apart from keeping Members abreast of the latest developments, Board briefings also provide an ideal platform for Members to engage freely in in-depth discussions and exchanges with the Management under an informal setting. Starting with April 2013, briefings for Board Members are held on a monthly basis.

Personal Liability

Pursuant to Section 45 of the Ordinance, Board Members are exempt from personal liability in respect of anything done, or omitted to be done, by them in good faith in relation to the performance or purported performance of any function under the Ordinance.

Board Processes

Board processes were designed to align to the extent applicable to AAHK with the Corporate Governance Code and Corporate Governance Report ("CG Code") issued by the Stock Exchange of Hong Kong Limited and are clearly defined in the modus operandi of the Board.

The modus operandi of the Board is reviewed from time to time to keep abreast of regulatory changes and best corporate governance practices.

Key elements of the current modus operandi:

- Board shall have four regular meetings each year
- Annual schedule for Board meetings is made available in the prior year
- Meeting agendas are approved by the Chairman and Members may propose matters to be included in the agendas
- Agenda and papers are sent to Members at least three clear days before a meeting (excluding the date of despatch and the date of meeting)
- Board receives reports from Chairmen of Board Committees at each meeting
- Meeting minutes are sent to Members for comment and record within a reasonable time
- Members are obliged to safeguard confidential information and observe the procedures on declaration of interests

Meetings

During the year under review, four Board meetings were held with an average attendance rate of 79%. Attendance records of individual Members are on page 31.

A total of 34 Board papers and four sets of written resolutions were considered and resolved.

Key matters considered/resolved:

- Annual Budget
- Five-year Business Plan and Financial Plan
- Audited financial statements and unaudited interim financial report
- Quarterly management accounts and reports
- Appointment of external auditor
- Annual dividend
- Staff remuneration, pay structure and corporate performance assessment
- Performance assessment and bonus for Senior Management
- Corporate goals and performance measures
- Memberships of Board Committees
- Internal Control and Risk and Business Continuity Management
- Planning for the Three-Runway System
- Midfield and Western Apron developments
- Landside Commercial Development
- Major commercial licences
- Policy on receipt of gifts by Board Members

Apart from Board meetings, Chairman had sessions with Members without the presence of the Executive Member and Management to discuss human resources matters.

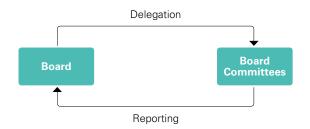
Members are required to declare their interests in business proposals, if any, to be considered by the Board. Members with interests are required to withdraw from the relevant discussions and decision making process as appropriate. In 2012/13, there were two occasions where Members withdrew from meetings in the light of their directorships in companies associated with tenderers of capital works contracts.

To facilitate effective stewardship on complex issues, pre-meeting briefings were held to provide Members with thorough background knowledge and ensure that they were properly briefed before such issues were put to formal meetings.

Board Committees

Pursuant to the Ordinance, Board Committees may be established to consider matters on specialised areas. Such Committees may decide on matters within their ambits and are required to report to the Board at each Board meeting. Currently there are five Board Committees, each of which with a specific set of terms of reference.

The modus operandi of Board Committees follows closely that of the Board.



Interface between Board and Board Committees

- Agendas of Committee meetings are sent to all Board Members
- All Board Members may attend any Committee meetings as observers
- Board Members are free to access the papers of any Committee meetings through the Secretary of the Board
- Committee reports are submitted to the Board at each Board Meeting
- Full minutes of Committee meetings are sent to Board members for information

The terms of reference of Board Committees are reviewed from time to time in the light of AAHK's evolving operational, business and development needs. A review was last conducted in 2011 to ensure that there were no material gaps or overlaps between the remit of the Committees. The terms of reference of Board Committees are available on HKIA's website at www.hongkongairport.com.

The composition of Board Committees was last reviewed and approved by the Board in January 2013. Excluding the Chief Executive Officer and public officers, each independent Board Member serves on about 2.2 Board Committees on average.

The following sets out details of Board Committees, their memberships, principal duties and key matters considered or resolved in the year.

Audit Committee and Finance Committee (ACFC)



Membership: Six non-executive members, five of them

are independent

Chairman: Mr Benjamin Hung Pi-cheng Members: Mr Edward Cheng Wai-sun

Ms Anita Fung Yuen-mei the Hon Albert Ho Chun-yan Ir Dr Raymond Ho Chung-tai

the Secretary for Financial Services and

the Treasury

Meetings and Papers: The ACFC met three times during the year with an average attendance rate of 67%. Attendance records of individual members are set out on page 31. A total of 19 Committee papers were considered or resolved.

Principal duties:

- · Reviews financial statements
- Makes recommendations on the appointment of external auditor, approves its remuneration and terms of engagement and oversees AAHK's relations with the external auditor
- Reviews accounting policies, annual budget, five-year financial plan and charging policies
- Oversees internal controls, financial controls, risk management system, internal audit function and reviews whistle-blowing policy
- Reports on matters in relation to corporate governance practices

Key matters considered/resolved:

- Audited annual financial statements and unaudited interim financial report
- Annual budget and five-year financial plan
- Quarterly operating results
- · Dividend policy and dividend payment
- External auditor's Audit Report, objectivity and effectiveness of audit process
- Appointment of external auditor and approval of audit fee and non-audit services
- Annual Corporate Governance, Risk Management and Internal Control Review Reports
- Adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training and budget
- Annual internal audit programme and quarterly internal audit reports
- Adequacy of resources and effectiveness of the internal audit function
- Revenue development
- Policy on receipt of gifts by Board Members

Capital Works Committee (CWC)



Membership: Seven members (including a co-opted

member) in total, five of them are

independent

Chairman: Ir Lee Shing-see

Members: Ir Dr Raymond Ho Chung-tai

the Hon Jeffrey Lam Kin-fung Mr Vincent Lo Hong-sui

Mr Huen Wong

Mr Stanley Hui Hon-chung

Co-opted Member: Ms Mable Chan

Meetings: The CWC met six times during the year with an average attendance rate of 85%. Attendance records of individual members are set out on page 31. A total of 23 Board Committee papers and two set of written resolutions were considered or resolved.

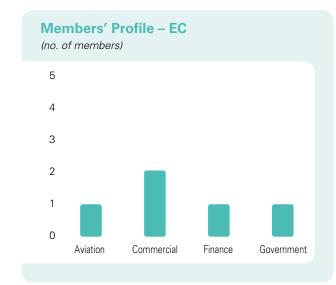
Principal duties:

- Reviews/approves policy and strategy on procurement of capital works
- Makes recommendations to the Board on annual capital works budget and Five-year Capital Works Plan
- Reviews/approves the award of capital works contracts and contract variations
- Monitors the progress of major capital projects

Key matters considered/resolved:

- Annual capital works budget and Five-year Capital Works Plan
- West Hall Modification
- Midfield Development
- Provision of airport facilities
- Western Apron Development
- Airport improvement and maintenance works
- Management of Environmental Impact Assessment and Scheme Designs for Third Runway Project
- Progress Reports on major capital works and projects
- Procurement strategies and award of works contracts

Executive Committee (EC)



Membership: Five members in total, three of them

are independent

Chairman: Dr Marvin Cheung Kin-tung
Members: Mr Edward Cheng Wai-sun
Mr Stanley Hui Hon-chung

Mr Vincent Lo Hong-sui

the Secretary for Transport and Housing

Meetings: The EC met six times during the year with an average attendance rate of 88%. Attendance records of individual members are set out on page 31. A total of 31 Board Committee papers were considered.

Principal duties:

- Exercises the functions and responsibilities of the Board between regular Board meetings
- Serves as a sounding board for the Chairman of the Board in the leadership and oversight of the business and affairs of AAHK
- Helps coordinate the activities among Board Committees
- Oversees the rolling 5-year Business Plan and Financial Plan

Key matters considered/resolved:

- Five-Year Business Plan and Financial Plan
- Planning for the Three-Runway System
- Corporate sustainability
- Commercial operation
- North Commercial District Development
- Airport franchises and commercial licences
- Competitiveness of HKIA
- Projects in Mainland China
- Monthly or bimonthly management accounts and report
- Reports on AAHK's operations and business activities

Infrastructural Planning Committee (IPC)



Membership: Thirteen members in total, nine of them

are independent

Chairman: Mr Vincent Lo Hong-sui Members: Dr Marvin Cheung Kin-tung

the Hon Chan Kam-lam Mr Edward Cheng Wai-sun Ir Dr Raymond Ho Chung-tai Mr Stanley Hui Hon-chung Ms Miriam Lau Kin-yee

Ir Lee Shing-see

Ms Caroline Mak Sui-king

Mr Huen Wong

the Secretary for Financial Services and

the Treasury

the Secretary for Transport and Housing the Director-General of Civil Aviation

Meetings: The IPC met three times during the year with an average attendance rate of 75%. Attendance records of individual members are set out on page 31. A total of five Board Committee papers were considered.

Principal duties:

 Reviews and advises the Board on major infrastructural developments at HKIA and its long term master planning and associated issues

Key matters considered/resolved:

- Midfield Development
- Landside Commercial Development
- Provision of additional parking facilities
- Intermodal Transfer Terminal at SkyPier
- Planning for the Three-Runway System

Remuneration Committee (RC)



Membership: Ten members in total, seven of them are

independent

Chairman: Mr Edward Cheng Wai-sun Members: Dr Marvin Cheung Kin-tung

the Hon Chan Kam-lam
the Hon Albert Ho Chun-yan
Ir Dr Raymond Ho Chung-tai
Mr Stanley Hui Hon-chung
Mr Benjamin Hung Pi-cheng

Ms Caroline Mak Sui-king the Secretary for Transport and Housing

the Director-General of Civil Aviation

Meetings: The RC met two times during the year with an average attendance rate of 77%. Attendance records of individual members are set out on page 31. A total of six Board Committee papers were considered.

Principal duties:

• Reviews staffing, remuneration and employment policies and strategies

- Advises the Board on staff-related issues, including annual corporate goals and performance measures, grading and pay structure, variable compensation and retirement schemes
- Makes recommendation on appointment of Chief Executive Officer and executive directors and their remuneration

Key matters considered/resolved:

• Annual review of staff remuneration

- Annual corporate performance assessment and award of variable compensation for staff
- Issues relating to the variable compensation scheme
- Performance review of the Chief Executive Officer, Executive Directors and Deputy Directors and their variable compensation
- Corporate goals and performance measurements
- Pay Range Validation
- Code of Conduct

Meeting Attendance (1 April 2012 to 31 March 2013)

Members	Board	ACFC	cwc	EC	IPC	RC
Non-executive						
Secretary for Transport and Housing	4/4			6/6	3/3	2/2
Secretary for Financial Services and the Treasury	4/4	2/3			1/3	
Director-General of Civil Aviation	4/4				3/3	1/2
Independent Non-executive						
Dr Marvin Cheung Kin-tung	4/41			6/6 ¹	2/3	2/2
The Hon Chan Kam-lam	4/4				1/3	1/2
Mr Edward Cheng Wai-sun	3/4	1/3		4/6	1/3	2/21
Ms Anita Fung Yuen-mei	1/4	2/3				
The Hon Albert Ho Chun-yan	2/4	1/3				1/2
Ir Dr Raymond Ho Chung-tai	3/4	3/3	5/6		2/3	2/2
Mr Benjamin Hung Pi-cheng	2/4	3/31				1/2
The Hon Jeffrey Lam Kin-fung	3/4		6/6			
Ms Miriam Lau Kin-yee	4/4				3/3	
Ir Lee Shing-see	3/4		6/6 ¹		3/3	
Mr Vincent Lo Hong-sui ²	1/1			1/14	1/15	
Ms Caroline Mak Sui-king	4/4				2/2	2/2
Dr Allan Wong Chi-yun³	2/3			2/4	1/2 ⁶	1/1
Mr Huen Wong	3/4		5/6		3/3	
Executive						
Mr Stanley Hui Hon-chung (Chief Executive Officer)	4/4		5/6	6/6	3/3	2/2

Notes

- ¹ Chairman of the Board or Committee throughout the term
- ² Appointed to the Board on 1 January 2013
- ³ Ceased to be a Board and Committee Member on 31 December 2012
- ⁴ Appointed to the Committee on 18 January 2013
- ⁵ Appointed as Chairman of the Committee on 18 January 2013
- ⁶ Ceased to be the Chairman of the Committee on 31 December 2012

Balance of Responsibility

In AAHK, the Board is responsible for overseeing the strategic direction and overall performance of AAHK, while the executive management is responsible for managing the operations and implementing the strategies set by the Board.

Matters reserved for the Board's decisions include:

- Major corporate strategies and policies
- Substantial investments and major capital projects
- Major airport franchises
- Material acquisitions and disposals
- Formation and disposal of subsidiaries
- Corporate business and financial plans and budgets
- Senior executives' appointments, compensation and succession planning
- Review of management performance

At AAHK, the posts of Chairman and Chief Executive Officer are separate. The Chairman is generally responsible for managing the Board while the Chief Executive Officer is responsible for managing the business and operations of AAHK.

Executive Management

The executive management team, led by the Chief Executive Officer, is responsible for managing AAHK's day-to-day operations and assisting the Board in formulating and implementing corporate strategies.

AAHK is operating with a management structure that consists of functional departments and divisions. This structure underpins a focus on corporate performance, fosters close departmental cooperation whilst maintaining the accountability of individual departments.

The appointment of the Chief Executive Officer is subject to the approval of the Chief Executive of the Hong Kong SAR, on the recommendation of the RC and the Board.

The compensation of the Chief Executive Officer and the Executive Directors (including Deputy Directors) are reviewed and recommended by the RC and approved by the Board. The remuneration package of the Chief Executive Officer and Executive Directors consists of basic compensation, performance-related compensation and retirement benefits. A significant portion of the performance-related compensation is determined by reference to objective indicators, including AAHK's financial performance, safety and service quality, customer satisfaction and business developments.

No Senior Management members or Executive Directors is involved in deciding his own remuneration. Details of the remuneration of the Chief Executive Officer and Executive Directors are set out in the Notes to the Financial Statements on pages 94 to 97.

The Company Secretary, who is a qualified member of The Hong Kong Institute of Chartered Secretaries, is responsible for Board-related matters and reports directly to the Chief Executive Officer. During 2012, the Company Secretary undertook over 15 hours of professional training.

Management Committees

Apart from the five Board Committees, there are management committees composed entirely of Management staff to deal with management and operational issues. The key management committees are:

Airport Planning and Development Committee

The Airport Planning and Development Committee, chaired by the Chief Executive Officer with the Executive Directors as members, was re-activated in 2010 to ensure that a more coordinated approach in reviewing land use proposals on the airport island for airport operations, airport support and airport-related developments. This committee is responsible for the review of all land use requests before such requests are taken forward by the responsible departments to the higher authority for approval.

Human Resources Committee

The Human Resources Committee, chaired by the Chief Executive Officer with Executive Directors and General Manager, Human Resources as members, was set up in June 2008. This committee is responsible for the review and formulation of human resources policies and procedures in meeting changing business needs. It also plans for the development of the overall manpower capability of AAHK, including people development and succession planning for senior executive positions.

Information Technology Steering Committee

The Information Technology Steering Committee, chaired by the Chief Executive Officer with Executive Directors and Chief Information Officer as standing members, was established in July 2011 for steering information technology investment and development to ensure alignment with corporate strategies and goals. The key focus areas of the committee are IT governance, strategic alignment, IT investment and value delivery, and IT risk management.

Revenue & Expenditure Committee

The Revenue & Expenditure Committee, chaired by the Chief Executive Officer with three Executive Directors as standing members, was established in 2008 for the purpose of reviewing and approving revenue or expenditure commitments of HK\$5 million and above. The Chief Executive Officer may co-opt other senior management staff as members if he considers appropriate.

External Stakeholders

Transparency

AAHK considers transparency a precursor of good corporate governance and has taken an open approach to disclosing information. Updated information relating to its performance and operation, save for certain information relating to aviation security and matters of commercial sensitivity, is released on a regular basis and made available on its website. AAHK's annual and interim financial reports are also published on its website.

To promote transparency and openness, AAHK voluntarily discloses its compliance with the CG Code, the individual attendance records of Board and committee meetings and the full details of the remuneration of its Board Members and Executive Directors.

Communication

AAHK adopts an open and proactive communication policy. To promote effective communication with stakeholders and the public at large, the HKIA website contains up-to-date and comprehensive information about AAHK, HKIA and its services. AAHK also makes use of online media such as Facebook, Weibo and Twitter for promotion and information dissemination.

AAHK keeps the public abreast of HKIA's new service offerings, growth and development through the mass media by organising press conferences, workshops and briefings, giving interviews, responding to enquiries and issuing press releases and statements. Meetings, sharing sessions and forums are held to foster two-way communication with business partners, the aviation industry and other stakeholders.

AAHK values customer feedback. A wide array of channels such as websites, quantitative and qualitative opinion surveys, emails, feedback forms, hotline and more are used to solicit views from passengers, customers and other stakeholders.

In order to foster understanding and seek views on the planned three–runway system (3RS), AAHK has stepped up its efforts in engaging various stakeholders by organising and attending meetings, briefings and visits. New platforms such as the Technical Briefing Groups and Community Liaison Groups were formed to collect views from industry experts and community leaders.

Corporate Governance

Management conferences are held bi-annually to enhance understanding among the Management team on work to be done in the year or year ahead to achieve AAHK's goals. These conferences also provide a platform for Senior Management to share their thinking on future corporate direction and focus, based on which departments can formulate cohesive plans for the coming year and beyond. Last year, senior executives led by the CEO hosted two town hall meetings with AAHK colleagues to provide them with updates on the latest operational initiatives and projects while engaging them in two-way communication.

A newsletter, *HKIA News*, is published to inform AAHK staff, the airport community at large and other pertinent stakeholders of the news and developments about the HKIA. A new newsletter, *3RS Bulletin*, provides updates on the 3RS. The Legislative Council and neighbouring District Councils are also kept updated on major developments at HKIA.

Sustainability

Sustainable development, to AAHK, is a process that balances business objectives and stakeholders' interests within a holistic management framework.

Throughout the year under review, AAHK participated in and provided support for initiatives that promoted environmentally friendly practices, people development and community well-being.

A strong commitment to environmental protection is crucial to ensuring our long term viability. In this regard, AAHK updated our 2008 Corporate Environmental Policy to take account of the new corporate objective to become the world's greenest airport, and to incorporate our commitment to managing greenhouse emissions. As well as following such policy as far as practicable in our own activities and operations, we encourage, and in most cases require our business partners to adopt the same responsible approach in conducting their business at HKIA.

To ensure the effectiveness of our initiatives, environmental performance is regularly measured against the set objectives in the rolling three-year Environmental Plan, which include carbon reduction, energy savings, air quality management, waste and water management.

The major environmental programmes and events undertaken during the year are set out in AAHK 's first sustainability report to be published in July 2013.

Internal Controls

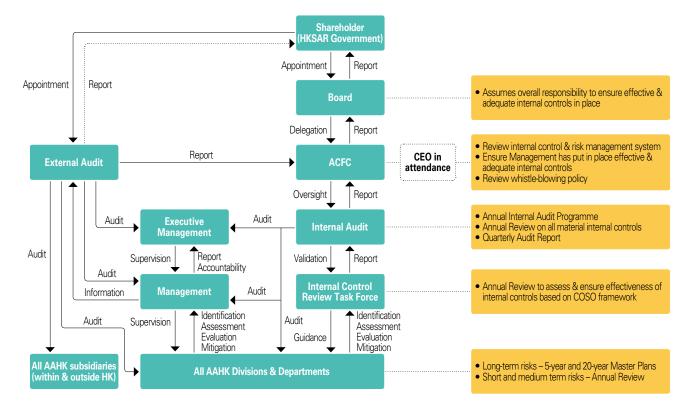
Internal controls forms an integral part of AAHK's management system and are embedded in the operational procedures of functional departments. The underlying principle of AAHK's internal controls is to manage and mitigate, rather than to eliminate risks.

AAHK's internal controls are designed to give reasonable assurance that:

- operations are safe and secure and free from serious interruptions
- · assets are prudently safeguarded
- maximum value for money is obtained from its expenditures
- business activities are conducted in a fair and responsible manner
- financial reporting is accurate, transparent, timely and complete
- the business and operations of AAHK are being conducted in a way that is in compliance with the relevant laws and regulations, and prudent commercial principles as stipulated in the Ordinance.

Key features of our internal control framework are described below:

Internal Control Framework



The Board

The Board is overall responsible for ensuring that AAHK has sound and effective internal controls and is assisted by the ACFC in discharging this responsibility.

ACFC

ACFC is responsible for overseeing AAHK's internal controls:

- Reviews annually the internal control and risk management systems which cover all material controls
- Ensures Management has put in place effective internal control system
- Meets with external auditor at least twice a year, at least once a year without the presence of executive management
- Receives external auditor's reports and considers control issues raised
- Receives internal auditor's quarterly reports and provides guidance
- Reviews the whistle-blowing policy

- Oversees the Internal Audit function
- Reviews the adequacy of manpower and training resources of the financial reporting function

External Audit

The main purpose of the external audit is to provide independent assurance to the Board and shareholder that the annual financial statements of AAHK are fairly stated. The appointment of AAHK's external auditor is subject to the approval of the Chief Executive of the Hong Kong SAR, on the recommendation of the ACFC and the Board.

The external auditor for the year under review was KPMG. To ensure the independence and objectivity of the external auditor, AAHK has policies which restrict the non-audit services to be provided by the external auditor and require the lead engagement partner responsible for AAHK to be rotated every seven years (the last rotation took place in 2011/12).

The following is a breakdown of the fees paid by AAHK and its subsidiaries to the external auditor in the past two years for audit and non-audit services:

Corporate Governance

(in HK\$ million)	2012/13	2011/12
Audit fee	4	4
Fees for non-audit services	3	1

The non-audit services works conducted by KPMG during 2012/13 were mainly in relation to high-level internal controls review, sustainability advisory services and tax compliance and advisory services. The higher than normal fees for non-audit services in 2012/13 were attributed to the high-level internal control review which is a one-off item.

Internal Audit

The Internal Audit is primarily responsible for reviewing the adequacy and effectiveness of internal control procedures and monitoring compliance with them. The annual internal audit programme is drawn up using a risk-based approach and is approved by the ACFC before implementation.

According to AAHK's Internal Audit Charter which was approved by the ACFC, internal auditors have unrestricted access to information and complete freedom to draw independent conclusions in their audits. The Chief Internal Auditor reports to the Chief Executive Officer on an administrative basis and has direct access to the ACFC and its Chairman, thereby ensuring that independence is maintained.

The quarterly internal audit reports submitted by the Chief Internal Auditor include information on audit issues observed and relevant improvement proposals, as well as results from special reviews or investigations undertaken.

Reviews on Internal Controls

Assessing risks and reviewing the effectiveness of internal controls is a continuing process at AAHK.

In addition to the internal and external audits and other review and assurance processes, the executive management, assisted by a cross-departmental Internal Control Review Task Force, conducts annually a comprehensive review on AAHK's internal controls in accordance with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework recommended by the Hong Kong Institute of Certified Public Accountants. During the interim, a half-yearly update is required from all divisions and departments on changes to control measures in response to changes of risk profiles.

The annual internal control review evaluates all major operations and processes of AAHK based upon the five main components of the COSO framework: control environment, risk assessment, control activities, information and communication, and monitoring. All AAHK departments and major subsidiaries are required to assess the risks associated with their key work processes and the effectiveness of the controls in place to mitigate such risks. Independent verification of the effectiveness of controls for those high-risk areas is carried out. Based on the results of these reviews, AAHK departments and major subsidiaries would make representations to executive management as to whether internal controls are working as intended or that enhancements are to be made.

During the year under review, the executive management had reviewed AAHK's internal control system and concluded that it is effective and adequate. A consolidated internal control review report was compiled and submitted to the ACFC for review. The Board then reviewed the effectiveness of AAHK's system of internal control via this consolidated report after its consideration by the ACFC.

To ensure that AAHK has a sound and effective control system in place, an independent external consultant had been engaged to conduct a high-level review of AAHK's internal and financial control systems. The review, which was completed in late 2012, concluded that the level of controls and policies and procedures adopted by AAHK are reasonable and appropriate in the context of a large public organisation. The review has also identified a number of recommendations with implementation in progress.

Risk Assessment and Management

AAHK's operation encompasses a diverse range of risks. At the corporate level, risks which may hinder AAHK from achieving its long term objectives are analysed within the context of its 20-year Master Plan. Risks relating to AAHK's short and medium term objectives are identified and addressed annually during the preparation of the rolling Five-year Business Plan.

Details of the risk assessment framework and management initiatives are described in the Risk Management Report on pages 42 to 45.

Delegation of Authority

AAHK has a comprehensive system of delegation of authorities under which the authorities of the Board, Board Committees and different levels of the executive management are clearly delineated. Such delegation of authority is reviewed from time to time to ensure that it meets AAHK's evolving business and operational needs. The last review by the Board was conducted in June 2008 and a review on delegation at the management level is currently underway.

Under the current delegations, the Executive Committee has been given the power to exercise the functions of the Board between Board meetings, save for certain statutory restrictions. The Capital Works Committee is delegated the power to make commitments of up to HK\$500 million. The Chief Executive Officer is delegated the full power to make commitments of an operational nature and of up to HK\$50 million for capital expenditures. To complement these delegations, a reporting mechanism has been instituted to keep the Board informed when certain delegated powers have been exercised.

At the operational level, the Chief Executive Officer has established a Revenue & Expenditure Committee to assist him in exercising his delegated authority. Regular reports are made to the ACFC on authority exercised by the Chief Executive Officer for commitments in excess of HK\$20 million.

To facilitate day-to-day operation, the executive management has a structured system of sub-delegation under which staff members of different levels are given appropriate authority to enable them to effectively discharge their duties. The system of sub-delegation is subject to review and approval from time to time by the Chief Executive Officer.

Financial Planning, Control and Reporting

AAHK has a three-tier corporate planning process under which a master plan with a long-term planning horizon of 20 years is compiled every five years. The latest master plan entitled "HKIA Master Plan 2030" was completed in 2011. For medium-term planning, each year AAHK prepares a rolling five-year business plan and financial plan. For short-term planning and control purposes, annual budgets are prepared and submitted to the ACFC and the Board for approval.

Within AAHK's financial control system, there are defined procedures for the appraisal, review and approval of different levels of capital and operating expenditures. Stringent control and approval procedures are in place to govern expenditures beyond approved budgets. A process has been implemented to require selected staff to undergo recurrent training on AAHK's financial and internal control policies and procedures on a regular basis.

Results of operations against budget are reported to the ACFC on a quarterly basis and subsequently to the Board. Monthly accounts are submitted to the Executive Committee in those months where no Board meeting is held. Financial control on major capital projects is reported to and monitored by the Capital Works Committee at approximately bimonthly intervals.

The Board is overall responsible for the preparation of financial statements that give a true and fair view of AAHK's affairs and financial results. The Board is assisted by the ACFC in discharging this responsibility. In preparing this year's financial statements, the Board has adopted suitable accounting policies and applied them consistently; made judgements that are prudent

and reasonable; and prepared the financial statements on a going concern basis. The audited financial statements are submitted to the ACFC for review within two months from the end of the financial year and then to the Board for approval. Financial statements, both for the interim and full-year periods, are despatched to the Hong Kong SAR Government and the Legislative Council and published on the HKIA website after approval by the Board.

Accountability

AAHK considers accountability one of the fundamental pillars of corporate governance and has built its corporate structure and management culture based on this notion. Under the current structure, the Board is overall accountable for the performance of AAHK. The executive management is responsible for managing AAHK's day-to-day business and is accountable to the Board for its performance.

In order to strengthen the accountability mindset at all levels of the organisation, AAHK has adopted a cost and contribution centres' operating model. As relevant and appropriate, operating parameters are set for individual departments for which they are accountable.

Disclosure of Interest

AAHK has clear and comprehensive procedures for disclosure of interests which is an important safeguard against potential conflicts of interests.

Under current procedures, Board Members and Senior Management are required to make a general declaration upon their appointment and thereafter on an annual basis, and to report any change to their declaration as and when it occurs or as soon as they become aware that conflicting interests may arise.

Board Members are also required to declare their direct or indirect interests, if any, in business proposals or transactions to be considered by the Board or Board Committees. Board Members with conflicts of interests are excluded from the relevant deliberation and decision-making process. A register of declarations made by Board Members is maintained by the Corporate Secretariat and is available for public inspection.

During the year under review, a policy that requires Board Members to declare, and where appropriate seek approval for retaining gifts received had been formalised.

Written procedures are in place to require staff to disclose their interests under specific circumstances, for instance, acting as a member of a tender assessment panel. Staff members with potential conflicts of interests will normally be excluded from the relevant deliberation and decision-making process.

Ethical Culture

Ethics is a core value of AAHK. To foster an ethical culture, AAHK follows both the "structural" and "people" approaches.

The structural approach aims to attain ethical behaviour by institutionalising policies and procedures with which staff members are required to comply. Such policies and procedures, as epitomized by the Code of Conduct, are constant reminders to staff of the minimum ethical standards AAHK expects of them. The Code provides specific guidelines to help staff make ethical decisions in the course of discharging their duties. Compliance with this Code is part of the terms of employment of all staff, who are reminded at least once a year of their responsibilities under the Code. The Code of Conduct is reviewed and updated regularly to ensure that it is consistent with the current best practices. The last update was completed in January 2013.

Ethical compliance is further strengthened by the presence of a high-level Ethics Panel which is convened as needed to review serious ethical issues. The Ethics Panel may take independent advice and reports to the Chief Executive Officer and/or the ACFC, as appropriate.

The people approach aims to inculcate an ethical mindset among all staff and to enhance their awareness of good ethics through continuing education. In this regard, workshops and sharing sessions conducted by internal and external parties are held from time to time. At these sessions, information on desirable ethical behaviour is promulgated and often supplemented by case studies to help staff gain a better understanding of the underlying principles and how they can be applied in different situations.

To provide staff with a holistic view of the two approaches and promote a better understanding of different levels of ethical responsibility, AAHK has devised an ethics pyramid which encapsulates various ethics-related issues. Staff members are regularly reminded of their obligations under each level of the pyramid.



Quality of Staff

AAHK considers the quality of its staff as a competitive advantage. To ensure that the staff quality is sustainable, AAHK places considerable emphasis on rigorous recruitment and selection, purposeful staff development and succession planning, and a compensation and reward system that aims to motivate and retain staff of high calibre.

AAHK believes that a fair and competitive reward system is a key driver of staff performance and behaviour. To this end, AAHK has implemented a variable compensation scheme since 2002 under which a part of the staff remuneration is directly linked to corporate and individual performance, and is payable only when agreed corporate and individual goals and targets are met. The scheme is subject to regular reviews and fine-tuning to keep abreast of the changing circumstances and best practices.

Whistle-blowing Policy

AAHK has a formal whistle-blowing policy in place to encourage and guide its staff to raise serious concerns internally in a responsible manner, without any risk of retribution.

Compliance

Pursuant to the Ordinance, AAHK was set up to maintain Hong Kong as a centre of international and regional aviation, and to provide, operate, develop and maintain Hong Kong International Airport for civil aviation.

Section 6(1) of the Ordinance provides, inter alia, that AAHK shall conduct its business according to prudent commercial principles. Having regard to this statutory mandate, AAHK endeavours to follow, to the extent applicable to AAHK, the compliance standards of major commercial organisations in Hong Kong.

Financial Reporting

AAHK's financial statements fully comply with the financial reporting requirements set out in Section 32 of the Ordinance. Our auditor confirms that the consolidated financial statements give a true and fair view of the state of affairs of the group as at 31 March 2013 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and the Ordinance. AAHK's financial statements are prepared in compliance to the extent applicable with the relevant disclosure provisions in the Listing Rules issued by the Stock Exchange of Hong Kong Limited. AAHK has begun voluntarily announcing its interim financial results.

Corporate Governance Practices

Although AAHK is not required to comply with the CG Code, we have applied its principles and voluntarily complied with the code provisions and the recommended best practices therein except for those as set out below:

Deviation from Code Provisions		Reason for Deviation
A.1.8	Appropriate insurance cover for directors against legal action.	This provision is not applicable to AAHK. Pursuant to Section 45 of the Ordinance, Board Members are exempt from personal liability in respect of anything done, or omitted to be done, by them in good faith.
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	All non-executive Members are appointed for a term of three years. Board Members are not subject to re-election but may be re-appointed by the Chief Executive of the Hong Kong SAR pursuant to Section 3 of the Ordinance.
A.4.2 & A.4.3	These code provisions deal with the appointment of directors to fill a casual vacancy, appointment of independent non-executive directors, and rotation of directors.	These provisions are not applicable to AAHK. Pursuant to Section 3 of the Ordinance, Board Members are appointed by the Chief Executive of the Hong Kong SAR. Terms of office of Board Members are governed by Section 11 of the Ordinance.
A.5.1 to A.5.5	These code provisions deal with the Nomination Committee.	These provisions are not applicable to the AAHK. Pursuant to Section 3 of the Ordinance, Board Members are appointed by the Chief Executive of Hong Kong SAR.
A.6.4	Directors must comply with obligations under the Model Code for Securities Transactions and the board should establish guidelines for employees dealing in the securities of the company.	This provision is not applicable because all of AAHK's shares are held by the Hong Kong SAR Government and are not publicly traded.

Deviation from Code Provisions		Reason for Deviation
A.6.5	Arranging and funding suitable training for all directors to participate in continuous professional development. Directors to provide a record of the training they received to the issuer.	AAHK arranges formal induction programmes for newly appointed Board Members to enable them to familiarize themselves with AA's objectives, strategies, operations and internal controls. Board Members are invited to attend training sessions and briefings from time to time. Starting April 2013, briefing or training sessions for Members are held on a monthly basis.
D.3.1	Terms of reference of the Board or committees to include reviewing and monitoring the training and continuous professional development of directors and senior management.	
A.7.1	An agenda and board papers should be sent to all directors at least three days before a meeting.	AAHK has self-imposed a more stringent guideline of issuing papers to Board Members at least three "clear" days (excluding the date of despatch and the date of the meeting) before meeting. But due to occasional urgent business and other reasons, only about 65% of a total of 117 papers met this guideline in the year under review. AAHK would continue to strive to comply with this guideline to the extent practicable.
B.1.2	This code provision relates to the terms of reference of the Remuneration Committee.	The provision on the power to determine Board Members' remuneration is not applicable because Section 11(4) of the Ordinance provides that the remuneration of Board Members shall be determined by the Chief Executive of the Hong Kong SAR.
E.1.1 to E.1.4 E.2.1	These code provisions deal with the proceedings for annual general meetings.	These provisions are not applicable because AAHK has only one shareholder and is not required to hold annual general meetings.
Designation for an	D	Process for Production
Deviation from Recommended Best Practices		Reason for Deviation
C.1.6	Publication of quarterly financial results and preparation of quarterly financial reports based on accounting policies consistently applied in half-year and annual accounts.	This practice is not adopted for concerns of committing excessive resources in complying with the form rather than the substance of the practice. Quarterly financial reports are presented to the Board and the ACFC of which representatives of the Government (the sole shareholder) are members.

RISK MANAGEMENT REPORT

The operation of Airport Authority Hong Kong ("AAHK") encompasses a diverse range of risks. At the corporate level, risks which may hinder AAHK from achieving its long term objectives are analysed within the context of its Master Plan (conducted in five-year intervals). Risks relating to AAHK's short and medium term objectives are identified and addressed annually during the preparation of the rolling Five-year Business Plan.

Risk Management Framework

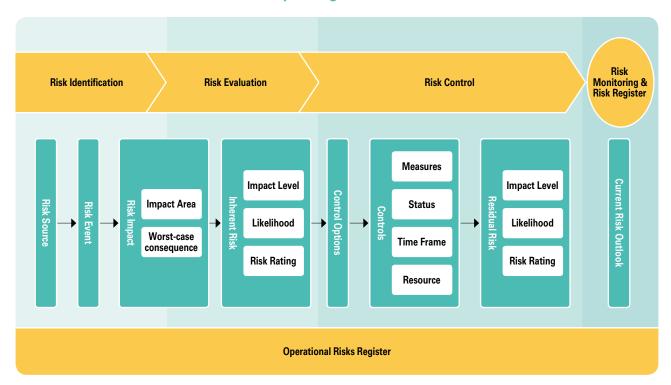
AAHK's internal controls are designed to manage and mitigate risks, rather than eliminate risks. Risk assessment and management is a critical focus for all levels at the AAHK: The Board, the Audit Committee & Finance Committee (ACFC), the Executive Management and the operating and supporting functions.

Operating and Supporting Functions

Our quantitative risk profile is assessed through a bottom-up analytical approach covering all operating and supporting functions.

Given the myriad of potential risks that may affect the operations of the airport, all operating departments are required to implement a thorough risk identification process to review the risk and business continuity management processes pertaining to operational areas that are critical to sustaining the continuous operation of the airport.

Risk Identification and Business Continuity Management Process



The key elements of AAHK's integrated and multi-layered risk and business continuity management process include the establishment of an Operational Risks Register to track and document identified risks, the development and continuous updating of preventive and responsive procedures, and the testing and drilling of action plans and procedures to ensure their effectiveness.

Executive Management

With a view to staying alert to any emergent risk resulting from economic, market or environmental changes, an ongoing risk assessment approach is adopted by Management for the identification of new exposure areas and implementation of appropriate mitigation measures.

A diversity of approaches is adopted for the collection and analysis of market intelligence and data, which include close interface and communication with business partners, industry bodies, Government counterparts and opinion leaders through liaison groups, committees, international organisations and engagement exercise.

Upon collection of useful information which may impact on AAHK's operations or risk exposures, deliberation of the necessary follow-up or preventive measures will be made at regular intra or inter-departmental meetings.

During the year under review, the Executive Management reviewed AAHK's risk profiles and control system and concluded that the control system is effective and adequate. A consolidated review report was compiled and submitted to the ACFC for review. The Board then reviewed the effectiveness of AAHK's risk management and control system via this consolidated report after its consideration by the ACFC.

Audit Committee and Finance Committee

The ACFC is responsible for reviewing AAHK's risk management system and ensuring that effective controls are in place. It receives reports from both the external and internal auditors and considers any control issues arising from these reports.

The ACFC needs to review all risk areas presented in the risk information matrix and identify key risk issues that require its further attention and, if appropriate, the Board's focus.

In the year, the ACFC reviewed the consolidated review report on AAHK's risk profiles and control system and confirmed that no significant risk control issues would need to be escalated to the Board for immediate action.

The Board

The Board is overall responsible for ensuring that AAHK has effective risk management and control systems and is assisted by the ACFC in discharging this responsibility.

Annual Review

The annual internal control review evaluates all major operations and processes of AAHK based on the five main components of the COSO framework, namely: control environment, risk assessment, control activities, information and communication, and monitoring.

As part of the annual review, all AAHK departments and major subsidiaries are required to assess the risks associated with their key processes and the effectiveness of the controls in place to mitigate such risks. Independent verification of the effectiveness of controls for those high-risk areas is also carried out. Based on the results of these reviews, AAHK departments and major subsidiaries make representations to Executive Management as to whether internal controls are working as intended or that enhancements are to be made.

Risk Profiles and Controls

Key risks identified in the annual review for 2012/13 and controls put in place are as follows:

Strategic and Operational Risks

Maintaining Hong Kong as a centre of international and regional aviation is a statutory mandate of AAHK. Continuous improvements are made to ensure efficient and safe operations of the HKIA amid ever-increasing traffic demands.

HKIA handled 57.2 million passengers, 4.04 million tonnes of cargo and 355,000 flight movements in 2012/13. Based on industry forecasts, air traffic demand was expected to reach 97 million passengers, 8.9 million tonnes of cargo and 602,000 flight movements per year by 2030. The HKIA Master Plan 2030 (MP2030) addresses major medium to long term challenges and lays out options and strategies to ensure HKIA is well placed to meet long term capacity issues.

Operational risks identified included potential degradation of service delivery standards, unforeseen disruptions to flow management, maintenance challenges to aging facilities. Continuous investments in facilities upgrade and replacement projects had been initiated. Other appropriate controls such as constant monitoring of service delivery standards, operating procedures and fallback contingency plans had been established to ensure impact on passengers would be minimized. Regular drills were also carried out to test the response capabilities of all concerned parties in case of eventualities.

Environmental Risk

Caring for the environment is an imperative for the long-term sustainable development of HKIA. AAHK has put in place vigorous measures to manage environmental issues and strives to operate and develop the airport in an environmentally responsible manner.

At the strategic level, a three-year environmental action plan had been developed to map out AAHK's efforts to manage and reduce its environmental footprint in key work areas as compared to other major airports and leading Hong Kong organisations. A principal part of the strategy involves partnering with the airport community in developing and implementing airport-wide environmental programmes.

At the operational level, management of environmental challenges was incorporated into the planning process to ensure full compliance with the statutory and applicable requirements for all airport developments and to require all projects to be designed to support the aim of making HKIA the world's greenest airport.

Further details on our environmental initiatives are set out in the AAHK's first sustainability report, which will be published in July 2013.

Safety, Security and Health Risks

Airport and aviation safety is fundamental to the operation of HKIA. Safe operation of HKIA is achieved through the concerted efforts of AAHK, airlines, aircraft manufacturers, air traffic control organisations and other key stakeholders. AAHK regularly reviews various standard operating procedures that cover all parts of HKIA's operations on the airfield, on the apron, at gates and in maintenance areas.

In parallel with this, instilling an effective safety culture from the top management down has remained a priority. Reporting of safety hazards and occurrences has been encouraged and monitored at all levels. As in previous years, safety, as measured by the rate of airport staff and passenger injuries at the airport, remains a key performance indicator of AAHK and forms one of the key elements in the annual corporate goals by which the variable compensation awarded to staff (including the Chief Executive Officer and Executive Directors) is determined.

The construction, maintenance and operation of airport facilities involve risks in the workplace that can be reduced, mitigated and transferred but not eliminated completely. Recognising that minimising occupational health and safety incidents is one of the keys to the sustainability of HKIA, AAHK has formulated a Safety Management System which is regularly reviewed and updated.

Airport security continued to see challenges arising from increasing volumes of passenger traffic and the evolving nature of the threats against civil aviation. Enhanced initiatives and effective equipment and facilities have been and will continue to be employed to ensure that highest security standards are maintained.

To address health risk, AAHK has a Stepped Response Plan in place for major public health issues.

Financial Risk

AAHK's activities are exposed to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign currency risk. Details of AAHK's exposure to financial risks and the policies and practices adopted to manage these risks are described in Note 21 to the Financial Statements on pages 111 to 116.

Information Technology Risk

The effectiveness and security of information technology systems is instrumental to ensure a smooth and safe operation at the HKIA. An IT Governance Framework and IT Risk Management Framework are established to ensure consistent risk assessment and management. Annual review is being undertaken to ensure that IT projects align with corporate strategies. IT obsolescence status is reviewed biannually. Emerging IT security risks are monitored and proactive measures are in place to enhance risk awareness.

Any interruption of the IT services and failure of system contingency may disrupt airport operations. To address this risk, preventive maintenance, detective monitoring and containment measures are implemented to mitigate the risk of operation disruption. Security threats are mitigated through preventive and detective measures including restricted network access, installation of intrusion detection system and the use of security monitoring tools to alert Management on risks and vulnerabilities.

Legal and Regulatory Risk

Violation of law, non-compliance with regulatory requirement, and breach of contract, even though unintentionally, will bring about legal consequences impacting on the AAHK, including damage to reputation, disruption to business or operations, and pecuniary loss associated with enforcement actions and lawsuits. Whilst some of the legal risks are stand-alone, many of them dovetail with operational, financial, reputational, political, tax and regulatory risks. Effective management of legal and regulatory risk will help the Management avoid taking unnecessary and imprudent risks in the business, operation and development of the HKIA.

AAHK has been taking a proactive and forward-looking approach to monitor changes in government policy and legislation. Judgments, rulings, regulatory actions and complaints are also reviewed to identify potential areas of risk that may apply to the AAHK. Policies, procedures and appropriate action steps to address the changes are developed in a timely way to guide the Management to operate legally and within AAHK's acceptable risk level. Ongoing education is provided to the Management to adapt to these changes. Adequate risk mitigation measures are in place and they are constantly reviewed for enhancement. AAHK will continue to monitor and manage legal and regulatory risk vigilantly on a going-forward basis.

Human Resources Risk

Airport expansion has been earmarked as one of the key work focuses in the medium to long term to meet the traffic demand. An insufficient supply of talent to support airport development will adversely affect the growth and hence the hub status of HKIA.

Talents in possession of airport experience and knowledge is particularly important in the light of the impending

development projects at the HKIA. A people development and succession planning framework has been drawn up, in addition to internal training programmes, to better prepare for the future manpower requirements at an airport environment.

Reputational Risk

Public sentiment and socio economic dynamics are closely monitored to manage and pre-empt possible reputational risks that may have implications on the corporate image of AAHK. Meanwhile, continuous engagement with key stakeholders is carried out to enhance understanding of and gauge views about HKIA's short-, medium- and long-term developments.

A database to track and monitor public affairs issues has been established and stakeholder engagement plans are in place to ensure effective communication with key stakeholder groups on an ongoing basis.

Sustainability

Sustainable development, to AAHK, is a process that balances business objectives and stakeholders' interests within a holistic management framework. In the year under review, sustainability continued to be integral to the operations and developments at the HKIA.

This year, we are preparing our first sustainability report to benchmark our performance against the Hong Kong Stock Exchange Environment Social and Governance Reporting Guidelines and also against the Global Reporting Initiative reporting guidelines for airports. The Management is working towards formulating a corporate sustainability plan for AAHK.

Way Forward

As HKIA's operations have been growing in size and complexity, the risk management framework is being reviewed from time to time to ensure its effectiveness and robustness, which is essential in fulfilling the objective of maintaining the status of Hong Kong as a centre of international and regional aviation.

Going forward, we will expand our initiatives across our operations and continue to support and share best practices across all departments and with business partners.

EVENT HIGHLIGHTS



APRIL

Hong Kong International Airport (HKIA) is named "Best Airport in Asia" in *FinanceAsia's* Business Travel Poll 2012 covering hotels, airlines and airports across the Asia-Pacific region.

HKIA receives the Distinguished Achievement in Gold award from Airports Council International (ACI) Asia-Pacific's Green Airports Recognition which commends outstanding environmental achievements of airports in the region.

Airport Authority Hong Kong (AAHK) is recognised as one of Hong Kong's leading developers in the annual BCI Asia Top 10 Awards.

MAY

1 AAHK and representatives of 40 major organisations operating at the airport pledge to make HKIA the world's greenest airport.

AAHK submits the project profile for the three-runway system to the Director of Environmental Protection.

JUNE

2 AAHK declares a final dividend of HK\$3,900 million to its shareholder, the Hong Kong SAR Government, for fiscal 2011/12, ended 31 March 2012. Since 2003/04, HK\$25,980 million has been repaid to the Hong Kong SAR Government in dividends and returned capital.

JULY

HKIA is named the best airport in Asia Pacific by online publication *Frequent Business Traveller*.

3 Working with the Hong Kong Sheng Kung Hui Tung Chung Integrated Services, the AAHK Staff Club celebrates the Tuen Ng Festival by organising a rice dumpling–making workshop for the elderly.

AUGUST

4 In conjunction with the Labour Department, AAHK hosts Hong Kong International Airport Job Expo 2012. The three-day event at the Hong Kong Convention and Exhibition Centre showcases over 5,900 jobs.

5 AAHK receives a study brief for the three-runway system from the Director of Environmental Protection. The brief outlines the scope of the environmental issues to be addressed in the EIA. A dedicated website, www.threerunwaysystem.com, is launched for the project.





A water treatment project at HKIA receives a "Global Honour Award" at the 2012 Project Innovation
Awards. The project is a joint initiative among AAHK, the Water Supplies and Drainage Services departments, Hong Kong University of Science and Technology, the University of Cape Town and Delft University of Technology.

OCTOBER

Readers of TTG travel trade publications name HKIA the best airport for the 10th time.

AAHK together with 18 other Hong Kong organisations and some 100 other companies worldwide sign the World Business Council for Sustainable Development's Energy Efficiency in Buildings Pledge.



THREE RUNWAY SYSTEM 000000





















2013

JANUARY

A complimentary charging service for electric vehicles is introduced in HKIA's Car Park 4. The new service is part of an airport-wide initiative to support the introduction of electric vehicles and ground service equipment.

NOVEMBER

7 AAHK completes the first round of meetings with five community liaison groups, each of which covers a district near the airport. Meetings are also held with technical liaison groups addressing noise, air quality, marine ecology and fisheries, and Chinese white dolphins. The gatherings are part of an extensive community outreach programme for the three-runway system.

8 To highlight the airport's environmental initiatives and development plans, AAHK installs exhibitions in the lobby of HKIA Tower and near departure gates 35 and 36 in Terminal 1.

by Business Traveller China magazine.

DECEMBER

10 AAHK is the title sponsor for the 2012 Hong Kong International Airport Feet of Fire 10km Run. It is the third year that AAHK sponsors the event.

9 For the sixth time in seven years,

HKIA is named the best airport in China

FEBRUARY

11 In cooperation with the Tuen Mun Respect for the Aged Association, AAHK holds a spring banquet for more than 1,000 elderly residents of Tuen Mun.

MARCH

12 HKIA's environmental efforts are recognised with an "Optimisation" certificate in the Airport Carbon Accreditation programme organised by Airports Council International. HKIA is the first and only airport in Asia Pacific to achieve this standard, which is the programme's second-highest level of accreditation.

WELCOME **HAPPY**

HIGH STANDARD UPGRADE

FREE WIFI SERVICE **FACILITY**

SECURITY FACILITY
THOUGHTFUL
SELF CHECK-IN
CHEERFUL
OUTLETS
DINING
CHECK-IN
OUTLETS
DINING
CHECK-IN
CONVENIENT FACILITY
ENHANCEMENT CHECK-IN
SELF CHECK-IN KIOSKS
HAPPYTRAVELLING
SMILE

PASSENGER **SERVICES**



15 YEARS OF GROWTH



Since Hong Kong International Airport (HKIA) opened in 1998, annual passenger volumes have surged about 98% from 28.6 million to 56.5 million in 2012¹. To meet growing demand while maintaining a high service standard, we continue to enhance our passenger services with new facilities such as the North Satellite Concourse and a permanent SkyPier, and a host of apron and system upgrades. To further facilitate cross-boundary traffic, we have expanded our land- and sea-based transport links, and provided innovative upstream checkin services. All of these helped strengthen HKIA's status as a true multi-modal transport hub and leading aviation centre.

HKIA is recognised as one of the world's best airports. To maintain our high standards while managing growing passenger numbers, we continually upgrade and expand the airport's services and facilities.

Passenger Terminal Enhancements

Maintaining a pleasant environment and delivering efficient service are keys to achieving customer satisfaction at HKIA. To enhance passenger flow, in November 2012 we centralised frequent visitor e-Channels in the centre of the Arrivals Hall. The e-Channels provide quick entry into Hong Kong for qualified frequent visitors.



e-Channel service provides quick entry into Hong Kong for qualified frequent visitors.

In addition, we formed a task force with the Airline Operators Committee to assess methods for increasing capacity for passengers using self check-in kiosks. A trial programme, which will focus on streamlining and automating baggage handling, is scheduled for Terminal 1 (T1) next year.



The Airport Ambassador Programme recruits young people and retirees to welcome and offer assistance to travellers at HKIA.

In 2012/13, we started planning the expansion of supporting facilities such as departure kerbs and check-in counters to help us maintain service levels in the face of increasing passenger volumes. In addition, we purchased 10 automated people mover (APM) trains and began work on an APM tunnel between T1 and the new Midfield Concourse.

To help passengers feel more at home, we began providing hot water for passengers who wish to make tea. This trial, which started with three locations, was well received and will be extended to eight sites in T1 next year.

¹ These are calendar year figures

Barrier-free Experience

We strive to create a barrier-free experience for all visitors and our efforts were awarded the Gold Prize at the "Hong Kong Barrier Free Shopping Malls Appreciation Award 2011" organised by the Hong Kong Rehabilitation Power. In 2012/13, we continued to introduce a series of improvements to make HKIA more accessible for less-abled travellers. The first phase of the improvements, which will be completed in 2013/14, includes the installation of automatic doors, taps and other equipment in bathrooms, as well as wheelchair-accessible Internet terminals in T1 and T2. We will also add induction loops and upgrade the help phones for hearing impaired passengers. In addition to the existing tactile guide paths for visually impaired travellers that lead from the Airport Express departure platform to the customer service counters, we are installing new tactile guide paths from the Departure kerb to the customer service counters and audio signals on travelators and escalators. We also improved our website to increase accessibility for the visually impaired, and passed the accessibility test endorsed by the Hong Kong Blind Union in May 2012. In April, we received the Gold Award from the Web Accessibility Recognition Scheme which is co-organised by the Office of the Government Chief Information Officer and the Equal Opportunities Commission.



Better Service Through Technology

HKIA uses information technology to enhance passenger satisfaction. In 2012/13, we strengthened our free WiFi service by installing additional access points and raising the bandwidth to more than 300 megabits per second. These improvements boosted customer satisfaction, despite an increase in the number of people using the WiFi service.



We operate 89 self check-in kiosks, including seven outside the airport.

To increase passenger convenience, we operate a total of 89 self check-in kiosks in T1 and locations outside the airport. The Grand Hyatt Hotel and JW Marriott Hotel each have a kiosk. There are three kiosks at Hong Kong Station — the start of the Airport Express train line that connects Hong Kong Island with HKIA — and two kiosks at the Regal Airport Hotel.

In March 2013, we began trials of our first mobile application. Available free of charge for smartphones running Android and iOS, the application My Flight offers real time flight information, "push" notifications of special announcements and maps showing the locations of check-in counters, boarding gates and other facilities.



Our new smartphone app, My Flight, makes it easy to access a range of useful information.

Enhanced Dining and Shopping

HKIA offers an array of dining, shopping and entertainment options. In 2012, the retail licenses for liquor and tobacco, perfumes and cosmetics, and airside general merchandise were awarded to a new travel retail operation. The overnight changeover of staff and merchandise for the 38 outlets of the three licenses was conducted on three separate dates from mid-November to mid-December 2012. Uninterrupted service was maintained for passengers during the conversion.

Passenger Services

In 2012/13, work continued on a pair of two-storey "icon" shops in T1. The outlets have been leased to prominent luxury brands and are scheduled to open by the end of 2013.

Four new restaurants opened in the Departures Hall, complementing a diverse range of existing outlets at the airport. By the end of 2013, seven eateries will provide round-the-clock service.

In July 2012, UA IMAX Theatre @Airport opened in Terminal 2 (T2). In addition to being the world's first IMAX theatre in an airport, the 350-seat cinema has Hong Kong's largest IMAX screen. The following month, Dream Come True Education Park debuted in T2. This innovative facility uses role play to introduce children to different aviation-related careers.

In 2012, we were named the airport authority with the most supportive approach to travel-retail in the *Duty Free News International (DFNI)* Global Awards. It was the second consecutive year that Airport Authority Hong Kong (AAHK) won this accolade.

Mainland Connections



In 2012/13, HKIA continued to expand its role as a multi-modal transport hub. SkyPier, which links the airport with eight ferry piers in the Pearl River Delta (PRD), served 2.6 million passengers in 2012/13, a 6.2% increase from 2011/12. SkyPier's Sea-to-Air Hall was reconfigured to increase capacity and streamline operations.

The number of cross-boundary limousine operators at HKIA rose from five to six. There are now 290 limousines making 580 trips each day, up from 560 in 2011/12.

The scheduled frequency of cross-boundary coaches increased from 460 to 550 per day. With the expansion of the catchment area to include Heyuan, Xinxing, Lufeng and Haifeng, the network now covers 110 destinations in the PRD.

Passengers Using HKIA's Cross-boundary Land and Sea Transport

(millions of passengers)



In 2012/13, we added three airlines to our upstream checkin service which allows passengers to obtain a boarding pass and check their baggage in the PRD. Garuda Indonesia, Singapore Airlines and United Airlines joined the programme, increasing the number of participating airlines to 13, which served some 65% of our sea-to-air passengers.

Safety and Security

While we strive to provide a pleasant environment for passengers, safety and security are always our first priority. In 2012/13, fire safety inspections were conducted at food and beverage outlets and airport lounges with kitchen facilities. In addition, we worked with the Hong Kong Fire Services Department to provide additional training for our staff, which will continue on a quarterly basis. Since April 2012, 179 staff members have completed the fire manager / fire warden e-Learning course.

Passenger Traffic and Injury Rate

(millions of passengers) (injuries per million passengers)



We use a range of programmes and activities to reinforce the airport's safety culture. This year, we produced a new guidebook and a multilingual video to promote safety in the Baggage Hall. In October 2012, 60 people from 11 airport organisations attended a safe driving talk by the Hong Kong Police. With the Labour Department, we arranged four safety talks for airport staff. We also cosponsored a symposium with the Chinese University of Hong Kong on the challenges of employing an ageing workforce. This year, a new category was added to the annual airport safety recognition scheme to acknowledge excellent performance by our business partners.

Each year, we hold more than 90 drills and simulations to ensure that we are ready for service disruptions and accidents. In April 2012, we staged our annual typhoon drill with more than 700 participants from 20 organisations. In November 2012, our annual crash exercise simulated a passenger aircraft hitting the North Satellite Concourse. It was the first time that this annual exercise simulated an aircraft striking a building.

During peak travel periods in 2012/13, Passenger Safety Ambassadors were stationed at busy locations in T1. The ambassadors provide safety advice and assistance, and pay special attention to children and the elderly.

Energy Efficiency

Environmental initiatives are incorporated into our facility upgrade plans. We are now conducting Hong Kong's largest light-emitting diode (LED) conversion project. By 2014, we

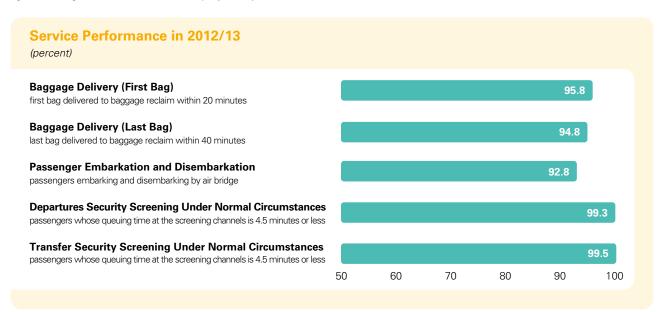
Airport Service Quality (ASQ) Survey Overall Satisfaction Score* (percent) 2012 83.1 16.2 - 0.6 81.1 2011 2010 79.1 2009 0 100 50 Excellent Very Good Good * Responses below "Good" are not shown because they

will replace conventional lights and direction signs in the passenger terminals with 100,000 LEDs, saving about 15 million kilowatt hours (kWh) of electricity and 9,000 tonnes of carbon emissions per year.

are statistically insignificant.

Source: ASQ Official Report of 2012

We are also studying the feasibility of upgrading the air handling units and ventilation fans in Terminal 1 (T1) and the Ground Transportation Centre with high-efficiency motors and variable-frequency drives, which are more efficient under partial load conditions. This project is expected to save 7 million kWh of electricity per year.



CARGO AND AVIATION SERVICES

BRITISH

AWARDS CONNECTION AWARDS EXCELLENCE TERMINAL INTERNATIONAL SECURE GLOBAL SECURE GROW ELIVERY LOCATION SCOONION STRATEGIC FROM ELIVERY LOCATION SCOONION STRATEGICAL SECURE GROW ELIVERY LOCATION SCOONION STREET SECURE GROW ELIVERY LOCATION STREET SCOONION STREET SECURE GROW ELIVERY TERMINAL GROWTH SECURE GROW ELIVERY TERMINAL GROWTH SECURE GROWTH SECUR

WORLD'S BUSIEST CARGO AIRPORT





WORLD'S BUSIEST CARGO AIRPORT

15 YEARS OF GROWTH

Hong Kong International Airport (HKIA) is widely recognised for providing secure, reliable services. From precious metals to thoroughbreds for Olympic equestrian events, HKIA's unique blend of facilities and expertise helps make Hong Kong the world's busiest air cargo hub. That position is reflected in our air cargo volumes. In just 15 years, annual cargo throughput has jumped 150% from 1.6 million tonnes to 4.03 million tonnes'.





Cargo Operations

In fiscal 2012/13, ended 31 March 2013, air cargo throughput at Hong Kong International Airport (HKIA) rose 2.9%, to 4.04 million tonnes.





HKIA's cargo capabilities increased in February 2013, when the first stage of the Cathay Pacific Cargo Terminal opened. With full operation scheduled for the end of 2013, this new HK\$5.9 billion facility will be able to handle 2.6 million tonnes of cargo a year, increasing HKIA's annual cargo handling capacity by 50% to 7.4 million tonnes of cargo.



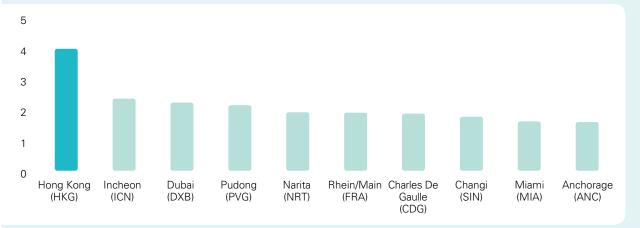
Permanent Aviation Fuel Facility

In 2012/13, the Permanent Aviation Fuel Facility (PAFF) handled 7.0 million cubic metres of jet fuel, up from 6.9 million cubic metres in 2011/12. We completed an upgrade to the fuel transfer pump system that will enhance its reliability, and in December 2012, we staged a security exercise in conjunction with the Hong Kong Police.

¹ These are calendar year figures

Ten Busiest Airports in 2012 – International Freight Throughput*

(millions of tonnes)



^{*} International freight throughput includes imports, exports and transshipment (counted twice) freight carried between the designated airport and an airport in another country. Airmail is not included.

Source: Preliminary figures from Airports Council International in March 2013

Airport Authority Hong Kong maintains an ongoing dialogue with the Tuen Mun community through biannual meetings with the 53-member PAFF Community Liaison Group. Additional information is available at www.paffhk.com.

HKIA Precious Metals Depository

Opened in 2009, HKIA Precious Metals Depository Ltd provides physical storage, custodial and physical settlement services. In 2012/13, storage volumes continued to grow and the depository extended its services to overseas institutional clients, further enhancing Hong Kong's position as a regional trading and logistics hub for gold and other precious metals.

New Airlines and Destinations

More than 100 carriers serve about 180 destinations from HKIA. Ten new carriers began serving HKIA in 2012/13: AirAsia Philippines, Air Astana, Air Seychelles, Globus Airlines, Mongolian Airlines, Palau Airways, Peach Aviation, SF Airlines, Silk Way West Airlines and Tonlesap Airlines. In 2012/13, 21 new destinations were added to HKIA's network.







Over the past 15 years, flight movements have increased by 116% from 163,000 in 1998 to 352,000 in 2012¹. To accommodate this growth. we increased the number of aircraft stands from 65 to 120. Forty-eight additional stands will be completed by 2015, with more planned to meet future needs. We also doubled the capacity of our baggage handling system, to 16,000 bags per hour, and were one of the first airports to adopt radio frequency identification (RFID) technology for baggage handling. These improvements help us maintain our high service standards in the face of increasing traffic volumes.

These are calendar year figures

Regular maintenance and upgrade programmes ensure that Hong Kong International Airport (HKIA) retains its reputation for smooth, efficient operations.

Airfield Upgrades

To reduce emissions on the apron, we will ban the use of auxiliary power units (APUs) while aircraft are parked from 2014. We encourage pilots to turn off their APUs, and use our fixed ground power (FGP) and pre-conditioned air (PCA) systems. In 2011, we began converting the existing, centralised FGP system to 136 standalone units. The conversion process is expected to be completed in 2013. We also started a two-stage replacement of the PCA system, with the first stage scheduled for completion in 2013 and the balance finished in 2015. In 2012/13, a fourth parking stand was upgraded to accommodate the Airbus A380. The stand now has three air bridges, as well as FGP and PCA systems.



HKIA now has four parking stands that can accommodate the Airbus A380.

In addition, we have begun adopting electric vehicles. HKIA operates over 40 electrically powered sedans. From mid-2013, all new sedans used in the airport's restricted area will be electric, and fossil fuel – powered sedans will be banned starting in 2017. In 2013/14, we will conduct trials of electric vans to replace our ageing fleet of conventional light goods vehicles. Where suitable electric equipment is available, we will replace existing diesel-powered buses, tractors and ground service equipment. Where electric replacements are not available, we will use hybrid, liquefied petroleum gas – powered models or vehicles that meet the Euro V emission standard. For example, the 10 new passenger buses that we have recently purchased meet the Euro V emission standard.



The use of fixed ground power and pre-conditioned air systems reduce emissions on the airfield.



Continuous upgrades, regular maintenance and new technologies ensure the smooth flow of baggage at HKIA.



HKIA operates more than 40 electrically powered sedans.

Green Construction

We strive to incorporate environmental considerations into our project works. Scheduled for completion by the end of 2015, the Midfield Concourse will incorporate 35 green features, including more than 1,200 square metres of solar panels and high-performance glazing that maximises natural light and minimises solar heat gain. Greywater, condensate water and rainwater will be collected and reused, and more than 80% of the concourse's illumination will come from LEDs.

Baggage Handling

In January, we started the development of the Baggage Analysis and Statistics Information System (BASIS),

which will use historical data to provide real time decision support for managing baggage flows. BASIS will give staff a better understanding of baggage handling conditions and minimise delays during bad weather and other situations that disrupt normal operations.

Telephones

In December 2012, we upgraded the telephone system that had been in use since the airport opened in 1998. In addition to supporting digital and analogue telephones, the new system enhances reliability and provides greater system capacity.

Electrical Supply

To improve the management of the electrical supply in Terminal 1 (T1), we are upgrading the high-voltage supervisory control and data acquisition system. This will facilitate the smooth changeover from CLP Power, which supplies electricity to the airport, to backup generators if there is a disruption.

Fire Alarm System

We also began updating the automatic fire alarm system in T1. To be completed in phases over 40 months, this project includes the replacement of some 11,000 fire detectors, 1,400 pull stations, where people can initiate a fire alarm, and 37 control panels.

MAINLAND **PROJECTS**

APRON AREA JOINT VENTURE

SHANGHAI HONGOIAO HANGZHOU XIAOSHAN

COOPERATION





In the past 15 years, Hong Kong International Airport has established itself as a gateway to China, connecting the world to the Mainland. By partnering with Zhuhai Airport, Hangzhou Xiaoshan International Airport, and Shanghai Hongqiao International Airport, we have strengthened our ties with Mainland's aviation industry.

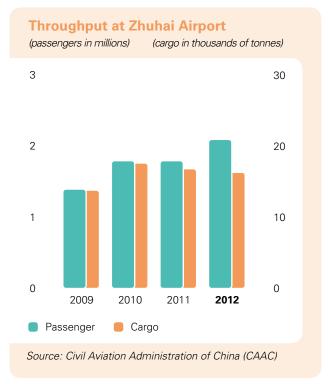
Zhuhai Airport

Since 2006, Zhuhai Airport has been managed by a joint venture which Airport Authority Hong Kong (AAHK) has 55% interest. In calendar 2012, passenger throughput at Zhuhai Airport grew 16.3%, to a record 2.1 million. Zhuhai Airport benefited from traffic associated with the ninth China International Aviation & Aerospace Exhibition, which was held in Zhuhai in November 2012.

In calendar 2012, cargo throughput at Zhuhai Airport fell 3.0%, to 16,300 tonnes. During the year, Zhuhai Business Aviation Centre started operations and work on a hangar for Citic Offshore Helicopter Co., Ltd, was completed.



In calendar 2012, passenger throughput at Zhuhai Airport grew 16.3%, to a record 2.1 million.



Hangzhou Xiaoshan International Airport

AAHK acquired a 35.0% interest in Hangzhou Xiaoshan International Airport (HXIA) in 2006. In calendar 2012, passenger volume at HXIA grew 9.2%, to 19.1 million. HXIA's new domestic passenger terminal, T3, entered service in December 2012 and a second runway opened the following month. Planning work for a multi-storey car park and transportation centre is now under way.



Hangzhou Xiaoshan International Airport's new domestic passenger terminal, T3, entered service in December 2012.

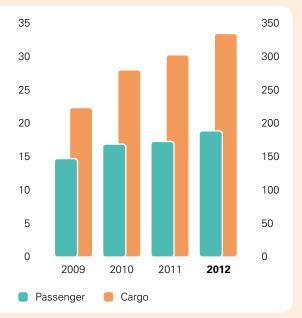
In calendar 2012, cargo throughput at HXIA increased 10.5%, to 338,400 tonnes. Plans to build a cargo hub for S.F. Express at HXIA have been approved, and in 2013, a warehouse and supporting facilities will be built and preliminary work will begin on the apron area. Planning and design work has also begun for a new, 8,300-squaremetre cargo terminal at HXIA.

Shanghai Hongqiao International Airport

In 2009, a joint venture between AAHK and Shanghai Airport (Group) Co. Ltd began managing terminal operations, retail businesses and the East Ground Transportation Centre at Shanghai Hongqiao International Airport. In October 2012, the Shanghai Municipal Government and Shanghai Airport Authority's Supervisory Committee conducted a review and praised the joint venture for helping to raise Hongqiao Airport's service standards. In January 2013, Hongqiao Airport opened Luxury Brand Boulevard, which added 1,300 square metres of retail space to the airside area of T2.

Throughput at Hangzhou Xiaoshan International Airport

(passengers in millions) (cargo in thousands of tonnes)



Source: Civil Aviation Administration of China (CAAC)



Shanghai Hongqiao International Airport opened Luxury Brand Boulevard in the airside area of T2 in January 2013.

Top 20 Airports on the Mainland in 2012 – Passenger Throughput (millions of passengers)

100

80

40

20

Beijing, Guangzhou Shanghai, Shanghai, Chengdu Shenzhen Kunming Xian Chongqing Hangzhou Xiamen Changsha Nanjing Wuhan Urumqi Dalian, Qingdao Zhengzhou Sanya Shenyang Pudong Hongqiao

Source: Civil Aviation Administration of China (CAAC)

CORPORATE SUSTAINABILITY





15 YEARS OF GROWTH

Hong Kong International Airport (HKIA) has been committed to corporate sustainability since it opened in 1998. We incorporated environmentally friendly features into the airport's original design and, in 2012, we pledged to make HKIA the world's greenest airport. We recognise our wider social responsibilities and actively engage with our broad range of stakeholders.



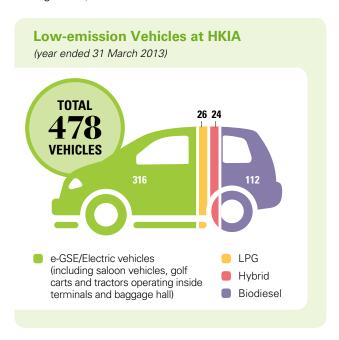
HKIA is committed to all aspects of sustainability. This year, we made sustainability a strategic issue that will shape the airport's future development. Our Environmental Team was expanded and tasked with developing HKIA's first sustainability report, which will be published in 2013. The team developed a comprehensive sustainability strategy and articulated a sustainability vision, which was included in our 2013/14 Corporate Five-Year Plan:

"Airport Authority Hong Kong (AAHK) aims to strengthen its 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."

A key component of the new strategy was a pledge to make HKIA the world's greenest airport — the first such commitment in the airport sector worldwide.

Environmental Sustainability

To become the world's greenest airport, we are using a three-year environmental plan. This plan was established in 2011 and updated in 2012, when it was made into a rolling plan consisting of more than 120 initiatives that address a range of issues such as carbon reduction, energy savings, air quality management, waste and water management, etc.





In 2012/13, we installed a 120-square-metre green roof and a 10-kilowatt solar panel array on the Limousine Lounge.

The plan recognises the environmental challenges of operating an international airport. It includes initiatives that cover the impacts we control and specific programmes for those impacts we can influence.

We participate in Airport Carbon Accreditation, a programme started in Europe by Airports Council International that assesses airports' efforts to manage and reduce their carbon emissions. In March 2013, we received an "Optimisation" certificate and became the

first and only airport in the Asia-Pacific region to reach this standard. The optimisation level is the programme's second-highest level and the highest rating achieved by an airport in the region. To attain this accreditation, an airport must engage with stakeholders including airlines, caterers, ground handlers and others to calculate and lower their carbon footprints together.

Information about our environmental initiatives can be found on our website.

Social Sustainability

We recognise that corporate sustainability involves more than environmental initiatives. Social sustainability covers three areas relating to our interactions with the community and our staff.

The first aspect is our interactions with the local community. This comprises engagement activities relating to our current operations, future development and our collaboration with social welfare organisations, especially in communities near the airport.



In March 2013, HKIA became the first airport in the Asia-Pacific region to receive an "Optimisation" certificate in the Airport Carbon Accreditation programme.

Corporate Sustainability



Airport tours for students are a key part of our community outreach activities.

In 2012/13, we focused on understanding the community's views about the three-runway system and the related Environmental Impact Assessment (EIA). To facilitate this process, we developed a dedicated website, www.threerunwaysystem.com, as well as videos, leaflets and newsletters to keep stakeholders informed. Face-to-face interaction is central to our communications. Since the EIA began, we have arranged and attended more than 310 seminars, meetings, briefings and airport visits for stakeholders, including business partners, political parties, professional bodies, industry groups, chambers of commerce, the media, fishermen, residents' groups, non-governmental organisations and students. Meanwhile, we continue to use sponsorship and volunteers to support activities and events that benefit the neighbouring communities.



Regular town hall meetings keep staff abreast of developments at HKIA.

The second aspect is enhancing accessibility for those with special needs by enhancing our passenger facilities and website. Details are covered in the Passenger Services chapter.

The third aspect is how we develop our staff as a skilled, motivated and effective workforce. This is done through a range of policies and initiatives designed to make AAHK a fair employer offering meaningful opportunities for long-term career development. Further to the implementation of the People Development Framework and Succession Planning for the senior management, we extended and augmented the framework with training and job rotation schemes for entry-level managerial staff.

We also refined the Staff Training Curriculum and expanded the use of e-Learning courses.



Our staff take part in fundraisers for medical service and health education for the community.

As a statutory organisation, AAHK sets and maintains very high standards for business ethics and personal integrity. In January 2013, a review of our Code of Conduct was completed, and several areas were strengthened to ensure our affairs are conducted with the highest level of integrity and honesty. Staff are required to complete an e-Learning programme to familiarise themselves with the revised Code of Conduct.

We are now implementing a range of sustainability targets and commitments that address the way we work with business partners and the potential for expanding our "greenest airport" pledge to cover wider sustainability issues.



Our staff join a variety of community programmes for the elderly and the needy.



HKIA showcased its emissions reduction activities at the Better Air Quality 2012 Conference.

We showed our support to various green NGOs by sponsoring or taking part in the following activities:

- Better Air Quality 2012 Conference co-organised by Clean Air Asia, the Environmental Protection Department and Hong Kong Polytechnic University;
- Clean Air Drive organised by Clean Air Network;
- International Coastal Cleanup 2012 organised by the Green Council;
- Islands District Healthy City Tree Planting Festival
 Green Lantau arranged by the Islands District
 Healthy City Working Group;
- Lai See Packet Recycling Programme organised by Greeners Action;

- Sunday Green Market held by the Hong Kong Outlying Islands Women's Association at Eco Expo Asia;
- Tree Planting Challenge 2012 and Green Festival 2012 by Friends of the Earth (HK);
- WWF-Hong Kong's Walk for Nature @ Mai Po 2012, Big Bird Race 2013, Earth Hour 2013 and WWF-Hong Kong's Corporate Membership Programme; and
- Green Power Hike 2013 organised by Green Power.



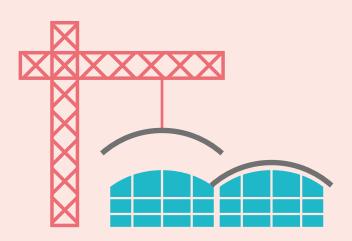
AAHK staff actively participate in green events to promote environmental awareness in the community.



PLAN XPANSION INFRASTRUCTURE CAPACITY

SCHEME PUBLIC

BUILDING FOR TOMORROW



In the 1990s, the single-runway Kai Tak Airport was approaching capacity. The terminal building was crowded and many flights were delayed or rerouted. Hong Kong made the right decision to build a new airport at Chek Lap Kok. Over the past 15 years, Hong Kong International Airport (HKIA) experienced robust growth with passenger volumes, cargo throughput and air traffic movements doubled or more. Today, the two-runway system at HKIA is also reaching capacity. To maintain Hong Kong's status as a regional and international aviation centre and support the city's economic growth and competitiveness, it is imperative for HKIA to expand into a three-runway system.



When the Midfield development is completed in 2015, it will feature a concourse with an annual capacity of 10 million passengers and 20 new aircraft parking stands.

In 2012/13, we made solid progress with our medium-term development plans, which include the Midfield and apron expansion developments, and with the proposed three-runway system that sits at the heart of our long-term plans.

Parking Stands

By 2015/16, 48 new aircraft parking stands will enter service at HKIA in phases. This includes 20 stands in the Midfield development, which will be completed by the end of 2015. Twenty-eight stands in the apron expansion development will be operational by the end of 2014, and more stands are planned to meet future needs.

Infrastructure Projects

In 2012/13, work on integrating the airport's facilities with new infrastructure projects began with the construction of the Hong Kong Link Road, which will connect the Hong Kong–Zhuhai–Macao Bridge with the new Hong Kong Boundary Crossing Facilities. We also began preliminary design work on the Intermodal Transfer Terminal (ITT) at SkyPier.

These projects are reshaping the airport island and will reinforce HKIA's position as a multi-modal hub and a leading international and regional aviation centre.

The Three-runway System

In March 2012, the Hong Kong SAR Government gave Airport Authority Hong Kong (AAHK) in-principle approval to adopt, for planning purposes, the three-runway system as the future development direction for HKIA.

In August 2012, we received a study brief for the Environmental Impact Assessment (EIA) that must be completed before an environmental permit can be issued and project approval for the three-runway system can be sought. Issued by the Director of Environmental Protection, the brief defines the areas that must be addressed in the EIA and the scope of the assessment.

The EIA covers 12 areas: air quality, hazards to human life, noise, water quality, sewerage and sewage treatment, waste management, land contamination, ecology (terrestrial and marine, including Chinese White Dolphins), fisheries, landscape and visual, cultural heritage, and health impact (air emissions and aircraft noise from the operation of three-runway system).

We are committed to conducting the EIA in a prudent, transparent and professional manner. We will explore all possible ways of avoiding, minimising, mitigating and compensating for potential environmental impacts arising from the three-runway system. And we will continue to engage and communicate with our stakeholders throughout this process.

Experienced local and international consultants as well as subject specialists have been commissioned to undertake the EIA. While the EIA is underway, we started work on the related designs and began addressing other planning issues such as studying different funding options for the three-runway system.

In 2012/13, we established four technical briefing groups focusing on noise, air quality, marine ecology and fisheries, and Chinese White Dolphins. The groups comprise academics, experts and representatives of professional and trade associations. We share information with and seek advice from group members on the assessment approach as well as proposed mitigation measures.

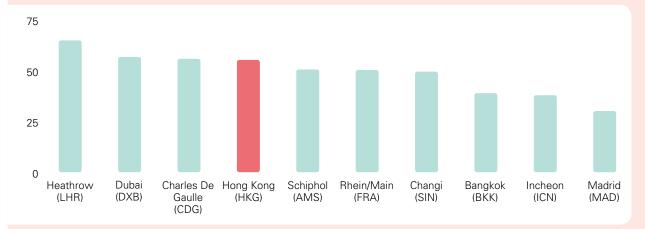
Through five community liaison groups for HKIA's neighbouring districts - Islands, Kwai Tsing, Shatin, Tsuen Wan and Tuen Mun, we maintain a regular dialogue with more than 150 community members for exchanging views about airport development.

From the autumn of 2012, we began holding regular meetings with the technical and community liaison groups. For information about the groups and their activities, see www.threerunwaysystem.com.

To keep the airport community abreast of our development plans, we hosted CEO Forums for the heads of companies operating at the airport. Town hall meetings were also organised to communicate with AAHK staff.

We are also planning the development of the North Commercial District to complement the development of the three-runway system and the long-term economic growth of Hong Kong.

Ten Busiest Airports in 2012 – International Passenger Throughput* (millions of passengers)



^{*} International passenger throughput includes originating, terminating and transfer (counted twice) passengers travelling between the designated airport and an airport in another country. Transit passengers are not included.

Source: Preliminary figures from Airports Council International in March 2013

FINANCIAL REVIEW

Financial Summary

(in HK\$ million)	2012/13	2011/12	±%1
(III FIX PITIIIIOTI)	2012/13	2011/12	± 70
Turnover	13,134	12,154	+8.1%
Operating expenses before depreciation and amortisation	4,270	3,919	+9.0%
Earnings before interest, taxes, depreciation and			
amortisation (EBITDA)	8,864	8,235	+7.6%
Depreciation and amortisation	2,208	2,221	-0.6%
Interest and finance costs	121	174	-30.5%
Share of profits less losses of jointly controlled entities	210	521	-59.7%
Profit before taxation	6,745	6,361	+6.0%
Income tax	1,113	1,021	+9.0%
Profit for the year	5,632	5,340	+5.5%
Profit attributable to the equity shareholder	5,624	5,336	+5.4%
Dividend declared	4,400	3,900	+12.8%
Key Financial Ratios			
Return on equity	14.2%	14.2%	
Total debt/capital ratio	12%	13%	
Key Traffic Summary ²			
Passenger traffic ³ (millions of passengers)	57.2	54.9	+4.1%
Cargo throughput ⁴ (millions of tonnes)	4.0	3.9	+2.9%
Air traffic movements (thousands)	355	339	+4.7%

¹ Subject to rounding differences.

Overview

Airport Authority Hong Kong (AAHK) reported another year of strong financial performance in 2012/13 fiscal year, ended 31 March 2013.

Supported by regional economic growth, Hong Kong International Airport (HKIA) welcomed 57.2 million passengers and handled 355,000 air traffic movements, representing annual increases of 4.1% and 4.7%, respectively. Cargo throughput rose 2.9%, to 4.04 million tonnes.

Traffic growth, coupled with higher passenger spending in HKIA's retail concessions and effective cost controls, helped AAHK and its subsidiaries (the Group) deliver excellent financial performance in 2012/13. The Group reported earnings before interest, taxes, depreciation and amortisation (EBITDA) of HK\$8,864 million and profit attributable to the equity shareholder of HK\$5,624 million, representing an

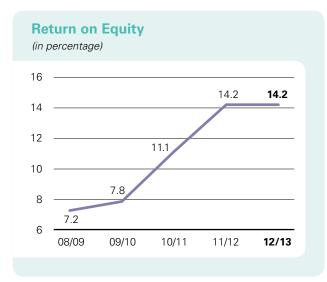
improvement of 7.6% and 5.4%, respectively, from the previous fiscal year. The Group's return on equity remains at 14.2%. The Board declared a dividend of HK\$4,400 million for the fiscal year.



² "Key Traffic Summary" is based on Airport Authority Hong Kong's data for Hong Kong International Airport only.

^{3 &}quot;Passenger traffic" includes originating, terminating, transfer and transit passengers. Transfer and transit passengers are counted twice.

⁴ "Cargo throughput" includes originating, terminating and transshipment cargo. Transshipment cargo is counted twice. Airmail is excluded.



Turnover

Turnover grew 8.1%, to HK\$13,134 million, largely as a result of increased passenger traffic, air traffic movements and cargo throughput as well as strong retail performance. Airport and security charges, revenues from airside support services franchises, retail licences and advertising, and other terminal commercial revenue, collectively comprised 95.9% of turnover.

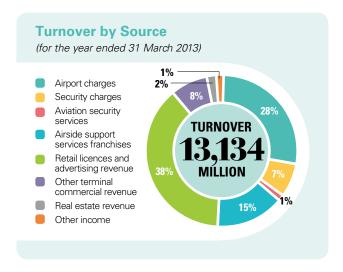
Airport and security charges, representing 34.8% of turnover, rose 4.0% to HK\$4,565 million, primarily due to increases in passenger traffic and air traffic movements. This category's contribution to turnover decreased slightly as a result of the growth in revenues from retail licences and advertising and other terminal commercial revenue.

AAHK continues to support airlines adding new destinations to the network served by HKIA. The New Destination Incentive Arrangement, which offers temporary rebates on landing charges associated with new destinations, has been extended until the end of 2014. The total reduction in airport charges given to airlines under this arrangement amounted to approximately HK\$27 million (2011/12: HK\$26 million).

Revenues from airside support services franchises grew 6.1%, to HK\$2,012 million. This increase was mainly attributable to increased passenger traffic, air traffic movements and cargo throughput during the year.

Retail licences and advertising revenue, representing 38.0% of turnover, rose 11.1%, to HK\$4,995 million. This increase was a result of new licences awarded, higher passenger traffic and additional spending on liquor and tobacco, fashion and jewellery, and perfumes and cosmetics by Mainland passengers. This category contributed more than half of the growth in turnover for the year. However, growth in retail licences and advertising revenue has slowed from previous years.

Other terminal commercial revenue mainly represents income from leasing offices and airport lounges to airlines and other tenants. This category grew 15.9%, to HK\$1,023 million, largely due to the higher property index adjustment in rental rates during the year.



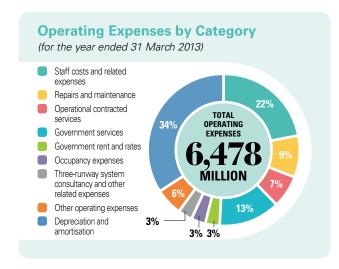
Operating Expenses

The Group continues to exercise stringent financial discipline to control its operating expenses while expanding its operations and maintaining the highest standards of safety, security, sustainability and service. Total operating expenses before depreciation and amortisation increased 9.0%, to HK\$4,270 million, mainly due to inflationary pressures, strong traffic growth and additional three-runway system consultancy and other related expenses incurred during the year.

The major expense categories were staff costs and related expenses, repairs and maintenance, operational contracted services, government services, three-runway system consultancy and other related expenses, other operating expenses, and depreciation and amortisation, which accounted for more than 90% of total operating expenses. Almost half of the Group's total operating expenses relate to depreciation and amortisation, government services and government rent and rates. These are costs over which the Group has limited control.

Staff costs and related expenses increased 10.3%, to HK\$1,403 million, mainly due to adjustments to ensure the market competitiveness of employees' remuneration and the increase of staff size, particularly aviation security personnel, to cope with traffic growth.

Repairs and maintenance rose 16.3%, to HK\$614 million, largely due to additional work carried out on the airfield and terminals to ensure safe and reliable operation amidst increased traffic. Inflationary pressures on labour and material costs also contributed to the increase.



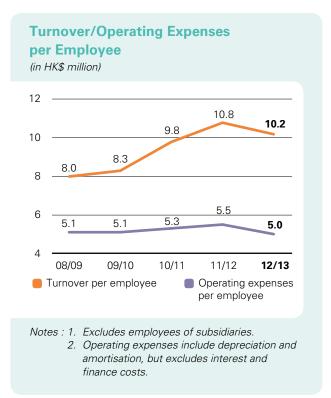
Operational contracted services represents costs for operations outsourced to third-party contractors. This category grew 9.9%, to HK\$444 million, largely due to traffic growth and higher costs as a result of contracts renewed during the year.

Government services includes air traffic control and aviation meteorological fees payable to the Civil Aviation Department and the Hong Kong Observatory, respectively. Increased air traffic movements led to higher air traffic control fees, and government services expense grew 2.0%, to HK\$827 million.

Three-runway system consultancy and other related expenses includes amounts incurred for the statutory Environmental Impact Assessment and preparation of related designs for the new facilities. These expenses were mostly incurred after the Hong Kong SAR Government gave AAHK in-principle approval to adopt, for planning purposes, the three-runway system as the future development direction for HKIA. At HK\$209 million, these expenses were much higher in 2012/13, reflecting an increased level of development activity.

Other operating expenses decreased 23.2%, to HK\$367 million, mainly due to lower allowances for doubtful debts, non-recurring impairment for other investment in 2011/12 and non-recurring expenses relating to preparing *HKIA Master Plan 2030* and the associated public consultation exercise in 2011/12 fiscal year.

Depreciation and amortisation decreased 0.6%, to HK\$2,208 million, as certain fixed assets have now been fully depreciated.



Mainland Airports

During the year, the Mainland airports in which AAHK has an investment continued to benefit from China's economic expansion and experienced strong growth in passenger traffic.

In calendar 2012, passenger traffic and cargo throughput at Hangzhou Xiaoshan International Airport (HXIA) grew 9.2% and 10.5%, respectively, to 19.1 million and 338,400 tonnes. Despite the strong traffic growth, AAHK's share of profits decreased 59.8%, to HK\$210 million, which was largely due to a non-recurring HK\$233 million deferred tax credit arising from the finalisation of a tax treatment with the Mainland tax authority in calendar 2011.

In calendar 2012, passenger traffic at Zhuhai Airport grew 16.3%, to a record 2.1 million, while cargo throughput decreased 3.0%, to 16,300 tonnes. AAHK's share of profit increased from HK\$3 million to HK\$5 million in 2012/13 fiscal year.

Balance Sheet

The Group's balance sheet remains strong and well capitalised. The Group's total equity as at 31 March 2013 reached HK\$40,558 million, an increase of 4.6% over the previous year, mainly due to the net profit achieved in 2012/13.

Fixed assets amounted to HK\$44,505 million, which accounted for 82.8% of total assets. The Group incurred capital expenditures of HK\$3,156 million during 2012/13, mainly related to the Midfield development, apron expansion and the expansion and improvement of other facilities and systems.

Intangible assets of HK\$233 million represented the unamortised cost of the right to operate and manage Zhuhai Airport for a period of 20 years, starting in 2006.

Interests in jointly controlled entities of HK\$4,145 million represented the Group's effective interest in the net assets of HXIA and Shanghai Hong Kong Airport Management Co., Ltd., plus associated goodwill.

Trade and other receivables increased 3.6%, to HK\$1,835 million, primarily due to increased turnover as well as higher receivables near the year-end relating to retail licences.

Total trade and other payables increased 25.4%, to HK\$2,732 million, mainly attributable to the increase in contract costs payable related to the Midfield development and apron expansion.

Dividend

A dividend of HK\$4,400 million (2011/12: HK\$3,900 million), payable to the Hong Kong SAR Government, was declared by the Board subsequent to the fiscal year-end. It was AAHK's 10th dividend payment — representing approximately 81% of AAHK's distributable profit for the year — and reflects management's confidence in HKIA's growth potential.

Cash Flow

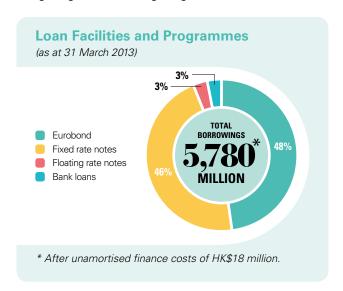
Net cash generated from operating activities increased from HK\$6,758 million in 2011/12 to HK\$7,575 million this year, mainly due to the increase in profit for the year and the reduction in Hong Kong profits tax paid in 2012/13.

Financing

AAHK's total borrowings as at 31 March 2013 amounted to HK\$5,780 million (2011/12: HK\$5,714 million). Total borrowings comprised unsecured bank loans, notes and bonds.

In July 2010, AAHK established a US\$1.0 billion mediumterm note programme, which allows AAHK to access capital markets when needed. During the year, through private placements AAHK issued a total of HK\$550 million in Hong Kong dollar-denominated, 10-year notes. Proceeds from these issues were used to refinance maturing debt and meet working capital requirements.

AAHK continues to be one of the highest-rated corporations in Hong Kong. Standard & Poor's assigns an AAA rating to AAHK's long-term local and foreign currency debt, the same rating assigned to the Hong Kong SAR Government's debt.



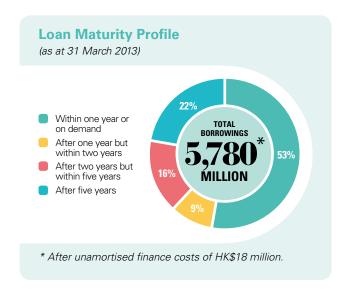
Financial Risk Management

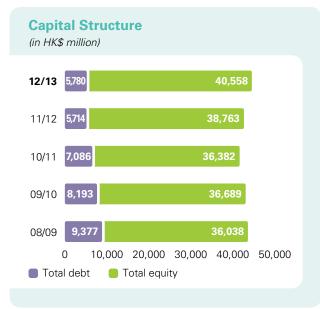
AAHK manages its financial risks with a variety of instruments and techniques, including natural hedges achieved by spreading its loan portfolio over different rollover and maturity dates. Financial instruments, such as interest rate swaps and forward contracts, are also used to hedge AAHK's risks. In accordance with approved policy, we have adopted measures to fix the interest rate of a portion of total borrowings in order to minimise the impact of interest rate fluctuations on earnings.

Following the 2003 acquisition of the aviation fuel supply system, which generates revenues in United States dollars, AAHK hedged its currency exposure with the appropriate amount of United States dollar borrowings, thereby neutralising the risk of exchange rate fluctuations on the revenue stream. In addition, AAHK has executed forward contracts to fix the exchange rate for the conversion of Hong Kong dollars into United States dollars to control the risk of exchange rate fluctuations on a portion of the United States dollar borrowings. Since the latter part of 2006, AAHK has also been exposed to Chinese renminbi movements as a result of its investment in Mainland airports. This exposure has resulted in significant exchange gains on the balance sheet owing to

Financial Review

the strengthening renminbi. Apart from the above, AAHK has minimal currency exposure because revenues and costs at HKIA are largely denominated in Hong Kong dollars.





Outlook

Traffic is expected to grow at a modest pace, in view of the Eurozone crisis and the fragility of the United States recovery. Traffic increases mean that some of HKIA's facilities, such as aircraft parking stands, are approaching capacity.

In the medium term, the Midfield development and apron expansion will relieve pressure on HKIA's parking stands and by the end of 2014, 28 new stands will be ready for operation. The Midfield development, which includes a five-level concourse with 20 stands, a cross-field taxiway and an extension of the existing automated people mover that will connect the concourse to Terminal 1, has been progressing

smoothly and is scheduled for full operation in 2015. We will also carry out other capacity enhancement initiatives to optimise the use of existing space and facilitate the smooth movement of passengers, cargo and aircraft.

To ensure operational and service excellence, we will continue our safety and business continuity planning initiatives and programmes, which include resurfacing the airport's taxiways and enhancing the fixed ground power and pre-conditioned air systems. We will also continue to rejuvenate and maintain the airport to handle traffic growth and ageing facilities.

Following the completion of *HKIA Master Plan 2030* and the Hong Kong SAR Government's in-principle approval to adopt, for planning purpose, the three-runway option as the future development direction for HKIA, we have started work on the Environmental Impact Assessment and related design details for the three-runway system.

In the near term, we expect profits will slow down as a result of three-runway system related spending, the impact of inflation and the completion of some facilities. In this challenging operating environment, we will continue to apply prudent financial discipline to contain the growth of operating expenses through continuous measures to improve productivity, while maintaining the highest standards of safety, security, sustainability and service.

In addition, we will further increase commercial revenues by optimising the use of existing retail space, refining the retail mix, building new facilities and supporting our business partners as they expand their operations and add new services. The completion of two new two-storey "icon" shops in the centre of the East Hall by the end of 2013 will generate additional revenue.

The vibrant Mainland economy will continue to create long-term demand for aviation. As a major gateway, HKIA will benefit from the growth of the Mainland economy and aviation sector. We will continue to support the construction of cross-boundary infrastructure, such as the Hong Kong–Zhuhai–Macao Bridge and the Tuen Mun–Chek Lap Kok Link. With these key infrastructure projects, we believe the accessibility of HKIA will be improved and its position as an international and regional aviation hub will be further enhanced.

With financial discipline, innovation and timely development, HKIA will continue to bring value to its stakeholders and generate economic benefits for Hong Kong and the Pearl River Delta.

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Report of the Members of the Board

Financial year ended 31 March 2013

The Members of the Board have pleasure in submitting the annual report of the Airport Authority ("AA") together with the audited consolidated financial statements for the year ended 31 March 2013.

Principal Activities

Pursuant to the Airport Authority Ordinance (Cap. 483) ("the Ordinance") and the objective of maintaining Hong Kong's status as a centre of international and regional aviation, the AA is responsible for the provision, operation, development and maintenance of the Hong Kong International Airport ("HKIA") situated at Chek Lap Kok, Lantau, Hong Kong and the provision of facilities, amenities and services at, as regards or in relation to the HKIA. The AA may also engage in airport-related activities in trade, commerce or industry at or from any places in the Airport Island, and the airport-related activities as permitted by the Airport Authority (Permitted Airport-related Activities) Order (Cap. 483E). The AA is required under the Ordinance to conduct its business according to prudent commercial principles.

The principal activities and other particulars of the AA's subsidiaries are set out in note 12 to the financial statements.

Financial Statements

The profit of the group for the year ended 31 March 2013 and the state of the group's affairs as at that date are set out in the financial statements on pages 86 to 130.

Dividend

The Ordinance provides that the AA may pay dividends on its shares and that the Financial Secretary may, after taking into account the financial position of the AA and its subsidiaries, direct the AA to pay dividends out of the distributable profits of the AA. A final dividend of HK\$3,900 million or HK\$12,725.14 per share was declared and paid for the year 2011/12. The Board now recommends the payment of a final dividend of HK\$4,400 million or HK\$14,356.56 per share for the year ended 31 March 2013.

Transfer to Reserves

The group's profit attributable to equity shareholder of HK\$5,624 million (2011/12: HK\$5,336 million) has been transferred to reserves. Other movements in reserves are set out in the Consolidated Statement of Changes in Equity.

Fixed Assets

Movements in fixed assets during the year are set out in note 10 to the financial statements.

Capitalised Interest

Interest amounting to HK\$58 million (2011/12: HK\$15 million) was capitalised by the group during the year as set out in note 6 to the financial statements.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the group as at 31 March 2013 are set out in note 18 to the financial statements.

Financial Summary

A summary of the financial results and the assets and liabilities of the group for the last five financial years is set out on page 131 of the annual report.

Share Capital

Under the terms of the Ordinance, the AA may only issue shares to the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("the Hong Kong SAR Government") on behalf of which all shares are held by the Financial Secretary Incorporated. No shares were issued or cancelled during the year ended 31 March 2013.

Donations

Donations made during the year amounted to HK\$2,287,000 (2011/12: HK\$684,000) which were funded partly from the sales of "lost & found" items at the airport.

Major Customers and Suppliers

The information in respect of the group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

Percentage of the group's total

	Sales	Purchases
The largest customer	23%	
Top five customers	45%	
The largest supplier		39%
Top five suppliers		52%

The largest supplier is the Hong Kong SAR Government which is the sole shareholder of the AA.

Purchases are exclusive of supplies of capital nature.

Going Concern

The financial statements on pages 86 to 130 have been prepared on a going concern basis. The Board has approved the AA's budget for 2013/14 and the business plan and financial plan for 2013/14 to 2017/18 and is satisfied that the AA has sufficient resources to continue as a going concern for the foreseeable future.

Retirement Schemes

Details with regard to the AA's retirement schemes are set out in note 14 to the financial statements. The administration of the retirement schemes and the AA's contributions thereto are reviewed periodically with reference to reports of the investment manager of the schemes and independent actuaries.

Corporate Governance

Principal corporate governance practices adopted by the AA are set out in the Corporate Governance Report on pages 24 to 41 of the annual report.

Employees

As of 31 March 2013, the AA, excluding its subsidiaries, had a staff force of 1,290 (31 March 2012: 1,123). The AA has developed human resources policies to ensure that the pay levels of its employees are competitive and that employees are rewarded according to their performance within the framework of the AA's salary and performance awards system. To further strengthen the underlying principle of pay-for-performance, a Variable Compensation Scheme was introduced in April 2002. Regular review was conducted from time to time to ensure AA's pay position and remuneration package including the variable pay stay competitive against market.

Members of the Board and Executive Directors

Members of the Board and Executive Directors at the date of this report are set out on pages 20 to 22 of the annual report.

Dr Allan Wong Chi-yun retired on 1 January 2013.

Mr Vincent Lo Hong-sui has been appointed to the Board for a term of three years from 1 January 2013 to 31 December 2015.

Hon Albert Ho Chun-yan and Hon Chan Kam-lam have been re-appointed as Members for a term of three years from 1 January 2013 to 31 December 2015.

Report of the Members of the Board

Mr John Chai Sung-veng and Ms Cissy Chan Ching-sze have been appointed as Executive Director, Projects and Executive Director, Commercial on 24 October and 3 September 2012 respectively.

Interest of Members of the Board and Executive Directors in Contracts

No contracts of significance to which the AA or any of its subsidiaries was a party and in which a Member of the Board or an Executive Director had a material interest subsisted at the end of the year or at any time during the year. At no time during the year was the AA or any of its subsidiaries a party to any arrangements to enable any Member of the Board or Executive Director to acquire benefits by means of acquisition of shares of the AA or of any body corporate.

Related Party Transactions

Details of material related party transactions entered into or were ongoing during the year are set out in note 24 to the financial statements.

Members' Responsibilities for the Financial Statements

The Members of the Board are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the results and cash flows for the period. In preparing the financial statements for the year ended 31 March 2013, the Members of the Board have selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and have prepared the financial statements on a going-concern basis. The Members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group.

Auditors

In accordance with Section 32 of the Ordinance, the Chief Executive of the HKSAR approved the appointment of KPMG as auditors and they remain in office.

By order of the Board

HYShu

Secretary to the Board

Hong Kong, 20 May 2013

Independent Auditor's Report

To the Airport Authority (Incorporated in Hong Kong under the Airport Authority Ordinance)

We have audited the consolidated financial statements of the Airport Authority ("the Authority") and its subsidiaries (together "the group") set out on pages 86 to 130, which comprise the consolidated statement of financial position as at 31 March 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Board members' responsibility for the consolidated financial statements

The Board members of the Authority are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation of the consolidated financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board members, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the group as at 31 March 2013 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Airport Authority Ordinance.

KPMG

Certified Public Accountants 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong

20 May 2013

Consolidated Income Statement

For the year ended 31 March 2013 (Expressed in Hong Kong dollars)

\$ million	Note	2013	2012
Airport charges Security charges Aviation security services Airside support services franchises Retail licences and advertising revenue Other terminal commercial revenue Real estate revenue Other income		3,628 937 195 2,012 4,995 1,023 227 117	3,495 894 173 1,896 4,495 883 205 113
Turnover		13,134	12,154
Staff costs and related expenses Repairs and maintenance Operational contracted services Government services Government rent and rates Occupancy expenses Three-runway system consultancy and other related expenses	4 24(a) 24(b) 5	(1,403) (614) (444) (827) (179) (227) (209)	(1,272) (528) (404) (811) (177) (220) (29)
Other operating expenses		(367)	(478)
Operating expenses before depreciation and amortisation Operating profit before depreciation and amortisation Depreciation and amortisation		(4,270) 8,864 (2,208)	(3,919) 8,235 (2,221)
Operating profit before interest and finance costs Interest and finance costs:	3	6,656	6,014
Finance costs Interest income	6	(161) 40 (121)	(189) 15 (174)
Share of profits less losses of jointly controlled entities	13	210	521
Profit before taxation Income tax	7(a)	6,745 (1,113)	6,361 (1,021)
Profit for the year		5,632	5,340
Attributable to: Equity shareholder of the Authority Non-controlling interests Profit for the year		5,624 8 5,632	5,336 4 5,340

The notes on pages 91 to 130 form part of these financial statements. Details of the dividend payable to the equity shareholder of the Authority attributable to the profit for the year are set out in note 20(b).

Consolidated Statement of Comprehensive Income For the year ended 31 March 2013 (Expressed in Hong Kong dollars)

\$ million	2013	2012
Profit for the year	5,632	5,340
Other comprehensive income for the year Exchange differences on translation of financial statements of: – a subsidiary in the People's Republic of China ("the PRC")	5	15
- jointly controlled entities in the PRC	57	134
	62	149
Cash flow hedge: effective portion of changes in fair value Less: Deferred tax	- -	(1) 1
	-	-
Cash flow hedge: transfer from equity to profit or loss Less: Deferred tax	1 –	(8) -
	1	(8)
	63	141
Total comprehensive income for the year	5,695	5,481
Attributable to:		
Equity shareholder of the Authority Non-controlling interests	5,685 10	5,470 11
Total comprehensive income for the year	5,695	5,481

Consolidated Statement of Financial Position

At 31 March 2013 (Expressed in Hong Kong dollars)

\$ million	Note	2013	2012
Non-current assets Fixed assets - Investment property - Interest in leasehold land - Other property, plant and equipment	10 10 10	166 7,915 36,424	215 8,174 35,192
Intangible asset Interests in jointly controlled entities Net defined benefit retirement plan assets Derivative financial assets	11 13 14 21(e)	44,505 233 4,145 54 18	43,581 246 3,836 66 68
		48,955	47,797
Current assets Stores and spares Trade and other receivables Derivative financial assets Tax recoverable Cash and bank balances	15 21(e) 7(c) 16	61 1,835 54 60 2,792	64 1,771 37 - 1,780
		4,802	3,652
Current liabilities Trade and other payables Interest-bearing borrowings Current taxation Deferred income Derivative financial liabilities	17 18 7(c) 19 21(e)	(2,353) (3,089) (1) (144) (3)	(1,890) (452) (200) (136) (1)
		(5,590)	(2,679)
Net current (liabilities)/assets		(788)	973
Total assets less current liabilities		48,167	48,770
Non-current liabilities Trade and other payables Interest-bearing borrowings Deferred income Derivative financial liabilities Deferred tax liabilities	17 18 19 21(e) 7(d)	(379) (2,691) (1,019) (15) (3,505)	(288) (5,262) (1,163) (5) (3,289)
		(7,609)	(10,007)
Net assets		40,558	38,763
Capital and reserves Share capital Reserves	20	30,648 9,677	30,648 7,892
Total equity attributable to the equity shareholder of the Authori Non-controlling interests	ty	40,325 233	38,540 223
Total equity		40,558	38,763

Approved and authorised for issue on behalf of the Members of the Board on 20 May 2013.

Dr Marvin Cheung Kin-tung *Chairman*

Mr Stanley Hui Hon-chung
Chief Executive Officer

Mr William Lo Chi-chung
Executive Director, Finance

The notes on pages 91 to 130 form part of these financial statements.

Consolidated Statement of Changes in Equity For the year ended 31 March 2013 (Expressed in Hong Kong dollars)

		Attributable to the equity shareholder of the Authority							
\$ million	Note	Share capital	Exchange reserve	Capital reserve	Hedging reserve	Retained profits	Total	Non- controlling interests	Total equity
At 1 April 2011		30,648	482	367	3	4,670	36,170	212	36,382
Changes in equity for the year: Profit for the year Other comprehensive income		- -	- 142	- -	_ (8)	5,336 –	5,336 134	4 7	5,340 141
Total comprehensive income		_	142	_	(8)	5,336	5,470	11	5,481
Dividend approved in respect of the previous year Transfer from retained profits to capital reserve	20(b) 20(d)(ii)	-	-	- 176	-	(3,100)	(3,100)	-	(3,100)
At 31 March 2012 and 1 April 2012		30,648	624	543	(5)	6,730	38,540	223	38,763
Changes in equity for the year: Profit for the year Other comprehensive income		- -	- 60	- -	- 1	5,624 -	5,624 61	8 2	5,632 63
Total comprehensive income		-	60	-	1	5,624	5,685	10	5,695
Dividend approved in respect of the previous year Transfer from retained profits to	20(b)	<u>-</u>	-	- 93	-	(3,900)	(3,900)	-	(3,900)
capital reserve At 31 March 2013	20(d)(ii)	30,648	684	636	(4)	(93) 8,361	40,325	233	40,558

Consolidated Cash Flow Statement

For the year ended 31 March 2013 (Expressed in Hong Kong dollars)

\$ million Note	2013	2012
Operating activities Profit before taxation Adjustments for:	6,745	6,361
Depreciation Amortisation of interest in leasehold land Amortisation of intangible asset Interest on notes and bank loans Other borrowing costs and interest expense Interest income	1,960 231 17 183 23 (40)	1,972 232 17 237 22 (15)
Fair value loss/(gain) on derivative financial instruments – cash flow hedges – fair value hedges Net gain on underlying hedged interest-bearing borrowings	1 (6)	(8) (34)
in fair value hedges Share of profits less losses of jointly controlled entities (Reversal of impairment losses)/impairment losses	(39) (210)	(24) (521)
on trade and other receivables Impairment loss on equity interest in IEC Holdings Limited Net loss on disposal of fixed assets Net foreign exchange gain Amortisation of deferred income Expenses recognised in respect of defined benefit retirement plan	(19) - 40 (1) (136) 40	22 52 17 (4) (130) 33
Operating profit before changes in working capital	8,789	8,229
Decrease/(increase) in stores and spares Increase in trade and other receivables (Decrease)/increase in trade and other payables	3 (45) (16)	(10) (502) 301
Cash generated from operations	8,731	8,018
Hong Kong Profits Tax paid Overseas profits tax paid	(1,156) –	(1,259) (1)
Net cash generated from operating activities	7,575	6,758
Investing activities (Placement)/net receipts on maturity of term deposits Interest received Payments for the purchase of other property, plant and equipment Receipts from disposal of fixed assets Payment of annual franchise fee for a PRC subsidiary Payment to acquire interest in a jointly controlled entity	(35) 40 (2,543) 2 (4) (42)	5 15 (1,118) – (4) –
Net cash used in investing activities	(2,582)	(1,102)
Financing activities Interest paid on notes and bank loans Other borrowing costs and interest expense paid Net repayment of bank loans Receipts from issue of notes Repayment of notes Net interest income received on interest rate swaps Dividend paid	(244) (20) - 550 (450) 47 (3,900)	(255) (17) (1,200) 350 (500) 53 (3,100)
Net cash used in financing activities	(4,017)	(4,669)
Net increase in cash and cash equivalents Cash and cash equivalents at beginning of year Effect of foreign exchange rate changes	976 1,755 1	987 764 4
Cash and cash equivalents at end of year 16	2,732	1,755

The notes on pages 91 to 130 form part of these financial statements.

Notes to the 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 Hong Kong SAR Government ("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 12.

The Authority and its subsidiaries are collectively referred to as the group.

2. Statement of compliance and basis of preparation of the financial statements

(a) Statement of compliance

These financial statements have been prepared in accordance with 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 Airport Authority Ordinance. These 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 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 28.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the Authority. Note 28(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 financial statements. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 29).

(b) Basis of preparation of the financial statements

The consolidated financial statements include the financial statements of the group as well as the group's interests in jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments which are stated at their fair values as explained in the accounting policies set out in notes 28(f), (g) and (n). Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of 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.

2. Statement of compliance and basis of preparation of the financial statements (continued)

(b) Basis of preparation of the financial statements (continued)

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 financial statements and major sources of estimation uncertainty are discussed in note 26.

3. Operating profit before interest and finance costs

Operating profit before interest and finance costs of the group is arrived at after charging/(crediting):

\$ million	2013	2012
Auditors' remuneration:		
– audit services	4	4
– tax services	1	1
– other services	2	-
Stores and spares expensed	78	59
Net loss on disposal of fixed assets	40	17
(Reversal of impairment losses)/impairment losses on:		
– trade and other receivables (note 15(b))	(19)	22
 equity interest in IEC Holdings Limited 	-	52
Depreciation: (note 10(d))		
 assets held for use under operating leases 	141	136
– other assets	1,819	1,836
Amortisation:		
 interest in leasehold land (note 10(d)) 		
 leased out under operating leases 	14	14
- others	217	218
- intangible asset (note 11)	17	17
Operating lease charges: minimum lease payments		
- hire of plant and machinery	1	3
- hire of other assets (including property rentals)	8	8
Rentals from investment property less direct outgoings of \$13 million		
(2012: \$11 million)	(27)	(30)

4. Staff costs and related expenses

\$ million	2013	2012
Contributions to defined contribution retirement plan Expenses recognised in respect of defined benefit retirement plan	57	47
(note 14)	40	33
Total retirement costs Salaries, wages and other benefits	97 1,306	80 1,192
	1,403	1,272

5. Three-runway system consultancy and other related expenses

Three-runway system consultancy and other related expenses include amounts incurred for the statutory Environmental Impact Assessment and the preparation of the associated design details of the facilities, after the Government's in-principle approval for the Authority to adopt, for planning purposes, the three-runway option as the future development direction for Hong Kong International Airport.

6. Finance costs

\$ million	2013	2012
Interest on bank loans Interest on notes Other borrowing costs Other interest expense	7 159 13 10	8 178 13 9
Total interest expense on financial liabilities not stated at fair value through profit or loss Interest on notes stated at fair value through profit or loss Less: Borrowing costs capitalised into assets under construction	189 75 (58)	208 66 (15)
Net foreign exchange gain Fair value loss/(gain) on derivative financial instruments	206 (1)	259 (4)
 cash flow hedges fair value hedges¹ Net gain on underlying hedged interest-bearing borrowings in fair value hedges 	1 (6) (39)	(8) (34) (24)
	161	189

Includes interest receivable of \$49 million (2012: \$56 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 3.30% (2012: 3.16%) per annum.

7. Taxation

(a) Taxation in the consolidated income statement represents:

\$ million	2013	2012
Current tax – Hong Kong Profits Tax – Provision for the year – Under-provision in respect of prior years Current tax – Overseas	896 1	959 1
Provision for the year(Over)/under-provision in respect of prior years	1 (1)	1 1
Deferred tax (note 7(d)) – Origination and reversal of temporary differences	216	59
	1,113	1,021

The provision for Hong Kong Profits Tax for the year ended 31 March 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

The provision for PRC Corporate Income Tax for the year ended 31 March 2013 is calculated at 25% (2012: 25%).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

\$ million	2013	2012
Profit before taxation	6,745	6,361
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned Tax effect of non-deductible expenses Tax effect of non-taxable income The effect of tax losses and other temporary differences not recognised Under-provision in respect of prior years	1,114 38 (38) (1)	1,052 58 (90) (1) 2
Actual tax expense	1,113	1,021

7. Taxation (continued)

(c) Tax recoverable and current taxation in the consolidated statement of financial position represents:

\$ million	2013	2012
Provision for the year (note 7(a))		
– Hong Kong Profits Tax	896	959
– Overseas profits tax	1	1
Provisional Hong Kong Profits Tax paid	(958)	(763)
Overseas profits tax paid	-	(1)
Balance of profits tax provision relating to prior years	2	4
Tax recoverable and current taxation	(59)	200

(d) Deferred tax assets and liabilities recognised:

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	Cash flow hedges	Deferred income, defined benefit retirement plan liability and provisions	Undistributed profits of a PRC jointly controlled entity	Total
At 1 April 2011	3,444	_	(219)	6	3,231
Charged to profit or loss Credited to other comprehensive	22	_	22	15	59
income	_	(1)	_	-	(1)
At 31 March 2012	3,466	(1)	(197)	21	3,289
At 1 April 2012 Charged to profit or loss	3,466 192	(1) -	(197) 18	21 6	3,289 216
At 31 March 2013	3,658	(1)	(179)	27	3,505

(e) Deferred tax assets not recognised:

The group has not recognised deferred tax assets in respect of subsidiaries' cumulative tax losses and other temporary differences of \$91 million (2012: \$122 million) and \$11 million (2012: \$7 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 will be available. The estimated tax losses of RMB27 million (\$34 million) (2012: RMB53 million (\$65 million)) for the subsidiary in the PRC will expire within five years under the current PRC legislation. The remaining portion of the tax losses mainly relating to subsidiaries in Hong Kong do not expire under the current tax legislation.

8. Remuneration of the Members of the Board and Executive Directors and individuals with the highest emoluments

(a) Remuneration 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 remuneration paid to the Chief Executive Officer and Executive Directors.

8. Remuneration of the Members of the Board and Executive Directors and individuals with the highest emoluments (continued)

(a) Remuneration of the Members of the Board and Executive Directors (continued)

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 scheme contributions accrued.

The emoluments of the Members of the Board and Executive Directors of the Authority are as follows:

2013	Board Member's	Basic	Performance- related	Retirement	
\$'000	fee	compensation	compensation	benefits	Total
Members of the Board					
Non-executive Members					
Marvin Cheung Kin-tung	220	-	-	_	220
Chan Kam-lam	110	-	-	-	110
Edward Cheng Wai-sun	110	-	-	-	110
Anita Fung Yuen-mei	110	-	-	-	110
Albert Ho Chun-yan	110	-	-	-	110
Raymond Ho Chung-tai	110	-	-	-	110
Benjamin Hung Pi-cheng	110	-	-	-	110
Jeffrey Lam Kin-fung	110	-	-	-	110
Miriam Lau Kin-yee	110	-	-	-	110
Lee Shing-see	110	-	-	-	110
Vincent Lo Hong-sui					
(appointed in January 2013)	27	-	-	-	27
Caroline Mak Sui-king	110	-	-	-	110
Huen Wong	110	-	-	_	110
Director-General of Civil Aviation ¹	110	-	-	-	110
Secretary for Financial Services	110				440
and the Treasury ¹	110	_	-	-	110
Secretary for Transport and Housing 1	110	_	-	-	110
Allan Wong Chi-yun (retired in January 2013)	83				83
(retired in January 2013)	03	_	_	_	03
Executive Member					
Stanley Hui Hon-chung					
(Chief Executive Officer)	_	4.055	1,834	502	6,391
(Chief Executive Officer)	_	4,000	1,034	502	0,331
Executive Directors					
John Chai Sung-veng					
(appointed in October 2012)	_	1,420	600	181	2,201
Cissy Chan Ching-sze		1,120	000	101	2,201
(appointed in September 2012)	_	1,874	792	191	2,857
Wilson Fung Wing-yip	_	2,900	1,243	287	4,430
William Lo Chi-chung	_	2,900	1,088	287	4,275
Ng Chi-kee	_	2,907	1,246	346	4,499
,					
	1,870	16,056	6,803	1,794	26,523

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.

8. Remuneration of the Members of the Board and Executive Directors and individuals with the highest emoluments (continued)

(a) Remuneration of the Members of the Board and Executive Directors (continued)

Members of the Board Members Basic related Retirement S*000 S*00		Board		Performance-		
Members of the Board Non-executive Members Non-executive Non-executive Members Non-executive	2012		Basic		Retirement	
Mon-executive Members						Total
Narvir Cheung Kin-tung			- Componication	0011100110011	201101110	10101
Marvin Cheung Kin-tung						
Chan Kam-lam						
Edward Cheng Wai-sun (appointed in June 2011) 92			_	-	_	
(appointed in June 2011) 92 - - 92 92 92 93 94 94 94 94 94 94 94		110	_	-	-	110
Anita Fung Yuen-mei 110						
Albert Ho Chun-yan Raymond Ho Chung-tai Raymond Ho Chung-tai Raymond Houng-tai Raymond			_	-	-	
Raymond Ho Chung-tein 110			_	-	-	
Benjamin Hung Pi-cheng			_	-	-	
Jeffrey Lam Kin-fung (appointed in June 2011) 92			_	-	-	
Appointed in June 2011 92		110	_	-	_	110
Miriam Lau Kin-yee (appointed in June 2011) 92						
Lee Shing-see Page		92	_	-	_	92
Lee Shing-see (appointed in June 2011) 92 92 Caroline Mak Sui-king (appointed in June 2011) 92 92 Allan Wong Chi-yun 110 110 Huen Wong (appointed in June 2011) 92 92 Director-General of Civil Aviation 110 92 Director-General of Civil Aviation 110 110 Secretary for Financial Services and the Treasury 1110 110 Secretary for Transport and Housing 110 18 Edmund Leung Kwong-ho (retired in June 2011) 18 18 Edmund Leung Kwong-ho (retired in June 2011) 18 18 Andrew Liao Cheung-sing (retired in June 2011) 18 18 Lo Ka-shui (retired in June 2011) 18 18 Executive Member Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823						
(appointed in June 2011) 92 - - - 92 Caroline Mak Sui-king (appointed in June 2011) 92 - - - 92 Allan Wong Chi-yun 110 - - - 110 Huen Wong - - - - 110 (appointed in June 2011) 92 - - - 92 Director-General of Civil Aviation¹ 110 - - - 110 Secretary for Financial Services - - - 110 Secretary for Transport and Housing¹ 110 - - - 110 Secretary for Transport and Housing¹ 110 - - - 110 Vincent Fang Kang (retired in June 2011) 18 - - - 18 Edmund Leung Kwong-to (retired in June 2011) 18 - - - 18 (retired in June 2011) 18 - - - 18 Lo Ka-shui (retired in June 2011) 18 - - - 18 Wilfred Wong Ying-wai (retired in June 2011) 18 - - - 18 Executive Member <td< td=""><td></td><td>92</td><td>_</td><td>-</td><td>_</td><td>92</td></td<>		92	_	-	_	92
Caroline Mak Sui-king (appointed in June 2011) 92						
(appointed in June 2011) 92 - - 92 Allan Wong Chi-yun 110 - - 110 Huen Wong (appointed in June 2011) 92 - - - 92 Director-General of Civil Aviation¹ 110 - - - 110 Secretary for Financial Services - - - 110 Secretary for Transport and Housing¹ 110 - - - 110 Secretary for Transport and Housing¹ 110 - - - 110 Secretary for Transport and Housing¹ 110 - - - 110 Secretary for Transport and Housing¹ 110 - - - 110 Secretary for Transport and Housing¹ 110 - - - 110 Secretary for Transport and Housing¹ 110 - - - 110 Secretary for Transport and Housing¹ 110 - - - 18 Edmund Leung Leun 101 18 - - - - 18		92	_	-	_	92
Allan Wong Chi-yun 110						
Huen Wong (appointed in June 2011) 92 92 Director-General of Civil Aviation¹ 110 110 Secretary for Financial Services and the Treasury¹ 110 110 Secretary for Transport and Housing¹ 110 110 Secretary for Transport and Housing¹ 110 110 Vincent Fang Kang (retired in June 2011) 18 18 Edmund Leung Kwong-ho (retired in June 2011) 18 18 Andrew Liao Cheung-sing (retired in June 2011) 18 18 Lo Ka-shui (retired in June 2011) 18 18 Wilfred Wong Ying-wai (retired in June 2011) 18 18 Wiffred Wong Ying-wai (retired in June 2011) 18 18 Executive Member Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Howard Eng Kiu-chor (resigned in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823			_	-	_	
(appointed in June 2011) 92 - - 92 Director-General of Civil Aviation¹ 110 - - - 110 Secretary for Financial Services and the Treasury¹ 110 - - - 110 Secretary for Transport and Housing¹ 110 - - - 110 Secretary for Transport and Housing¹ 110 - - - 110 Vincent Fang Kang (retired in June 2011) 18 - - - 18 Edmund Leung Kwong-ho (retired in June 2011) 18 - - - 18 Andrew Liao Cheung-sing (retired in June 2011) 18 - - - 18 Lo Ka-shui (retired in June 2011) 18 - - - 18 Wilfred Wong Ying-wai (retired in June 2011) 18 - - - 18 Executive Member Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing		110	-	-	-	110
Director-General of Civil Aviation 110						
Secretary for Financial Services and the Treasury¹ 110			-	-	-	
and the Treasury¹ 110		110	_	_	_	110
Secretary for Transport and Housing¹						
Vincent Fang Kang (retired in June 2011) 18 18 Edmund Leung Kwong-ho (retired in June 2011) 18 18 Andrew Liao Cheung-sing (retired in June 2011) 18 18 Lo Ka-shui (retired in June 2011) 18 18 Uiffred Wong Ying-wai (retired in June 2011) 18 18 Wilfred Wong Ying-wai (retired in June 2011) 18 18 Executive Member Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823			_	_	_	
(retired in June 2011) 18 - - - 18 Edmund Leung Kwong-ho (retired in June 2011) 18 - - - 18 Andrew Liao Cheung-sing (retired in June 2011) 18 - - - 18 Lo Ka-shui (retired in June 2011) 18 - - - 18 Wilfred Wong Ying-wai (retired in June 2011) 18 - - - 18 Executive Member Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823		110	_	_	_	110
Edmund Leung Kwong-ho (retired in June 2011) 18 18 Andrew Liao Cheung-sing (retired in June 2011) 18 18 Lo Ka-shui (retired in June 2011) 18 18 Wilfred Wong Ying-wai (retired in June 2011) 18 18 Wilfred Wong Ying-wai (retired in June 2011) 18 18 Executive Member Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823						
(retired in June 2011) 18 - - - 18 Andrew Liao Cheung-sing (retired in June 2011) 18 - - - 18 Lo Ka-shui (retired in June 2011) 18 - - - 18 Wilfred Wong Ying-wai (retired in June 2011) 18 - - - 18 Executive Member Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823		18	_	_	_	18
Andrew Liao Cheung-sing (retired in June 2011) Lo Ka-shui (retired in June 2011) 18 18 Wilfred Wong Ying-wai (retired in June 2011) 18 18 Executive Member Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823		40				40
(retired in June 2011) 18 - - - 18 Lo Ka-shui 18 - - - 18 Wilfred Wong Ying-wai 18 - - - 18 Executive Member 18 - - - 18 Executive Member 5tanley Hui Hon-chung - - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823		18	_	_	_	18
Lo Ka-shui (retired in June 2011) 18		10				10
(retired in June 2011) 18 - - - 18 Wilfred Wong Ying-wai (retired in June 2011) 18 - - - 18 Executive Member Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823		18	_	_	_	18
Wilfred Wong Ying-wai (retired in June 2011) 18 - - - 18 Executive Member Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823		10				10
Executive Member Stanley Hui Hon-chung - - - - 18 Stanley Hui Hon-chung (Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823		18	_	_	_	۱۵
Executive Member Stanley Hui Hon-chung - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee - 122 51 14 187 Howard Eng Kiu-chor - 3,060 1,400 363 4,823		10				10
Stanley Hui Hon-chung - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor - 3,060 1,400 363 4,823	(retired in June 2011)	18	_	_	_	18
Stanley Hui Hon-chung - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor - 3,060 1,400 363 4,823	Evacutive Member					
(Chief Executive Officer) - 4,002 1,811 491 6,304 Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823						
Executive Directors Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823	, .	_	4.002	1 911	/101	6 304
Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823	(Chief Executive Officer)	_	4,002	1,011	431	0,304
Wilson Fung Wing-yip - 2,809 1,169 276 4,254 William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823	Executive Directors					
William Lo Chi-chung - 2,809 1,169 276 4,254 Ng Chi-kee - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823		_	2 809	1 169	276	4 254
Ng Chi-kee (appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor - 3,060 1,400 363 4,823		_				
(appointed in March 2012) - 122 51 14 187 Howard Eng Kiu-chor (resigned in March 2012) - 3,060 1,400 363 4,823		_	2,000	1,100	270	7,204
Howard Eng Kiu-chor (resigned in March 2012) – 3,060 1,400 363 4,823		_	122	51	14	187
(resigned in March 2012) – 3,060 1,400 363 4,823			122	01	17	107
		_	3.060	1.400	363	4.823
1,852 12,802 5,600 1,420 21,674				.,		
		1,852	12,802	5,600	1,420	21,674

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.

8. Remuneration of the Members of the Board and Executive Directors and individuals with the highest emoluments (continued)

(b) Individuals with the highest emoluments

Of the five individuals with the highest emoluments, four comprise the Chief Executive Officer and three Executive Directors (2012: four comprise the Chief Executive Officer and three Executive Directors) whose emoluments are disclosed under note 8(a). The aggregate of the emoluments in respect of the other one (2012: one) individual is as follows:

\$'000	2013	2012
Basic compensation Performance-related compensation ¹ Retirement benefits	2,384 900 268	2,131 826 234
	3,552	3,191

The performance-related compensation relates to 2011/12 which was paid during the year. The performance-related compensation for 2012/13 was not allocated to the individual as at the date of the approval of the financial statements and hence is not disclosed.

9. 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 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 financial statements.

Revenue from major services

The group's revenue from its major services is set out in the consolidated income statement.

Geographical information

No geographical information is shown as the turnover and operating profit of the group is substantially derived from activities in Hong Kong, other than its interests in jointly controlled entities in the PRC, details of which are disclosed under note 13 to the financial statements.

Information about major customers

The group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the group's revenue.

Included in the turnover of \$13,134 million for the year (2012: \$12,154 million) is revenue of approximately \$2,986 million (2012: \$2,662 million) which arose from this customer. This includes only revenue arising from those entities which are known to the group to be under common control of this customer.

10. Fixed assets

(a)

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	Construction in progress	Sub-total	Investment property	Interest in leasehold land	Total
Cost										
At 1 April 2011	7,980	23,438	13,948	8,471	1,594	766	56,197	302	11,360	67,859
Exchange adjustments	-	1	-	1	-	-	2	-	-	2
Additions	14	27	14	46	79	1,011	1,191	-	-	1,191
Reclassifications	36	13	41	266	9	(328)	37	(37)	-	-
Disposals	(38)	(22)	(13)	(141)	(56)	_	(270)	_	-	(270)
At 31 March 2012	7,992	23,457	13,990	8,643	1,626	1,449	57,157	265	11,360	68,782
At 1 April 2012 Exchange adjustments Additions Reclassifications Disposals	7,992 - - 97 (72)	23,457 - 4 256 (39)	13,990 - 13 (47) (13)	8,643 1 112 488 (399)	1,626 - 60 (22) (52)	1,449 - 2,967 (730)	57,157 1 3,156 42 (575)	265 - - (42)	11,360 - - - - (39)	68,782 1 3,156 - (614)
At 31 March 2013	8,017	23,678	13,943	8,845	1,612	3,686	59,781	223	11,321	71,325
Accumulated depreciation, amortisation and impairment At 1 April 2011 Charge for the year Written back on disposals	2,519 278 (38)	7,272 739 (13)	4,261 434 (9)	4,885 439 (140)	1,314 77 (53)	-	20,251 1,967 (253)	45 5	2,954 232 -	23,250 2,204 (253)
At 31 March 2012	2,759	7,998	4,686	5,184	1,338	_	21,965	50	3,186	25,201
At 1 April 2012 Charge for the year Written back on	2,759 301	7,998 769	4,686 410	5,184 421	1,338 52	-	21,965 1,953	50 7	3,186 231	25,201 2,191
disposals	(71)	(32)	(11)	(395)	(52)	-	(561)	-	(11)	(572)
At 31 March 2013	2,989	8,735	5,085	5,210	1,338	-	23,357	57	3,406	26,820
Net book value At 31 March 2013	5,028	14,943	8,858	3,635	274	3,686	36,424	166	7,915	44,505
At 31 March 2012	5,233		9,304	3,459	288	1,449	35,192	215	8,174	43,581
O / ITIGIOII EVIE	0,200	10, 100	0,001	0,100	200	1,110	00,102	2.0	0, 1, 7	10,001

(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. The net land formation cost of \$11,321 million (2012: \$11,360 million) and the land premium of \$2,000 have been classified as interest in leasehold land under fixed assets.

10. Fixed assets (continued)

- (c) 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 2013 calculated by reference to net rental income allowing for reversionary income potential amounted to \$744 million (2012: \$777 million).
- (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 agreements for periods ranging from 5 to 49 years. Under the franchise agreements, the franchisees are granted sub-leases of interest in leasehold land for the periods of the respective franchises. The group also leases out part of the terminal complexes and related assets under operating leases for periods generally ranging from two to five years. All terms are renegotiated on renewal.

Where the sub-leases are for substantially the full period of the Land Grant, they are considered to be in the nature of finance leases and accordingly the carrying value of the related interest in leasehold land is derecognised.

Payments receivable under the above mentioned operating leases and franchise arrangements are either adjusted periodically to reflect prevailing market indices or contain contingent rentals based on passenger flow and turnover of tenants and franchisees.

The total future minimum payments (excluding contingent rentals) under non-cancellable operating leases and franchise agreements receivable by the group are as follows:

\$ million	2013	2012
Within one year After one but within five years After five years	1,845 3,909 5,895	1,620 3,471 4,056
	11,649	9,147

During the year, \$7,486 million (2012: \$6,724 million) was recognised as income in profit or loss in respect of the operating leases and franchise agreements, which included contingent rentals of \$5,691 million (2012: \$5,155 million).

The cost less accumulated amortisation of the interest in leasehold land for airport related development and the provision of airside support services under franchise agreements sub-leased to third parties under non-cancellable sub-lease agreements for the group as at 31 March 2013 was \$486 million (2012: \$497 million) with annual amortisation amounting to \$14 million (2012: \$14 million).

The cost less accumulated depreciation of the other property, plant and equipment leased to third parties under non-cancellable operating leases for the group as at 31 March 2013 was \$2,663 million (2012: \$2,777 million) with annual depreciation amounting to \$141 million (2012: \$136 million).

(e) A review of the useful life of fixed assets is undertaken by the Authority periodically. During the year the estimated useful lives of certain fixed assets were revised with effect from 1 April 2012, resulting in a net increase in the group's annual depreciation charge of \$6 million. A similar review undertaken during the previous year resulted in a net increase in the group's annual depreciation charge of \$33 million.

11. Intangible asset

\$ million	2013	2012
Cost At 1 April Exchange adjustments	339 6	327 12
At 31 March	345	339
Accumulated amortisation At 1 April Exchange adjustments Charge for the year	93 2 17	73 3 17
At 31 March	112	93
Net book value At 31 March	233	246

Intangible asset represents the right to operate and manage Zhuhai Airport and is being amortised over 20 years on a straight line basis.

12. Investments in subsidiaries

The Authority

\$ million	2013	2012
Unlisted shares, at cost	5	5

Details of principal subsidiaries are as set out below. The class of shares held is ordinary unless otherwise stated.

			Proporti	on of ownersh		
Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Authority	Held by a subsidiary	Principal activity
Aviation Security Company Limited ("AVSECO")	Hong Kong	10,000,000 shares of \$1 each	51%	51%	-	Provision of aviation security services
HKIA Precious Metals Depository Limited	Hong Kong	2 shares of \$1 each	100%	100%	-	Provision of storage space and related services
SkyLink Passenger Services Company Limited	Hong Kong	100,000 shares of \$1 each	51%	51%	-	Provision of passenger check-in services at various ports in the Pearl River Delta
HKIA (China) Limited	Hong Kong	2 shares of \$1 each	100%	100%	-	Investment holding company
Hong Kong – Zhuhai Airport Management Co., Ltd. ("HKZAM")*	PRC	RMB 360,000,000	55%	-	55%	Airport management and provision of transportation and ground services relating to aviation

^{*} A sino-foreign equity joint venture

13. Interests in jointly controlled entities

\$ million	2013	2012
Share of net assets Goodwill	3,905 240	3,599 237
	4,145	3,836

Details of the group's interests in the jointly controlled entities are as follows:

					rtion of ip interest	
Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Authority	Principal activity
Hangzhou Xiaoshan International Airport Co., Ltd. ("HXIA")	Incorporated	PRC	RMB 5,686 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	RMB 100 million	49%	49%	Management and operation of the terminals at Hongqiao International Airport, Shanghai ("HIA")

The above entities have 31 December as their 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 statutory financial year ending 31 December as adjusted to comply with the Authority's accounting policies.

(a) HXIA

HXIA is a sino-foreign equity joint venture with a period of operation of 30 years.

Summary of financial information of HXIA – group's effective interest is as follows:

\$ million	2013	2012
Non-current assets	6,061	4,948
Current assets	873	761
Non-current liabilities	(1,619)	(545)
Current liabilities	(1,469)	(1,581)
Net assets	3,846	3,583

13. Interests in jointly controlled entities (continued)

(a) HXIA (continued)

\$ million	2013	2012
Income	703	616
Government subsidies	92	170
Expenses	(549)	(476)
Profit before taxation	246	310
Income tax ¹	(36)	212
Profit after taxation	210	522

Income tax of 2012 included a write-back of deferred tax liabilities of \$233 million as a result of the finalisation of a tax treatment with the PRC tax authority.

The movements in retained profits during the year are as follows:

\$ million	2013	2012
Share of profit after taxation Dividend received in respect of share of profit	210 -	522 -
Share of profit after taxation and dividend Less: Transfer to capital reserve	210 (92)	522 (170)
Share of profit to be retained Share of retained profits brought forward from previous years	118 779	352 427
Share of retained profits carried forward to next year	897	779

The movements in capital reserve during the year are as follows:

\$ million	2013	2012
At 1 April Transfer from retained profits	494 92	319 175
At 31 March	586	494

The outstanding commitments of HXIA in respect of capital expenditure not provided for in the financial statements are as follows:

\$ million	2013	2012
Contracted for Authorised but not contracted for	245 2,166	1,573 4,676
	2,411	6,249

The capital commitments of the jointly controlled entity are to be financed independently by the jointly controlled entity 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 jointly controlled entities (continued)

(b) SHKAM

SHKAM, a sino-foreign equity joint venture, manages and operates the terminals at HIA, under a management contract signed for 20 years in return for a management fee to be paid by Shanghai Airport (Group) Co. Ltd. Hongqiao International Airport Company. During the year, the Authority has injected RMB34.3 million (\$42 million) to fully discharge the capital contribution commitment to SHKAM.

Summary of financial information of SHKAM - group's effective interest is as follows:

\$ million	2013	2012
Current assets Current liabilities	64 (5)	21 (5)
Net assets	59	16
\$ million	2013	2012
Income Expenses	5 (5)	4 (5)
Net loss	-	(1)

14. Employee retirement benefits

(a) Defined benefit retirement plan

The Authority makes contributions to a defined benefit retirement plan which covers 9% (2012: 10%) of the group's employees. The plan is administered by independent trustees with its assets held separately from those of the Authority.

Based on an independent actuarial valuation of the plan as at 31 March 2013 prepared by qualified staff of HSBC Life (International) Limited (2012: HSBC Life (International) Limited) using the projected unit credit method, the Authority's obligation under the plan is 82% (2012: 76%) covered by the plan assets held by the trustees. The signing actuary is a Fellow member of the Society of Actuaries of the United States.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

\$ million	2013	2012
Present value of wholly funded obligations Fair value of plan assets Net unrecognised actuarial losses	(758) 625 187	(728) 556 238
Net assets	54	66

A portion of the above asset is expected to be utilised after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Authority expects to pay \$24 million in contributions to the defined benefit retirement plan in 2014.

14. Employee retirement benefits (continued)

(a) Defined benefit retirement plan (continued)

(ii) Plan assets consist of the following:

\$ million	2013	2012
Equity securities Corporate bonds Cash	386 215 24	339 205 12
	625	556

(iii) The movements in the present value of the defined benefit obligations are as follows:

\$ million	2013	2012
At 1 April	728	561
Benefits paid by the plan	(16)	(39)
Current service cost	51	45
Interest cost	8	13
Actuarial (gains)/losses	(13)	148
– (gains)/losses due to change in actuarial assumptions	(4)	120
– experience (gains)/losses	(9)	28
At 31 March	758	728

(iv) The movements in plan assets are as follows:

\$ million	2013	2012
At 1 April Contributions paid to the plan Benefits paid by the plan Actual return on plan assets	556 28 (16) 57	568 29 (39) (2)
- changes in actuarial expected return on plan assets- actuarial gains/(losses)	34 23	33 (35)
At 31 March	625	556

(v) Expense recognised in the consolidated income statement is as follows:

\$ million	2013	2012
Current service cost	51	45
Interest cost	8	13
Actuarial expected return on plan assets	(34)	(33)
Net actuarial losses recognised	15	8
	40	33

The expense is recognised in the staff costs and related expenses in the consolidated income statement (note 4). The actual return on plan assets, taking into account all changes in the fair value of the plan assets excluding benefits paid and contributions received, for the year was a net gain of \$57 million (2012: a net loss of \$2 million).

14. Employee retirement benefits (continued)

(a) Defined benefit retirement plan (continued)

(vi) The principal actuarial assumptions used as at the end of the reporting periods (expressed as weighted averages) are as follows:

	2013	2012
Discount rate Expected rate of return on plan assets Future long term salary increases	1.10% 4.90% 3.50%	1.30% 5.90% 3.50%

The expected long-term rate of return on plan assets for the year ended 31 March 2013 is based on the portfolio as a whole and market expectations as at 1 April 2012 for returns over the entire life of the obligation based on historical returns, without adjustments.

(vii) Historical information

\$ million	2013	2012	2011	2010	2009
Present value of the defined benefit obligations Fair value of plan assets	(758) 625	(728) 556	(561) 568	(588) 539	(549) 391
(Deficit)/surplus in the plan	(133)	(172)	7	(49)	(158)
Experience gains/(losses) arising on plan liabilities Experience gains/(losses) arising on plan assets	9	(28) (35)	44 14	(29) 93	5 (139)

(b) Defined contribution retirement plans

- (i) The group also operates Mandatory Provident Fund Schemes ("MPF") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees not covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Contributions by the group range from 5% to 15% of employees' relevant income and have been charged to profit or loss. Contributions by employees range from 5% to 9%. Voluntary contributions to the plan vest over a period of two to ten years.
- (ii) As stipulated by the regulations of the PRC, the subsidiary in the PRC participates in a basic defined contribution pension plan administered by the Municipal Government under which it is governed. The group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate based on the salaries, bonuses and certain allowances of its employees.

15. Trade and other receivables

\$ million	2013	2012
Trade debtors Less: Allowance for doubtful debts (note 15(b))	1,820 (31)	1,765 (51)
Other debtors	1,789 14	1,714 17
Prepayments Deposits and debentures	1,803 23 9	1,731 28 12
	1,835	1,771

15. Trade and other receivables (continued)

As at 31 March 2013, all of the trade and other receivables are expected to be recovered or recognised as an expense within one year except for \$188 million (2012: \$124 million), which is expected to be recovered after more than one year.

(a) The ageing analysis of trade debtors (net of allowance for doubtful debts) included above is as follows:

\$ million	2013	2012
Amounts not yet due Less than one month past due One to three months past due More than three months past due	1,563 183 35 8	1,548 135 26 5
	1,789	1,714

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 21(a).

(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 28(m)).

The movements in the allowance for doubtful debts during the year are as follows:

\$ million	2013	2012
At 1 April Impairment loss (reversed)/recognised Uncollectible amounts written off	51 (19) (1)	30 22 (1)
At 31 March	31	51

As at 31 March 2013, the group's trade debtors of \$7 million (2012: \$56 million) were individually determined to be impaired. The individually impaired trade debtors related to customers that were in financial difficulties or have unsatisfactory payment history and management consequently recognised specific allowances for doubtful debts of \$5 million (2012: \$41 million) for the group. The group does not hold any collateral (2012: \$nil) over individually impaired trade debtors of \$2 million (2012: \$15 million) for which no provision has been made.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

\$ million	2013	2012
Neither past due nor impaired	1,562	1,546
Less than one month past due One to three months past due More than three months past due	159 2 2	117 9 1
	163	127
	1,725	1,673

15. Trade and other receivables (continued)

(c) Trade debtors that are not impaired (continued)

Trade debtors that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The group holds cash deposits and bank guarantees of \$5 million (2012: \$6 million) as collateral over certain past due but not impaired trade debtors totalling \$163 million (2012: \$127 million).

16. Cash and bank balances

\$ million	2013	2012
Deposits with banks within three months of maturity Cash at bank and in hand	2,537 195	1,379 376
Cash and cash equivalents Deposits with banks with over three months of maturity	2,732 60	1,755 25
	2,792	1,780

As at 31 March 2013, effective interest rate ranges for deposits with banks which are within and over three months of maturity are 0.15% to 2.85% (2012: 0.15% to 4.20%) and 0.91% to 3.05% (2012: 1.83% to 2.12%) respectively.

As at 31 March 2013, cash and cash equivalents include deposits with banks of \$134 million (2012: \$100 million) held by a subsidiary that are subject to currency exchange restrictions in the PRC.

17. Trade and other payables

\$ million	2013	2012
Creditors and accrued charges Deposits received Contract retentions	2,043 517 172	1,437 666 75
	2,732	2,178
Classified in the consolidated statement of financial position as: Current liabilities Non-current liabilities	2,353 379	1,890 288
	2,732	2,178

As at 31 March 2013, all of the trade and other payables are expected to be settled or recognised as income within one year except for \$379 million (2012: \$288 million), which are expected to be settled after more than one year and mainly relate to licence deposits received from retail licencees and contract retentions.

The ageing analysis of creditors and accrued charges included above by due dates is as follows:

\$ million	2013	2012
Due within 30 days or on demand Due after 30 days but within 60 days Due after 60 days but within 90 days Due after 90 days	426 549 360 708	357 187 96 797
Total	2,043	1,437

18. Interest-bearing borrowings

\$ million	2013	2012
Notes payable US dollar Eurobond due 2013 (a) HK dollar Fixed rate notes due 2012 to 2022 (b) HK dollar Floating rate notes due 2016 (b)	2,738 2,660 200	2,766 2,573 200
Bank loans (c) to (d)	5,598 200	5,539 200
Less: Unamortised finance costs	5,798 (18)	5,739 (25)
	5,780	5,714

- (a) The Authority issued notes due 2013 with a principal amount of US\$350 million at an issue price of 99.078 per cent and at annual coupon rate of 5% in September 2003. The notes are unsecured and repayable in full on the due date. The notes are listed on the Luxembourg Stock Exchange.
- (b) The Authority has issued various HK dollar notes through private placement and the US\$1 billion Medium Term Note programme established in 2010 ("the MTN programme").

During the year, the Authority has repaid a total of \$450 million notes in full with annual coupon rates of 2% to 3.725%, and maturity between three and four years. The Authority has also issued a total of \$550 million fixed rate notes with 10-year tenor and annual coupon rates ranging between 2.25% and 2.65%, under the MTN programme.

As at 31 March 2013, the Authority's outstanding fixed rate notes have annual coupon rates ranging from 1.75% to 5.1% per annum and floating rate notes carry annual coupon rates based on HIBOR. Both fixed and floating rate notes are unsecured and repayable in full upon maturity.

- (c) In June 2010, the Authority signed a five-year unsecured HK dollar revolving credit facility of \$5,000 million. Interest is payable on amounts drawn down at a rate related to HIBOR. As at 31 March 2013, \$200 million (2012: \$200 million) of the revolving credit facility was drawn down.
- (d) The Authority has uncommitted money market line facilities of \$2,688 million (2012: \$2,688 million). Interest is payable on amounts drawn down at a rate related to HIBOR. There was no outstanding balance as at 31 March 2012 and 2013.
- (e) As at 31 March 2013, the unsecured interest-bearing borrowings were repayable as follows:

		2013		
\$ million	Notes payable	Bank loans	Total	Total
Within one year or on demand	3,089	_	3,089	452
After one year but within two years After two years but within five years After five years	498 752 1,252	- 189 -	498 941 1,252	3,119 1,433 710
	2,502	189	2,691	5,262
	5,591	189	5,780	5,714

18. Interest-bearing borrowings (continued)

(f) None of the interest-bearing borrowings is subject to any financial covenants imposed by the lenders. All of these borrowings are carried at amortised cost except for HK dollar fixed rate notes and the US dollar Eurobond with total principal amounts of \$1,450 million and US\$100 million (2012: \$1,350 million and US\$100 million) respectively, which are designated as fair value hedged items and carried at fair value of \$2,252 million (2012: \$2,193 million). Further details of the group's management of liquidity risk are set out in note 21(b).

19. Deferred income

Deferred income mainly represents consideration received for the sale of a portion of the income from the aviation fuel system for a period up to 2018 and amounts received in respect of sub-leases of interest in leasehold land of the airport site. They are accounted for in accordance with the accounting policies detailed in notes 28(t)(v) and 28(t)(vi) 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. Capital, reserves and dividends

(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 89.

(b) Dividends

\$ million	2013	2012
Final dividend payable to the equity shareholder of the Authority in respect of the previous financial year, approved and paid during the year of \$12,725.14 per ordinary share (2012: \$10,114.85 per ordinary share)	3,900	3,100
Final dividend proposed by the Authority after the end of the reporting period of \$14,356.56 per ordinary share (2012: \$12,725.14 per ordinary share)	4,400	3,900

The final dividend declared after the end of the reporting periods has not been recognised as a liability at the end of the reporting periods.

(c) Share capital

	The Authority		
\$ million	2013	2012	
Authorised, issued, allotted and fully paid: 306,480 ordinary shares of \$100,000 each (2012: 306,480 shares)	30,648	30,648	

(d) 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 foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 28(u).

20. Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(ii) Capital reserve

The capital reserve primarily comprises the share of profits of a jointly controlled entity in the PRC which are not distributable as required by the relevant PRC government regulations and the retained profits of AVSECO which according to its memorandum of association and the shareholders' agreement cannot be distributed.

(iii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow dealt with in accordance with the accounting policy adopted for cash flow hedges set out in note 28(g).

(iv) Distributability of reserves

As at 31 March 2013, the aggregate amount of reserves available for distribution to the equity shareholder of the Authority was \$7,515 million (2012: \$6,008 million). After the end of the reporting period, the Board proposed a final dividend of \$14,356.56 per ordinary share (2012: \$12,725.14 per ordinary share). The final dividend amounted to \$4,400 million (2012: \$3,900 million). This dividend has not been recognised as a liability at the end of the reporting period.

(v) Capital management

The primary objectives of the group when managing capital are to safeguard the group's ability to continue as a going concern, maintain a strong credit rating and a healthy capital ratio to support the business and to enhance shareholder value.

The group manages its capital structure by taking into consideration its future capital requirements, capital efficiency and projected cash flow. To adjust its capital structure, the group may raise or reduce its outstanding debt. The group is also empowered by the Ordinance to either increase or reduce its share capital under the direction of the Financial Secretary and the Legislative Council. The Ordinance provides that these directions be made following consultation with the Authority.

The group monitors its capital structure on the basis of a total debt/capital ratio. The total debt/capital ratios of the group at the end of the reporting periods are as follows:

\$ million	Note	2013	2012
Total debt ¹ Total equity	18	5,780 40,558	5,714 38,763
Total capital ²		46,338	44,477
Total debt/capital ratio		12%	13%

¹ Total debt represents interest-bearing borrowings.

Neither the Authority nor any of its subsidiaries are subject to externally imposed capital requirements.

² Total capital represents total debt plus total equity.

21. Financial risk management and fair values

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

The group's credit risk is primarily attributable to trade and other receivables, over-the-counter derivative financial instruments entered into primarily 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 arrangements respectively, sufficient deposits are held to cover potential exposure to credit risk.

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 17% (2012: 29%) and 36% (2012: 50%) 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 15.

(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 and HKZAM which handle their own cash management. The Authority's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate credit facilities from major financial institutions to meet its liquidity requirements in the short and longer term.

(b) Liquidity risk (continued)

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
2013 Interest-bearing borrowings Trade and other payables Interest rate swaps (net settled)	5,780 2,732 (23)	6,342 2,771 (100)	3,230 2,356 (29)	575 155 (9)	1,135 206 (29)	1,402 54 (33)
	8,489	9,013	5,557	721	1,312	1,423
Derivatives settled gross: Forward foreign exchange contracts held as cash flow hedging instruments – outflow		1,909	1,909	_	_	
– inflow		(1,943)	(1,943)	-	-	-
		(34)	(34)	-	-	-
2012 Interest-bearing borrowings Trade and other payables Interest rate swaps (net settled)	5,714 2,178 (65)	6,311 2,227 (79)	674 1,897 (42)	3,211 112 (19)	1,603 161 (11)	823 57 (7)
	7,827	8,459	2,529	3,304	1,753	873
Derivatives settled gross: Forward foreign exchange contracts held as cash flow hedging instruments – outflow		1,909	_	1,909	_	_
– inflow		(1,945)	(2)	(1,943)	_	-
		(36)	(2)	(34)	_	-

As shown above, interest-bearing borrowings (including interest) of the group amounting to \$3,230 million are due to be repaid in the upcoming 12 months after 31 March 2013 (2012: \$674 million). The short term liquidity risk inherent in this contractual maturity will be addressed by internal sources of funds and new external borrowings.

(c) Interest rate risk

The group's interest rate risk arises primarily from long term interest-bearing borrowings. Borrowings issued 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 adopts a policy of ensuring that between 40% and 60% of its borrowings are effectively on a fixed rate basis, either through the contractual terms of the interest-bearing financial assets and liabilities or through the use of interest rate swaps. The group's interest rate profile as monitored by management is set out in (ii) below.

(c) Interest rate risk (continued)

(i) Hedging

Interest rate swaps, denominated in Hong Kong and United States ("US") 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 28(g).

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 21(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

(ii) Interest rate profile

The following table details the interest rate profile of the group's debt borrowings at the end of the reporting periods, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments and fair value hedging instruments ((i) above).

\$ million	2013	2012
Fixed rate borrowings	400	104
Bank loans* Fixed rate notes	189 3,140	184 3,138
	3,329	3,322
Variable rate borrowings		
Fixed rate notes** Floating rate notes	2,252 199	2,194 198
	2,451	2,392
Total borrowings	5,780	5,714
Fixed rate borrowings as a percentage of total borrowings	58%	58%

^{*} Swapped to fixed rate

(iii) Sensitivity analysis

As at 31 March 2013, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the group's profit after taxation and retained profits by approximately \$8 million (2012: \$7 million). Other components of consolidated equity would have increased/decreased by approximately \$2 million (2012: \$3 million) in response to the general increase/decrease in interest rates. 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) and other components of consolidated equity 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.

^{**} Swapped to floating rate

(d) Foreign currency risk

The group is exposed to foreign currency risk primarily through the issue of notes that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily US dollars.

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 at the outset.

As at 31 March 2013, the group is mainly exposed to US dollar currency risk in respect of the US dollar Eurobond issued at US\$350 million (2012: US\$350 million), of which US\$250 million (2012: US\$250 million) has been hedged through the use of forward exchange contracts, and exposure in respect of trade and other receivables of US\$7 million (2012: US\$7 million).

As at 31 March 2013, the group's forward exchange contracts with notional amount of US\$250 million (2012: US\$250 million) to hedge US dollar denominated notes and net fair value of \$31 million are recognised as derivative financial assets (2012: \$34 million). The group designates these forward exchange contracts as cash flow hedges. All of the forward exchange contracts have remaining maturities of less than one year (2012: less than two years) after the end of the reporting period.

The group has not hedged the foreign currency risk in respect of its investments in the PRC incorporated entities.

As 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 in respect of these unhedged exposures is considered necessary.

(e) Fair values

Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting periods across the three levels of the fair value hierarchy defined in HKFRS 7, "Financial instruments: Disclosures", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

As at 31 March 2013, 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 significant transfers of instruments in or out of Level 2.

(e) Fair values (continued)

Financial instruments carried at fair value (continued)

Fair values and notional amounts of derivative financial instruments outstanding at the end of the reporting periods are summarised as follows:

	2013		2012			
\$ million	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Cash flow hedges Forward foreign exchange contracts Interest rate swaps Fair value hedges Interest rate swaps	US\$250 \$200 US\$100	32 - 15 25	(1) (4) -	US\$250 \$200 US\$100	35 - 42	(1) (5) –
Interest rate swaps Total	\$1,450	72	(13)	\$1,350	28 105	(6)
Less: Portion to be recovered/ (settled) within one year Cash flow hedges Forward foreign exchange						
contracts Interest rate swaps Fair value hedges	US\$250 \$200	32 -	(1) (2)	US\$250 \$200	2 –	_ (1)
Interest rate swaps Interest rate swaps	US\$100 \$1,450	15 7	- -	US\$100 \$1,350	26 9	- -
		54	(3)		37	(1)
Portion to be recovered/(settled) after one year		18	(15)		68	(5)

Derivative financial instruments qualifying as cash flow hedges as at 31 March 2013 have a maturity of 0.5 to 2 years (2012: 1.5 to 3 years) from the end of the reporting period.

Derivative financial instruments qualifying as fair value hedges as at 31 March 2013 have a maturity of 0.3 to 9.5 years (2012: 0.5 to 7 years) from the end of the reporting period.

As at 31 March 2013, the carrying value and fair value of fixed and floating rate notes of notional amount of \$5,567 million (2012: \$5,468 million), amounted to \$5,591 million and \$5,854 million (2012: \$5,530 million and \$5,825 million) respectively.

All other financial instruments are carried at amounts not materially different from their fair values at the end of the reporting periods.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Derivatives

Forward exchange contracts are either marked to market using quoted market prices or by discounting the contractual forward price and deducting the current spot rate. The fair value of interest rate swaps is the estimated amount that the Authority would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

f) Estimation of fair values (continued)

(i) **Derivatives** (continued)

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. Where other pricing models are used, inputs are based on market related data at the end of the reporting period.

(ii) Interest-bearing borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Interest rates used for determining fair value

The group uses the market yield curve as at end of the reporting periods to discount financial instruments. The interest rates used for discounting borrowings and derivatives are as follows:

	2013	2012
Hong Kong dollars	0.21% - 1.68%	0.30% - 1.57%
US dollars	0.42% - 0.49%	0.69% - 1.04%

22. Outstanding commitments

\$ million	2013	2012
Commitments outstanding not provided for in the financial statements are as follows:		
Capital expenditure Contracted for Authorised but not contracted for	7,729 3,505	7,482 6,184
Capital contribution in respect of a jointly controlled entity in the PRC, SHKAM (note 13(b))	11,234 -	13,666 42
	11,234	13,708

The outstanding commitments of the group's jointly controlled entity, HXIA, which are not included in the above, are disclosed in note 13(a).

23. Contingent liabilities

The Inland Revenue Department ("IRD") has queried in prior years the validity of tax allowances in an amount of \$2,548 million claimed by the Authority in respect of certain fixed assets. The corresponding tax impact would be approximately \$443 million computed at applicable tax rates. The Authority has been engaged in correspondence with the IRD and is closely monitoring the recent developments of the claim and related cases. The Authority has revisited the rationale and grounds for its claim and remains confident that its claim is valid and supportable. Accordingly, no provision for additional taxation has been made in respect of this contingent liability as at 31 March 2012 and 2013.

24. 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, leases 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 (revised 2009), "Related party disclosures" and are identified separately in these financial statements.

24. Material related party transactions (continued)

Members of the Board and the 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. Remuneration paid to Members of the Board and the Executive Directors is disclosed in note 8.

During the year, 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 electrical and mechanical maintenance services, and baggage handling system maintenance at the airport. The amounts incurred for these services for the year amounted to \$137 million (2012: \$135 million). As at 31 March 2013, the amounts due to the Government with respect to the above services amounted to \$75 million (2012: \$71 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 \$827 million (2012: \$811 million) and the amounts due to the Government as at 31 March 2013 with respect to the above services amounted to \$0.3 million (2012: \$0.3 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 24(b)) at nil consideration.
- (d) Pursuant to a shareholders' agreement dated 21 August 2003, the Authority and the Government have formed a company, IEC Holdings Limited, in which the Authority holds an 11.8% (2012: 11.8%) equity interest, to participate and co-operate with a third party consortium in the development, funding and operation of the AsiaWorld-Expo exhibition centre. As consideration for the shares in IEC Holdings Limited, the Authority has granted a sub-lease of land on which the AsiaWorld-Expo exhibition centre has been built, to IEC Holdings Limited to 2047.
- (e) 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, and SkyPier. The amount incurred by the Authority for these services for the year amounted to \$47 million (2012: \$42 million). As at 31 March 2013, the amounts due to MTRC with respect to the maintenance service amounted to \$15 million (2012: \$17 million).
- (f) The Authority has leased certain areas at the airport to MTRC. The aggregate amounts received for the year amounted to \$8 million (2012: \$9 million). As at 31 March 2013, there was no outstanding amount due from MTRC (2012: \$0.4 million).
- (g) The Authority has provided property management services, fitting-out works and other services at the airport to various Government departments, agencies and Government controlled entities. The aggregate amounts received for the year amounted to \$20 million (2012: \$18 million). As at 31 March 2013, the aggregate amounts due from these departments, agencies or entities amounted to \$0.3 million (2012: \$1 million).
- (h) 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 aggregate amounts received for the year amounted to \$31 million (2012: \$31 million). As at 31 March 2013, there was no outstanding amount due from HKITP (2012: \$nil).
- (i) The Authority has received various administrative, building plan submission and other services from various Government departments, agencies and Government controlled entities. The aggregate amounts paid for the above services, the aerodrome licence and other fees for the year amounted to \$13 million (2012: \$14 million). As at 31 March 2013, there was no outstanding amount due to these departments, agencies or entities (2012: \$nil).

24. Material related party transactions (continued)

- (j) AVSECO, a subsidiary of the Authority, has provided security-related services to various Government departments, agencies and Government controlled entities other than the Authority. The aggregate amounts received for the year amounted to \$35 million (2012: \$31 million). As at 31 March 2013, the aggregate amounts due from these departments, agencies or entities amounted to \$4 million (2012: \$3 million).
- (k) In July 2012, a portion of the Authority's interest in leasehold land (42,027 square metres with a net book value of \$28 million) reverted to the Government for the construction of Hong Kong-Zhuhai-Macao Bridge related facilities, pursuant to the Land Department's order under section 13(1) of the Roads (Works, Use and Compensation) Ordinance (Chapter 370). The Authority is in the process of gathering the relevant information and documents for the preparation of a claim for compensation from the Government.

25. Immediate and ultimate controlling party

As at 31 March 2013, the immediate parent and ultimate controlling party of the group is the Hong Kong SAR Government.

26. 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 held under an operating lease. Accordingly, the land premium and the land formation costs have been classified as interest in leasehold land under fixed assets. Upon the granting of finance leases of portions of the land concerned, the cost of leasehold land excluded from the 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 as 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 under fixed assets in the financial statements of the Authority and are not derecognised.

(iii) Interests in jointly controlled entities

HXIA receives Civil Aviation Development Fund subsidies, airport construction fee subsidies and certain other subsidies (collectively known as "ACF") 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. The group has equity accounted for such items according to its shareholding percentage in the consolidated income statement on the basis that all shareholders of HXIA can enjoy the economic benefits arising from the ACF received. This accounting treatment is consistent with those for publicly listed airports in the PRC. As the ACF may only be used for restricted purposes and are not distributable, the group transfers such amounts from retained profits to the capital reserve. As at 31 March 2013, the group's share of net assets of HXIA includes \$627 million (2012: \$535 million) in respect of such non-distributable ACF.

26. Accounting judgements and estimates (continued)

(b) Major sources of estimation uncertainty

Notes 14 and 21(f) contain information about the assumptions and their risk factors relating to defined benefit retirement obligations and the fair value of financial instruments respectively. Other major areas of estimation uncertainty are as follows:

(i) Estimated useful lives and depreciation of property, plant and equipment

In assessing the estimated useful lives of property, plant and equipment, management takes into account factors such as the expected usage of the asset by the group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the group.

Management reviews the useful lives of property, plant and equipment annually and if expectations are significantly different from previous estimates of useful lives, the useful lives and, therefore, the depreciation rate for the future periods is 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.

(iii) Income tax

Certain treatments adopted by the Authority in the tax returns in the past years are yet to be finalised with the IRD. In assessing the Authority's income tax and deferred taxation in the current year's financial statements, the Authority has followed the tax treatments it has adopted in those tax returns, which may be different from the final outcome in due course.

27. Non-adjusting events after the reporting period

After the end of the reporting period, the Board declared a final dividend for the year ended 31 March 2013, the details of which are disclosed in note 20(b).

28. Summary of significant accounting policies

(a) Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the group. These include the amendments to HKAS 12, "Income taxes – Deferred tax: recovery of underlying assets", which the group had already adopted in the prior period. None of the other developments are relevant to the group's financial statements and 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. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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 and transactions 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.

(b) Subsidiaries and non-controlling interests (continued)

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 their 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 income statement and the consolidated statement of 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 28(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 jointly controlled entity.

(c) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the group or the Authority and other parties, where the contractual arrangement establishes that the group or the Authority and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity 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). 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 28(d) and (k)). 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 income statement, 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 comprehensive income.

When the group's share of losses exceeds its interest in the jointly controlled entity, 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 jointly controlled entity. For this purpose, the group's interest is the carrying amount of the investment under the equity method together with the group's long-term interests that in substance form part of the group's net investment in the jointly controlled entity.

(c) Jointly controlled entities (continued)

Unrealised profits and losses resulting from transactions between the group and its jointly controlled entities are eliminated to the extent of the group's interests in the jointly controlled entities, except where the unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the group ceases to have joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that jointly controlled entity, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former jointly controlled entity at the date when 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 or, when appropriate, the cost on initial recognition of an investment in an associate.

(d) Goodwill

Goodwill represents the excess of the cost of an investment in a jointly controlled entity 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 jointly controlled entity, the carrying amount of goodwill is included in the carrying amount of the interest in the joint controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (note 28(k)).

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 jointly controlled entity is recognised immediately in profit or loss.

On disposal of a jointly controlled entity, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

(e) Other investments

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are classified as other investments and recognised in the statement of financial position at cost (which includes the transaction price and attributable transaction costs) less impairment losses at each end of the reporting period.

Impairment losses are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

(f) 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, except where the derivatives qualify for cash flow hedge accounting (note 28(g)).

(g) 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.

(g) Accounting for derivative financial instruments and hedging activities (continued)

(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 transactions occur 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.

(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.

(h) Fixed assets

(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 under fixed assets. Interest in leasehold land is stated in the statement of financial position at cost less accumulated amortisation and impairment losses (note 28(k)).

(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 statement of financial position at cost net of accumulated depreciation and impairment losses (note 28(k)). 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 28(t).

- (iii) Other property, plant and equipment is stated in the statement of financial position at cost less accumulated depreciation and impairment losses (note 28(k)).
- (iv) Repairs and maintenance expenditure in respect of fixed assets is charged to profit or loss as and when incurred.
- (v) Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of 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 28(n)) capitalised during the period of construction or installation and testing. Capitalisation of these costs ceases and the asset concerned is transferred to fixed assets 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 28(i).

(h) Fixed assets (continued)

(vii) Leased assets

Leases of assets under which the group assumes substantially all the risks and rewards of ownership are classified as being held under finance leases and treated as if the group owned the assets outright. Leases of assets under which the group has not been transferred substantially all the risks and rewards of ownership are classified as operating leases.

Where the group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

When the group leases out assets under operating leases, the assets are included in the statement of financial position according to their nature and are depreciated in accordance with the group's depreciation policies set out in note 28(i) below. Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies set out in note 28(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.

(i) Depreciation

Depreciation is calculated to write off the cost of items of fixed assets 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	5 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
Investment property:	
Building structure	Unexpired term of lease
Building services and fit-outs	5 to 25 years
Furniture, fixtures and equipment	5 to 15 years

(i) Depreciation (continued)

Where parts of an item of fixed assets 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.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 28(k)).

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 asset, which is a franchise with a finite useful life, is amortised from the date it became available for use over the franchise period of 20 years. The period and method of amortisation are reviewed annually.

(k) Impairment of assets

- (i) Internal and external sources of information are reviewed at each end of the 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
 - investments in jointly controlled entities.

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. Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period.

(I) Stores and spares

Stores and spares are carried at the lower of cost and net realisable value. Stores and spares are stated at cost and comprise 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.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material.

Impairment losses for trade debtors included within trade and other receivables are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account.

(n) Interest-bearing borrowings and borrowing costs

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the unhedged portion of interest-bearing borrowings is stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest rate method. Subsequent to initial recognition, the carrying amount of the portion of interest-bearing borrowings, which is the subject of a fair value hedge, is remeasured and the change in fair value attributable to the risk being hedged is recognised in profit or loss to offset the effect of the gain or loss on the related hedging instrument.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter 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.

(q) Employee benefits (continued)

(i) Short term employee benefits and contributions to defined contribution retirement plans (continued) The Authority and its subsidiaries in Hong Kong are required to make contributions to Mandatory Provident Funds under the Hong Kong Mandatory Provident Fund Schemes 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 defined benefit retirement cost and the present value of defined benefit obligations in respect of the group's defined benefit retirement plan is calculated annually by the plan's actuary using the projected unit credit method.

The net charge to profit or loss mainly comprises the current service cost, plus the unwinding of the discount on the present value of the plan liabilities less the expected return on plan assets, and is presented in staff costs and related expenses.

The amount recognised in the statement of financial position represents the group's net exposure to the plan. It is calculated as the present value of defined benefit obligations less the fair value of the plan assets adjusted to exclude any cumulative unrecognised actuarial gains and losses. Where the fair value of the plan assets exceeds the present value of the defined benefit obligations, the asset recognised by the group is limited to the total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefit obligations and the cumulative unrecognised actuarial gains and losses are computed as follows:

The group's present value of defined benefit obligations is determined by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods allowing for future salary increases until the date of termination of employment and that benefit is discounted to determine the present value of the obligation. 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.

Actuarial gains and losses comprise experience adjustments (i.e. the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Actuarial gains or losses are generally not recognised if they are at or below a threshold amount. This threshold is set at ten percent of the greater of (i) the present value of the defined benefit obligations and (ii) the fair value of plan assets. To the extent that the net cumulative actuarial gains or losses exceed that threshold calculated at the end of the previous reporting period, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan.

(r) Income tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities and is recognised in profit or loss except to the extent that it relates 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.

(r) Income tax (continued)

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which that asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

The 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 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.

Where investment property is carried at their fair value in accordance with the accounting policy set out in note 28(h)(ii), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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. 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.

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.

(s) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, 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 license, 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) The consideration received in respect of the sale of a portion of the income from the aviation fuel system is accounted for as income over the period to which the future income relates and on the basis of the estimated future quantum of income for each period after allowing for the implicit financing cost therein. The amount received not recognised as income is included in the statement of financial position as deferred income.
- (vi) Real estate revenue arising from sub-leases of interest in leasehold land and office buildings is recognised in profit or loss on a straight-line basis over the periods of the operating leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Amounts received in advance in respect of sub-leases of interest in leasehold land granted are accounted for as deferred income and are recognised in profit or loss on a straight-line basis over the periods of the respective sub-leases.
- (vii) 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.
- (viii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- (ix) Interest income is recognised as it accrues using the effective interest rate method.

(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.

(u) Translation of foreign currencies (continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, 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 a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation 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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the 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.

29. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2013

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for annual periods beginning on or after
Amendments to HKAS 1, "Presentation of financial statements	
 Presentation of items of other comprehensive income" 	1 July 2012
HKFRS 10, "Consolidated financial statements"	1 January 2013
HKFRS 11, "Joint arrangements"	1 January 2013
HKFRS 12, "Disclosure of interests in other entities"	1 January 2013
HKFRS 13, "Fair value measurement"	1 January 2013
HKAS 27, "Separate financial statements (2011)"	1 January 2013
HKAS 28, "Investments in associates and joint ventures"	1 January 2013
Revised HKAS 19, "Employee benefits"	1 January 2013
Annual Improvements to HKFRSs 2009–2011 cycle	1 January 2013
Amendments to HKFRS 7, "Financial Instruments: Disclosures	
 Offsetting financial assets and financial liabilities" 	1 January 2013
Amendments to HKAS 32, "Financial instruments: Presentation	
 Offsetting financial assets and financial liabilities" 	1 January 2014
HKFRS 9, "Financial instruments"	1 January 2015

The group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

Revised HKAS 19, "Employee benefits"

Revised HKAS 19 introduces a number of amendments to the accounting for employee benefits. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. This will change the group's accounting for defined benefit plans under which the corridor method is currently applied. The revised HKAS 19 is effective as from 1 April 2013, and retrospective adoption is required.

Had the revised HKAS 19 been applied for the year ended 31 March 2013,

- (a) the net profit attributable to the equity shareholder of the Authority and other comprehensive income would have been decreased and increased by approximately \$9 million and \$60 million, respectively,
- (b) retained profits would have been decreased by approximately \$235 million as at 31 March 2012, and
- (c) net defined retirement benefit plan assets, interests in jointly controlled entities, deferred tax liabilities and exchange reserve would have been decreased by approximately \$187 million, \$11 million, \$10 million and \$4 million, respectively, as at 31 March 2013.

Five-year Financial & Operational Summary

(in HK\$ million)	08/09	09/10	10/11	11/12	12/13
Income statement Turnover Operating expenses before depreciation and amortisation	8,886 (3,497)	9,015	10,583 (3,570)	12,154 (3,919)	13,134 (4,270)
EBITDA Depreciation and amortisation Interest and finance costs Share of profits less losses	5,389 (2,234) (233)	5,613 (2,191) (178)	7,013 (2,207) (195)	8,235 (2,221) (174)	8,864 (2,208) (121)
of jointly controlled entities Profit before taxation Income tax	193 3,115 (532)	3,421 (580)	239 4,850 (812)	521 6,361 (1,021)	210 6,745 (1,113)
Profit for the year	2,583	2,841	4,038	5,340	5,632
Attributable to: Equity shareholder of the Authority Non-controlling interests	2,588 (5)	2,844 (3)	4,035 3	5,336 4	5,624 8
Balance sheet Non-current assets Current assets Current liabilities Net current (liabilities)/ assets	50,356 1,508 (3,541) (2,033)	49,431 1,939 (4,138) (2,199)	48,245 2,185 (2,666) (481)	47,797 3,652 (2,679) 973	48,955 4,802 (5,590) (788)
Total assets less current liabilities Non-current liabilities	48,323 (12,285)	47,232 (10,543)	47,764 (11,382)	48,770 (10,007)	48,167 (7,609)
Net assets	36,038	36,689	36,382	38,763	40,558
Share capital Reserves Non-controlling interests	30,648 5,185 205	30,648 5,839 202	30,648 5,522 212	30,648 7,892 223	30,648 9,677 233
Total equity	36,038	36,689	36,382	38,763	40,558
Key financial and operational statistics Dividend declared (HK\$ million) Special dividend declared (HK\$ million)	2,200 –	2,300 2,200	3,100 –	3,900 -	4,400 -
Return on equity Total debt/capital ratio Passenger traffic ^{1, 2} (millions of passengers) Cargo throughput ^{1, 3} (millions of tonnes) Air traffic movements ¹ (thousands)	7.2% 21% 47.7 3.4 296	7.8% 18% 46.9 3.6 280	11.1% 16% 51.5 4.2 316	14.2% 13% 54.9 3.9 339	14.2% 12% 57.2 4.0 355

¹ "Operational statistics" is based on Airport Authority Hong Kong's data for Hong Kong International Airport only.

² "Passenger traffic" includes originating, terminating, transfer and transit passengers. Transfer and transit passengers are counted twice

³ "Cargo throughput" includes originating, terminating and transshipment cargo. Transshipment cargo is counted twice. Airmail is

Airlines Operating at HKIA as at March 2013

Aeroflot AeroLogic* Air Astana Air Busan Air Canada

Air Cargo Germany* Air China

Air France Air Hong Kong* Air India Air Mauritius Air New Zealand Air Niugini Air Pacific

Air Seychelles AirAsia

AirAsia Philippines AirBridgeCargo*

ANA

Asiana Airlines Atlas Air³ Bangkok Airways British Airways Cargolux³

Cathay Pacific

Cargolux Italia* Cebu Pacific Air China Airlines China Cargo Airlines* China Eastern China Southern Delta Air Lines Dragonair EL AL Israel Emirates Ethiopian Airlines

Etihad Airways* EVA Air

Federal Express* Finnair

Garuda Indonesia

Globus Hong Kong Airlines Hong Kong Express

Japan Airlines Jeju Air Jet Airways

Jetstar Asia Airways

Jin Air

Juneyao Airlines Kalitta Air* Kenya Airways

KLM K-Mile Air*

Korean Air Lufthansa Lufthansa Cargo* Malaysia Airlines Mandarin Airlines Martinair Cargo* Mega Maldives

MIAT Mongolian Airlines Mongolian Airlines Group Nepal Airlines

Nippon Cargo Airlines* Nordic Global Airlines*

Orient Thai

Pakistan International Airlines

Palau Airways **PALexpress** Peach Aviation Philippine Airlines Polar Air Cargo* Qantas Airways Qatar Airways Royal Brunei Royal Jordanian S7 Airlines Saudi Arabian Airlines*

SF Airlines* Shanghai Airlines

Almatv

Shenzhen Airlines Sichuan Airlines Silk Way Airlines* Silk Way West Airlines* Singapore Airlines Singapore Airlines Cargo* South African South East Asian Airlines

Southern Air* Spring Airlines SriLankan Swiss Air Lines Thai AirAsia Thai Airways Tiger Airways TNT Airways* Tonlesap Airlines Transmile Air Services* Turkish Airlines

United Airlines UPS*

Vietnam Airlines Virgin Atlantic Vladivostok Air Xiamen Airlines

Yangtze River Express*

* Freighter services only

Scheduled Destinations Served from HKIA as at March 2013

North Asia

Beihai Beijing Busan Changchun Changsha Chengdu Chongqing Dalian Fukuoka Fuzhou Guangzhou Guilin Guiyang Haikou Hailar Hangzhou Harbin Hefei Hohhot Huaian

Jeiu Jieyang/Chaoshan

Jinan Jinjiang Kaohsiung Khabarovsk Kunming Lanzhou Lianyungang Lijiang Meixian Nagoya Nanchang Nanjing Nanning Ninabo Okinawa Osaka/Kansai Qingdao Sanya Sapporo Seoul/Incheon Shanghai/Hongqiao Shanghai/Pudong

Shijiazhuang Taichung/Chingchuankang

Taipei

Shenyang

Taiyuan Tianjin Tokyo/Haneda Tokyo/Narita Ulan Bator Vladivostok Wenzhou Wuhan Wuxi Xiamen Xian Xuzhou Yancheng Yantai Yichana

South East Asia

Zhanjiang

Zhengzhou

B S Begawan Bangkok/Don Muang Bangkok/Suvarnabhumi Cebu Chiang Mai

Clark Da Nang Denpasar . Hanoi Ho Chi Minh lloilo Jakarta Koh Samui Kota Kinabalu Kuala Lumpur Kuching Manila Penang Phnom Penh Phuket

Middle East/Central Asia/ **South Asia**

Abu Dhabi Al Maktoum*

Siem Reap

Singapore

Subang*

Yangon

Surabaya

Amman Bahrain Baku* Bangalore Chennai Colombo Damman* Delhi Dhaka Doha Dubai Hyderabad Islamabad Jeddah Karachi Kathmandu Kolkata Lahore Mahe Male Mumbai Novosibirsk Riyadh

Tel Aviv **Europe**

Sharjah*

Amsterdam Barcelona* Budapest* Cologne* Frankfurt Hahn* Helsinki Istanbul Leipzig* Liege* London/Heathrow London/Stansted* Luxembourg* Manchester*

Milan/Malpensa Moscow/Domodedovo Moscow/Sheremetyevo Munich

Paris Rome Zaragoza* 7urich

Australasia/ **Pacific Islands**

Adelaide Auckland Brisbane Cairns Guam Koror Melbourne Nadi Perth Port Moresby Svdnev

Africa

Addis Ababa Johannesburg Mauritius Mairobi

North America

Anchorage* Atlanta* Chicago/O'Hare Cincinnati* Columbus* Dallas* Honolulu* Houston* Los Angeles Louisville* Memphis* Miami*

New York/John Kennedy

Newark Oakland* Ontario* Philadelphia* San Francisco Seattle Toronto Vancouver

* Freighter services only

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