



香港 | HONG KONG
國際機場 | INTERNATIONAL
AIRPORT

25

A NEW
TAKE-OFF

Annual Report 2022/23



OUR VISION

To strengthen Hong Kong International Airport (HKIA) as the leading international aviation hub and a key engine for the economic growth of Hong Kong.

OUR MISSION

To excel in the operation and development of HKIA in collaboration with our partners by:

- ▶ Upholding high standards in safety and security
- ▶ Operating efficiently with care for the environment
- ▶ Applying prudent commercial principles
- ▶ Striving to exceed customer expectations
- ▶ Valuing our people
- ▶ Fostering a culture of innovation

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



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25 YEARS STRONG



1998

Hong Kong International Airport (HKIA) opens at Chek Lap Kok, with a single runway operating.



1999

HKIA's second runway enters service.



2017

President Xi Jinping visits HKIA to inspect the 3RS project and other airport developments.

Hong Kong International Aviation Academy opens.



2016

Construction of the Three-runway System project (3RS) begins.

HKIA's annual throughput reaches 70 million passengers.

2018

AAHK awards the right to develop and manage a 350,000-square-metre integrated commercial development in SKYCITY to Roxy Limited, a wholly owned subsidiary of New World Development Company Limited, and the right to develop and manage a premium logistics centre to a joint venture led by Cainiao Network, the logistics arm of Alibaba Group.



2019

AAHK unveils the Airport City vision, a 10-year blueprint to enhance HKIA's capacity and functionality.



2021

The Aviation Academy launches a new permanent campus in the HKIA Community Building.

AAHK pledges to achieve net zero carbon emissions at HKIA by 2050, with a midpoint target of a 55% reduction in absolute emissions by 2035, from a 2018 baseline.



2003

SkyPier begins providing ferry services between HKIA and the Mainland.



2006

Airport Authority Hong Kong (AAHK) forms a joint venture with the Zhuhai Municipal People's Government to jointly manage Zhuhai Airport. AAHK also acquires a 35% interest in Hangzhou Xiaoshan International Airport.



2015

T1 Midfield Concourse (T1M, previously known as the Midfield Concourse) opens, adding 10 million passengers to HKIA's annual capacity.



2009

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

T1 Satellite Concourse (T1S, previously known as the North Satellite Concourse) commences operation.

2010

HKIA becomes the world's busiest cargo airport.



2022

The Third Runway is officially commissioned.

Sky Bridge opens. Connecting Terminal 1 and T1S, it is the world's longest airside footbridge.



2023

AAHK signs an agreement with the Dongguan Municipal People's Government to deepen cooperation on the development of a novel sea-air intermodal cargo transshipment model for the Greater Bay Area.



OUR VALUES



COMMITMENT

Can-do Attitude & Willing to Walk the Extra Mile

CREATIVITY

Embrace Change & Think Out of the Box

CARING

Care for People & Environment

COLLABORATION

Teamwork & Partnership

CONTINUOUS IMPROVEMENT

Strive for Excellence & Continuous Learning

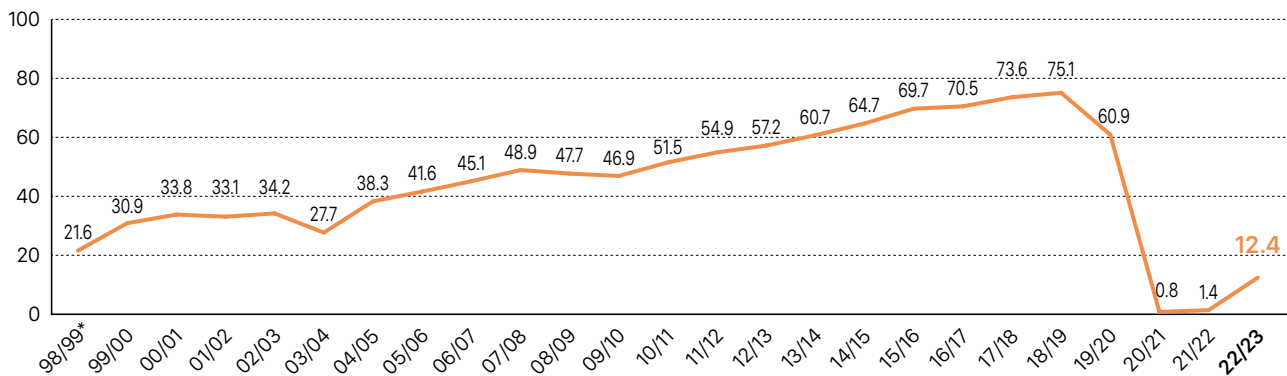
HKIA FACTS

Airport Site Area	1,255 hectares
Terminal Building Area	Approximately 730,000 square metres
Airlines	Around 120
Destinations	Around 150
Runways	3

PERFORMANCE HIGHLIGHTS

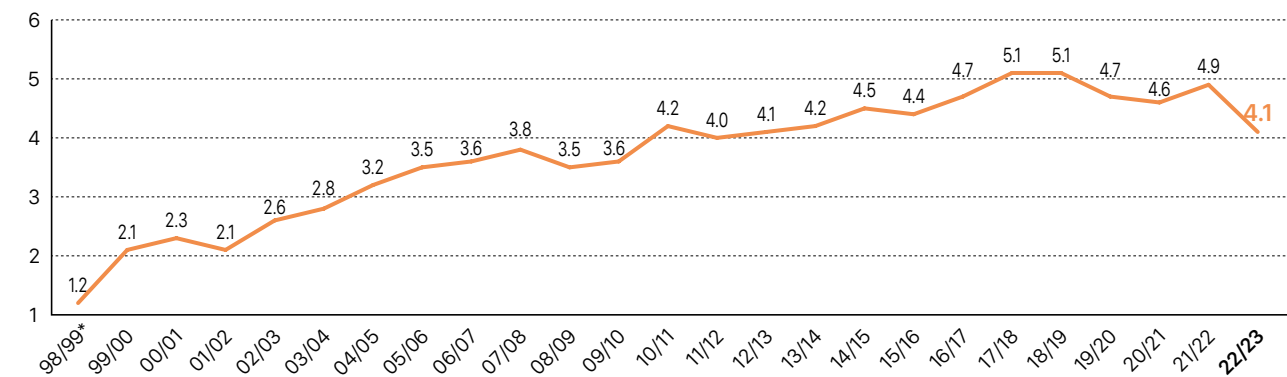
Passenger Traffic

(millions of passengers)



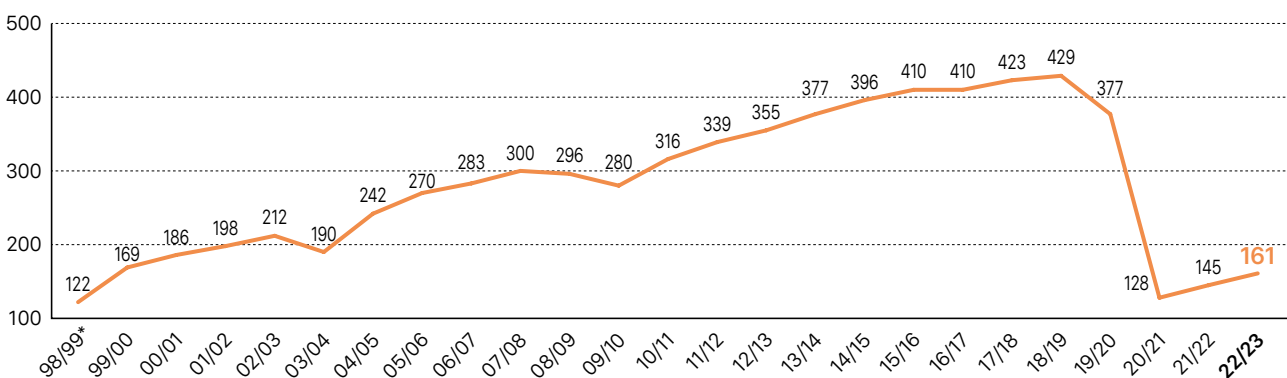
Cargo and Airmail Throughput

(millions of tonnes)



Aircraft Movements

(thousands)



* Period from 6 July 1998 to 31 March 1999.



Our commitment to Hong Kong's economic development has never wavered. All major projects under the Airport City blueprint are progressing full steam ahead. These projects will provide a sustaining impetus for the city's growth and development.

CHAIRMAN'S STATEMENT

Dear Stakeholders,

Fiscal 2022/23, ended 31 March 2023, was an encouraging year for Hong Kong International Airport (HKIA), as the number of flights and passengers rebounded significantly after the pandemic-related travel restrictions were lifted.

With the worst behind us, we are stimulating passenger demand and reviving airport businesses with several key initiatives, including a campaign that will give away some 500,000 air tickets to travellers around the world. The campaign is expected to create a multiplier effect, and help expedite the recovery in traffic.

We purchased the tickets from our airline partners in the depth of the pandemic – a clear indication of our confidence in the future. Now working closely with the airport community, HKIA is ready to fly high again.

The Airport City Takes Shape

The airport has been a driving force behind Hong Kong's pillar industries: financial services, tourism, trading and logistics, and professional and producer services. Despite facing many challenges, our commitment to Hong Kong's economic development has never wavered. All major projects under the Airport City blueprint are progressing full steam ahead. These projects will provide a sustaining impetus for the city's growth and development.

The new 3,800-metre-long Third Runway was officially commissioned in November 2022, on time and within budget. The new Integrated Airport Centre, which is the high-tech management hub for HKIA's operations under the Three-runway System (3RS), also opened. The 3RS project – which comprises an expanded Terminal 2 and a new passenger concourse adjacent to the Third Runway, as well as extensions to the Automated People Mover and Baggage Handling System – will boost the airport's handling capacity by 50%.

CHAIRMAN'S STATEMENT

For years, we have been the world's number one cargo airport. To consolidate our position, we are building new infrastructure to support the growth of our cargo business. During the year, DHL Express completed an expansion programme at its Central Asia Hub that adds 50% to the facility's handling capacity. The premium logistics centre, developed by Alibaba Group's logistics arm, is substantially complete and on track to be commissioned next year.

In addition to our core aviation business, we are building SKYCITY. This development includes 11 SKIES, which is Hong Kong's largest integrated complex of retail, dining, entertainment and office facilities. Three grade A office buildings opened in 2022/23 and, in the years ahead, 11 SKIES will launch several new attractions in phases. Preparations for the development of Airport City Cove, which will offer bayside leisure and marina facilities, as well as Phase 2 of AsiaWorld-Expo are progressing steadily.

The Airport City will see HKIA transcend its role as a leading aviation hub, into a commercial and tourism landmark for local, regional and international visitors.



Expanding Our Contribution

The Airport City will also be a major contributor to the economic development of the Greater Bay Area (GBA).

HKIA's new SkyPier Terminal, scheduled to open in 2023, will facilitate hassle-free transit for travellers arriving from the GBA. Meanwhile, in November 2022 we deepened our collaboration with Zhuhai by signing an agreement with the Zhuhai Municipal People's Government. Through the agreement, we will synergise the networks of HKIA and Zhuhai Airport with the enhanced connectivity provided by the Hong Kong-Zhuhai-Macao Bridge, to develop transit services for both passengers and cargo. The collaboration will give full play to the complementary advantages of Hong Kong and Zhuhai. Moreover, a high-end aviation industrial park will be established in Zhuhai for aircraft maintenance, parts production and distribution, and engineering training. These developments will strengthen our position as a leading international aviation hub and promote the development of the aviation industry in the GBA, in alignment with the national development strategy.

On the other side of the Pearl River Estuary in Dongguan, we are setting up HKIA Logistics Park, which will facilitate transportation over water for air cargo from the GBA directly to HKIA. This will reduce transshipment costs by half and handling time by about one-third.

Further afield, we are using our know-how to support the Central Government's Belt and Road Initiative. In March 2023, we signed a memorandum of understanding with Thailand's U-Tapao International Airport, under which we will provide consultancy services covering airport planning, operations, new technology and commercial development.

A New Era Begins

In July 2023, we will celebrate HKIA's 25th anniversary and begin a new phase in our development. I would like to thank the Hong Kong Government, our Board Members and the airport community for their good counsel and strong support over the years.

The dawn of a new era brings a sense of renewed vigour. With the determination and resilience of our people, I am confident HKIA will continue to scale new heights.



Jack So Chak-kwong

Chairman

Hong Kong, 29 May 2023

CHIEF EXECUTIVE OFFICER'S STATEMENT



Dear Stakeholders,

As fiscal 2022/23, which ended 31 March 2023, came to a close, restrictions and quarantine requirements for inbound travel were relaxed, and normal travel between Hong Kong and the Mainland resumed. After three long years, we saw light at the end of the tunnel.

In 2022/23, passenger numbers and flight movements at Hong Kong International Airport (HKIA) increased 769.8% and 11.5%, to 12.4 million and 161,160, respectively. The global economic slowdown and supply chain disruptions caused cargo throughput to drop 16.0%, to 4.1 million tonnes, yet HKIA remained the world's busiest cargo airport.

Rebuilding Passenger Traffic

We are working closely with the Hong Kong Government and our business partners to attract travellers to Hong Kong.

In March 2023, we launched the HKIA "World of Winners" Tickets Giveaway Campaign, which will distribute about 500,000 air tickets in our major passenger markets and is expected to generate some 1.5 million trips. The campaign has been warmly received by travellers around the world.

As the recovery gathers pace, we are stepping up efforts to ensure the airport is ready to meet rising demand. Shops and restaurants in the terminal have reopened, and cross-boundary land and sea transfer services have resumed. To restore our flight network, we are enticing airlines to resume passenger services to Hong Kong through an incentive scheme. We are also cooperating with our business partners to recruit staff, especially young people, through job fairs and promotions.



◀ (From left)

Ms Florence Chung Wai-ye, Executive Director, Human Resources & Administration

Mr Steven Yiu Siu-chung, Executive Director, Airport Operations

Mr Tommy Leung King-yin, Executive Director, Third Runway

Mr Fred Lam Tin-fuk, Chief Executive Officer

Mrs Vivian Cheung Kar-fay, Chief Operating Officer

Ms Cissy Chan Ching-sze, Executive Director, Commercial

Mr Ricky Leung Wing-kee, Executive Director, Engineering & Technology

Mr Julian Lee Pui-hang, Executive Director, Finance

CHIEF EXECUTIVE OFFICER'S STATEMENT



We are working closely with the Hong Kong Government and our business partners to attract travellers to Hong Kong. As the recovery gathers pace, we are stepping up efforts to ensure the airport is ready to meet rising demand.

Elevating the Journey

We continued to enhance HKIA's facilities and services in 2022/23.

From the Departures Hall to the boarding gates, travellers now enjoy an elevated experience at every step of their journey. As passengers enter Terminal 1 (T1), they are greeted by new multimedia installations displaying captivating content. Our East Hall luxury shopping zone in the restricted area boasts over 40 high-end retail brands and dining options. This year, new duplex stores added to the zone's unrivalled selection. The open-air, greenery-filled Sky Garden also opened in the East Hall to provide passengers with a sanctuary to unwind, while a two-storey-high playground enchants children of different ages. Boarding gates throughout T1 were renovated into themed zones for travellers' entertainment and relaxation, and works by local artists further enrich the terminal ambience.

In November 2022, we opened Sky Bridge, the world's longest airside footbridge. In addition to providing a convenient link between T1 and T1 Satellite Concourse, Sky Bridge offers unique, mesmerising views of the apron and aircraft passing underneath.

For passengers seeking an exclusive, deluxe experience, the new HKIA VIP Lounge enables them to complete check-in, security, immigration and customs procedures, and relax in comfort and privacy.

Other new services further facilitate a stress-free journey. For example, departing passengers can now pre-book valet parking at HKIA. Home baggage check-in and delivery services are available at downtown locations, and the services will expand to cover residential addresses in the whole of Hong Kong. For self-connecting transfer passengers, HKIA Connects is a new service that eliminates their need to pass through immigration and customs and check in again. Travellers now also delight in the luxury concierge service of our HKairportShop.com, which lets them browse, reserve and purchase coveted items ahead of their trip. Orders from the e-commerce platform can be collected at the store or boarding gate, or delivered to the passenger's home.

Additionally, we harness advanced technology to deliver a superior passenger experience at HKIA. The award-winning, biometrics-based Flight Token system was fully implemented this year. The automated service, which allows passengers to use their face for identification, now covers the entire journey, from check-in to boarding. We are also exploring the use of autonomous vehicles for passenger transport, building on their successful deployment in security patrols, and luggage and cargo handling. To further enhance our operational efficiency, cutting-edge systems use artificial intelligence and data fusion to better allocate resources, and predict and respond to incidents.

Building a Sustainable Future

While we pursue service excellence, we place great importance on the environment and our people.

In December 2022, we opened the HKIA Community Building, which serves all employees of companies and organisations operating at HKIA. The new facility includes a 500-seat cafeteria, a 720-square-metre multipurpose sports hall, a gym with more than 100 pieces of exercise equipment, and many other amenities, such as a karaoke room and barbecue area. The building also houses the new Airport T1 Preschool, the second preschool to provide education and childcare services for children of airport staff.

In 2022/23, we continued our efforts to achieve net zero carbon emissions by 2050. We established high-level working groups with airport partners to discuss key environmental challenges and best practices, and promote new decarbonisation initiatives. In addition, the HKIA Greenovation Fund helps our partners pilot carbon reduction technologies.

Our environmental, social and governance (ESG) performance was rated 74 out of a possible 100 points by S&P Global Ratings. HKIA is the first airport to have an ESG rating publicised by S&P Global Ratings.

Stronger Together

I would like to express my gratitude to all our business partners and every member of the airport community. We faced an immensely trying period, but the commitment of our community fills me with pride and optimism for HKIA's future.

As we prepare to celebrate the airport's 25th anniversary in 2023, I am confident HKIA will emerge stronger than ever and continue to drive Hong Kong's economic development.



Fred Lam Tin-fuk

Chief Executive Officer

Hong Kong, 29 May 2023

THE BOARD



The Honourable Jack So Chak-kwong *GBM GBS JP* Chairman

Aged 78. Appointed Chairman of the Board in June 2015 and reappointed in June 2018 and June 2021. Former Chairman of the Hong Kong Trade Development Council. Member of the Chief Executive's Council of Advisers on Economic Advancement and Sustainability. Independent Non-executive Director of AIA Group Limited and China Resources Power Holdings Company Limited. He was Chairman and Chief Executive of the MTR Corporation Limited from 1995 to 2003, Deputy Chairman and Group Managing Director of PCCW from 2003 to 2007, Independent Director of HSBC from 2000 to 2007, Non-executive Director of Cathay Pacific Airways Limited from 2002 to 2015, International Business Adviser to the Mayor of Beijing from 2007 to 2015 and Member of the National Committee of the Chinese People's Political Consultative Conference from 2008 to 2018.

Mr Fred Lam Tin-fuk *GBS JP* Chief Executive Officer*

Aged 64. Appointed Chief Executive Officer in October 2014. Director of the Aviation Security Company Limited Board. Member of the Asia-Pacific Regional Board of Airports Council International. Member of the Aviation Development and Three-runway System Advisory Committee and the Hong Kong Logistics Development Council. Former Executive Director of the Hong Kong Trade Development Council. In 2007, Mr Lam was named "Director of the Year" by the Hong Kong Institute of Directors in the category of statutory and non-profit-distributing organisations. In 2011, he was given the Peace through Commerce Medal from the United States Government in recognition of his leadership role in boosting US exports to, and through, Hong Kong. In 2019, he was elected a Chartered Fellow of the Chartered Institute of Logistics and Transport and received the Executive Award in the DHL/SCMP Hong Kong Business Awards.



Ms Sabrina Chao Sih-ming *BBS JP*

Aged 48. Appointed to the Board in June 2021. Ms Chao is Chairman of Wah Kwong Shipping Holdings Limited and Charterhouse School (Asia) Limited, the President of BIMCO and the Founder & Chairman of SeaKapital Limited. Ms Chao graduated from Imperial College London with a Bachelor of Science Degree in Mathematics with Management. She is a leader in the global maritime industry. Former Chairman of the Asian Shipowners' Association and the Hong Kong Shipowners Association. Former Member of the Hong Kong Maritime and Port Board under Transport and Housing Bureau of the HKSAR Government. Chairman of External Advisory Group of Department of Logistics and Maritime Studies in The Hong Kong Polytechnic University. Member of the Vocational Training Council. Member of the Council and ex officio member of the Court in Hong Kong Lingnan University.

Mr Philip Chen Nan-lok *GBS JP*

Aged 67. Appointed to the Board in June 2022. Mr Chen was Chief Executive Officer of Hang Lung Group Limited and Hang Lung Properties Limited, Chairman of John Swire & Sons (China) Limited, Chief Executive of Cathay Pacific Airways Limited, Chief Executive of Hong Kong Dragon Airlines Limited, Executive Director of Swire Pacific Limited, John Swire & Sons (H.K.) Ltd. and Chairman of the Hong Kong Jockey Club. He was a Non-executive Director and is currently an Independent Non-executive Director of Hang Lung Properties Limited. Member of the Hong Kong-Japan Business Co-operation Committee, Adviser to Our Hong Kong Foundation, Director of both the China Overseas Friendship Association and the Shanghai Chinese Overseas Friendship Association. He is a Professor of Practice in Management and Strategy and a Member of the International Advisory Council of the Faculty of Business and Economics, as well as a Member of the Advisory Committee of Shun Hing College, the University of Hong Kong.





The Honourable Rock Chen Chung-nin NPC Deputy SBS JP

Aged 56. Appointed to the Board in June 2020. Member of the Legislative Council representing the Election Committee Constituency. Mr Chen is Chairman of Pacific Falcon Investment Group Limited. He has over 30 years of experience in the financial industry and was licensed as a Responsible Officer by the Hong Kong Securities and Futures Commission for over 15 years. He is Chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, a Council Member of the Hong Kong University of Science and Technology, an Independent Non-executive Director of The Bank of East Asia (China) Limited and an Independent Non-executive Director of Chu Kong Shipping Enterprises (Group) Co., Ltd. A Deputy to the 14th National People's Congress of the People's Republic of China, a Member of the 12th and 13th National Committees of the Chinese People's Political Consultative Conference. He was Chairman of the Hong Kong Examinations and Assessment Authority from 2012 to 2018 and Chairman of the Hong Kong Award for Young People from 2010 to 2016. Mr Chen holds a Bachelor's Degree in Economics from the Wharton School, the University of Pennsylvania, and a Master's Degree in Business Administration from J.L. Kellogg Graduate School of Management, Northwestern University.

Ms Irene Chow Man-ling

Aged 53. Appointed to the Board in June 2020. Ms Chow is a Chartered Financial Analyst. She served on The Hong Kong Polytechnic University's Council for six years, mostly involved in its Investment Committee. Member of the Independent Commission Against Corruption's Advisory Committee on Corruption and the Standing Commission on Civil Service Salaries and Conditions of Service. Committee Member of the Chinese General Chamber of Commerce, Hong Kong. Director of DSL Investments Limited, Chow Mun Sum Tong Foundation and The Legal Education Fund.



Mr Stuart Thomson Gulliver

Aged 64. Appointed to the Board in June 2019 and reappointed in June 2022. Joined HSBC in 1980 and retired in 2018. Former Group CEO and Executive Director of HSBC Holdings plc and former Chairman and Executive Director of The Hongkong and Shanghai Banking Corporation Limited. Member of the International Advisory Council of the Stock Exchange of Hong Kong Limited. Non-executive Director of Jardine Matheson Holdings Limited, The Saudi British Bank and Saudi Aramco. He holds a law degree from the University of Oxford.

The Honourable Christopher Hui Ching-yu GBS JP Secretary for Financial Services and the Treasury*

Aged 46. Became a Board Member in April 2020 upon his appointment as Secretary for Financial Services and the Treasury. Former Executive Director of the Financial Services Development Council. Chairman of the Managing Board of Kowloon-Canton Railway Corporation. Non-executive Director of the MTR Corporation Limited and the Hong Kong Mortgage Corporation Limited. Member of the boards of the Mandatory Provident Fund Schemes Authority, the West Kowloon Cultural District Authority and the Financial Services Development Council. Director of Hongkong International Theme Parks Limited and the Hong Kong Investment Corporation Limited.



THE BOARD



The Honourable Lam Sai-hung GBS JP Secretary for Transport and Logistics*

Aged 61. Mr Lam became a Board Member in July 2022 upon his appointment as Secretary for Transport and Logistics. Mr Lam joined the Hong Kong Government as a Civil Engineering graduate in 1983 and became an Assistant Engineer in 1986. During his service in the Government, Mr Lam worked in different works departments and bureau, participating in various public works projects including bridges, roads, railways and site formation. He was appointed Director of Civil Engineering and Development in August 2016, overseeing the planning and implementation of new development areas and major infrastructure projects. Between October 2018 and October 2021, he was the Permanent Secretary for Development (Works), overseeing public works policy and infrastructural development. Mr Lam received his Bachelor of Science in Engineering from the University of Hong Kong in 1983. He is a Fellow of the Hong Kong Institution of Engineers and the Institution of Civil Engineers.

Ms Nisa Bernice Leung Wing-yu MH JP

Aged 52. Appointed to the Board in October 2020. Ms Leung is Managing Partner of Qiming Venture Partners. She currently sits on the boards of Zai Lab, CanSino Biologics, Caidya, Chain Medical Labs, Belief BioMed, Zencore Biologics, Valgen MedTech, Alamar Biosciences, among others. Visiting Lecturer at Harvard Law School, Member of Stanford Graduate School of Business Advisory Council, an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited and a Member of the Hong Kong Palace Museum Limited. Ms Leung has been recognised by the Forbes Midas List of top 100 venture capitalists in 2019, 2020, 2021 and 2022. She holds a Master's Degree in Business Administration from Stanford Graduate School of Business and a Bachelor of Science Degree from Cornell University.



Mr Laurence Li Lu-jen SC JP

Aged 51. Appointed to the Board in June 2022. Mr Li is Chairman of the Financial Services Development Council (FSDC), which is an advisory body to the Hong Kong Government on matters relating to the development of Hong Kong as an international financial centre. The FSDC engages the industry in formulating proposals to promote the further development of the financial services industry of Hong Kong and to map out the strategic direction for the development. Mr Li is a Practising Barrister, focusing on banking, commercial, company and securities law. Prior to being called to the Hong Kong Bar, he served in several positions within the Securities and Futures Commission in Hong Kong and, before that, worked in a law firm in New York. Mr Li is a Judge in the Qatar International Court and Dispute Resolution Centre. He is also a Fellow of The Hong Kong Polytechnic University, an Honorary Fellow of the Asian Institute of International Financial Law at the University of Hong Kong, and a Senior Fellow at the Centre for Financial Regulation and Economic Development at The Chinese University of Hong Kong.



Captain Victor Liu Chi-yung JP Director-General of Civil Aviation*

Aged 57. Became a Board Member and Director of the Aviation Security Company Limited Board in April 2020 upon his appointment as Director-General of Civil Aviation. A licensed Professional Pilot and a Fellow of the Hong Kong Institution of Engineers. He is currently Chairman of the International Civil Aviation Organisation's Asia-Pacific Regional Aviation Safety Group and was previously Vice President (Asia) of the International Federation of Airworthiness.





Ir Dr the Honourable Lo Wai-kiwok GBS MH JP

Aged 70. Appointed to the Board in June 2019 and reappointed in June 2022. Chairman of the Aviation Security Company Limited Board. Member of the Legislative Council representing the Engineering Functional Constituency. Chairman of the Legislative Council's Public Works Subcommittee and the Business and Professionals Alliance for Hong Kong. Founding Chairman of the Hong Kong Green Strategy Alliance. Member of the 13th National Committee of the Chinese People's Political Consultative Conference.

Ir Edwin Tong Ka-hung SBS

Aged 64. Appointed to the Board in June 2021. Member of the Construction Industry Council. Ir Tong is a Civil Engineer with over 37 years of experience in the planning, design, management and delivery of major infrastructure projects involving highways, tunnels, reclamation, land development, port facilities, wastewater treatment and flood prevention. He is also proficient in formulating and taking forward the Hong Kong Government's policies in increasing land supply, heritage conservation and project management. Having worked in the Highways Department, the Transport Department, the Drainage Services Department, the Civil Engineering and Development Department and the Development Bureau, he was appointed Director of Drainage Services in 2015 and retired in 2019. Ir Tong is a Member of the Institution of Civil Engineers, a Fellow of the Hong Kong Institution of Engineers, and an Honorary Fellow of both the International Institute of Utility Specialists and The Chartered Institution of Water and Environmental Management.



Mr Adrian Wong Koon-man BBS MH JP

Aged 58. Appointed to the Board in June 2018 and reappointed in June 2021. He is a Director of the Aviation Security Company Limited, VL Asset Management Limited and Abercan Limited, Chairman of the Corruption Prevention Advisory Committee and Member of the Advisory Committee on Corruption of the Independent Commission Against Corruption. Member of the Travel Industry Authority, the Unsolicited Electronic Messages (Enforcement Notices) Appeal Board and the Standing Commission on Civil Service Salaries and Conditions of Service. Independent Non-executive Director of the MTR Corporation Limited. He was a Member of the Listing Committee of the Stock Exchange of Hong Kong Limited from May 2006 to April 2012, a Member of the Communications Authority from April 2012 to March 2018 and a Member of the Air Transport Licensing Authority from August 2012 to July 2018.



Dr William Wong Ming-fung SC JP

Aged 51. Appointed to the Board in October 2020. Senior Counsel of Des Voeux Chambers. Dr Wong's practice covers a wide spectrum of contentious commercial litigation. He has a special focus and substantial experience in the areas of company, insolvency and securities law. Recorder of the High Court of Hong Kong. Chairman of the Committee on Overseas Lawyers Examination of the Hong Kong Bar Association. Vice Chairman of the Board of Review of the Inland Revenue Department. Advisor to the Middle Temple Society in Hong Kong. Dr Wong graduated from the Business Faculty of The Chinese University of Hong Kong in 1994 as the Rhodes Scholar of the year. In 1996, he obtained his Degree in Jurisprudence from Wadham College, Oxford. In 2004, he obtained his LL.M. Degree from Peking University. In 2012, he was awarded a Doctoral Degree from Peking University with a dissertation on corporate insolvency laws.



* Member by virtue of being holder of the post

Secretary to the Board
Mrs Ivy Chan

Auditors
KPMG

EXECUTIVE MANAGEMENT



Mrs Vivian Cheung Kar-fay Chief Operating Officer

Aged 61. Holds a Master of Business Administration from Southern Illinois University and a Bachelor of Computer Science from The State University of New York. Mrs Cheung is an alumna of Stanford University's Executive Programme. She was appointed Chief Operating Officer in December 2022. Mrs Cheung worked for the General Electric Company and a high-technology start-up in Silicon Valley for many years before joining Airport Authority Hong Kong (AAHK) in 1992. With more than 30 years of experience in airport management, she has held a number of senior management positions at AAHK. Mrs Cheung is a Director of the Hong Kong-Zhuhai Airport Management Company Limited and Vice Chairman of the Shanghai Hong Kong Airport Management Co., Ltd. Active in community service, she is a Member of the Town Planning Board and the Hong Kong Trade Development Council's Infrastructure Development Advisory Committee.

Ms Cissy Chan Ching-sze Executive Director, Commercial

Aged 57. A Master of Business Administration graduate from The Chinese University of Hong Kong. Ms Chan was appointed in September 2012. Before joining AAHK, Ms Chan was the Director, Retail Portfolio and Marketing, at Hysan Development Company Limited. Prior to that, she gained substantial management and commercial experience in multinational companies while holding senior positions at Reckitt Benckiser (Hong Kong and Taiwan) and Johnson & Johnson Hong Kong. Ms Chan is a Member of the Hong Kong Housing Authority, its Strategic Planning Committee, and is Chairman of its Audit Subcommittee.



Ms Florence Chung Wai-ye Executive Director, Human Resources & Administration

Aged 59. Holds a Master of Science from the Chaminade University of Honolulu and a Bachelor of Social Science from The Chinese University of Hong Kong. Ms Chung was appointed in October 2014. Before joining AAHK, Ms Chung was the General Manager of Group Human Resources at HKR International Limited. Ms Chung has over 30 years of experience in general and human resources management and has held senior positions in sizeable companies and public utilities in Hong Kong, including Hutchison Port Holdings Limited and CLP Group. Areas of expertise include organisational development as well as leadership, talent and change management. Ms Chung is a Member of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, the Civil Service Training Advisory Board as well as the Cross-industry Training Advisory Committee for the Human Resource Management Sector under the Qualifications Framework.



Mr Julian Lee Pui-hang Executive Director, Finance

Aged 47. Mr Lee was appointed in July 2020. Before joining AAHK, Mr Lee held senior management positions in corporate finance and investment banking at Merrill Lynch (Asia Pacific) Ltd, Standard Chartered Bank (Hong Kong) Ltd and Everbright Sun Hung Kai Co. Ltd. Mr Lee is a Director of Hangzhou Xiaoshan International Airport Co. Ltd. Mr Lee is also a Member of the Listing Committee of the Stock Exchange of Hong Kong Limited. Mr Lee holds a Bachelor of Science in Chemical Engineering from the Massachusetts Institute of Technology.





Mr Ricky Leung Wing-kee Executive Director, Engineering & Technology

Aged 62. Holds a Master of Business Administration from The Chinese University of Hong Kong and a Bachelor of Science (Engineering) from the University of Hong Kong. Mr Leung was appointed Executive Director, Engineering & Technology, in January 2020. With more than 30 years of experience at AAHK, Mr Leung is responsible for AAHK's engineering and technology development, managing AAHK's assets and delivering engineering projects at Hong Kong International Airport (HKIA). Before joining AAHK, Mr Leung worked in consulting engineering firms and government departments on the planning, design and management of large-scale infrastructure projects in Hong Kong. Mr Leung is a Chartered Civil and Structural Engineer with more than 40 years of experience, of which over 30 years are in the planning, design, construction, operation and maintenance of airport infrastructure, facilities and systems. Mr Leung is a Member of the Vocational Training Council, a Member of the Construction Industry Council and a Board Member of the Logistics and Supply Chain MultiTech R&D Centre Limited.

Mr Tommy Leung King-yin Executive Director, Third Runway

Aged 59. Holds a Bachelor of Science in Civil Engineering from the University of Birmingham in the United Kingdom. Mr Leung was appointed Executive Director, Third Runway, in February 2022. Mr Leung has held a number of senior positions since he joined AAHK in 1994, covering terminal operations, technical services, and major development projects at HKIA. He was Chief Operating Officer of the Hong Kong-Zhuhai Airport Management Company Limited from 2006 to 2009, and was Deputy Director, Third Runway Project Management, from 2016 to 2022. Mr Leung is a Member of the Hong Kong Institution of Engineers.



Mr Steven Yiu Siu-chung Executive Director, Airport Operations

Aged 58. Holds a Master of Computer Based IS from the University of Sunderland and a Bachelor of Quantity Surveying from Robert Gordon University. Mr Yiu was appointed Executive Director, Airport Operations, in December 2022. Mr Yiu has been in the aviation industry for over 30 years. He joined AAHK in 1995 and held various management positions in airport operations, including technical services, airfield and terminal management. He was General Manager, Terminal, at Shanghai Hongqiao International Airport from 2009 to 2012. Mr Yiu is a Registered Professional Surveyor. Prior joining AAHK, he was actively involved in numerous airport developments, including the refurbishment of Kai Tak Airport, New Airport Master Plan, and construction of Macao International Airport.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	2022/23	2021/22	+/- % ¹
Financial results			
<i>(in HK\$ million)</i>			
Revenue	8,217	5,798	+41.7%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	813	(378)	-315.1%
Depreciation and amortisation	(3,308)	(3,039)	+8.9%
Net interest and finance income	508	77	+559.7%
Loss attributable to the ordinary shareholder	(2,142)	(3,014)	-28.9%
Dividend declared	–	–	–
Financial position and ratios			
<i>(in HK\$ million)</i>			
Total assets	217,613	185,219	+17.5%
Total borrowings	102,828	73,017	+40.8%
Total equity	89,660	92,709	-3.3%
Return on equity ²	-2.7%	-3.7%	
Total debt/capital ratio ³	53%	44%	
Net debt/net capital ratio ⁴	40%	27%	
Credit ratings			
Standard & Poor's:			
Long-term local currency	AA+	AA+	
Long-term foreign currency	AA+	AA+	
Operational highlights⁵			
Passenger traffic ⁶ (<i>millions of passengers</i>)	12.4	1.4	+769.8%
Cargo and airmail throughput ⁷ (<i>millions of tonnes</i>)	4.1	4.9	-16.0%
Aircraft movements (<i>thousands</i>)	161	145	+11.5%

¹ Subject to rounding differences.

² Return represents loss attributable to the ordinary shareholder. Equity represents average share capital plus average reserves.

³ Total debt represents interest-bearing borrowings. Total capital represents total debt plus total equity.

⁴ Net debt represents total debt minus cash and bank balances. Net capital represents total capital minus cash and bank balances.

⁵ Operational highlights is based on Airport Authority Hong Kong's data for Hong Kong International Airport only.

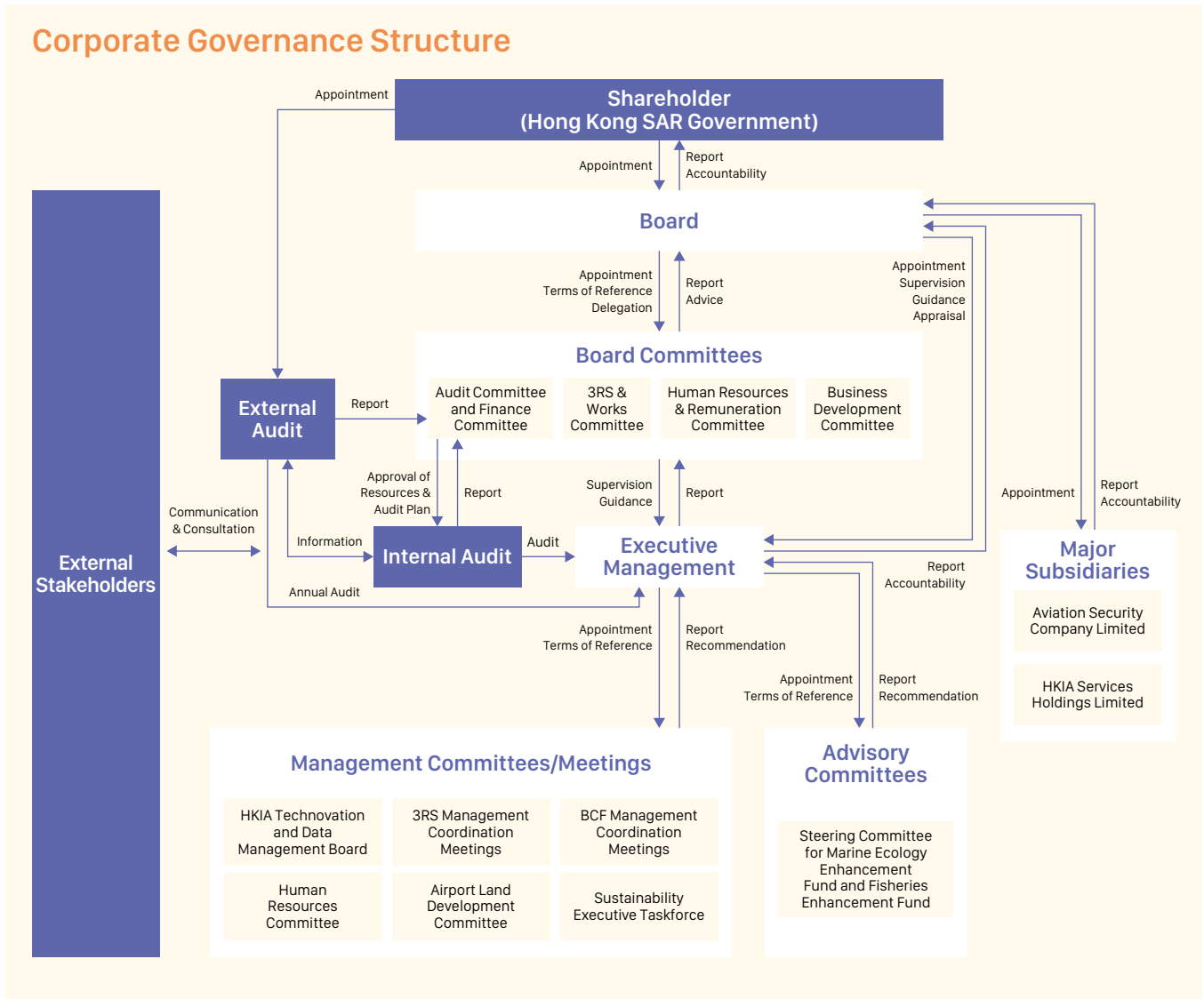
⁶ Passenger traffic includes originating, terminating, transfer and transit passengers. Transfer and transit passengers are counted twice.

⁷ Cargo throughput includes originating, terminating and transshipment cargo. Transshipment cargo is counted twice. Airmail throughput includes airmail from Hongkong Post and transit mail from airlines.

CORPORATE GOVERNANCE

Airport Authority Hong Kong (AAHK) is firmly committed to maintaining high standards of corporate governance. We believe that a sound and effective governance framework is essential to meeting the needs of our stakeholders and ensuring long-term sustainable growth. We strive to achieve this by instilling a culture of accountability, transparency and diversity that permeates all levels of the organisation.

Key features of our corporate governance framework are described below:



The Board

The Board has 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. He or she is also expected to devote sufficient time attending to the affairs of AAHK to ensure the effective discharge of his or her duties.

Board Structure

The Airport Authority Ordinance (Cap. 483) (the Ordinance) provides that the Board shall comprise a Chairman, a Chief Executive Officer (CEO) (ex officio) and between eight and 15 other Members. The number of Members who are public officers shall not exceed those who are not public officers. This structure effectively ensures the Board comprises a majority of independent members and is conducive to maintaining an independent and objective decision-making process.

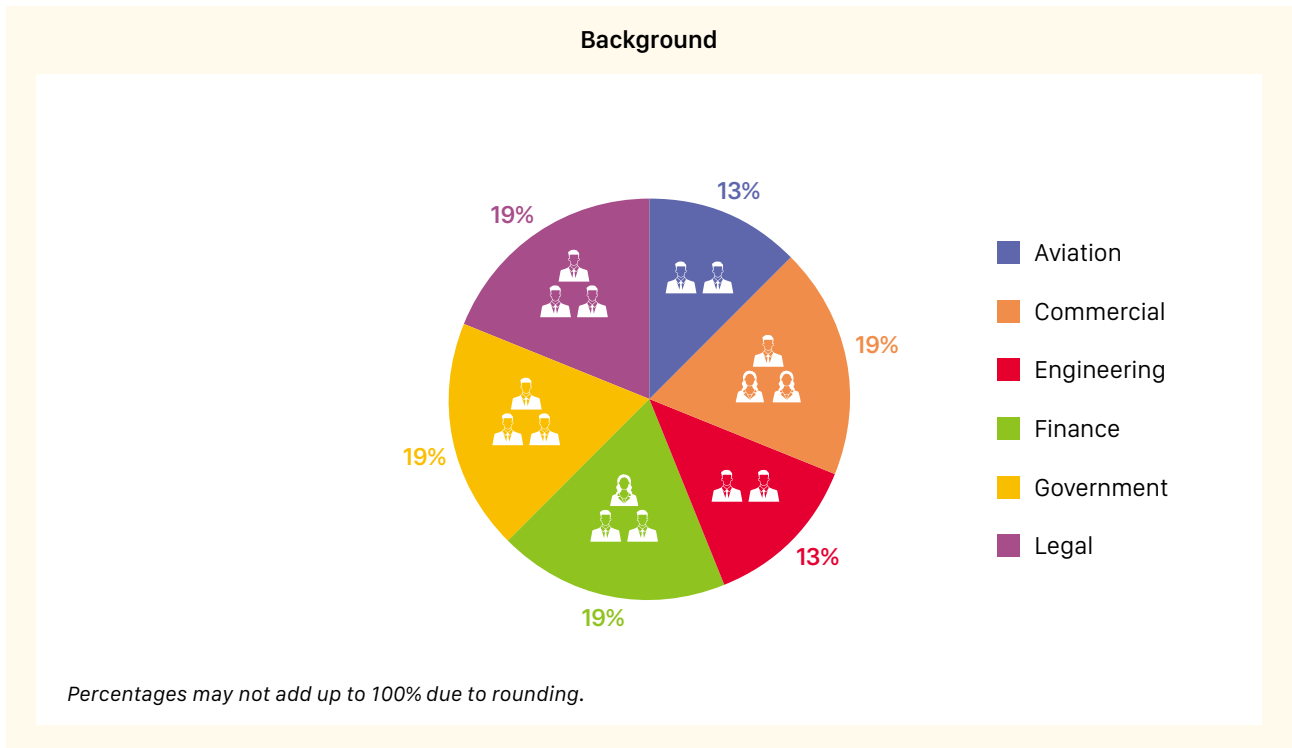
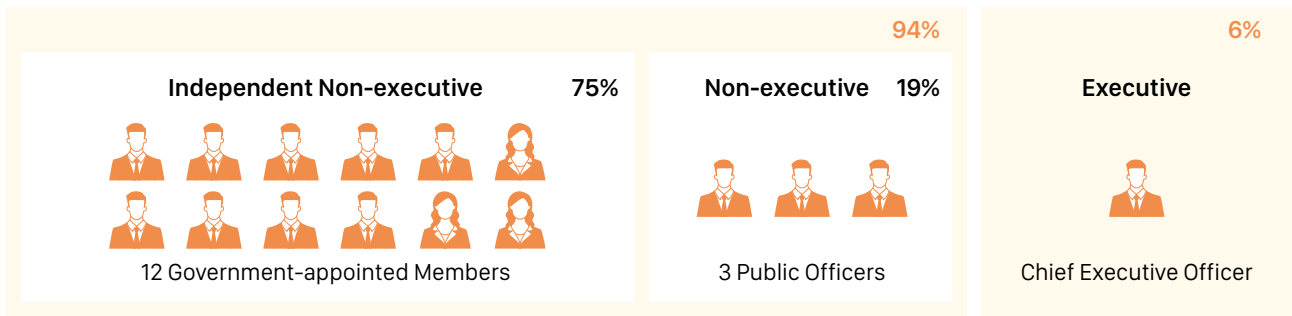
CORPORATE GOVERNANCE

Board Composition

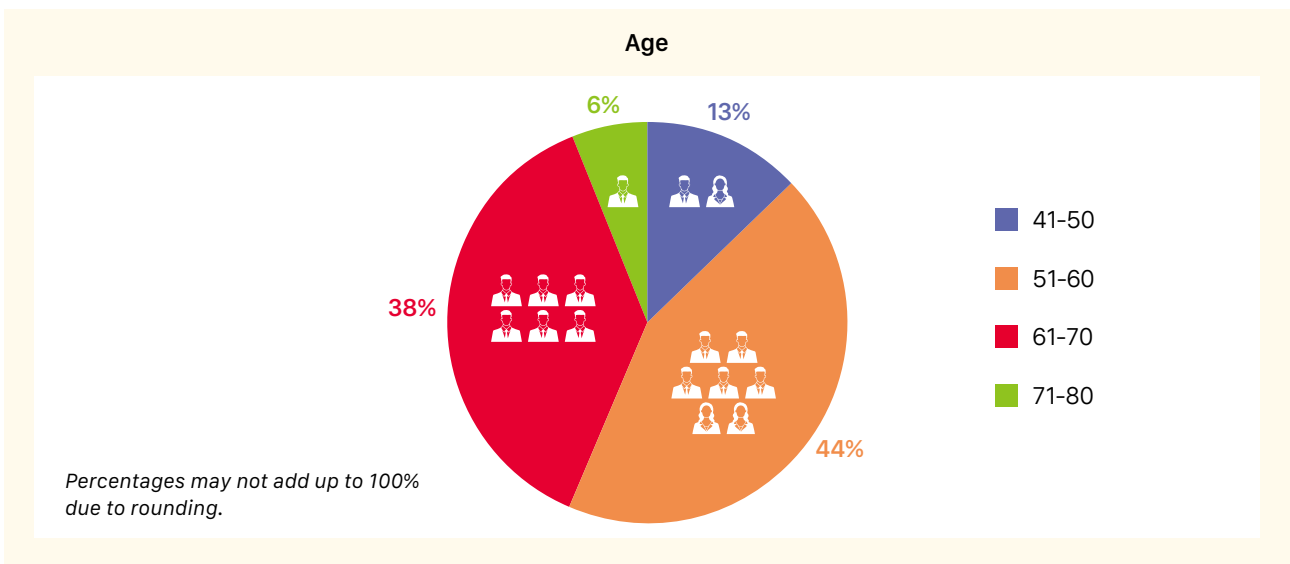
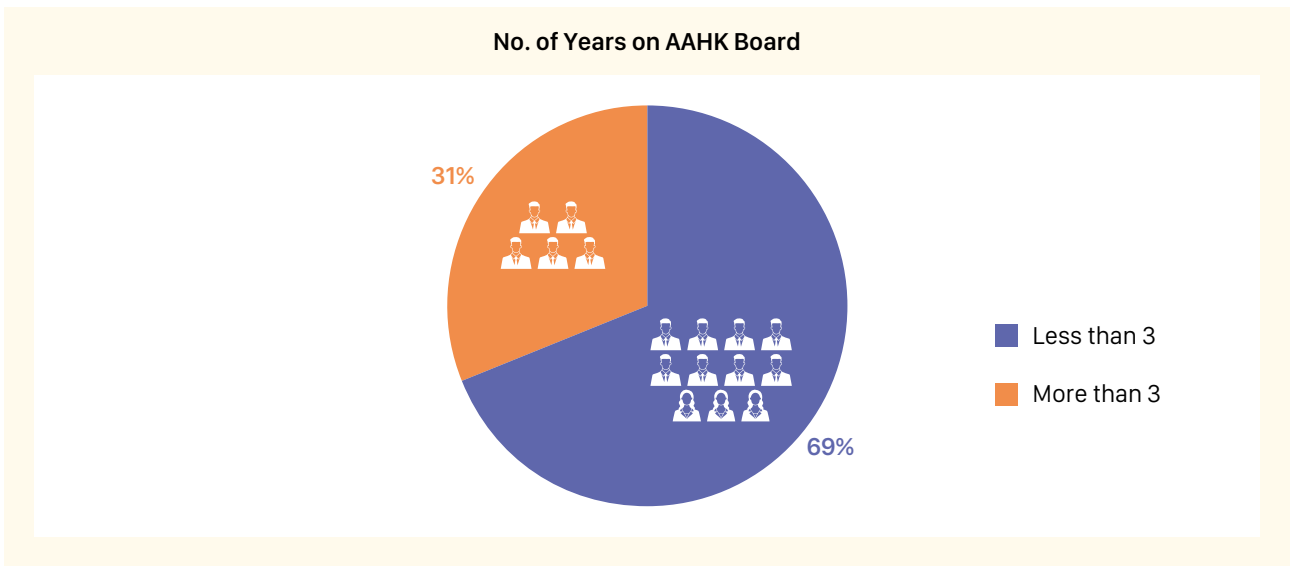
As of 29 May 2023, the Board had 16 Members, whose biographies are set out on pages 14 to 17 and are available on the AAHK website (www.hongkongairport.com/en/airport-authority/board-management/the-board.page). With the exception of the CEO, all Board Members are non-executive and 12 Members are considered independent¹, representing 75% of the total. The three public officers serving on the Board are the Secretary for Financial Services and the Treasury, the Secretary for Transport and Logistics, and the Director-General of Civil Aviation.

Board Diversity

Non-executive Members make up 94% of the Board and come from diverse backgrounds, including the aviation, engineering, public administration, finance, legal and commercial sectors. They bring an external perspective with an independent point of view, constructively challenge and advise on proposals on strategy, and monitor the performance of executive management.



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



Appointment

The appointment of Board Members, including the Chairman, is determined by the Chief Executive of the Hong Kong Special Administrative Region (HKSAR). With the exception of the CEO, who is an ex officio member, each term for the Chairman and all other Board Members is normally three years.

Remuneration

Pursuant to the Ordinance, the remuneration of Board Members, including the Chairman, is determined by the Chief Executive of the HKSAR. 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 113.

Training

On appointment, each new Board Member (including public officers) participates in a tailored induction programme. The programme consists of a series of meetings with the CEO, Chief Operating Officer (COO), Executive Directors (EDs) and management; briefings on airport operations, aviation security and major infrastructure projects; and visits to airport developments at or around Hong Kong International Airport (HKIA). The induction programme enables new Members to familiarise themselves with the airport business and AAHK’s objectives, strategies, operations and internal controls.

CORPORATE GOVERNANCE

Recognising the importance of continuous training and development, during the year Board Members were given regular reports on the business and operation of AAHK and its key subsidiaries and associated companies. Board Members were also regularly briefed on the progress of the Three-runway System (3RS) project by way of presentations and aerial videos. In addition to webinars on subjects such as the role of Independent Non-executive Directors, AAHK arranged visits to the Third Runway, Hong Kong International Aviation Academy, HKIA Community Building, the new Integrated Airport Centre, HKIA VIP Lounge, Sky Bridge as well as the 11 SKIES show suite to keep Board Members abreast of the latest airport developments.

Personal Liability

Pursuant to Section 45 of the Ordinance, Board Members are exempted 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 (the 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 relevant regulatory changes and best corporate governance practices. The current modus operandi was reviewed and adopted by the Board on 12 June 2017.

Key Elements of the Current Modus Operandi

- The Board shall have at least four regular meetings each year
- Meeting agendas are approved by the Chairman and Members may propose matters to be included in the agendas
- The Board receives reports from the Chairmen of Board Committees at each meeting
- Meeting minutes are sent to Members for comment and record within a reasonable time
- An annual schedule for Board meetings is made available in the prior year
- Agendas and papers are sent to Members at least three clear days before a meeting
- Members are obliged to safeguard confidential information and observe procedures for declaration of interests and disclosure of potential conflicts of interest

Summary of Work Done in 2022/23

- Held four meetings with an average attendance rate of 91.7%
- Considered 35 papers (all issued three clear days before the meeting, with close to 70% of the papers exceeding this target)
- Significant matters considered or resolved:

Corporate

- Annual and 5-year business plans
- Corporate goals and performance measures
- Board Committees' membership
- Internal control review, and risk and business continuity management

Financial

- Annual budget and 5-year financial plan
- 3RS financing plan
- Debt settlement arrangement
- Quarterly management accounts and reports
- Annual dividend
- Audited financial statements and unaudited interim financial report

Projects

- Major contracts and strategy related to the 3RS project
- Major contracts relating to developments at and near Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge (formerly Hong Kong Boundary Crossing Facilities Island (HKBCF))

Commercial and Business Strategies

- Development of HKIA Logistics Park in Dongguan
- Development of AsiaWorld-Expo Phase 2
- Shareholding structure of a Mainland subsidiary

Human Resources

- Staff remuneration review
- Corporate performance assessment
- Changes to organisation structure
- Reappointment of executive management

Operations

- Upgrading of aviation security equipment

Meetings

Attendance records of Members at the four Board meetings held are detailed on page 30.

Disclosure of Interests

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

Under current procedures, Board Members, executive 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.

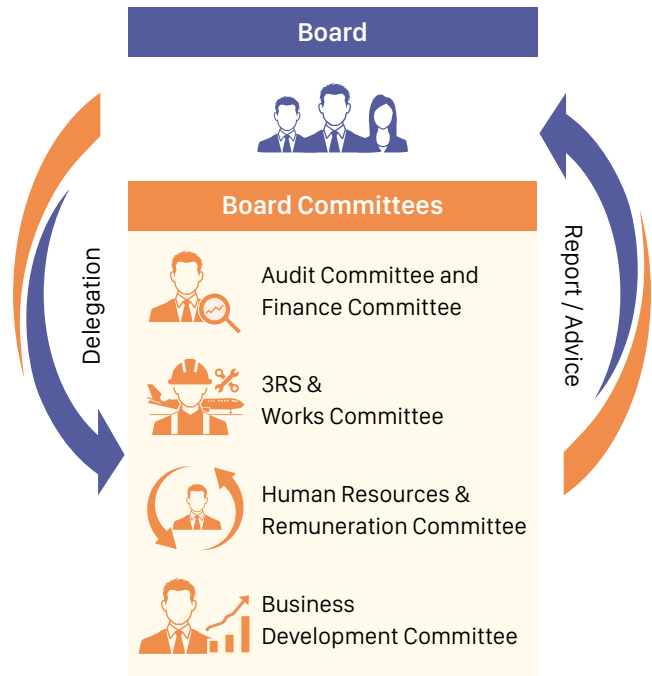
Board Members are also required to declare their direct or indirect interests, if any, in business proposals or transactions to be considered by the Board or Board Committees. Board Members with material conflicts of interest are not provided with papers related to the proposal or transaction under consideration, and are excluded from the deliberation and decision-making process. A register of declarations made by Board Members is maintained by the Board Secretariat and is available for public inspection.

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

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 remit and the Chairmen concerned are required to report to the Board at the subsequent Board meeting. Committees may also bring to the Board’s attention issues that may potentially have an adverse impact on AAHK’s business prospect, airport operations, financial position, reputation, the environment or aviation security. Currently there are four Board Committees, each with specific terms of reference.

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



Interface between the Board and Board Committees

- The Chairmen and Members of Board Committees shall be nominated by the Chairman of the Board and approved by the Board
- Committee Chairmen’s reports are submitted to each subsequent Board meeting
- Board Members have access to full minutes of Committee meetings

The terms of reference of Board Committees are reviewed from time to time in light of AAHK’s evolving operational, business and development needs. A review was last conducted in 2020 to ensure there were no material gaps or overlaps between the remits of the Committees. The terms of reference of Board Committees are available on AAHK’s website.

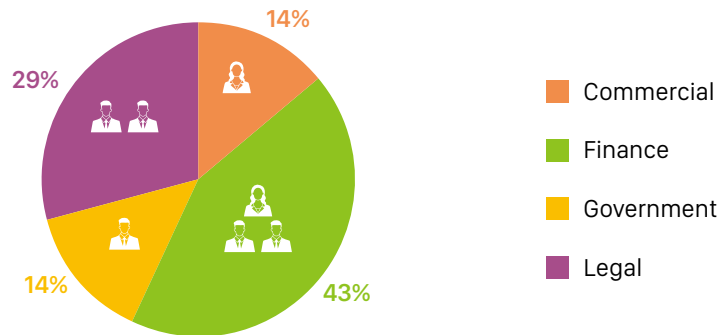
The composition of Board Committees was reviewed and approved by the Board in May 2022. The majority of Board Members serve on two Board Committees and/ or the Aviation Security Company Limited (AVSECO) Board.

The following sets out details of Board Committees, their membership, principal duties and a summary of work done in the year ended 31 March 2023.

CORPORATE GOVERNANCE

Audit Committee and Finance Committee (ACFC)

Members' Background – ACFC



Average Attendance Rate: 71.3%

Members

The Committee has seven non-executive Members, six of whom are independent:

Independent Non-executive

- Mr Adrian Wong Koon-man (Chairman)
- Ms Sabrina Chao Sih-ming
- The Hon Rock Chen Chung-nin
- Ms Irene Chow Man-ling
- Mr Stuart Thomson Gulliver
- Mr Laurence Li Lu-jen

Non-executive

- Secretary for Financial Services and the Treasury

Principal Duties

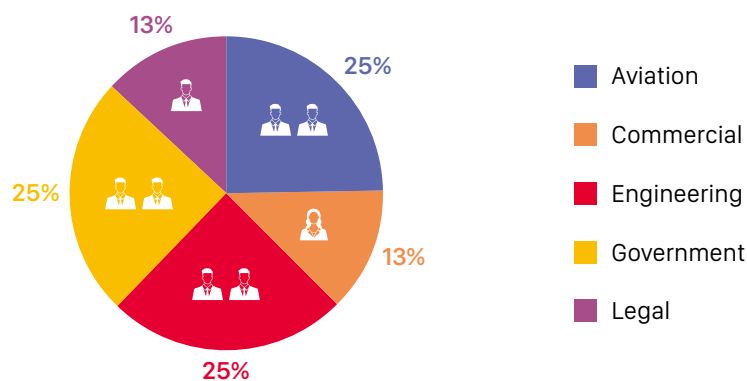
1. Reviews financial statements
2. Makes recommendations on the appointment of the external auditor, approves its remuneration and terms of engagement, and oversees AAHK's relations with the external auditor
3. Reviews accounting policies, annual budget and 5-year financial plan
4. Oversees internal and financial controls, risk management system and internal audit function, and reviews whistleblowing policy
5. Reports on matters relating to corporate governance practices
6. Makes recommendations on AAHK's investment objectives, guidelines and strategies, and oversees investments

Summary of Work Done in 2022/23

- Held four meetings with an average attendance rate of 71.3%
- Considered 17 papers (all issued more than three clear days before the meeting)
- Significant matters considered or resolved:
 - Annual budget and 5-year financial plan
 - 3RS financing plan
 - Debt settlement arrangement
 - Quarterly operating results
 - Dividend policy
 - Audited annual financial statements and unaudited interim financial report
 - Review of the external auditor's report and the effectiveness of the audit process
 - Annual corporate governance, risk management and internal control review reports
 - Adequacy of resources, qualifications and experience of staff in accounting, internal audit and financial reporting
 - Annual internal audit programme, quarterly internal audit reports and effectiveness of the internal audit function
 - Risk management system

3RS & Works Committee (3RSWC)

Members' Background – 3RSWC



Average Attendance Rate: 77.0%
Percentages may not add up to 100% due to rounding.

Members

The Committee has eight members, five of whom are independent:

Independent Non-executive

- Ir Dr the Hon Lo Wai-kwok (Chairman)
- Mr Philip Chen Nan-lok
- Ms Nisa Bernice Leung Wing-yu
- Mr Laurence Li Lu-jen
- Ir Edwin Tong Ka-hung

Executive

- Mr Fred Lam Tin-fuk

Non-executive

- Secretary for Transport and Logistics
- Director-General of Civil Aviation

Principal Duties

Oversees the 3RS and other capital works projects from project implementation to successful completion, on-time and within budget:

1. Advises and makes recommendations to the Board on key works-related matters for the 3RS and other capital works projects
2. Reviews and approves procurement strategy and evaluation criteria for the 3RS and other works contracts and consultancy agreements
3. Reviews and approves or makes recommendations to the Board on the award of and variations to the 3RS and other works contracts and consultancy agreements
4. Considers interfacing issues between the 3RS and nearby developments
5. Monitors the progress to ensure the smooth implementation of the 3RS and major capital projects
6. Makes recommendations to the Board on the annual budget and 5-year plan for all capital works

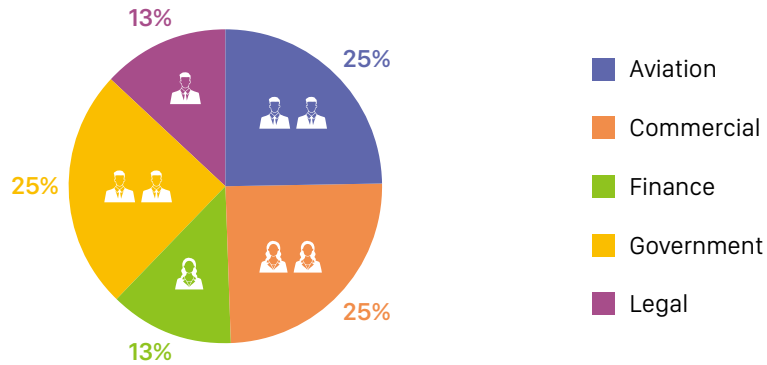
Summary of Work Done in 2022/23

- Held five meetings with an average attendance rate of 77.0%
- Considered 29 papers (all of which were issued three clear days before the meeting, with more than 80% of the papers exceeding this target)
- Significant matters considered or resolved:
 - Annual capital works budget and 5-year capital works plan
 - Progress of reclamation, the 3RS and major capital works and projects
 - Procurement strategies and award of contracts related to developments at Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge
 - Procurement strategies and award of major works contracts
 - Design consultancy services for nearby infrastructure developments
 - Airport improvement and maintenance works

CORPORATE GOVERNANCE

Business Development Committee (BDC)

Members' Background – BDC



Average Attendance Rate: 92.0%

Percentages may not add up to 100% due to rounding.

Members

The Committee has eight members, five of whom are independent:

Independent Non-executive

- Dr William Wong Ming-fung (Chairman)
- Ms Sabrina Chao Sih-ming
- Mr Philip Chen Nan-lok
- Ms Irene Chow Man-ling
- Ms Nisa Bernice Leung Wing-yu

Executive

- Mr Fred Lam Tin-fuk

Non-executive

- Secretary for Transport and Logistics
- Director-General of Civil Aviation

Principal Duties

Considers, approves and makes recommendations to the Board on:

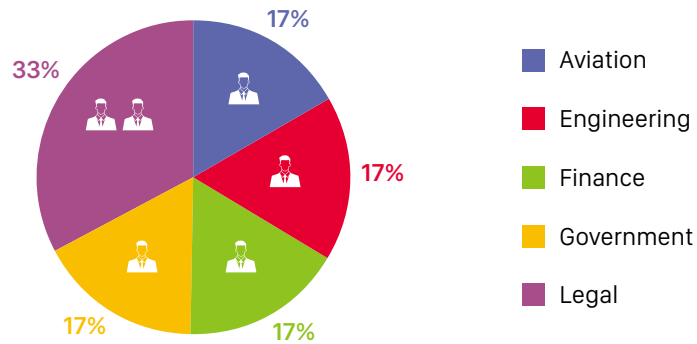
1. Business strategies relating to the development of HKIA
2. Airport commercial and business development plans and proposals other than those under the 3RS
3. Major commercial or operational commitments, including review of airport charges and other pricing and charging policies
4. Sustainability, public relations and communication strategies

Summary of Work Done in 2022/23

- Held five meetings with an average attendance rate of 92.0%
- Considered nine papers (all issued three clear days before the meeting, with close to 70% of the papers exceeding this target)
- Significant matters considered or resolved:
 - Development of HKIA Logistics Park in Dongguan
 - Sustainability initiatives and long-term carbon reduction target
 - Reallocation of land parcels for aviation support development
 - Commercial agreement with network operators
 - Business strategies and charging mechanisms
 - Award of operation and service contracts

Human Resources & Remuneration Committee (HRC)

Members' Background – HRC



Average Attendance Rate: 83.3%
Percentages may not add up to 100% due to rounding.

Members

The Committee has six members, four of whom are independent:

Independent Non-executive

- The Hon Rock Chen Chung-nin (Chairman)
- Ir Dr the Hon Lo Wai-kwok
- Mr Adrian Wong Koon-man
- Dr William Wong Ming-fung

Executive

- Mr Fred Lam Tin-fuk

Non-executive

- Secretary for Transport and Logistics

Principal Duties

1. Reviews staffing, remuneration and employment policies and strategies
2. Advises the Board on staff-related issues, including annual corporate goals and performance measures, salary structure, variable compensation and retirement schemes
3. Makes recommendations on the appointment of the COO and EDs
4. Makes recommendations on the remuneration of the CEO, COO and EDs
5. Oversees senior management succession planning

Summary of Work Done in 2022/23

- Held two meetings with an attendance rate of 83.3%
- Considered seven papers (all issued more than three clear days before the meeting)
- Significant matters considered or resolved:
 - Changes to organisation structure
 - Annual corporate performance assessment and award of variable compensation for staff
 - Annual corporate goals and performance measurements
 - Annual review of staff remuneration
 - Reappointment of executive management

CORPORATE GOVERNANCE

Meeting Attendance (1 April 2022 to 31 March 2023)

Members of the Board	AAHK					AVSECO Board ⁷
	Board ⁶	ACFC ⁶	3RSWC	BDC	HRRC	
Non-executive						
Secretary for Transport and Housing / Secretary for Transport and Logistics	4/4		5/5	5/5	2/2	
Secretary for Financial Services and the Treasury	4/4	4/4				
Director-General of Civil Aviation	4/4		5/5	5/5		4/4
Independent Non-executive						
The Hon Jack So Chak-kwong (Chairman of the Board)	4/4					
Ms Sabrina Chao Sih-ming	4/4	2/4		4/5		
Mr Philip Chen Nan-lok ²	3/3		4/4	4/4		
The Hon Rock Chen Chung-nin	3/4	4/4			2/2 ¹	
Ms Irene Chow Man-ling	4/4	3/4		5/5		
Mr Stuart Thomson Gulliver	3/4	2/4				
Ms Nisa Bernice Leung Wing-yu	3/4		1/5	4/5		
Mr Laurence Li Lu-jen ²	2/3	2/3	2/4			
Ir Dr the Hon Lo Wai-kwok ⁸	3/4		5/5 ¹		2/2	4/4
Ir Edwin Tong ka-hung	4/4	1/1 ⁵	5/5			3/3 ²
Mr Adrian Wong Koon-man ⁹	4/4	4/4 ¹			2/2	3/4
Dr William Wong Ming-fung ³	3/4	0/1 ⁵	1/1 ⁵	4/4 ¹	0/1	
Mr Thomas Jefferson Wu ⁴	1/1			1/1		
The Hon Frankie Yick Chi-ming ⁴	1/1			1/1		
Dr the Hon Allan Zeman ⁴	1/1			1/1		
Executive						
Mr Fred Lam Tin-fuk (CEO)	4/4		5/5	5/5	2/2	4/4
Total number of meetings held during the year	4	4	5	5	2	4

Notes:

¹ Chairman of the Committee

² Appointed to the Board and Committees on 1 June 2022

³ Appointed Chairman of the Committee on 1 June 2022

⁴ Retired from the Board and Committees on 31 May 2022

⁵ Stepped down from the Committee on 31 May 2022

⁶ Representatives of the external auditor participated in two Board meetings and two ACFC meetings during the year

⁷ AVSECO is jointly owned by AAHK (51%) and the HKSAR Government (49%), and is responsible for providing aviation security services at HKIA

⁸ Chairman of the AVSECO Board and AVSECO Human Resources Committee

⁹ Chairman of the AVSECO Audit Committee

ACFC: Audit Committee and Finance Committee

3RSWC: 3RS & Works Committee

AVSECO: Aviation Security Company Limited

BDC: Business Development Committee

HRRC: Human Resources & Remuneration Committee

Balance of Responsibility

The Board is responsible for overseeing the strategic direction and overall performance of AAHK, while 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
- Appointment, compensation and succession planning of executive management
- Review of corporate performance
- Development of land asset

Chairman and CEO

At AAHK, the positions of non-executive Chairman and CEO are held by different people and their roles are segregated and distinct. Their major responsibilities include:

Chairman (INED)

- Leads the Board in setting policies, strategies and overall direction
- Monitors Board effectiveness
- Fosters constructive relationships among Board Members

CEO

- Formulates strategic operating plans in line with the objectives established by the Board
- Assumes executive responsibility for day-to-day operational and business performance
- Leads the executive management team to implement the policies and strategies adopted by the Board

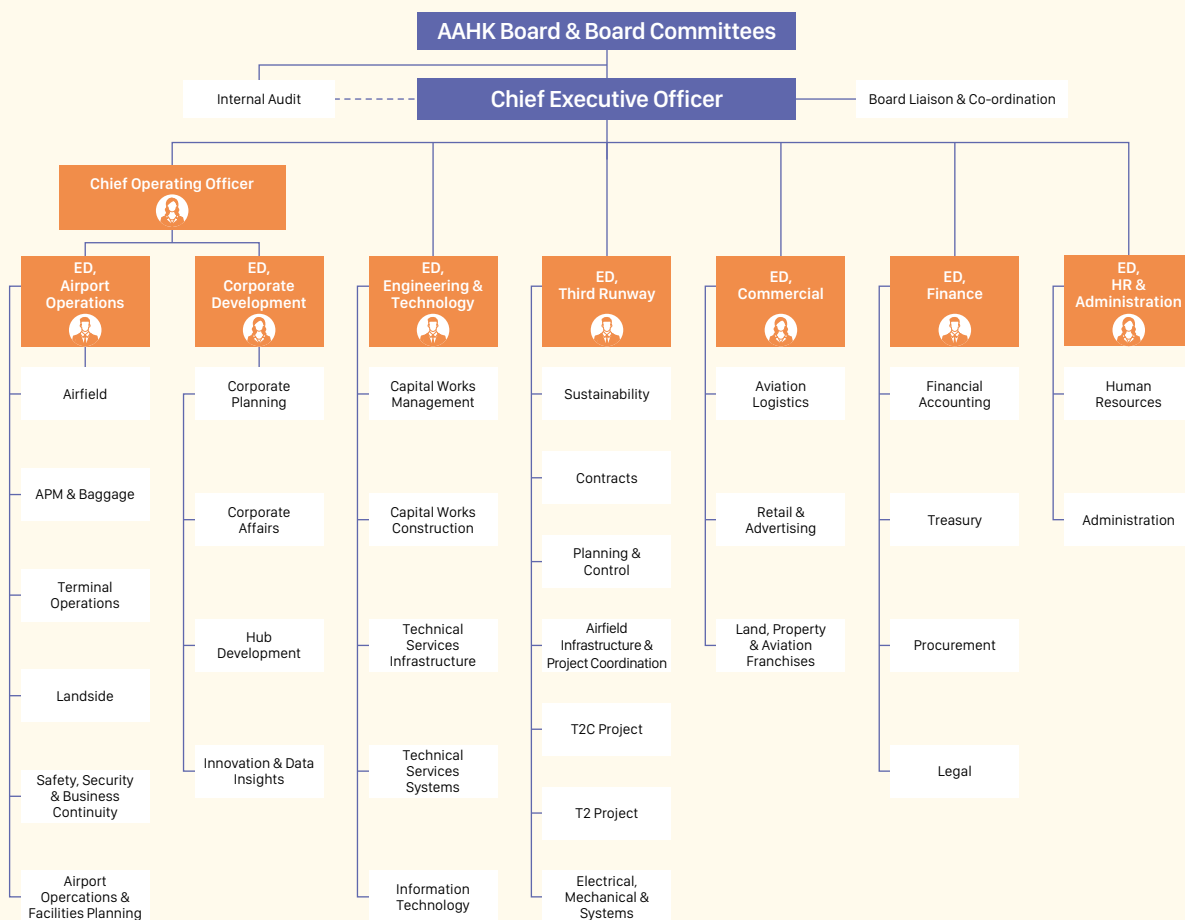
CORPORATE GOVERNANCE

Executive Management

Led by the CEO, the executive management team with its diverse experience, is responsible for managing AAHK's day-to-day affairs and assisting the Board in formulating and implementing corporate strategies.

AAHK's management structure consists of functional divisions and departments. This structure underpins a focus on corporate performance and fosters close departmental cooperation while maintaining the accountability of individual departments. The organisation structure of AAHK as at 1 April 2023 is as follows:

AAHK Organisation Structure



The performance and compensation of the CEO, COO and EDs are reviewed and recommended by the HRRC and approved by the Board without the presence of executive management. The remuneration package of the CEO, COO and EDs consists of basic compensation, performance-related compensation and retirement benefits. A significant portion of the performance-related compensation is determined with reference to objective indicators, including AAHK's financial performance, operational excellence, business development and sustainable development.

No member of executive management is involved in deciding their own remuneration. Details of the remuneration of the CEO, COO and EDs are set out in the Notes to the Financial Statements on pages 113 to 116.

The Secretary is responsible for advising the Board through the Chairman on corporate governance matters and assisting the CEO in conveying the Board's decisions to executive management.

Key Management and Advisory Committees

Apart from the four Board Committees, there are management committees and coordination meetings, and an advisory committee that address specific issues. The structure and composition of committees and meetings are reviewed from time to time to ensure they are aligned with AAHK's changing business and operational needs. The current key committees and management coordination meetings are listed below:

Management Committees/Meetings

Committee	Members	Role and Functions
Airport Land Development Committee	<ul style="list-style-type: none"> • CEO (Chairman) • COO and relevant EDs 	<ul style="list-style-type: none"> • Ensures the holistic use and development of airport land, provides strategic advice and direction for land use planning and development, and determines corporate priorities in case of competing land use or development proposals, with the objective of developing HKIA into an Airport City • Oversees and reviews AAHK's corporate strategies and policies on HKIA's land use and development
HKIA Technovation and Data Management Board	<ul style="list-style-type: none"> • CEO (Chairman) • COO and relevant EDs • Other senior staff 	<ul style="list-style-type: none"> • Steers the strategic direction of technology and innovation for HKIA's development • Determines HKIA's development focus and priorities and advises on the allocation of resources • Reviews the institutional arrangements for effective implementation of technovation programmes • Oversees and drives AAHK's data strategy and development, including data governance, data analytics and data management, to meet HKIA's operational and business development needs
Human Resources Committee	<ul style="list-style-type: none"> • CEO (Chairman) • COO and EDs 	<ul style="list-style-type: none"> • Reviews and formulates people development strategies to meet future business needs • Plans the development of AAHK's overall human resources capabilities, including people development, talent management and succession planning for executive positions • Champions AAHK's corporate culture
Sustainability Executive Taskforce	<ul style="list-style-type: none"> • CEO (Chairman) • COO and EDs 	<ul style="list-style-type: none"> • Steers and oversees the progress of key sustainability initiatives and programmes, including the implementation of the Climate Adaptation and Resilience Plan and Climate Resilience Guidance Note
BCF Management Coordination Meetings	<ul style="list-style-type: none"> • CEO (Chairman) • COO and relevant EDs • Other senior staff 	<ul style="list-style-type: none"> • A regular platform for the CEO to receive updates and for management to obtain advice on matters relating to the developments on the HKBCF Island
3RS Management Coordination Meetings	<ul style="list-style-type: none"> • CEO (Chairman) • COO and EDs • Other senior staff 	<ul style="list-style-type: none"> • A regular platform for the CEO to receive updates and for management to obtain advice on matters relating to the 3RS project

CORPORATE GOVERNANCE

Advisory Committee

Committee	Members	Role and Functions
Steering Committee for the Marine Ecology Enhancement Fund and Fisheries Enhancement Fund	<ul style="list-style-type: none"> • CEO (Chairman) • External members from academia and the accounting, water, engineering and environmental sectors 	<ul style="list-style-type: none"> • Provides guidance on the operation of the Marine Ecology Enhancement Fund and Fisheries Enhancement Fund • Considers the allocation of resources to meet the Funds' objectives

External Stakeholders

Transparency

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

To promote transparency and openness, AAHK voluntarily discloses, in compliance with the CG Code issued by the Stock Exchange of Hong Kong Limited, the individual attendance records of Board and Committee meetings, the remuneration of its Board Members and the remuneration of its executive management by band. In 2022/23, 36 enquiries were accepted and processed through AAHK's code on access to information.

Communication

AAHK adopts an open and proactive communication policy. To promote effective communication with stakeholders and the public, the HKIA website contains up-to-date and comprehensive information about AAHK, HKIA and its services. AAHK uses social media, such as Facebook, Instagram, YouTube, LinkedIn, Twitter, WeChat, a blog, the mobile app "My HKG" as well as a monthly newsletter, *HK Airport News*, and a monthly newspaper column to disseminate information. In addition, AAHK organises exhibitions to inform the public about HKIA's development. 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, forums and airport visits 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, telephone hotlines and more, are used to obtain views from passengers, customers and other stakeholders.

To enhance understanding of the 3RS project during its construction, AAHK established a programme for engaging stakeholders that includes meetings, briefings and visits. The Professional Liaison Group and Community Liaison Groups meet from time to time for project updates and to collect feedback from experts and community leaders. A dedicated website (www.threerunwaysystem.com) provides updates on the 3RS.

Within the organisation, regular conferences, briefings and cross-departmental meetings are held between management and staff to ensure that the Board's desired culture is reflected in AAHK's strategies and goals. These meetings also provide opportunities for senior management to impart a forward-looking perspective to staff and share their thoughts on future corporate direction and focus. Key corporate objectives, strategies, results and information about major events are shared in the monthly newsletter and at town hall meetings that allow direct communication with AAHK's staff. Chaired by the CEO, the weekly management meeting serves as an important information sharing platform for senior management to keep abreast of the latest developments and current corporate issues. Minutes of management meetings are shared with all staff on AAHK's intranet.

Sustainability

AAHK's sustainability vision is 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.

The Business Development Committee (BDC) of the Board is responsible for overseeing AAHK's sustainability strategy. The BDC is supported by the Sustainability Executive Taskforce (SET), which is chaired by AAHK's CEO and comprises the COO and all EDs. In turn, the SET is supported by the Internal Sustainability Committee (ISC), which comprises general managers from across divisions and monitors the delivery and progress of key sustainability initiatives.

The Sustainability Department is responsible for developing and implementing AAHK's sustainability strategy, management and reporting systems. The Sustainability Department liaises with other departments to deliver sustainability projects and initiatives, and provides secretariat support to the ISC. The Sustainability Department reports to the SET biannually and seeks the SET's guidance on potentially new and/ or revised sustainability policies, targets and strategies.

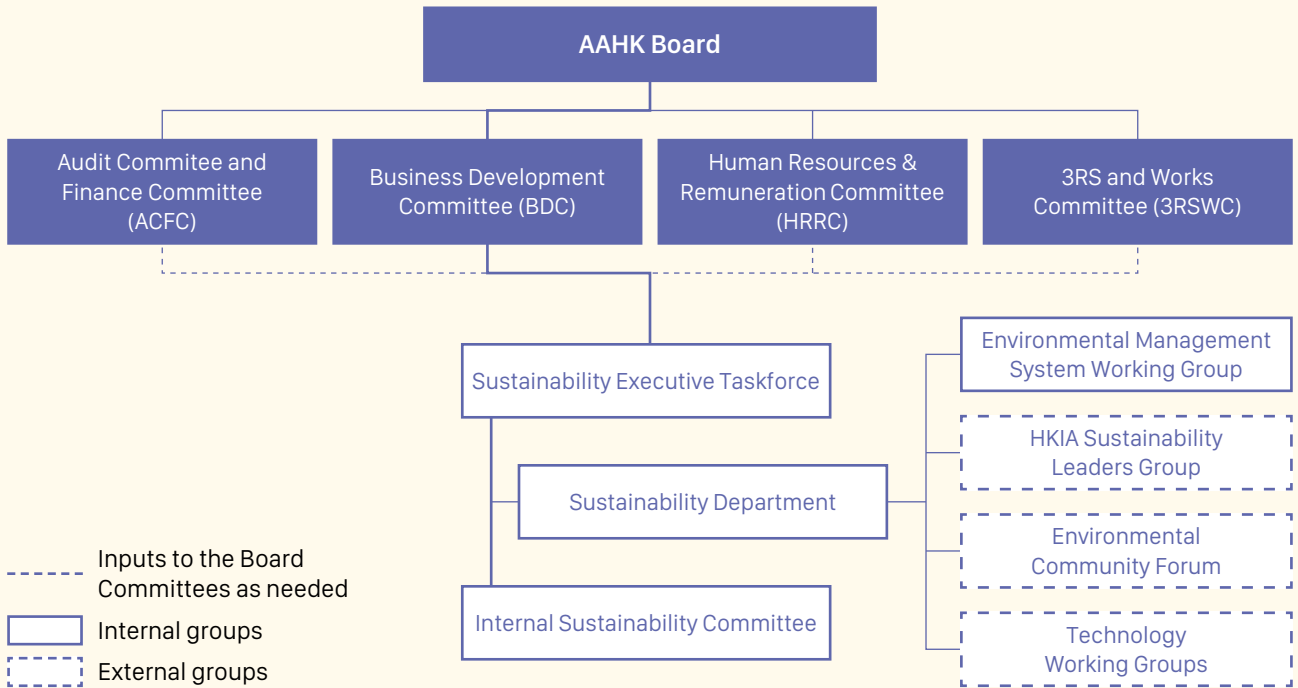
AAHK's *Sustainability Report 2021/22*, published during the reporting year, was prepared in accordance with the internationally recognised Global Reporting Initiative's (GRI) Standards: Core option and GRI G4 Airport Operators Sector Disclosures and was voluntarily disclosed in compliance with the Environmental, Social and Governance Reporting Guide published by Hong Kong Exchanges and Clearing Limited. AAHK's first Sustainable Finance Transactions Annual Report was incorporated in *Sustainability Report 2021/22*, providing details on the use of proceeds as well as the estimated environmental impacts of AAHK's inaugural green bond, which was issued in January 2022. For the first time, AAHK explicitly aligned *Sustainability Report 2021/22* with the United Nations Sustainable Development Goals through a comprehensive mapping exercise. The report was independently verified by the Hong Kong Quality Assurance Agency.

From the beginning of the financial year to the date of this report, AAHK received awards recognising its efforts to improve HKIA's sustainability and achieve its pledge of becoming the world's greenest airport. These include:

Awarding Institution	Recognition/ Award
S&P Global Ratings	HKIA became the first airport to have its ESG rating published by S&P Global Ratings, receiving a rating of 74 out of 100
Sustainalytics	HKIA received a "low risk" rating, and was included among the 50 companies in the regional list of top-rated ESG companies
Airports Council International	Level 4 – "Transformation" in the Airport Carbon Accreditation programme
Airports Council International	Gold in the over 35 million passengers per annum category of the Asia Pacific Green Airports Recognition 2023, which focused on eliminating single-use plastics
CLP Power Hong Kong Limited	Sustainable Vision Award at the Smart Energy Award 2022
Hong Kong Quality Assurance Agency	AAHK won the "Outstanding Award for Green and Sustainable Bond Issuer (Infrastructure) – Largest Single Green Bond" and was recognised as a "Pioneering Organisation in Climate Disclosure Planning"
Standard Chartered	Leadership Award in Sustainable Corporate (Environment) category of the 2022 Standard Chartered Corporate Achievement Awards
Television Broadcasts Limited	At the TVB ESG Awards 2022, AAHK won Outstanding ESG Award, Best in ESG Practices, Best in ESG Report, ESG Project Innovation Award, and Innovative Climate Technology Award
The Hong Kong Association for Customer Service Excellence (HKACE)	Bronze in "Program Award of Excellence in Environmental, Social and Governance" at the HKACE Customer Service Excellence Award 2022

CORPORATE GOVERNANCE

Sustainability Governance Structure



Note: BDC is responsible for overseeing AAHK's sustainability strategy. Sustainability-related issues may be considered by other Board Committees where relevant.

Risk Management and Internal Controls

Risk Management

The operation of AAHK encompasses a diverse range of risks. Particulars of AAHK's approach to risk management are described below:

- The annual corporate planning exercise requires all departments to identify key challenges before formulating strategic priorities or projects in their annual and rolling 5-year business plans. The status of projects is reviewed by senior management throughout the period.
- Executive management undertakes an annual review of the internal controls for key business, operational, financial and compliance risks facing each department and major subsidiary. Additional details are described in the Reviews on Internal Controls section of this report.
- The Safety, Security and Business Continuity Department assesses operational risks to ensure HKIA's preparedness and minimise the effects of potential disruptions to flows of passengers, baggage, aircraft, cargo and information. Business continuity plans are developed and tested to manage potential disruptions.
- The 3RS project has developed a risk assessment and management system tailored to its requirements that reports through the 3RSWC to the Board.

As HKIA's operations grow in size and complexity, the risk management framework is reviewed from time to time to ensure its effectiveness and robustness, which is essential in maintaining Hong Kong's status as an international aviation hub.

In light of emerging and leading practices adopted globally for enterprise risk management and sustainability governance, the Sustainability Executive Taskforce was established. Details of the taskforce, which is chaired by the CEO and has the COO and EDs as members, are disclosed in the Sustainability section of this report.

Internal Controls

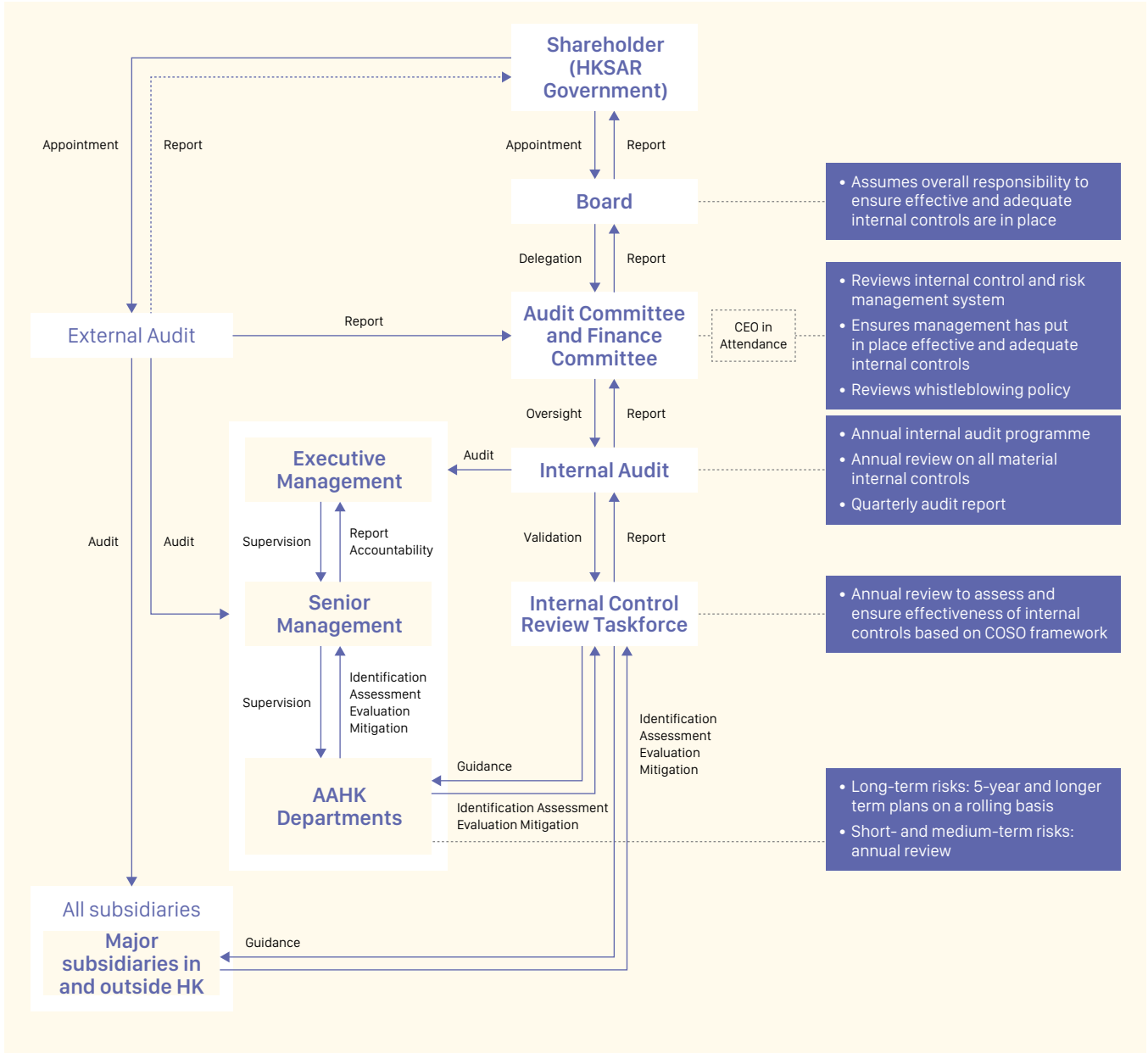
Internal controls form an integral part of AAHK's management system and are embedded in the operational procedures of functional departments. The underlying principle of AAHK's internal controls is to manage and mitigate, rather than eliminate, risks.

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

- Operations are safe, 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 conducted in compliance with relevant laws and regulations, and prudent commercial principles as stipulated in the Ordinance.

CORPORATE GOVERNANCE

Key features of AAHK's internal control framework are depicted below:



Risk management and internal controls are a critical focus for all levels at AAHK: the Board, the ACFC, executive management, and operating and supporting functions. Our quantitative risk profile is assessed through a bottom-up analytical approach covering all operating and supporting functions.

The Board

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



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 external and internal auditors and considers any control issues arising from these reports.

The ACFC reviews all risk areas presented in the risk information matrix and identifies key issues that require its further attention and, if appropriate, the Board’s focus.



Executive Management

To recognise emerging risks from economic, market or environmental changes, management conducts ongoing risk assessments. These assessments help the Board identify new exposure areas and implement appropriate mitigation measures.

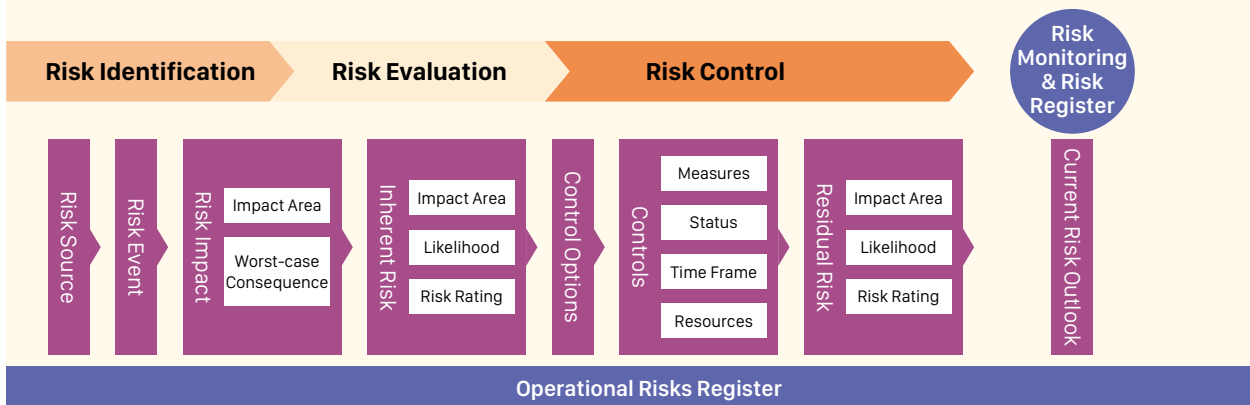
Different approaches are used to collect and analyse market intelligence and data, including close communication with business partners, industry bodies, government and opinion leaders through liaison groups, committees, international organisations and engagement exercises.

When information that may affect AAHK’s operations or risk exposure is received, follow-up or preventive measures are deliberated at regular intra- or interdepartmental meetings.



Operating And Supporting Functions

Given the myriad potential risks that may affect the operations of the airport, all operational 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 smooth operation of the airport. The key elements of AAHK’s risk identification process include the establishment of an Operational Risks Register to track and document identified risks, the development and continual updating of preventive and responsive procedures, and the testing and drilling of action plans and procedures to ensure their effectiveness.



CORPORATE GOVERNANCE

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 HKSAR, 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 that restrict the non-audit services to be provided by the external auditor. The lead engagement partner responsible for AAHK is rotated every seven years. The last rotation took place in 2019/20.

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:

(in HK\$ million)	2022/23	2021/22
Audit fees	6	5
Fees for non-audit services	3	2

The non-audit work conducted by KPMG during 2022/23 was mainly in relation to debt issuance and other advisory services.

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. The annual audit programme would maintain a commensurate attention on the following key aspects of AAHK's operations:

- Development projects, works and technical maintenance
- Airport management and commercial operations
- Financial, procurement, human resources and information technology management

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 CEO on an administrative basis and has direct access to the ACFC and its Chairman, thereby ensuring 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.

Given the size of the 3RS project, internal audit conducts an ongoing review of the project's major monitoring and control parameters, with pertinent observations included in regular reports to the ACFC. This proactive approach aims to provide timely and continual advice to the Third Runway team on issues warranting management attention. That, in turn, helps internal audit render better assurances on project governance.

In light of the Independent Commission Against Corruption (ICAC) case on the 3RS project unveiled in August 2022, extended review was carried out over the New Engineering Contract (NEC) sub-contracting arrangements and opportunities were identified for further enhancing the pertinent governance framework.

Reviews on Internal Controls

Assessing risks and reviewing the effectiveness of internal controls are continuing processes at AAHK.

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

The annual internal control review evaluates all of AAHK's major operations and processes based on 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 high-risk areas is carried out. Based on the results of these reviews, AAHK departments and major subsidiaries make representations to executive management as to whether the internal controls are working as intended or enhancements need to be made.

During the year under review, executive management reviewed AAHK's internal control system and concluded that it was effective and adequate. A consolidated internal control report was compiled and submitted to the ACFC. The ACFC reviewed the consolidated report on AAHK's risk profiles and control systems and confirmed that no significant risk control issues needed to be escalated to the Board for immediate action.

The Board then reviewed the effectiveness of AAHK's risk management and internal control systems via this consolidated report after its consideration by the ACFC, and considered the risk management and internal control systems to be effective and adequate.

Details of the principal risk profiles and controls are described in the Risk Management Report on pages 46 to 49.

Delegation of Authority

AAHK has a comprehensive system of delegation of authority under which the authority of the Board, Board Committees and different levels of executive management are clearly delineated. Such delegation of authority is reviewed from time to time to ensure it meets AAHK's evolving business and operational needs. The last review was conducted in 2017.

Under the current delegations, the 3RSWC and BDC are delegated the power to make commitments of up to HK\$1,000 million for works contracts and commercial tenders and HK\$100 million for consultancy agreements. The CEO is delegated the power to approve expenditures and commercial contracts up to HK\$200 million and consultancy agreements up to HK\$50 million.

The CEO is also delegated the full authority to approve commitments that are administrative in nature, including public utilities and government expenditures. The process for approving such commitments was reviewed and streamlined in January 2022.

To complement these delegations, a reporting mechanism is in place to keep the Board informed when certain delegated powers are exercised. Regular reports are also made to the ACFC on authority exercised by the CEO for commitments in excess of HK\$50 million.

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 HKIA 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.

CORPORATE GOVERNANCE

Financial Planning, Control and Reporting

AAHK has a robust and continuous planning process to ensure the organisation can respond to changes in a dynamic business environment in a swift and timely fashion. AAHK prepares a rolling 5-year business plan and financial plan, and an annual business plan and budget for approval by the Board. Timely updates about major developments at AAHK are provided to stakeholders and the public as part of an ongoing communications programme, to enhance understanding and facilitate communications with key stakeholders.

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 relevant staff to undergo recurrent training on AAHK's financial and internal control policies and procedures.

Results of operations against budget are reported to the ACFC on a quarterly basis and subsequently to the Board. Financial control on major capital projects is reported to and monitored by the 3RSWC at approximately bimonthly intervals. Reporting procedures are in place to ensure a potential delay or cost overrun will be reported to the appropriate level at the earliest possible stage.

Assisted by the ACFC, the Board is responsible for the preparation of financial statements that give a true and fair view of AAHK's financial position and performance. In preparing the annual financial statements, the Board adopts suitable accounting policies and applies them consistently; makes judgements that are prudent and reasonable; and prepares the financial statements on a going concern basis. The audited financial statements are usually 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 are dispatched to the HKSAR Government and the Legislative Council, and published on the HKIA website after approval by the Board.

Financial Reporting

AAHK's consolidated financial statements comply with the financial reporting requirements set out in Section 32 of the Ordinance. Our external auditor confirms the consolidated financial statements give a true and fair view of the consolidated financial position of AAHK and its subsidiaries (the Group) as at 31 March 2023 and of the Group's consolidated financial performance and consolidated cash flows for the year then ended, in accordance with Hong Kong financial reporting standards and the Ordinance. AAHK's consolidated 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 voluntarily announced its interim financial results since 2006/07.

Corporate Governance Code

While 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 generally, except for those set out below:

Code Provisions		Reason for Deviation
B.2.2 to B.2.4	These code provisions deal with the retirement by rotation of directors and appointment of independent non-executive directors.	All non-executive Members are appointed by the Chief Executive of the HKSAR pursuant to Section 3 of the Ordinance. Each term is normally three years. Board Members are not subject to re-election but may be reappointed by the Chief Executive.
B.3.1 to B.3.4	These code provisions deal with the nomination committee.	These provisions are not applicable to AAHK. Pursuant to Section 3 of the Ordinance, Board Members are appointed by the Chief Executive of the HKSAR.
C.1.3	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.	These provisions are not applicable because all of AAHK's shares are held by the HKSAR Government and are not traded.
D.2.4 (e)	This code provision relates to the disclosure of procedures and internal controls for handling and disseminating inside information.	
E.1.2(a)	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 HKSAR.
F.2.2	This code provision deals with the proceedings for annual general meetings.	The provision is not applicable because AAHK has only one shareholder and is not required to hold annual general meetings.

Recommended Best Practices		Reason for Deviation
D.1.5	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 because of concerns about committing excessive resources to comply with the form rather than the substance of the practice. As a matter of fact, quarterly financial reports are presented to the Board and the ACFC of which representatives of the sole shareholder, the HKSAR Government, are members.

CORPORATE GOVERNANCE

Accountability

AAHK considers accountability one of the fundamental pillars of corporate governance and has built its corporate structure and management culture on this concept.

Under the current structure, the Board is accountable for the performance of AAHK. Executive management led by CEO is responsible for AAHK's day-to-day operations and business and is accountable to the Board for its performance.

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.

Ethical Culture

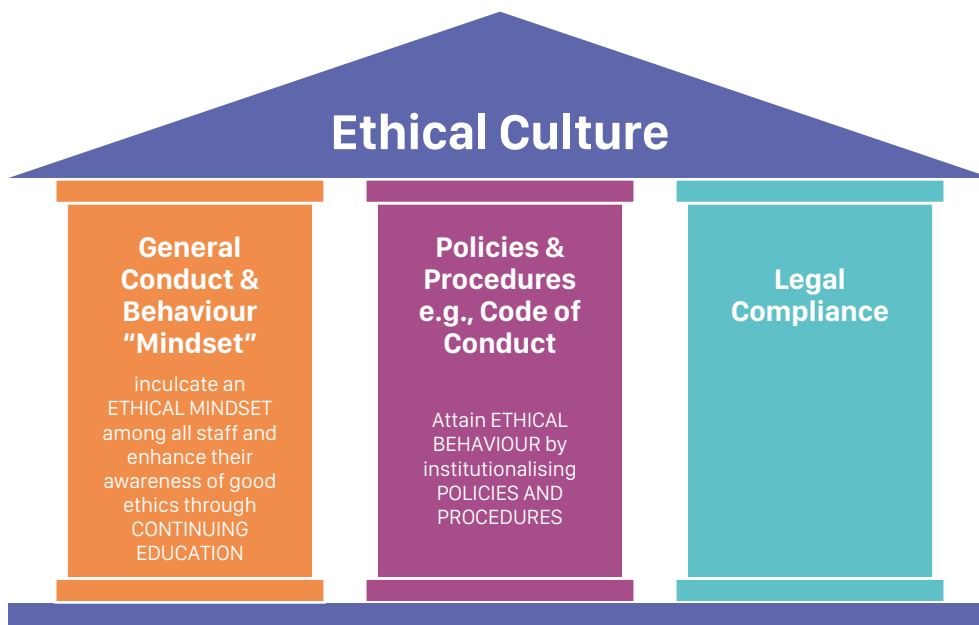
AAHK requires all staff to maintain the highest level of ethics and integrity in conducting the affairs of AAHK. To this end, the AAHK Code of Conduct (the Code) provides guidelines to help staff make ethical decisions in the course of discharging their duties, sets out their legal and ethical obligations to AAHK and its stakeholders, and advises them against inappropriate behaviour.

The Code stipulates the standard of behaviour expected of all staff including the requirement to comply with

applicable laws and regulations, AAHK's policies on handling conflicts of interest, avoiding solicitation and acceptance of advantages, safeguarding AAHK's property, information and records, etc. The Code was reviewed in August 2016 with reference to the "Sample Code of Conduct for Employees of Public Bodies" issued by the ICAC. The Code was updated in January 2021 with major changes relating to anti-discrimination to provide broader protection to employees against workplace discrimination and harassment. In October 2022, the Code was updated again to strengthen governance regarding the acceptance of entertainment.

All staff are expected to know and comply with the Code. To this end, every new employee is required to participate in online training on the Code in their first month of employment. Staff are also required to complete an annual refresher course and pass a test. To raise awareness of common forms of corruption and malpractice, and the legal implications for public bodies and their employees, function-specific mandatory training entitled "Integrity – Key to Success", was introduced in 2022/23. All staff are required to attend this training every three years.

To inculcate an ethical mindset among staff and to enhance their awareness of desirable ethical behaviour, different organisations, such as the ICAC and the Equal Opportunities Commission, are invited to hold workshops and sharing sessions with case studies throughout the year.



Compliance training is conducted to instil an ethical culture in new staff:

Category	Training/Topic	Timeline
General Mindset and Behaviour (Mandatory)	<ul style="list-style-type: none"> • Orientation for new hires <ul style="list-style-type: none"> – Importance and framework of corporate governance – Highlights of Code of Conduct 	Within three months
	<ul style="list-style-type: none"> • Code of Conduct 	Within one month Annual refresher
	<ul style="list-style-type: none"> • Staff Information Security Handbook 	Within one month Annual refresher
	<ul style="list-style-type: none"> • Employee Safety Handbook 	Within one month
	<ul style="list-style-type: none"> • Brief introduction to AAHK's environmental management system 	Within one month
Legal Compliance (Mandatory)	<ul style="list-style-type: none"> • Briefing on equal opportunities • Seminar on data privacy • ICAC briefing: General awareness • ICAC briefing: Misconduct in public office 	Within one month
Procedures and Practices (By Nomination)	<ul style="list-style-type: none"> • Internal audit workshop • Finance policies workshop • Information technology policies workshop • Procurement policies workshop • Overseas business travel workshop 	Within six months

Quality of Staff

AAHK believes effective corporate governance hinges not only on the control systems in place but also the people involved in formulating, overseeing and implementing them. We therefore place considerable emphasis on rigorous recruitment and selection, purposeful staff development and succession planning, and a compensation and reward system that aims to maintain a team of quality and highly motivated staff. To drive staff performance and behaviour, AAHK implements a variable compensation scheme under which a part of 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 changing circumstances and best practices.

Whistleblowing Policy

To further strengthen corporate governance, a whistleblowing policy is in place to encourage and guide staff to raise serious concerns about impropriety, including malpractice, unethical behaviour and violations of the Code, directly to the Chief Internal Auditor for investigation, if appropriate, without any risk of retribution. Ethics-related matters are referred to the Ethics Panel for review. Comprising members of senior management, the Panel makes recommendations to the CEO after due consideration of the matter. The whistleblowing framework is subject to regular review for pragmatic improvements.

RISK MANAGEMENT

Airport Authority Hong Kong (AAHK) recognises the risks it faces and manages those risks by establishing a good internal control environment and making continual improvements in response to changes in the operational environment and its business needs. The Corporate Governance Report on pages 21 to 45 sets out details of our risk management and internal control systems.

Risk Profiles and Controls

The key risks identified in the annual review for 2022/23 and controls put in place are set out in the following section.

A more detailed description of the major risk factors relating to the USD bond issued on 13 January 2023 is on pages 13 to 33 of the Offering Memorandum (https://www.hongkongairport.com/iwov-resources/file/airport-authority/tender-notices/USDBonds2023_OM.pdf).

Strategic and Operational Risks

Strategic risks may arise from poor business decisions, substandard execution of decisions, inadequate resources or failure to respond to changes in the business environment. Inadequate or failed procedures, systems or policies can lead to operational risks.

Major Challenges	<ul style="list-style-type: none"> • Maintaining Hong Kong as a centre of international and regional aviation is part of AAHK's statutory mandate • Normalising traffic demand, particularly passenger traffic, as early as possible • Ensuring availability of project management staff and skilled labour to successfully deliver the Three-runway System (3RS) and other projects • Maintaining high service standards • Preparing for unforeseen disruptions to flow management • Attracting and retaining sufficient staff for the operation and development of Hong Kong International Airport (HKIA)
Controls in Place	<ul style="list-style-type: none"> • The 3RS is a strategic development project that will help to enhance Hong Kong's long-term competitiveness and economic development • Procure external consultants and specialists to augment in-house project management resources • Maintain close collaboration with educational, trade and government bodies to provide training for local workers • Constantly monitor and regularly review service delivery standards and operating procedures • Contingency plans and regular drills are in place to test the response capabilities of all concerned parties and minimise impact on passengers • Adopt predictive and smart technologies to improve operational efficiency • Continually invest in facilities upgrades and replacement projects to ensure efficient and safe operation • Precautionary measures are in place to safeguard the health and safety of passengers and airport staff • Relief measures to support the airport community

Environmental Risks

Sustainability and environmental considerations are integral to our strategy for developing and expanding HKIA. AAHK is committed to ensuring that environmental impacts are managed and, wherever possible, minimised in our operations and development.

Environmental risks are identified and assessed through an internal control exercise. Material risks to the Sustainability Risk Profile are escalated to senior management, who will consider preventive or responsive controls. Where relevant, the advice and support of the Business Development Committee and/ or the Board will be sought for appropriate mitigation measures. At the Board level, the Audit Committee and Finance Committee is responsible for reviewing AAHK's risk management system, while the Business Development Committee is responsible for monitoring sustainability issues relating to the operation and development of HKIA.

Three categories of environmental risk have been identified: regulatory, reputational and operational.

Environmental Risks

Major Challenges	<ul style="list-style-type: none"> • Meeting more stringent environmental regulations and standards • Implementing initiatives to achieve AAHK's environmental targets
Controls in Place	<ul style="list-style-type: none"> • Adopt an airport-wide approach that proactively engages our business partners in a range of environmental programmes • Maintain an environmental management system in accordance with ISO 14001 • Continue to ensure that projects, including the 3RS, incorporate environmental considerations from an early planning stage • Pilot new technologies and scale up initiatives that can significantly contribute to reducing HKIA's environmental footprint • Ensure any environmental initiatives implemented are supported by a sound business case that is based on a combination of cost and/ or risk reduction

Details of our environmental initiatives are set out in *Sustainability Report 2021/22*, which is available at https://www.hongkongairport.com/iwov-resources/file/sustainability/sustainability-report/AA_Sustainability_Report_202122_ENG.pdf.

Safety, Security and Health Risks

Application of Smart Security forms the foundation of HKIA's approach to security management. Smart Security brings increased operational efficiency, strengthened security, and an improved passenger experience. The effective planning and implementation of technology-driven security initiatives in mobile patrol, access control and screening operations are the focuses at HKIA over the next decade. While formulating technology-reliant strategies to address the changing expectations of passengers for security, convenience, speed, accessibility, and automation, HKIA remains vigilant to risks that may compromise a safe and healthy operating environment in the wake of the Covid-19 pandemic.

Major Challenges	<ul style="list-style-type: none"> • Upholding high standards of safety amid the recovery in passenger traffic and preparing for the commissioning of new projects and facilities • Airport security processes are traditionally time- and labour-intensive. Amid the gradual recovery in air traffic, AAHK faces increasing challenges in maintaining security operations with fewer resources and new staff, who may not be completely familiar with airport operations • As an international gateway, HKIA continues to encounter risks from global public health concerns and regulatory requirements for diseases such as Covid-19, mpox (Monkeypox), etc.
Controls in Place	<p>Safety</p> <ul style="list-style-type: none"> • Operate an effective Safety Management System and regularly review its implementation to ensure continuous improvement • Introduce Safety eBus, a new initiative to enhance the coverage and efficiency of safety promotion activities targeting our business partners' frontline staff • Maintain an online hazard reporting system for the airport community to recognise and follow up on safety concerns <p>Security</p> <ul style="list-style-type: none"> • Adopt innovative solutions that improve operational efficiency without compromising security standards. This includes the automation of "B" endorsement checks in the Terminal 1 Baggage Hall and the deployment of autonomous patrol cars at the HKIA perimeter • Continually explore new technologies, such as artificial intelligence, facial recognition and stand-off screening, to augment security by creating a robust, layered security regime • Reinforce security awareness among staff by organising promotional activities at HKIA including briefings, roadshows, videos, games, etc., and inculcating a security culture that "Aviation Security is Everyone's Responsibility"

RISK MANAGEMENT

Safety, Security and Health Risks

Controls in Place	<p>Health</p> <ul style="list-style-type: none"> • Monitor public health risks and coordinate with the Government of the Hong Kong Special Administrative Region to establish precautionary strategies and standards to protect the health and safety of HKIA staff and the travelling public • Coordinate and timely communicate with the airport community on the implementation or revocation of health initiatives such as vaccination, testing, automated temperature screening, social distancing, segregation, and enhanced cleaning and disinfection • Familiarise responders with emergency protocols for public health incidents, and raise the airport community's awareness of personal hygiene and public health risks through joint exercises, workshops, announcements, posters and leaflets, etc.
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Financial Risks

AAHK is exposed to a variety of financial risks.

Major Challenges	<ul style="list-style-type: none"> • Credit risk • Liquidity risk • Interest rate risk • Foreign currency risk
Controls in Place	<ul style="list-style-type: none"> • Credit policies are in place and exposure to credit risks is monitored on an ongoing basis • Regularly monitor current and expected liquidity requirements to ensure that AAHK maintains sufficient cash reserves and credit facilities from major financial institutions to meet its liquidity requirements in the short and long term • Interest rate swaps, denominated in Hong Kong dollars, are used to achieve an appropriate mix of fixed and floating interest rate exposure • Currency swaps and forward exchange contracts are used to manage 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 23 to the Financial Statements on pages 138 to 145

Information Technology Risks

The effectiveness and security of IT systems is instrumental to HKIA's operational resilience. A disruption to HKIA's IT services or a system failure may affect airport operations.

Major Challenges	<ul style="list-style-type: none"> • Adoption of new technologies and the rise in the intensity and sophistication of cyberattacks may introduce more superficial attacks or security vulnerabilities to HKIA's IT infrastructure and systems
Controls in Place	<ul style="list-style-type: none"> • IT governance and cybersecurity risk management frameworks ensure consistent risk assessment and management • An annual review ensures IT projects align with corporate strategies • Continual monitoring of emerging IT security risks, with proactive measures to enhance risk awareness and mitigate risks • Preventive, detective and containment measures help mitigate security threats. Monitoring tools alert management to risks and vulnerabilities • An annual IT review and mitigation planning process is in place. The progress of this process is reviewed regularly • The strategic direction of technology adoption, innovation and cybersecurity control is monitored and steered by executive management on an ongoing basis

Legal and Regulatory Risks

Effective management of legal and regulatory risks helps management avoid taking unnecessary and imprudent risks in the business, operation and development of HKIA.

Major Challenges	<ul style="list-style-type: none"> • Violation of laws, non-compliance with regulatory requirements and breach of contracts, even if unintentional, may bring about legal consequences affecting AAHK, including damage to reputation, disruption to business or operations, and pecuniary loss associated with enforcement actions and lawsuits • Growing complexity in global regulatory regimes and increasing extraterritorial effects may affect the existing and future business relationships or arrangements between AAHK and its business partners or suppliers • New and enlarged global data privacy regulations and increasing extraterritorial effects may increase AAHK's compliance costs and impact its business operations
Controls in Place	<ul style="list-style-type: none"> • A proactive and forward-looking approach to monitor changes in government policy and legislation • Judgments, rulings, regulatory actions and complaints are reviewed to identify potential areas of risks to AAHK • Policies, procedures and mitigation measures are in place to manage risks and address changes in a timely way. These tools guide management to operate legally and within AAHK's acceptable risk level • Ongoing liaison with management and education to manage risks and adapt to any changes • A comprehensive review was conducted after the August 2022 Independent Commission Against Corruption (ICAC) case relating to the 3RS Project. The review identified no quality abnormalities, and works carried out by the ICAC-listed sub-contractors had complied with statutory and AAHK's quality requirements

Human Resources Risks

Airport expansion to meet future demand is a key work focus in the medium to long term. An insufficient supply of talent to support airport development will adversely affect HKIA's growth and hub status.

Major Challenges	<ul style="list-style-type: none"> • Acquiring sufficient talent to support HKIA's expansion • Implementing staff development plans to support AAHK's long-term development • Maintaining an effective remuneration system to drive performance and retain good performers
Controls in Place	<ul style="list-style-type: none"> • A human resources plan up to 2027/28 and resourcing strategies ensure a timely supply of talent • Continued enhancement to AAHK's people development framework and training curriculum to ensure staff have the expertise and experience to support the airport's growth • Periodic reviews of the remuneration framework, including grading, salary and benefits structures and pay mix, providing principles for determining individual remuneration packages at all levels

Reputation Risks

Public sentiment and socio-economic dynamics may have implications for AAHK's corporate image.

Major Challenges	<ul style="list-style-type: none"> • Managing and pre-empting possible reputational risks
Controls in Place	<ul style="list-style-type: none"> • Public sentiment and socio-economic dynamics are closely monitored • Continuous engagement with key stakeholders to enhance their understanding of and gauge their views on HKIA's short-, medium- and long-term development • A database is used to track and monitor public affairs issues • Engagement plans are in place to ensure effective communication with key stakeholder groups on an ongoing basis

EVENT HIGHLIGHTS

2022

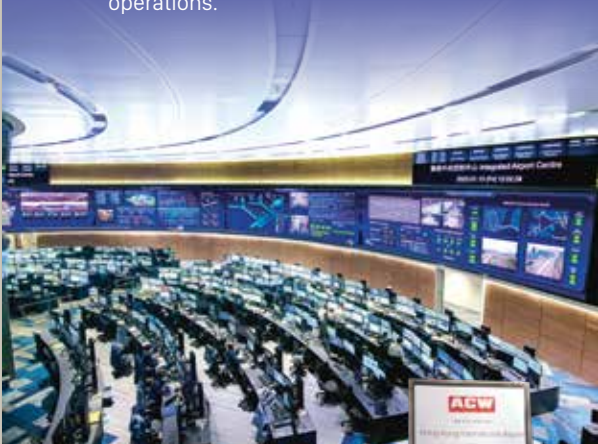
APR Hong Kong International Airport (HKIA) is ranked the world's busiest cargo airport by Airports Council International (ACI).
Flight checks for the Third Runway are completed.



MAY In preparation for commissioning the Third Runway, HKIA conducts an extensive security sweep and an aircraft crash and rescue exercise. HKIA's aerodrome licence is renewed to include the new runway and associated taxiways.



JUN HKIA is the first airport to have its environmental, social and governance performance publicised by S&P Global Ratings, scoring 74 out of a possible 100 points.
The new Integrated Airport Centre commences operations.



HKIA is named Airport of the Year 2022 at the World Air Cargo Awards.



JUL New multimedia installations debut in Terminal 1 (T1).

A flight operation familiarisation programme begins for the Third Runway.



Airport Authority Hong Kong (AAHK) opens HKIA Tower Two. The new building provides a quality work environment for staff of AAHK and the Aviation Security Company Limited.

Greater Bay Airlines – a new Hong Kong-based carrier – begins operations at HKIA.



The three grade A office towers – called K11 ATELIER 11 SKIES – open in SKYCITY.

AUG Autonomous electric tractors start full operation transporting cargo at HKIA.



AAHK publishes *Sustainability Report 2021/22*, its 10th annual sustainability report.

SEP For the seventh consecutive year, HKIA is named best global airport at the 2022 Asian Freight, Logistics and Supply Chain Awards.

HKIA is crowned China's Leading Airport at the 29th World Travel Awards.



OCT Renovated boarding gate areas are unveiled in T1.



Passengers gain additional convenience as Flight Token – a biometrics-based system for passenger identification – now covers the entire departure journey.



HKIA becomes the first airport community to be recognised by the International Air Transport Association as a Partner Airport in its Centre of Excellence for Independent Validators for Live Animals Logistics programme.

HKIA is named “Cargo Airport of the Year – Asia Pacific” at the Payload Asia Awards.



DEC HKIA ramps up cross-boundary transport services as travel between Hong Kong and the Mainland gradually returns to normal.

The HKIA Community Building, which houses a range of dining and leisure facilities for airport staff, is launched.



2023

JAN AAHK is included in Sustainalytics’s 2023 list of ESG Top-Rated Companies.



NOV Sky Bridge, which connects T1 and T1 Satellite Concourse, opens.



CHANEL, Hermès and Louis Vuitton open duplex stores in T1’s East Hall luxury shopping zone.



AAHK signs a memorandum of understanding (MoU) with the Zhuhai Municipal People’s Government to deepen collaboration with the nearby city.

The Three-runway System project passes a major milestone as the Third Runway is officially commissioned.



FEB



AAHK signs an agreement with the Dongguan Municipal People’s Government to deepen collaboration on the development of a novel sea-air intermodal cargo transshipment model for the Greater Bay Area.

HKIA receives the gold award in the over 35 million passengers per annum category of the ACI Asia-Pacific Green Airports Recognition 2023.

MAR



The HKIA “World of Winners” Tickets Giveaway Campaign kicks off. The promotion will distribute 500,000 air tickets to global travellers.

HKIA Consultancy Limited signs an MoU to provide advisory services on airport management and development to the U-Tapao International Airport and Eastern Airport City Development Project in Thailand.





PASSENGER SERVICES

Hong Kong International Airport (HKIA) now offers travellers an especially warm welcome. In addition to new retail and dining offerings, many facilities have been refreshed and revitalised to make the airport journey more enjoyable than ever.

A renewed experience

In 2022/23, we introduced numerous aesthetic and functional upgrades.

Throughout Terminal 1 (T1), digital installations now reveal specially curated content to create a fun, engaging experience. The Crystal Elevator – a giant, 92-square-metre LED wall – in the centre of the Meeters and Greeters Hall shows scenes of nature and the many facets of Hong Kong. The LED wall can also display live broadcasts. In the Arrivals halls, a waterfall gently flows down a video wall,



while simulated streams, creeks and ponds offer a tranquil environment for travellers. The installations incorporate sensors that generate visual effects when guests step into the virtual water or under the waterfall. Meanwhile, boarding gates in the Central Concourse feature Totems of Joy that combine real-time flight information with dynamic digital artwork.

More attractions await passengers as they make their way through the terminal. As part of our East Hall expansion, we opened the 400-square-metre Sky Garden. Adorned with artwork and lush greenery, this outdoor terrace is a comfortable place to relax before a flight. Young travellers will be thrilled to explore a two-storey-high children's playground.

This year, we completed an extensive renovation of the boarding gates on Level 6 of T1. The update includes the creation of special themed areas: the Wonder Zone stimulates travellers' senses with amusing videos, immersive games and virtual reality booths, the Buzz Zone entertains youngsters with interactive games and playground equipment, while the Recharge Zone has cosy reclining chairs and a relaxing green atmosphere. The project also introduced new seats and flooring, as well as comfortable furniture where passengers can work alone or in groups. Extra electrical outlets were added for travellers' convenience, and new sculptures by local artists further enrich the environment.

◀ **New multimedia installations enchant travellers with creative, dynamic content.**

PASSENGER SERVICES



Passengers enjoy immersive games and entertaining videos in the renovated boarding gate areas.



In November 2022, we commissioned Sky Bridge. This 200-metre-long, 28-metre-high span between T1 and T1 Satellite Concourse replaces the shuttle buses that ferried passengers between the two buildings. It is the world's longest airside footbridge, and allows even the largest passenger aircraft to pass underneath. Fitted with a glass floor and walls, as well as an observation deck, Sky Bridge is the ideal spot to take in the stunning views of passing aircraft and the apron.

In addition to enhancing the airport environment, during the year we launched new facilities that serve passengers' various needs.

Two new Caring Corners opened in T1. Located near Departures Gate 36 on Level 6 and in Arrivals Hall A on Level 5, the Caring Corners are spacious, comfortable areas tailored to travellers with special needs. Specially designed wheelchair parking areas with adjacent seating allow wheelchair users and their caregivers to sit together. All seats in the Caring Corners are equipped with USB charging points, and customer service staff are stationed nearby during peak hours.



In October 2022, we unveiled a new commercial lounge for travellers desiring extra luxury. Featuring an elegant, sophisticated design, the HKIA VIP Lounge lets passengers complete check-in, security screening, and immigration and customs clearance procedures in privacy and comfort. A range of complementary services – including showers, fine dining, personal shoppers, chauffeur transfers to and from gates, and limousines to and from HKIA – deliver a well-rounded experience. The lounge also includes private suites that are suitable for business meetings.

To cater to passengers' increased interest in hygiene, we introduced Gatebot, a system that uses far-ultraviolet-C light to disinfect baggage trolleys. Gatebot kills 99% of viruses and bacteria within 3.5 seconds, and can sanitise 15 trolleys per minute. The device is equipped with sensors to prevent it from colliding with people and objects. A baggage disinfection system using the same technology is being installed on arrival belts in the Baggage Reclaim Hall.

We also commenced several new services in 2022/23. For example, we now offer valet parking. Passengers can pre-book the service at www.hongkongairport.com and simply drop their car at the T1 Departures Kerb upon arriving at HKIA. They can retrieve their car from Car Park 4 when they return to Hong Kong.



Standing above a taxiway, Sky Bridge provides an excellent vantage point for photographing aircraft and the apron.

PASSENGER SERVICES



▲ Travellers using the valet parking service can simply drop their car at T1 and let the attendant take care of the rest.

In January 2023, off-airport check-in and baggage delivery resumed. Departing passengers can have their baggage collected from designated locations in town, while arriving travellers can have their bags delivered to their hotel or home in Hong Kong.

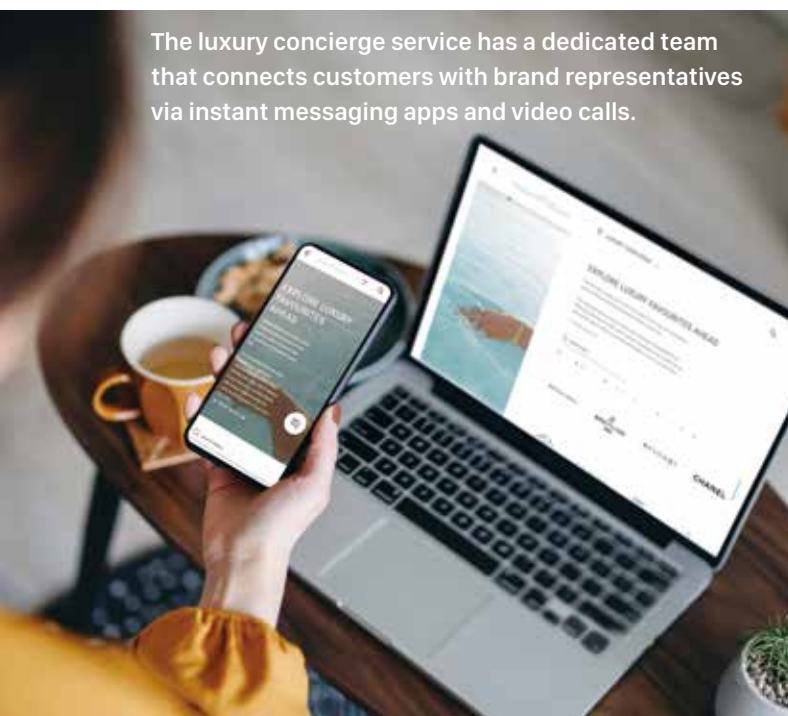
During the year, we rolled out HKIA Connects, which eliminates the need for self-connecting passengers to reclaim their baggage, complete customs and immigration formalities, and check in again. Travellers can reserve this paid service on our website before they arrive in Hong Kong.

Shopping and dining delights

All shops and restaurants in T1 are now open.

During the year, new duplex CHANEL, Hermès and Louis Vuitton boutiques opened in the East Hall luxury shopping zone, while new stores by Tea WG and Fortnum & Mason further diversified our retail mix. We also welcomed our first airside bank branch, operated by The Hongkong and Shanghai Banking Corporation Limited, to provide travellers with wealth management services.

▼ In the East Hall luxury shopping zone, new duplex outlets operated by CHANEL, Hermès and Louis Vuitton offer an expanded selection.



The luxury concierge service has a dedicated team that connects customers with brand representatives via instant messaging apps and video calls.



Offering passengers quality grab-and-go meals, new food and beverage outlets, including Lee Fa Yuen Express, ManJie Dumplings, Tong Kee Bao Dim, Maison Kayser and Yuan Is Here, were introduced. Fit-out works for a new 24-hour food court in the Central Concourse and a new restaurant on Sky Bridge are under way. Scheduled to open in mid-2023, both will offer excellent views of the apron.

In November 2022, we launched our HKairport Rewards loyalty programme to the public. The programme now has around 150,000 members. In addition to year-round privileges, members of HKairport Rewards receive points for purchases in HKIA’s shops and restaurants, and our online shop, HKairportShop.com. Points can be converted into e-coupons for purchases at HKIA.

To further delight shoppers, in March 2023 we debuted a luxury concierge service on HKairportShop.com that lets customers explore their favourite premium products before they fly. Using WhatsApp, WeChat and video calls, passengers can obtain personalised advice, check availability, and buy or reserve products. Meanwhile, product showcases and personal shopping services are available upon request for passengers using the HKIA VIP Lounge.



South East Asia	USA & Canada
30%	8%
Japan	Taiwan
16%	7%
Mainland	Australasia
13%	5%
Europe	Others
11%	10%

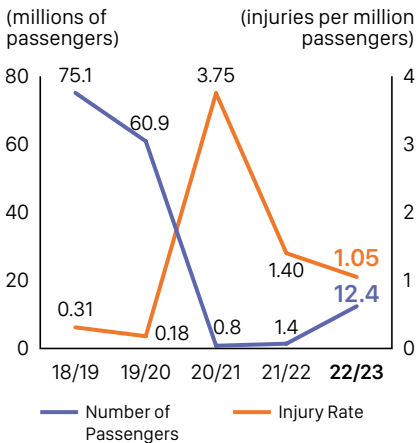


PASSENGER SERVICES



Qualified passengers can now use the Flight Token system to complete immigration formalities more conveniently, following the launch of Flight Token e-Channels.

Passenger Traffic and Injury Rate



Smart, seamless travel

We use technology to make travel at HKIA simpler and stress-free.

This year, another checkpoint was added to Flight Token, a biometrics-based system that lets passengers use their face for identification, when the Hong Kong Immigration Department introduced Flight Token e-Channels.

Flight Token increases traveller convenience by eliminating the need to repeatedly present a boarding pass and travel document at airport checkpoints. Hong Kong residents aged 11 or above, who hold a Hong Kong Special Administrative Region (SAR) passport, a Mainland Travel Permit for Hong Kong and Macao Residents or a Hong Kong SAR Document of Identity for Visa Purposes, and fly on participating airlines can now complete the entire departure process – from bag drop and security screening to immigration clearance and aircraft boarding – using Flight Token. Travellers holding other passports can also enjoy the Flight Token journey, except for immigration clearance.

All departure gates in T1 now have e-Boarding Gates that support Flight Token. Passengers can enrol in the Flight Token programme at smart check-in kiosks and airline check-in counters. We are working with our airline partners to enable enrolment through their mobile apps. Flight Token won the “Award of the Year” and “Smart Mobility Grand Award” at the Hong Kong ICT Awards 2022.

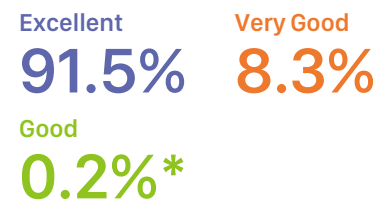
In 2022/23, several features, including valet parking, were added to our “My HKG” mobile app. A range of additional, personalised services that will help passengers plan their journey at HKIA are now being developed. “My HKG” was named “Best in Future of Digital Innovation” at the Hong Kong IDC Future Enterprise Awards 2022.

We also take advantage of technology to better understand passenger behaviour, which helps us allocate resources and plan services and facilities more effectively. For example, we now monitor people’s dwell time at check-in counters, retail areas and boarding gates, and use this data to minimise the time passengers spend in queues.

During the year, we introduced a centralised system to manage the growing number of robots at HKIA. The system, which includes location tracking, event/task control and teleoperation, now manages our patrol robots. Ultimately, it will provide a universal interface for robots in the terminal buildings.

Airport safety, security and business continuity

In 2022/23, we held 37 drills and exercises, and 72 training workshops that addressed a variety of operational and emergency scenarios. Extra drills were arranged to support the commissioning of the new Airport Emergency Centre.



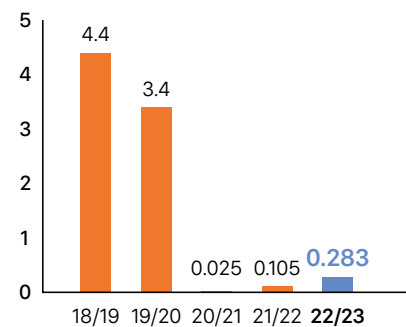
* There were two cases of Overall Satisfaction scoring 3 (Good) in 2022/23.



▲ Different drills and exercises, including those conducted at new facilities like Sky Bridge, ensure HKIA is well-prepared for emergencies.

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

(millions of passengers)



PASSENGER SERVICES

Service Performance in 2022/23

Baggage Delivery (First Bag)¹
99.7%

Baggage Delivery (Last Bag)²
99.3%

Passenger Embarkation & Disembarkation by Air Bridge
99.7%

Departures Security Screening Under Normal Circumstances³
99.7%

Transfer Security Screening Under Normal Circumstances³
99.0%

- ¹ The target for delivery of the first bag to baggage reclaim is 20 minutes. The target for bags from aircraft at the Midfield and remote parking bays is 25 minutes owing to the distance.
- ² The target for delivery of the last bag to baggage reclaim is 40 minutes throughout the airport.
- ³ Passengers whose queuing time at the screening channels is 4.5 minutes or less under normal circumstances.

We staged our typhoon readiness exercise in March 2023. “Summer Blow 2023” involved some 450 participants from government departments, local airlines, and ground and ramp handling agents. The exercise tested our weather-related contingency plans and the new Airport Emergency Centre.

This year, we began replacing fingerprint-based access control systems at staff entrances to the restricted area with facial recognition technology that incorporates liveness detection. The new system enhances security and the performance of identity checks. In addition, a new access management system, which automatically verifies airside vehicles’ licences when they enter the restricted area, was put into operation.

Working with our business partners to raise the community’s safety awareness, in June 2022 we launched the Safety eBus. The mobile promotional platform travels throughout HKIA to communicate safety messages to airport staff. Airport Authority Hong Kong (AAHK) was recognised at the 21st Hong Kong Occupational Safety and Health (OSH) Award, where the Safety eBus won gold in the OSH Promotion Award category.



▲ Cross-boundary land transport at HKIA resumes as travel between Hong Kong and the Mainland returns to normal.



Sailings from SkyPier increase to meet rising demand.

Building Greater Bay Area connections

As travel restrictions and quarantine requirements were lifted, land and sea transport services resumed between Hong Kong and Macao, and between Hong Kong and the Mainland.

In 2022/23, SkyPier restarted sea-to-air and air-to-sea ferry services to Dongguan Humen, Macao Taipa and Zhongshan. Sea-to-air services between Shenzhen Shekou and SkyPier resumed in October 2020, and the number of sailings increased during the year to meet rising demand. Air-to-sea services from SkyPier to Shenzhen Shekou also resumed this year.

The new Pazhou Port is being added to SkyPier's network. Pazhou Port is next to the China Import and Export Fair (Canton Fair) Complex in Guangzhou's Haizhu district, which is home to the headquarters of many e-commerce enterprises.

Since the beginning of 2023, cross-boundary land transport operators restarted services to a number of cities in the Greater Bay Area (GBA), including Guangzhou, Jiangmen, Zhuhai, Foshan and Dongguan. Services to land control points, including the one at Liantang/Heung Yuen Wai are now available, and city terminals in the GBA gradually resumed services.

This year, Greater Bay Airlines and Vietjet Air joined the upstream check-in service.

We maintain close communication with relevant authorities and cross-boundary transport operators about recommending services to other upstream ports and land points when conditions permit. As we focus on resuming services, we also continue to liaise with governments and transport operators to enhance intermodal services between HKIA and the GBA.

In the meantime, we are working to forge new GBA connections. In 2022/23, construction of the SkyPier Terminal and the associated bonded bridge was substantially completed. Upon receipt of statutory approvals, the SkyPier Terminal, and the bonded bus service between HKIA and the boundary crossing facilities in Zhuhai and Macao via the Hong Kong-Zhuhai-Macao Bridge (HZMB), will begin operation in 2023.

In November 2022, AAHK signed a memorandum of understanding with the Zhuhai Municipal People's Government. Through the agreement, HKIA and Zhuhai Airport will leverage the strengths of their respective air networks and the HZMB to deliver seamless travel through the "Fly-Via-Zhuhai-HK" passenger transit service.

With advanced infrastructure and pioneering cargo services, Hong Kong International Airport (HKIA) is well-positioned for long-term growth.

DHL Central Asia Hub expansion

During the year, DHL Express completed an expansion programme at its Central Asia Hub at HKIA that increased the handling capacity of the facility by 50%, to over 1 million tonnes per annum. The expanded facility is equipped with improved technologies to ensure the highest level of efficiency. An upgraded material handling system boosted the hub's hourly throughput from 75,000 to 125,000 shipments, and fully automated X-ray machines accelerate the shipment inspection process by three times. In addition, a quality control centre monitors flight movements in real time, allowing DHL Express to proactively alert customers to delays. The hub also features advanced security and access control systems.

The expansion provides HKIA with additional capacity to meet the burgeoning demand for e-commerce and express cargo.

Special cargo services

To strengthen our position as a prime logistics hub, we continually invest in high-growth, high-value cargo services.

In October 2022, HKIA became the first airport community to be accredited by the International Air Transport Association (IATA) as a Partner Airport in its Centre of Excellence for Independent Validators (CEIV) for Live Animals Logistics programme. The accreditation highlights the skill and professionalism of HKIA's cargo community, as well as their dedication to the welfare and safety of animals during the transport process.

An expansion programme at DHL Central Asia Hub boosts the facility's handling capacity by 50%. ▶



A large cargo aircraft, likely a Boeing 747, is parked on a tarmac. The aircraft is white with blue and orange accents. The word "Aero" is visible on the tail, and "Express" is visible on the fuselage. Ground crew members are visible on a scissor lift platform near the aircraft. Various ground support equipment, including cargo containers and pallets, are scattered around the aircraft. In the background, there are several tall, thin light poles and a control tower.

AND AVIATION SERVICES

This year, Asia Airfreight Terminal (AAT), Cathay Cargo Terminal (CCT) and Hong Kong Air Cargo Terminals obtained CEIV Lithium Batteries certification. This programme recognises the community's ability to consistently adhere to the highest standards in handling lithium batteries.

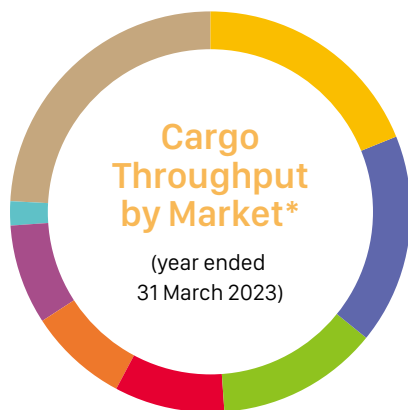
HKIA is one of the few airports where the cargo community has attained all of IATA's CEIV standards – covering the handling of pharmaceuticals, perishable products, live animals and lithium batteries.

With the expansion of temperature-controlled facilities at AAT and CCT during the year, HKIA now has over 7,000 square metres of cold room capacity.

CARGO AND AVIATION SERVICES



The planned HKIA Logistics Park in Dongguan will allow HKIA to capture additional cargo volume from the GBA.



USA & Canada

19%

South East Asia

17%

Europe

13%

Mainland

9%

Japan

8%

Taiwan

8%

Australasia

2%

Others

24%

* Airmail is excluded.

HKIA Logistics Park

HKIA handles about three quarters of the international air cargo of the Greater Bay Area (GBA). Airport Authority Hong Kong (AAHK) is developing a novel intermodal transshipment model by setting up HKIA Logistics Park in Dongguan and a new airside intermodal cargo pier at HKIA. The project will extend HKIA’s cargo catchment area further into the GBA, and will reduce operating costs for transshipments by about 50% and handling time by one-third when it is fully implemented.

Under this model, security screening, palletisation and airline acceptance of export cargo from the GBA can be completed upstream in Dongguan, with all procedures complying with Hong Kong’s air cargo regulations. The cargo will then be transported by ship to the airside of HKIA for direct uplift to overseas destinations as transshipments. Shipments can also be imported to Mainland China via HKIA and the logistics park.

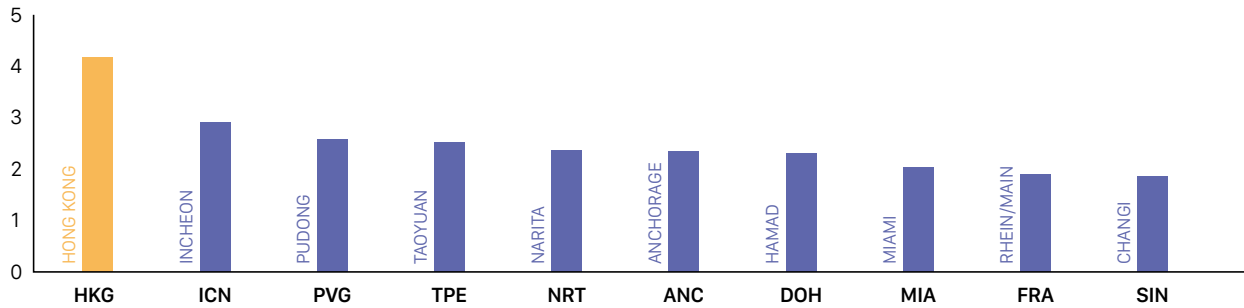
In 2021/22, AAHK began a pilot scheme for sea-air intermodal shipments between Dongguan and HKIA. The scheme progressed steadily in 2022/23 and successfully implemented upstream screening, palletisation and cargo acceptance. It will continue to expand with the participation of additional airlines and freight forwarders.

On the other side, design of the airside transshipment handling facility and intermodal cargo pier at HKIA started in 2022/23, and AAHK is targeting completion of permanent facilities by 2025.

To confirm the development of the long-term HKIA Logistics Park in Dongguan, in February 2023 AAHK signed a cooperation framework agreement with the Dongguan Municipal People’s Government. Further to the memorandum of understanding (MoU) signed by the two parties in 2020/21, the agreement outlines how they will deepen their collaboration in enhancing air cargo services in the GBA and implementing customs clearance initiatives by Mainland authorities.

10 Busiest Airports in 2022 – 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.

Source: Preliminary figures from Airports Council International in April 2023

Zhuhai aviation industrial park

To leverage the comparative advantages of Hong Kong and Zhuhai, AAHK is exploring the development of an aviation industrial park in Zhuhai. The park will focus on aircraft maintenance, retrofitting and configuration; manufacturing and distribution of aircraft parts and components; and aircraft engineering training and research. A related MoU was inked by AAHK and the Zhuhai Municipal People’s Government in November 2022. Another initiative included in the MoU involves the development of a transit service between HKIA and Zhuhai Airport for international cargo, modelled on the “Fly-Via-Zhuhai-HK” passenger service.

To create a complete ecosystem, AAHK is planning an aviation business park on Hong Kong’s airport island. The park will provide office space for HKIA’s airport community and their partners in the Zhuhai park, and include facilities for aviation-related research and development.



Strengthening our network

Following the relaxation of travel restrictions and quarantine requirements, airlines are gradually resuming passenger flights to Hong Kong. To encourage airlines to return, during the year AAHK introduced a landing charge discount scheme.

In 2022/23, HKIA welcomed a new Hong Kong-based carrier, Greater Bay Airlines. Non-local carriers – Bamboo Airways, Beijing Capital Airlines, Cambodia Airways, CMA CGM AIR CARGO, DHL Air, European Air Transport Leipzig, FITS Aviation, Hainan Airlines, Hebei Airlines, Iberojet, Jiangxi Air, Loognair, Lucky Air, SalamAir, Tianjin Airlines, Urumqi Air and West Air – also began serving HKIA.



AIRFIELD AND SYSTEMS

At Hong Kong International Airport (HKIA), we employ cutting-edge technology and infrastructure to deliver efficient, reliable services.

New Integrated Airport Centre

To support HKIA's growing operations as it expands into a Three-runway System, in June 2022 we commissioned the new Integrated Airport Centre (IAC). The management hub for HKIA's operations, the new IAC spans more than 5,760 square metres and is nearly four times larger than its predecessor, which is now being converted into a backup facility. The number of console workstations almost doubled, allowing a larger number of airport staff to work under one roof, for enhanced communication and coordination.

The new IAC also incorporates the latest technologies to increase operational efficiency. The total airport management system is being implemented. In its first phase, which is now active, the system displays real-time visualisation of airport operations on a 160-square-metre video wall. Data analytics help us monitor data from over 80 data points, using more than 30 performance indicators, and predict service bottlenecks. In the next phase, the system will provide what-if scenario analysis to facilitate better decision-making when responding to incidents.



Use of technology

Technology helps us optimise airport operations in multiple ways. For example, the Augmented Airfield Service System integrates disparate data and uses artificial intelligence (AI)-powered analytics to enhance resource allocation and enable smooth aircraft turnaround. This year, the system was expanded to cover all frontal aircraft parking stands at Terminal 1 (T1). With 5G wireless cameras being installed across the airfield, the system will be extended to all remote parking stands in 2024/25.

To increase productivity, autonomous electric tractors (AETs) began full operation, moving freight around the clock between the cargo terminals and the West Cargo Apron. Each AET has a capacity of 25 tonnes and can work with a range of dollies and speeds to suit different types of cargo. To ensure safe operation, each tractor is equipped with optical radar, differential GPS and high-definition video cameras. Building on our successful application of autonomous driving technology, this year we also began trials of an autonomous staff shuttle bus.

In 2022/23, we took over operation of the Automated People Mover (APM) system – which links T1 with T1 Midfield Concourse (T1M) and SkyPier – from the MTR Corporation Limited. We also introduced a video analytics system that counts the number of people on APM platforms. This data helps us optimise resource planning and train operations, and facilitate smooth passenger flows.

Meanwhile, the digital apron and tower management system at the IAC leverages data fusion technology to integrate data from various air traffic control and airport operating systems. Coupled with augmented reality, the system addresses the limitations of traditional control tower sighting and offers improved awareness of activities on the apron, resulting in more holistic aerodrome surveillance and flight movement management. The system also issues predictive alerts, which help to detect anomalies and assist in contingency responses.

In addition, the new IAC houses a larger Airport Emergency Centre, which will be activated in emergencies, such as aircraft- and weather-related incidents, to facilitate responses from government departments and airport stakeholders.



AIRFIELD AND SYSTEMS



AETs transport cargo around the clock and help HKIA alleviate manpower pressure.

Asset enhancements

In May 2022, we began converting the airfield ground lights (AGLs) on the two existing runways and their associated taxiways from halogen lamps to LED fixtures that will last longer, consume less electricity and require less maintenance. This project involves 16,200 lights and will result in a 28% annual energy saving when it is completed in 2027. We also used robotic process automation to gather operational data for predictive maintenance of the AGL system. With big data analytics, we are able to reduce the replacement of the AGL stop bar lights by 20% while maintaining the required system availability.

During 2022/23, we replaced two of the four primary sorters and refurbished two secondary sorters in the Baggage Handling System (BHS). The two remaining primary sorters will be upgraded by the end of 2023. To prepare the BHS for future demand, we installed an additional early bag storage system in T1, and commissioned an automated arrival bag delivery system in T1M.

Many of HKIA's automated and AI-based systems rely on 5G services. During the year, we completed the multiyear installation of an enterprise 5G network. In addition to all passenger terminals, the network now covers the airfield and other outdoor areas of the Two-runway System. Our 5G network was recognised by the Chartered Institute of Logistics and Transport in Hong Kong with the CILT Enterprise Award.

Sharing our expertise

HKIA actively engages in exchanges to improve the safety, security, productivity and environmental performance of the aviation industry. The International Airports Benchmarking Programme, which was initiated by Airport Authority Hong Kong (AAHK) in 2017/18 and now comprises HKIA and eight other hub airports, held its third CEO Summit in December 2022. Topics discussed at the meeting included sustainability, digitalisation and productivity, and the post-pandemic challenges facing the industry.

In November 2022, the Greater Bay Area A5 Chairmen's Meeting was held. With the theme Green Airports, the virtual event saw AAHK exchange ideas with its regional peers about targets, action plans and progress towards sustainable development.

In March 2023, HKIA Consultancy Limited signed a memorandum of understanding with U-Tapao International Aviation Company Limited (UTA) to provide consultancy services for the U-Tapao International Airport and Eastern Airport City Development Project in Thailand. Under the memorandum, HKIA Consultancy will advise UTA on planning, operations, smart technology and commercial development.

Established by AAHK, HKIA Consultancy has provided professional services related to planning, operations and development to airports around the region, including Beijing Capital International Airport and Shanghai Pudong International Airport.



▲ Rejuvenation of the BHS ensures the system's optimal performance.

Fostering the growth of the nation's aviation industry, Airport Authority Hong Kong (AAHK) has long-established partnerships with Mainland airports.

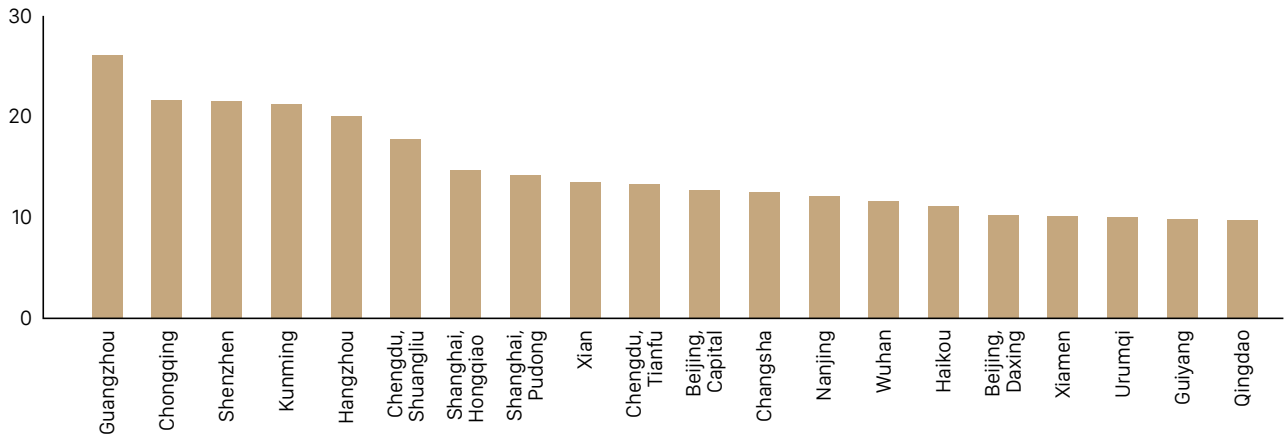
In calendar 2022, the volatile Covid-19 situation on the Mainland reduced throughput at Hangzhou Xiaoshan International Airport (HXIA), Shanghai Hongqiao International Airport and Zhuhai Airport.

MAINLAND PROJECTS



Top 20 Airports on the Mainland in 2022 – Passenger Throughput

(millions of passengers)



Source: Civil Aviation Administration of China



Hangzhou Xiaoshan International Airport

AAHK has owned a 35% interest in HXIA since 2006.

In 2022, passenger throughput at HXIA declined 28.9%, to 20.0 million. Cargo and airmail volume fell 9.2%, to 829,800 tonnes. Flight movements dropped 20.1%, to 190,400. Despite the situation, passenger and cargo throughput at HXIA ranked fifth among Mainland airports in 2022. It was the airport’s best-ever ranking for passenger volume.

While keeping a safe airport environment, HXIA proactively prepared for recovery and future development. Domestic passenger services were launched to Alaer Talimu, Changzhi, Jixi, Qingyang and Tumxuk, and international passenger and all-cargo flights began to Hanoi. During 2022, 60 airlines at HXIA served 135 domestic destinations and 29 regional and international destinations.

To drive its cargo business, HXIA established an off-airport cargo station in Jiaxing. Eight new freight forwarders also began operating at HXIA.

In September 2022, HXIA’s Phase 3 expansion – which increases the airport’s annual capacity to 90 million passengers and 3.6 million tonnes of cargo – commenced operation. With a design capacity of 50 million passengers, the new Terminal 4 occupies 720,000 square metres.

MAINLAND PROJECTS



HXIA's new Terminal 4 is twice the combined size of the existing three terminals.

Innovative features, such as floor-level self bag drop systems and automated basket return at security screening points, deliver a better passenger experience. The 480,000-square-metre Ground Transportation Centre unites metro, high-speed rail, bus, taxi and other transport services under one roof to offer travellers seamless transfers. The expansion project also includes a new data centre that uses cloud computing and big data analytics to boost operational efficiency, and an ancillary energy centre that provides real-time optimisation of HXIA's energy consumption and helps to reduce the airport's annual carbon emissions by about 31,500 tonnes.

Shanghai Hongqiao International Airport

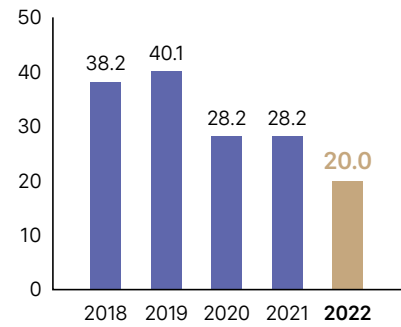
In 2009, AAHK and the Shanghai Airport Authority formed a joint venture that manages the terminal operations and retail businesses at Hongqiao airport.

In 2022, passenger numbers at Hongqiao airport fell 55.7%, to 14.7 million, while flight movements dropped 47.0%, to 122,668. International flights from Hongqiao airport, as well as services to Hong Kong, Macao and Taiwan, remained suspended in 2022 because of the pandemic.

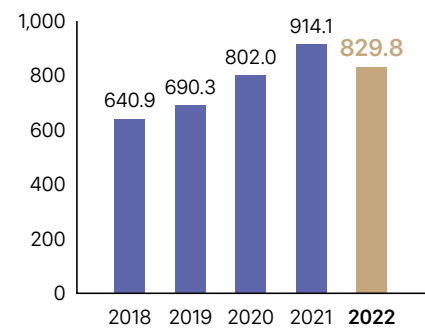


Throughput at Hangzhou Xiaoshan International Airport

(millions of passengers)



(cargo in thousands of tonnes)



Source: Civil Aviation Administration of China

◀ New shops and restaurants enhance the passenger experience at Hongqiao airport.



◀ Innovative self bag drop systems at Zhuhai Airport offer passengers a smoother journey.

During 2022, Hongqiao airport continued to enhance its retail offerings with the introduction of 28 new shops. Four retail brands and three restaurants, including one-Michelin-starred Ren He Guan and Tim Ho Wan, launched their first Mainland airport outlets at Hongqiao airport.

To better meet passengers' needs, Hongqiao airport opened two 30-square-metre nursing rooms. Each room includes a private breastfeeding area, as well as facilities for nappy changing, milk preparation and resting. Changing mats, hot and cold water stations, milk warmers, bottle sterilisers and electric baby cots are also available. Adhering to high sanitary and safety standards, the nursery rooms are cleaned and disinfected regularly, and include furniture and equipment with extra padding and electric insulation features.

Zhuhai Airport

AAHK owns 55% of a joint venture that has managed Zhuhai Airport since 2006.

In 2022, passenger volume at Zhuhai Airport dropped 50.0%, to 4.0 million. Cargo throughput shrank 28.9%, to 28,462 tonnes, and flight movements contracted 44.3%, to 37,323.

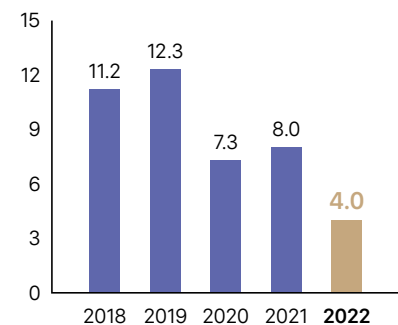
With enhancements to the Airport Integrated Control platform, Zhuhai Airport's on-time departure rate climbed to 97.3% from 93.4% in 2021. This performance ranked Zhuhai Airport third among Mainland airports with similar passenger volumes.

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

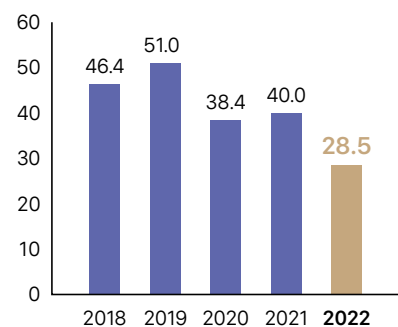
During 2022, Zhuhai Airport launched a new self bag drop zone. Using artificial intelligence, RFID, biometrics and other advanced technologies, the 16 self bag drop stations reduce the entire check-in and bag drop process – from seat selection and printing of boarding passes and luggage tags, to bag drop-off and printing of luggage reclaim tags – to about a minute. The new system also advises travellers of problems, such as oversize or overweight luggage, during the process. In future, the system will offer real-time luggage tracking.

Throughput at Zhuhai Airport

(millions of passengers)



(cargo in thousands of tonnes)



Source: Civil Aviation Administration of China

Airport Authority Hong Kong (AAHK) is committed to the sustainable growth of our people, our airport and our city.

Honouring our environmental commitments

We focus on working towards our goal of achieving net zero carbon emissions at Hong Kong International Airport (HKIA) by 2050. Our pledge includes a midpoint target of a 55% reduction in absolute emissions by 2035, from a 2018 baseline.

To reach this goal, we are driving innovation and collaboration in the airport community. Through the Business Partners Carbon Support Programme, we provided training and tools to help airport companies create their respective carbon management plans and trajectories for achieving the net zero target. Established in May 2022, the HKIA Sustainability Leaders Group is a platform for our business partners to discuss challenges, information and initiatives for improving their environmental performance.

We also created the HKIA Greenovation Fund, which provides HK\$20 million in funding over an initial three-year period to help business partners pilot new carbon reduction technologies at HKIA. Technology working groups, which were set up to facilitate the exploration of low-carbon technologies at the airport, will be expanded to include our business partners. We also launched a site-wide study to identify pragmatic opportunities to enhance solar generation across the airport island.

During the year, we incorporated new additions to our Green Airport Design and Construction Strategy. The "Guidelines on Energy Efficiency of New Building Design" cover the entire development process, and address different aspects of new buildings' energy performance, such as lighting, ventilation and air conditioning, to optimise efficiency and minimise emissions. The "Climate Resilience Guidance Note" helps project managers assess climate-related risks for new and existing facilities and enhance their resilience.





SUSTAINABILITY AND PEOPLE

In 2021/22, we pledged to increase HKIA's recyclables recovery rate by 25% by 2025, from a 2018 baseline. With food waste accounting for over 20% of all waste handled by AAHK, this year we began testing Food TranSmarter, an on-site treatment system for both pre- and post-consumption food waste. The system breaks down food waste from airport staff restaurants into slurry, and facilitates its delivery to the government-run O · PARK1, where it is then converted into biogas for electricity generation. Developed by the Hong Kong Productivity Council, Food TranSmarter is a compact solution that processes up to one tonne of waste per day. The system automatically separates undesirable substances in the food waste, such as discarded cutlery, for proper disposal.

The Hong Kong Government is expected to introduce a municipal solid waste (MSW) charging scheme by the end of 2023. AAHK began a review of our current waste handling logistics, and we are exploring opportunities to leverage MSW charging to drive improvements in recyclables separation and waste reduction. At the same time, we expanded the landside waste station, adding storage and pre-sorting space to improve waste management capabilities.

SUSTAINABILITY AND PEOPLE

Sustainability Report 2021/22

In August 2022, we published *Sustainability Report 2021/22*. This is the 10th edition of the report, a demonstration of our long-term commitment to sustainability and transparency.

In the report, we continued to explain our strategy and efforts for climate change risk mitigation and resilience in our second Task Force on Climate-related Finance Disclosures statement. For the first time, the document includes a Sustainable Finance Transactions Annual Report, which details AAHK's inaugural green bond issuance in January 2022. In another first, the report is explicitly aligned with the Sustainable Development Goals published by the United Nations.

ESG recognition

Our environmental, social and governance (ESG) initiatives were recognised with a number of accolades in 2022/23.

- HKIA won gold in the over 35 million passengers per annum category of the Green Airports Recognition 2023, which was organised by Airports Council International (ACI) Asia-Pacific.
- HKIA was recognised by ACI as reaching Level 4 – “Transformation” in the Airport Carbon Accreditation programme.
- HKIA became the first airport to have its ESG rating publicised by S&P Global Ratings, receiving a rating of 74 out of 100.
- AAHK received a “low risk” rating from Sustainalytics, and was included among the 50 companies in its regional list of top-rated ESG companies.

- AAHK won the “Outstanding Award for Green and Sustainable Bond Issuer (Infrastructure) – Largest Single Green Bond” and was recognised as a “Pioneering Organisation in Climate Disclosure Planning” by the Hong Kong Quality Assurance Agency.
- AAHK received a Sustainable Vision Award at the CLP Smart Energy Award 2022.
- AAHK won a Leadership Award in the Sustainable Corporate (Environment) category of the 2022 Standard Chartered Corporate Achievement Awards.
- AAHK took five prizes at the TVB ESG Awards 2022: Outstanding ESG Award, Best in ESG Practices, Best in ESG Report, ESG Project Innovation Award, and Innovative Climate Technology Award.

Growing talent

We emphasise the development of AAHK staff to support HKIA's continued growth. In March 2023, we held the annual talent review and succession planning meeting to review our leadership bench strength. During the year, leadership development programmes for middle managers continued, as did executive and leadership development programmes for key individuals and high-potential staff. In recognition of AAHK's conscientious efforts in leadership development, the Hong Kong Institute of Human Resource Management (HKIHRM) presented a Merit Learning and Development Award to AAHK.

To strengthen AAHK's talent pool, we continued to recruit high-calibre individuals under our management trainee programme and graduate engineers scheme. In another





▲ The WIT programme fosters a culture of continuous improvement by challenging AAHK staff to devise innovative solutions to operational challenges.

initiative to nurture young talent, in 2022/23 our summer internship programme welcomed 79 students from local and overseas universities and educational institutions.

To encourage continuous learning, the number of courses on “myLearning”, our e-learning platform, increased to over 6,000. We also arranged integrity training by functions. The sessions were delivered by the Independent Commission Against Corruption. All AAHK staff members completed the training, achieving full compliance.

The Work Improvement Team (WIT) programme, which provides a platform for our frontline staff to formulate innovative solutions to operational challenges at HKIA, received 30 proposals this year. To showcase successful projects and promote best practices among the airport community, a hybrid WIT Convention took place in March 2023. Some 600 participants attended the event in person or online.

We maintain close communication among staff members at all levels to ensure HKIA’s developments and the objectives of our organisation are clearly conveyed. In October 2022, senior management from AAHK and its subsidiaries participated in the annual Dialogue with Chairman. Our virtual town hall meeting, hosted by the CEO in June 2022, was attended by some 1,900 participants, and senior management continued to host online talks under the Business Series banner.

To support the recovery in passenger traffic, we spared no effort in talent acquisition. In December 2022, the HKIA Virtual Job Fair featured more than 2,000 vacant positions and drew over 50,000 visitors. District-level job fairs were held in Tsuen Wan, Tuen Mun and Tung Chung.

Through the EXTRA MILE community investment programmes, we promoted job opportunities for young people and non-Chinese speakers (NCSs), and provided after-school care services to children of airport staff who live in Tung Chung. During the year, the “Working Holiday@Lantau” and “The Pioneer” programmes matched youths and NCSs with jobs from our business partners. Career advice and counselling services were provided to NCSs at the district-level job fairs.



▲ Job fairs are organised to acquire new talent and support traffic recovery at HKIA.

SUSTAINABILITY AND PEOPLE



▲ With its range of dining and leisure amenities, the HKIA Community Building helps make the airport a desirable workplace.

Digital HR systems

To enhance the employee experience and boost efficiency, AAHK continues to digitalise key human resources processes and procedures. The electronic Performance Management System was launched for goal setting and performance appraisals, while new functions for claiming allowances and subsidies were introduced on the mobile-friendly Employee Self Service (ESS) Portal. The ESS Portal was further upgraded with additional e-Declaration functions to strengthen governance on work ethics and integrity. To safeguard AAHK staff, we leveraged technology to step up responses and support during the fifth wave of the Covid-19 pandemic. Our digitalisation efforts were recognised at the HKIHRM's HR Excellence Awards, where AAHK clinched an Elite Technology Application Award and the Special Award for Covid-19 Response.

A quality work environment

We strive to foster a happy workplace with high employee engagement. As the pandemic receded, we resumed organising in-person staff events, like our annual dinner, which was attended by more than 2,100 members of AAHK staff and the airport community. Held in February 2023, the dinner included presentations of corporate recognition and long service awards to acknowledge our staff members' achievements and commitment. Our family fun day also returned during the year, and was held at Ocean Park Hong Kong.

To encourage healthy lifestyles, we held the Wellness Weeks campaign in November and December 2022. As part of the campaign, the Steps Challenge 2.0 programme saw 600 staff participate in exercises that covered 52 million steps. In April 2022, the newly renovated staff gym in HKIA Tower opened. This 195-square-metre facility has showers, changing rooms and a range of cardio and weight training machines.

We also improved the work environment and introduced caring facilities to enhance the well-being of the airport community. HKIA Tower Two opened in July 2022. The seven-storey, 21,530-square-metre building provides new office space for staff of AAHK and the Aviation Security Company Limited in a bright, open environment. With workstations fitted with ergonomic furniture, the building also includes a gym and a café.

In December 2022, we opened the HKIA Community Building, a new facility where all members of the airport community can gather, relax and refresh. Located next to Terminal 1, the 11-storey premises was funded and developed by AAHK. It includes a staff clubhouse, a 500-seat cafeteria, a 720-square-metre multipurpose sports hall, a 500-square-metre gym, karaoke and relaxation rooms, and a barbecue area in a rooftop garden. The HKIA Community Building is also home to HKIA's second preschool and the campus of Hong Kong International Aviation Academy (HKIAA).

Hong Kong International Aviation Academy

HKIAA is our long-term investment in a strong, sustainable airport community. Hong Kong's first civil aviation academy, HKIAA offers a comprehensive curriculum for established professionals, newcomers and young people pursuing a career in the aviation industry. During the year, HKIAA offered more than 1,400 courses to over 42,000 participants.

To encourage youth to pursue their aviation aspirations, in August 2022 HKIAA hosted its second flying classroom aboard a Greater Bay Airlines aircraft. During the programme, 150 secondary and tertiary students learned about ground and in-flight operations, experienced the Flight Token biometric system and observed real-time apron operations.

The academy also held popular summer day camps, where young people were introduced to various occupations in the industry, including aircraft engineering, air traffic control, and cabin and ground services. This year, the new "Fly My Way Aviation Summer Camp" welcomed 100 secondary students from Sham Shui Po to HKIA. In March 2023, 50 students from the Hong Kong Academy for Gifted Education joined a 10-day course entitled "Aviation Programme (Level III): Flying High, Flying Far".

HKIAA constantly expands its curriculum. In 2022/23, to meet increasing demand, it doubled the frequency of the Diploma in Aviation Operations programme, to twice a year.

Working with the Hong Kong Fire Services Department (FSD), HKIAA introduced the "Emergency Service Responders Engaged in Aircraft Emergency" programme. A series of courses on aircraft maintenance was developed by HKIAA and The Hong Kong Polytechnic University (PolyU) for aircraft engineers and those preparing for the Hong Kong Civil Aviation Department's licence examinations. Other new programmes include

"Collaboration between Pilots, Air Traffic Controllers and Aircraft Rescue and Fire Fighting Personnel in Aircraft Emergency Situations" and "Improving Pilot – Air Traffic Control Collaboration".

During the year, HKIAA signed collaboration agreements with the Civil Aviation University of China, the FSD, Hong Kong Metropolitan University and PolyU. These partnerships will further strengthen HKIAA's curriculum and drive the academy's long-term growth.

In June 2022, HKIAA's efforts in developing and delivering operational and regulatory training were recognised with "ICAO Gold Full" status in the International Civil Aviation Organisation's TRAINAIR PLUS Programme. Next year, HKIAA plans to attain the programme's highest status: "Platinum/Training Centre of Excellence".

Playing a key role in Hong Kong's development as a regional aviation training hub, HKIAA also offers training to students from other cities. During the year, HKIAA delivered two courses to staff from Muscat International Airport in Oman.

In January 2023, HKIAA welcomed the sixth class of the Advanced Master in Air Transport Management, which is jointly organised with École Nationale de l'Aviation Civile. About a third of the students in this year's class are from nations participating in the Central Government's Belt and Road Initiative.

This year, in cooperation with educational institutions in the Greater Bay Area (GBA), HKIAA launched the 12-month GBA Youth Aviation Industry Internship Programme. Some 300 students are expected to take part in the first year of the programme, which offers opportunities for Mainland students to gain practical experience at HKIA.



The Airport City at Hong Kong International Airport (HKIA) is taking shape. This development will enable HKIA to unlock new potential and enhance the airport's role as an engine of growth for Hong Kong.

The Three-runway System

In addition to a new runway, the Three-runway System (3RS) project includes the building of a new terminal concourse, the expansion of Terminal 2 (T2) to serve departing and arriving passengers, and the construction and installation of related infrastructure and systems. Upon full commissioning, the entire 3RS project will increase HKIA's passenger and cargo capacity by 50%, allow the airport to meet future demand and create room for Hong Kong's aviation industry to further develop and flourish.



LOOKING FORWARD





An artist's impression of T2 Concourse.



During the year, installation of the Third Runway's essential systems – including the air navigation service systems, the instrument landing system and the airfield ground lighting system – was completed. In April 2022, a series of flight checks concluded successfully, ensuring the runway and its associated equipment and procedures met International Civil Aviation Organisation standards. The following month, with the installation of a security fence completed, extensive security sweeps were conducted as a requirement for converting the new runway and adjacent land into an airport restricted area. An aircraft crash and rescue exercise was held in the same month to test emergency responders' readiness to handle incidents on or near the Third Runway.

The Civil Aviation Department renewed HKIA's aerodrome licence in May 2022 to include the new runway and associated taxiways and infrastructure. An operation familiarisation programme commenced in July 2022, allowing relevant parties to get acquainted with the operating procedures and arrangements for aircraft take-offs and landings on the new runway in an orderly manner. The Third Runway, which is 3,800 metres long and 60 metres wide, was officially commissioned in November 2022 as the new North Runway of the 3RS.

After the new runway commenced operations, the Centre Runway was closed for reconfiguration. The 3RS project's remaining land reclamation, at the western end of the Centre Runway, was substantially completed in 2022/23, while paving and regrading of the Centre Runway and its taxiway system began in November 2022. Other reconfiguration works for the Centre Runway, including the installation of airfield ground lights and laying of drainage and underground utilities, are ongoing.

Construction of the Eastern and Western vehicular tunnels is ongoing. Excavation of both tunnels under the Centre Runway started in January 2023.



▲ The first flight to land on the Third Runway on the day of its official commissioning receives a water salute.

LOOKING FORWARD



The new Third Runway is commissioned on time and within budget.

The Automated People Mover (APM) system and Baggage Handling System (BHS) are being extended to ensure seamless connections between the expanded T2 and T2 Concourse (T2C). During the year, structural works for the APM and BHS tunnels on newly reclaimed land continued, while works on the existing airport island neared completion. Modifications to the APM's Terminal 1 (T1) Line are in progress. Assembly and testing of trains for the new T2C Line are ongoing. Meanwhile, installation of BHS equipment in the tunnel section between T2 and SkyPier began in 2022/23.

The basement structure of the expanded T2 was substantially completed in 2022/23, and construction of the building's main concrete structure and roof modules continues. Piling works for T2C were completed this year. Construction of T2C's substructure is ongoing, in tandem with the superstructure works that began in January 2023.

Work on other 3RS ancillary buildings also progressed in full force during the year. The new Integrated Airport Centre opened in June 2022 to support the expanded operations of the 3RS. Construction of the new Air Traffic Control Tower is well under way, and scheduled for substantial completion in 2024. Construction of a new airside fire station in the Eastern Support Area began in

February 2023, while construction of a new landside fire station and a police operational base in the same area will start in early 2023/24.

The Agriculture, Fisheries and Conservation Department is proceeding with the statutory procedures for the designation of the proposed North Lantau Marine Park, with the target of dovetailing the completion of the designation process with the completion of the 3RS project. In March 2023, the Hong Kong Government gazetted a draft map of the proposed marine park for public inspection.

In 2022/23, our environmental monitoring and audit programme continued to keep track of the 3RS's compliance with the relevant requirements. The Marine Ecology Enhancement Fund and the Fisheries Enhancement Fund made grants to 13 projects totalling more than HK\$14.0 million.

SKYCITY

The SKYCITY development will help HKIA tap the enormous opportunities accompanying the growing number of local, regional and international travellers using the expanded HKIA and the Hong Kong-Zhuhai-Macao Bridge (HZMB).



SKYCITY will be seamlessly linked to HKIA and Hong Kong Port of the HZMB by a comprehensive network of roads and bridges. A footbridge connecting SKYCITY to AsiaWorld-Expo opened in July 2022, and a footbridge between SKYCITY and T2 is under construction.

Visitors arriving from the GBA at Hong Kong Port will travel with ease to SKYCITY on the Airportcity Link, which includes an autonomous transportation system and a pedestrian walkway. Construction of the Airportcity Link continued in 2022/23, while scheme design for an extension of the autonomous transportation system to Tung Chung Town Centre was completed this year.

Moreover, two automated car parks in Hong Kong Port will provide added convenience for drivers arriving from the GBA on the HZMB. Site works for “Park and Fly”, which will serve passengers who are flying from HKIA, continued during the year, while site works for “Park and Visit”, which will serve people entering Hong Kong, began in December 2022.

SKYCITY includes 11 SKIES, a 3.8 million-square-foot integrated development featuring retail, dining, entertainment (RDE) and office facilities. The first phase of 11 SKIES, encompassing three grade A office towers known as K11 ATELIER 11 SKIES, opened during the year. Covering a total of 570,000 square feet, the three towers serve distinct markets. One focuses on wealth management, while another concentrates on medicine and wellness. A third caters to companies that are eager to establish a presence in the heart of the Greater Bay Area (GBA).

K11 ATELIER 11 SKIES was designed to a high environmental standard. It has attained BEAM Plus (New Buildings) V1.2 Provisional Platinum, Leadership in Energy and Environmental Design (LEED) Platinum Precertification and WELL Building Standard Platinum Precertification ratings.

Construction of 11 SKIES’s RDE facilities is on schedule. Focusing on learning, exploration and adventure for people of all ages, the complex will feature attractions that are unique in Hong Kong and the GBA, such as a 4D-motion flying theatre and a three-storey interactive city for children.



▲ **K11 ATELIER 11 SKIES, the three grade A office towers in SKYCITY, provide an ideal platform for companies to capture opportunities from local residents and visitors from the GBA.**

FINANCIAL REVIEW

Financial Summary

<i>(in HK\$ million)</i>	2022/23	2021/22	+/-% ¹
Revenue	8,217	5,798	+41.7%
Operating expenses before depreciation and amortisation	(7,404)	(6,176)	+19.9%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	813	(378)	+315.1%
Depreciation and amortisation	(3,308)	(3,039)	+8.9%
Net interest and finance income	508	77	+559.7%
Share of results of an associate	–	78	-100.0%
Share of results of joint ventures	(456)	(46)	-891.3%
Loss before taxation	(2,443)	(3,308)	-26.1%
Income tax credit	513	553	-7.2%
Loss for the year	(1,930)	(2,755)	-29.9%
Loss attributable to the ordinary shareholder	(2,142)	(3,014)	-28.9%
Dividend declared	–	–	–
Key financial ratios			
Return on equity ²	-2.7%	-3.7%	
Total debt/capital ratio ³	53%	44%	
Net debt/net capital ratio ⁴	40%	27%	
Key traffic summary⁵			
Passenger traffic ⁶ (<i>millions of passengers</i>)	12.4	1.4	+769.8%
Cargo and airmail throughput ⁷ (<i>millions of tonnes</i>)	4.1	4.9	-16.0%
Aircraft movements (<i>thousands</i>)	161	145	+11.5%

¹ Subject to rounding differences.

² Return represents loss attributable to the ordinary shareholder. Equity represents average share capital plus average reserves.

³ Total debt represents interest-bearing borrowings. Total capital represents total debt plus total equity.

⁴ Net debt represents total debt minus cash and bank balances. Net capital represents total capital minus cash and bank balances.

⁵ Key traffic summary is based on Airport Authority Hong Kong's data for Hong Kong International Airport only.

⁶ Passenger traffic includes originating, terminating, transfer and transit passengers. Transfer and transit passengers are counted twice.

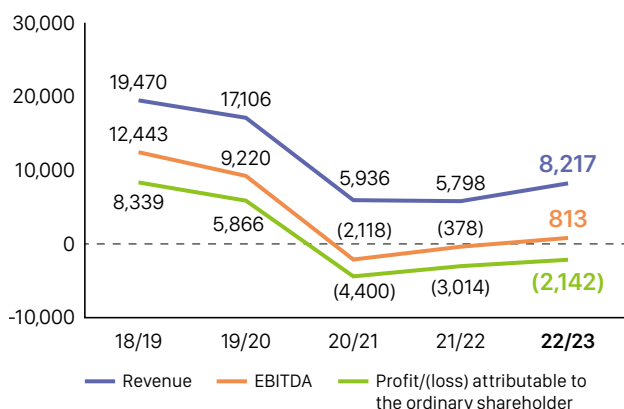
⁷ Cargo throughput includes originating, terminating and transshipment cargo. Transshipment cargo is counted twice. Airmail throughput includes airmail from Hongkong Post and transit mail from airlines.

Overview

After three long years, Airport Authority Hong Kong (AAHK) saw light at the end of the tunnel as pandemic-related travel restrictions were lifted in fiscal 2022/23, ended 31 March 2023.

Financial Results

(in HK\$ million)

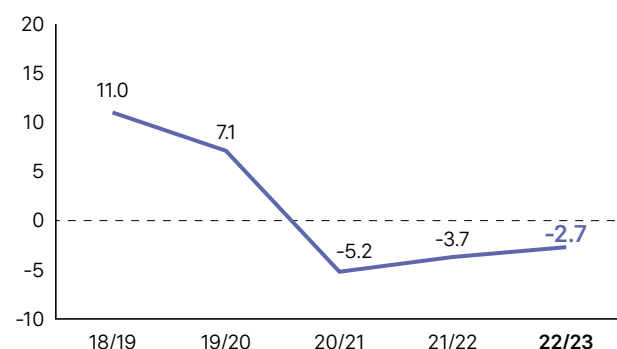


During the year, Hong Kong International Airport (HKIA) welcomed 12.4 million passengers and handled 161,160 flight movements, representing annual increases of 769.8% and 11.5%, respectively. Cargo and airmail throughput dropped 16.0%, to 4.1 million tonnes, due to the global economic slowdown and supply chain disruptions.

Following improvements in passenger volumes and flight movements, and the exercise of stringent financial discipline to control its operating expenses, the loss sustained by AAHK and its subsidiaries (the Group) decreased 29.9%, to HK\$1,930 million, in 2022/23. This was largely the result of higher revenues from retail concessions and security charges, and new convention and exhibition revenue from AsiaWorld-Expo (AWE) after the acquisition of the remaining equity interest of IEC Holdings Limited on 31 March 2022, coupled with continued focus on effective cost management. The Group reported earnings before interest, taxes, depreciation and amortisation (EBITDA) of HK\$813 million and a loss attributable to the ordinary shareholder of HK\$2,142 million, representing an increase of 315.1% and a decrease of 28.9%, respectively, from 2021/22. As a result, the Group's return on equity improved to -2.7%. No dividend was declared for the year.

Return on Equity

(in percent)



* Return represents profit/(loss) attributable to the ordinary shareholder. Equity represents average share capital plus average reserves.

FINANCIAL REVIEW

Revenue

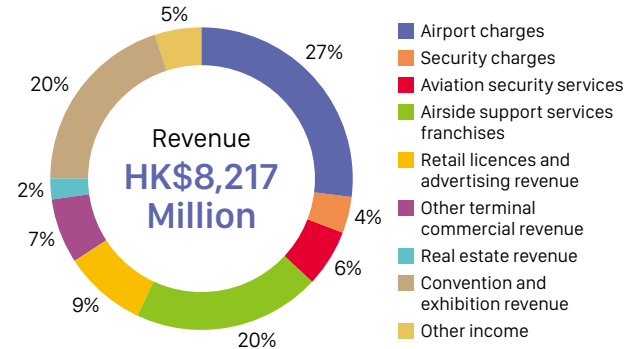
Following the lifting of pandemic-related travel restrictions in the second half of calendar 2022, departing passenger traffic and flight movements increased in 2022/23. Total revenue grew 41.7%, to HK\$8,217 million, largely as a result of increased passenger traffic and flight movements, higher revenue from retail and advertising licences, and new convention and exhibition revenue. Major revenue categories were airport and security charges; revenues from aviation security services, airside support services franchises, retail licences and advertising; other terminal commercial revenue; convention and exhibition revenue; and other income, which collectively comprised 97.8% of total revenue.

Aeronautical revenue

Airport and security charges primarily consist of income in connection with the landing and parking of aircraft; use of passenger terminal buildings and related facilities and services at HKIA; and aviation security services provided to departing passengers. Despite the drop in cargo flight movements, this category, representing 30.6% of total revenue, grew 17.2%, to HK\$2,516 million, primarily due to an increase in departing passenger traffic and passenger flight movements resulting from the relaxation of restrictions and quarantine measures for inbound travellers, and the resumption of normal travel between Hong Kong and the Mainland. Moreover, the significant rebound of passenger traffic resulted in a corresponding increase in passenger-based terminal building charge and passenger security charge revenue.

Revenue by Source

(for the year ended 31 March 2023)



Aviation security services revenue is primarily income from the provision of security services to airlines, franchisees and licensees. This category, representing 6.1% of total revenue, fell 11.6%, to HK\$501 million, primarily due to the suspension of quarantine-related security services provided to the Department of Health in relation to Covid-19.

Non-aeronautical revenue

Revenues from airside support services franchises primarily represents licence fees and other charges payable to AAHK by franchisees for providing airside support services, including air cargo handling, aircraft maintenance, the aviation fuel system, into-plane fuelling, aircraft catering, aircraft ramp handling, business aviation aircraft handling, airside vehicle parking permits, ground support equipment maintenance, etc. This category, representing 20.4% of total revenue, fell 4.9%, to HK\$1,673 million, mainly due to lower franchise fees from air cargo handling resulting from the drop in cargo throughput at HKIA; lower franchise fees from the aviation fuel system due to the relief measures provided to airlines; and lower ground handling service and cargo revenues at Zhuhai Airport that accompanied decreases in flight movements and cargo throughput.

Retail licences and advertising revenue represents rents and fees payable to AAHK by licensees providing retail services (primarily duty-free and general merchandise shops), food and beverage outlets, and advertising at HKIA. This category, representing 9.2% of total revenue, grew 1,112.9%, to HK\$752 million. This increase was mainly a result of the reopening of shops and restaurants in Terminal 1 (T1) following the gradual increase in passenger traffic; new duplex boutiques that opened in the East Hall luxury shopping zone; as well as the reduction in rental relief provided to shops and restaurants.

Other terminal commercial revenue mainly represents income from leasing offices, airport lounges and check-in counters to airlines and other tenants. This category, representing 7.4% of total revenue, decreased 9.5%, to HK\$613 million, largely due to the amortisation of rental relief for offices and lounges in the terminals; a decrease in rental income from the Department of Health in relation to the temporary specimen collection centre for arriving passengers in T1 Midfield Concourse; and lower licence fees from commercial lounges upon contract renewal.

Convention and exhibition revenue mainly represents event services and licence income from AWE. On 31 March 2022, AAHK acquired the remaining equity interest of IEC Holdings Limited, which holds shares in Hong Kong IEC Limited (the company that holds AWE), from the Hong Kong SAR Government. Upon completion of the acquisition, Hong Kong IEC Limited ceased to be an associate and became a wholly owned subsidiary of AAHK. Accordingly, this category, representing 19.5% of total revenue and mainly comprising rent received from the Social Welfare Department and the Hospital Authority in relation to the Covid-19 quarantine centre, community treatment facility and North Lantau Hospital Hong Kong Infection Control Centre, was recognised as Group revenue after the completion of the acquisition.

Other income, representing 4.6% of total revenue, decreased 9.1%, to HK\$379 million, mainly due to a one-off gain on the acquisition of IEC Holdings Limited of HK\$59 million in 2021/22.

Operating Expenses

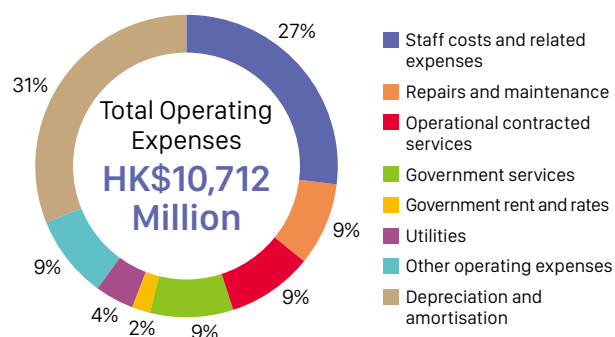
The Group continues to exercise stringent financial discipline to control its operating expenses, while maintaining the highest standards of safety, security, service and sustainability. Total operating expenses before depreciation and amortisation increased 19.9%, to HK\$7,404 million, mainly due to inflationary pressures, traffic growth and the newly acquired Hong Kong IEC Limited.

Major expense categories were staff costs and related expenses; repairs and maintenance; operational contracted services; government services; other operating expenses; and depreciation and amortisation, which accounted for approximately 93.6% of total operating expenses. About 42.6% 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 consists primarily of base salaries, housing and other allowances, performance-related compensation and retirement benefits. Despite the stability of the headcount, this category, representing 27.0% of total operating expenses, increased 3.5%, to HK\$2,898 million, mainly due to adjustments to ensure the market competitiveness of employees' remuneration.

Operating Expenses by Category

(for the year ended 31 March 2023)



FINANCIAL REVIEW

Repairs and maintenance costs consist primarily of plant and equipment maintenance expenses, refurbishment expenses, and consumables and supplies expenses. This category, representing 8.8% of total operating expenses, grew 23.7%, to HK\$946 million, principally due to additional work on the airfield and terminals to ensure safe and reliable operations amid increased traffic, and additional repairs and maintenance costs incurred by Hong Kong IEC Limited.

Operational contracted services represents costs for operations outsourced to third-party contractors. This category, representing 9.3% of total operating expenses, increased 48.1%, to HK\$995 million, largely due to additional costs incurred by Hong Kong IEC Limited.

Government services expense includes air traffic control and aviation meteorological fees payable to the Civil Aviation Department and the Hong Kong Observatory, respectively. Government services, representing 9.0% of total operating expenses, grew 26.8%, to HK\$961 million, mainly due to higher air traffic control fees as a result of increased flight movements.

Other operating expenses, representing 8.6% of total operating expenses, increased 37.0%, to HK\$918 million, mainly attributable to additional retail promotional activities after the relaxation of restrictions and quarantine measures for inbound travellers, increases in insurance premiums and additional costs incurred by Hong Kong IEC Limited after completion of the acquisition in March 2022.

Depreciation and amortisation, representing 30.9% of total operating expenses, increased 8.9%, to HK\$3,308 million, mainly due to the commissioning of the Third Runway at HKIA, and the depreciation charges of Hong Kong IEC Limited.

Mainland Airports

The Mainland airports in which AAHK has an investment were adversely impacted by Covid-19.

In calendar 2022, passenger traffic and flight movements at Hangzhou Xiaoshan International Airport (HXIA) dropped 28.9% and 20.1%, respectively, to 20.0 million and 190,400. Cargo throughput fell 9.2%, to 829,800 tonnes. In 2022/23, AAHK's share of HXIA's loss amounted to HK\$457 million, largely due to Covid-19.

In calendar 2022, passenger traffic at Zhuhai Airport dropped 50.0%, to 4.0 million, flight movements contracted 44.3%, to 37,323, while cargo throughput shrank 28.9%, to 28,462 tonnes. In 2022/23, AAHK's share of Zhuhai Airport's loss amounted to HK\$69 million, mainly due to Covid-19.

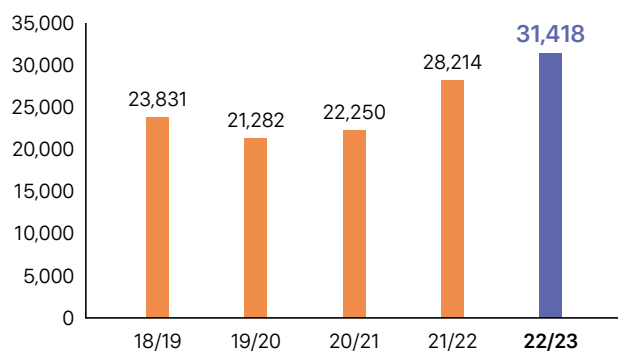
Financial Position

Despite the loss sustained in 2022/23, the Group's financial position remains strong and well capitalised. The Group's total equity as at 31 March 2023 amounted to HK\$89,660 million, a decrease of 3.3% over the previous year, mainly due to the loss for the year.

Investment property, interest in leasehold land, and other property, plant and equipment amounted to HK\$165,566 million, which accounted for 76.1% of total assets. The Group incurred capital expenditures of HK\$31,418 million during 2022/23, mainly related to the Three-runway System (3RS) project; construction of the SkyPier Terminal, automated car parks, and Airportcity Link; and enhancements to other facilities and systems. The Group is expected to incur significant capital expenditures until the completion of the 3RS.

Capital Expenditures

(in HK\$ million)



* Capital expenditures are before deduction of the airport construction fee used to fund 3RS construction costs.

Intangible assets of HK\$55 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 joint ventures of HK\$4,043 million represented the Group's effective interest in the net assets of HXIA and the Shanghai Hong Kong Airport Management Co., Ltd., plus associated goodwill.

Trade and other receivables increased 42.7%, to HK\$3,852 million, primarily due to increased revenue and the outstanding amount due from the Social Welfare Department for the rental of AWE's exhibition halls.

Total trade and other payables rose 41.9%, to HK\$18,446 million, mainly attributable to an increase in construction costs payable.

Unused airport construction fee (ACF) of HK\$779 million represented the balance of the ACF received and receivable that has not yet been used to fund 3RS construction costs. The ACF received and receivable increased from HK\$121 million in 2021/22 to HK\$671 million this year, mainly due to the increase in passenger traffic.

Deferred income of HK\$1,861 million mainly represented amounts received in advance in respect of subleases of leasehold land at HKIA.

FINANCIAL REVIEW

Dividend

Pursuant to the financial arrangement plan for the 3RS, the Board did not declare a dividend for 2022/23.

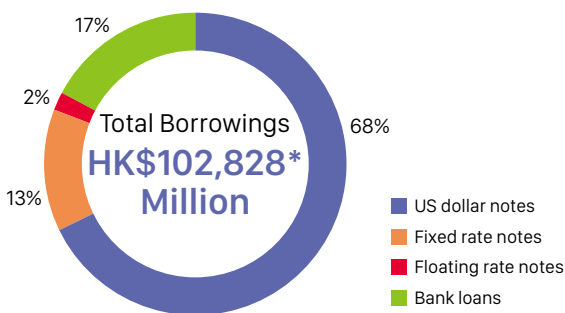
Cash Flow

Net cash generated from operating activities increased from an outflow of HK\$472 million in 2021/22 to an inflow of HK\$3,886 million this year, mainly due to the improvement in operating results.

Financing

Loan Facilities and Bond Issuances

(as at 31 March 2023)



* After unamortised finance costs of HK\$548 million.

AAHK's total borrowings as at 31 March 2023 amounted to HK\$102,828 million (2021/22: HK\$73,017 million).

In January 2023, AAHK successfully issued US\$3.0 billion in multi-tranche senior notes, comprising:

- US\$500 million 4.875% senior notes due 2026;
- US\$1.0 billion 4.75% senior green notes due 2028;
- US\$700 million 4.875% senior notes due 2030; and
- US\$800 million 4.875% senior notes due 2033.

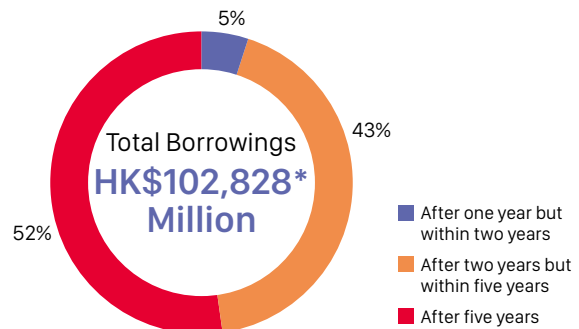
This is the second time AAHK has issued green bonds, which demonstrates AAHK's commitment to making HKIA one of the world's greenest airports and supporting the Hong Kong SAR Government's policy of promoting the development of sustainable finance and developing Hong Kong as an international sustainable finance hub.

Proceeds from the US\$1.0 billion green tranche will be used by AAHK to finance or refinance eligible green projects. Proceeds from the other tranches will be used by AAHK to fund capital expenditures, including the 3RS project, and for general corporate purposes.

AAHK maintained its credit rating for the year. Standard & Poor's assigns an AA+ rating to AAHK's long-term local and foreign currency debt, the same rating assigned to the Hong Kong SAR Government's debt.

Loan Maturity Profile

(as at 31 March 2023)



* After unamortised finance costs of HK\$548 million.

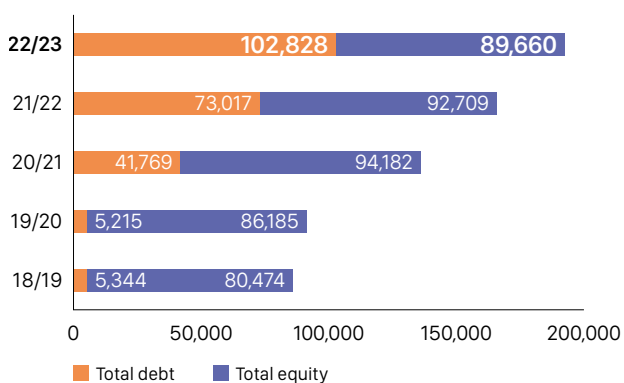
Financial Risk Management

AAHK manages its financial risks with a variety of instruments and techniques, including spreading its borrowings over different rollover and maturity dates. Financial instruments, such as interest rate swaps, cross-currency swaps and forward exchange contracts, are also used to hedge AAHK's financial risks. In accordance with approved policy, AAHK adopts measures to maintain an appropriate mix of fixed and floating rate borrowings to reduce the impact of interest rate fluctuations on earnings.

AAHK is exposed to renminbi movements as a result of its investment in Mainland airports and cash and bank balances denominated in this currency. AAHK is also exposed to United States dollar movements from cash and bank balances and trade and other receivables, as well as external borrowings issued in United States dollars. However, external borrowings in other currencies have been swapped into Hong Kong dollars whenever possible, while revenues and costs at AAHK are largely denominated in Hong Kong dollars. AAHK also uses forward exchange contracts to hedge exposure to future transactions denominated in Australian dollars.

Capital Structure

(in HK\$ million)



Outlook

With the relaxation of pandemic-related travel restrictions and the resumption of normal travel between Hong Kong and the Mainland, the number of flights and passengers rebounded in 2022/23. We are confident passenger traffic will continue to recover at HKIA.

To stimulate passenger demand and bring airport businesses back, we are working closely with the Hong Kong SAR Government and the airport community with several key initiatives, including a campaign that will distribute about 500,000 air tickets to travellers around the world. To ensure the airport is ready to meet rising demand, all shops and restaurants in T1 have reopened, and cross-boundary land and sea transfer services have resumed. We encourage airlines to resume passenger services to Hong Kong through an incentive scheme, and work with our business partners to help them recruit staff.

Despite the pandemic, we continue to improve our facilities and services to prepare for the recovery of air traffic and to welcome passengers with a fresh new look. Boarding gates throughout T1 were renovated into themed zones for passengers' entertainment and relaxation, and artworks by local artists further enrich the terminal ambience. The East Hall was expanded to provide more room for recreational facilities, including a two-storey-high playground for children of different ages and the open-air Sky Garden filled with greenery. Passengers will also be treated to a better shopping experience in our East Hall luxury shopping zone with new duplex stores. Moreover, they can reserve and purchase items ahead of their trip through the luxury concierge service on HKairportShop.com, and collect their order from the online shopping platform at the store or boarding gate, or have it delivered to their home. Other new services, such as valet parking, home baggage check-in and delivery, and HKIA Connects for self-connecting transfer passengers, further facilitate a stress-free journey. For passengers seeking a deluxe and exclusive experience, the new HKIA VIP Lounge enables them to complete check-in, security, immigration and customs processes in a relaxing and comfortable way. Additionally, we continue to use advanced technology to deliver an elevated passenger experience and further enhance operational efficiency.

FINANCIAL REVIEW

In addition to continual investments in facilities, service upgrades and new technologies, we are actively expanding HKIA's capacity and functionality to transform the airport into an Airport City. This will drive the economic development and long-term growth of Hong Kong and the region. All major projects under the Airport City are progressing full steam ahead.

The 3RS is central to AAHK's vision of transforming HKIA into an Airport City, and is the foundation for HKIA's long-term development. The new 3,800-metre-long Third Runway was officially commissioned in 2022/23, on time and within budget. The entire 3RS project, including an expanded Terminal 2 and a new passenger concourse adjacent to the Third Runway, is being constructed, increasing the airport's handling capacity by 50% when it is fully commissioned.

The SKYCITY development is another integral part of our Airport City vision. SKYCITY will transform HKIA from a leading aviation hub into a commercial and tourism landmark for local, regional and international visitors. The development includes 11 SKIES, which is Hong Kong's largest retail, dining and entertainment complex, and office facilities. Three grade A office towers opened in 2022/23 and 11 SKIES will open new attractions in phases in coming years. Meanwhile, preparations for Phase 2 of AWE and the development of Airport City Cove, which will provide bayside leisure and marina facilities, are progressing steadily.

As the world's busiest cargo airport and the international cargo gateway for the Greater Bay Area (GBA), we will continue to work closely with government authorities and business partners to strengthen HKIA's position. DHL Express completed an expansion project at its Central Asia Hub at HKIA, adding 50% to the facility's handling capacity, and the new premium logistics centre, developed by Alibaba Group's logistics arm, is planned to commence operation in 2023/24. In addition, we are setting up HKIA Logistics Park in Dongguan, which will better serve the market with greater efficiency and cost-effectiveness. We will also strengthen our cooperation with Zhuhai with a view to developing the aviation industry in the GBA. Key collaboration projects include the launch of "Fly-Via-Zhuhai-HK" passenger services, the development of the international cargo business, the establishment of a high-end aviation industrial park in Zhuhai and discussions on an equity injection into Zhuhai Airport.

As it takes time for traffic to recover to pre-pandemic levels and HKIA begins a new phase in its development, our profits will grow at a slower pace in the medium term. In the meantime, we will remain vigilant and carefully manage our operations, continue to strive for productivity gains and apply prudent financial discipline, while maintaining the highest standards of service, safety, security and sustainability to provide travellers with an appealing travel experience. We are confident HKIA will continue to fulfil passengers' expectations, create value for our stakeholders and drive the economic development of Hong Kong and the GBA.

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REPORT OF THE MEMBERS OF THE BOARD

Financial year ended 31 March 2023

The Members of the Board submit the annual report of Airport Authority Hong Kong (AAHK) together with the audited consolidated financial statements for the year ended 31 March 2023.

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, AAHK is responsible for the provision, operation, development and maintenance of 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 HKIA. AAHK may also engage in airport-related activities in trade, commerce or industry at or from any place on the airport island, and other airport-related activities as permitted by the Airport Authority (Permitted Airport-related Activities) Order (Cap. 483E). AAHK is required under the Ordinance to conduct its business according to prudent commercial principles.

The principal activities and other particulars of AAHK's subsidiaries are set out in Note 11 to the Financial Statements.

Financial Statements

The financial performance of AAHK and its subsidiaries (the Group) for the year ended 31 March 2023 and the Group's financial position as at that date are set out in the Financial Statements on pages 103 to 162.

Dividend

The Ordinance provides that AAHK may pay dividends on its shares and that the Financial Secretary may, after taking into account the financial position of the Group, direct AAHK to pay dividends out of the distributable profits of AAHK. No dividend has been declared since the year ended 31 March 2015, in order to preserve capital for the purpose of funding the Three-runway System project.

Reserves

Movements in reserves during the year are set out in the Consolidated Statement of Changes in Equity on page 106.

Investment Property; Interest in Leasehold Land; and Other Property, Plant and Equipment

Movements in investment property; interest in leasehold land; and other property, plant and equipment during the year are set out in Note 9 to the Financial Statements.

Capitalised Interest

Interest amounting to HK\$2,058 million (2021/22: HK\$1,039 million) was capitalised by the Group during the year as set out in Note 5 to the Financial Statements.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 March 2023 are set out in Note 16 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 163.

Share Capital

Under the terms of the Ordinance, AAHK may only issue shares to the Government of the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China, 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 2023.

Donations

Donations made during the year amounted to HK\$1,306,000 (2021/22: HK\$995,000), which was funded partly from sales of lost-and-found items at the airport.

Major Customers and Suppliers

The information in respect to the Group's sales and purchases attributable to major customers and suppliers during the financial year was as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	19%	
Top five customers	35%	
The largest supplier		30%
Top five suppliers		43%

Purchases are exclusive of supplies of a capital nature.

Going Concern

The financial statements on pages 103 to 162 have been prepared on a going concern basis. The Board has approved AAHK's budget for 2023/24 and the business plan and financial plan for 2023/24 to 2027/28 and is satisfied that AAHK has sufficient resources to continue as a going concern for the foreseeable future.

REPORT OF THE MEMBERS OF THE BOARD

Retirement Schemes

Details with regard to AAHK's retirement schemes are set out in Note 19 to the Financial Statements. The administration of the retirement schemes and AAHK'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 AAHK are set out in the Corporate Governance Report on pages 21 to 45.

Employees

As of 31 March 2023, AAHK, excluding its subsidiaries, had 2,646 staff (31 March 2022: 2,651). AAHK has in place human resources policies to ensure that employees' remuneration is competitive and that employees are rewarded according to their performance within the framework of AAHK's performance management and reward system. To further strengthen the pay-for-performance culture, a variable compensation scheme has been in place since 2002. Regular reviews are conducted to ensure AAHK's remuneration packages are competitive in the market.

Members of the Board, the Chief Operating Officer and Executive Directors

Biographies of the Members of the Board, the Chief Operating Officer and Executive Directors as at the date of this report are set out on pages 14 to 19. Changes to the composition of the Board from the beginning of the financial year to the date of this report are as follows:

- The Hon Frankie Yick Chi-ming, Dr the Hon Allan Zeman and Mr Thomas Jefferson Wu, after serving the Board for eight years, seven years and three years, respectively, retired on 31 May 2022.
- Mr Philip Chen Nan-lok and Mr Laurence Li Lu-jen were appointed to the Board for a term of three years, from 1 June 2022 to 31 May 2025.
- Mrs Vivian Cheung Kar-fay, former Executive Director, Airport Operations, was appointed as Chief Operating Officer on 1 December 2022 and oversees both Airport Operations and Corporate Development divisions. Mr Steven Yiu Siu-chung was appointed as Executive Director, Airport Operations on the same date.

Interest of Members of the Board, the Chief Operating Officer and Executive Directors in Contracts

No contracts of significance to which AAHK or any of its subsidiaries was a party and in which a Member of the Board, the Chief Operating Officer 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 AAHK or any of its subsidiaries a party to any arrangements to enable any Member of the Board, the Chief Operating Officer or Executive Director to acquire benefits by means of acquisition of shares of AAHK or of any body corporate.

Related-party Transactions

Details of material related-party transactions entered into or ongoing during the year are set out in Note 25 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 that give a true and fair view of the financial position of the Group and of the Group's financial performance and cash flows for the period. In preparing the financial statements for the year ended 31 March 2023, the Members of the Board selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared the financial statements on a going concern basis. The Members of the Board are responsible for keeping proper accounting records that 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.

Changes After Closure of Financial Year

This report takes into account changes that occurred between the financial year-end and the date of the approval of this report.

By order of the Board

Ivy Chan
Secretary to the Board

Hong Kong, 29 May 2023

INDEPENDENT AUDITOR'S REPORT

To the Airport Authority

(incorporated in Hong Kong under the Airport Authority Ordinance)

Opinion

We have audited the consolidated financial statements of the Airport Authority ("the Authority") and its subsidiaries (together "the group") set out on pages 103 to 162, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Airport Authority Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Recognition of revenue from airport charges, airside support services franchises, and convention and exhibition

Refer to note 29(t) to the consolidated financial statements for the relevant accounting policies

The Key Audit Matter	How the matter was addressed in our audit
<p>Revenue from airport charges, airside support services franchises, and convention and exhibition accounted for approximately 66% of the Authority's total revenue for the year ended 31 March 2023.</p> <p>Airport charges are recognised when the airport facilities are utilised. Revenue is determined based on aircraft movements and passenger traffic captured by the Authority's information technology systems which are complex and involve multiple interfaces.</p> <p>Revenue from airside support services franchises is generally charged at the higher of (1) a minimum fee based on throughput, rental indices or areas occupied, and (2) amounts calculated based on pre-determined percentages of gross revenue earned by the franchisees and licensees ("royalties"). For certain franchisees, franchise revenue is charged based on a minimum fee and royalties.</p> <p>Revenue from airside support services franchises is recognised in instalments over the accounting periods covered by the franchise and licence agreements, taking into account adjustments to the minimum fee due to changes in throughput, rental indices or areas occupied and adjustments for any royalties payable by the franchisees and licensees during the billing period.</p> <p>Revenue from convention and exhibition mainly comprises event services income and licence income from operating leases which are recognised when services are rendered and in equal instalments over the periods covered by the licence term, respectively.</p> <p>We identified the recognition of revenue from airport charges, airside support services franchises, and convention and exhibition as a key audit matter because of its significance to the consolidated financial statements and because the determination of airport charges involves complex information technology systems.</p>	<p>Our audit procedures to assess the recognition of revenue from airport charges, airside support services franchises, and convention and exhibition included the following:</p> <ul style="list-style-type: none"> • evaluating the design, implementation and operating effectiveness of key internal controls over the recording of revenue, which included, for revenue from airport charges, engaging our internal information technology specialists to assess the operating effectiveness of key automated controls and interfaces over the capturing of aircraft movements and passenger traffic and the processing of revenue transactions and to assess the completeness and accuracy of the transaction details contained within the Authority's information technology systems; • performing analytical procedures on the Authority's airport charges recognised during the current year by developing expectations with reference to figures for aircraft movements and passenger traffic extracted from government statistics and the Scheme of Airport Charges published in the Government Gazette and comparing our expectations with the revenue recorded by the Authority; • for airside support services franchises and licence income, comparing the minimum fees/licence fee received and receivable with underlying franchise/licence information, including the licence fee/monthly payments and the franchise/licence periods as set out in the signed franchise/licence agreements, on a sample basis; • for airside support services, re-performing the calculation of minimum fees and assessing whether the minimum fees or the royalties, whichever was higher, had been recorded in the appropriate accounting period; • for airside support services, re-performing the calculation of royalties received and receivable with reference to turnover reports submitted by the franchisees and licensees and the bases of calculation thereof as set out in the signed franchise/licence agreements, on a sample basis, and assessing whether the royalties had been recorded and accounted for in the appropriate accounting period; and • for event services income, comparing income received and receivable with the underlying order forms and invoices, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Assessing project provisions for capital works projects

Refer to note 27(b)(ii) to the consolidated financial statements and notes 29(g)(vi) and 29(s) for the relevant accounting policies

The Key Audit Matter	How the matter was addressed in our audit
<p>The Authority undertakes a number of capital works projects at Hong Kong International Airport. These projects may take several years to complete and the contractual arrangements can be complex.</p> <p>The Authority establishes project provisions for the estimated amounts which will be required to settle claims from contractors which may arise due to time delays, additional costs or other unforeseen circumstances. The assessment of the required project provisions involves the exercise of significant management judgement which can be inherently uncertain because the amounts eventually payable may be different from the recorded project provisions.</p> <p>We identified assessing project provisions for capital works projects as a key audit matter because the assessment of project claims and the determination of project provisions involves the exercise of significant management judgement and estimation which can be inherently uncertain.</p>	<p>Our audit procedures to assess project provisions for capital works projects included the following:</p> <ul style="list-style-type: none"> • assessing the design and implementation of management's key internal controls over the assessment of project claims; • inspecting the minutes of the relevant Board sub-committees responsible for overseeing the progress of capital works projects and discussing with management the project status, including the costs incurred to date, the remaining critical milestones and contract claims, and assessing the financial implications for the group; • obtaining the project claim status report as at the reporting date, comparing the claims amount recorded in this report with claim submissions from contractors, discussing with the Project Accounting and Control Team of Finance Division and the projects departments the projects' current status and the project provisions made, on a sample basis, and challenging the assumptions and critical judgements made by management which impacted their estimation of project provisions by comparing these assumptions, on a sample basis, with key contract terms and correspondence with the contractors; • performing a retrospective review, on a sample basis, of capital works projects completed or claims finalised during the current year by comparing the actual settlement of costs during the current year, including project claims, with estimates made as at 31 March 2022 to assess the reliability of management's assessment process and evaluating significant variances identified; and • in respect of projects which were undergoing dispute resolution procedures, holding discussions with management and the Authority's internal legal counsel to assess the Authority's legal obligations and financial exposure in connection with these claims.

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The Board Members are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board Members for the Consolidated Financial Statements

The Board Members are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Airport Authority Ordinance and for such internal control as the Board Members determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board Members are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The Board Members are assisted by the Audit Committee and Finance Committee in discharging their responsibilities for overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 32 of the Airport Authority Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- Conclude on the appropriateness of the Board Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee and Finance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and Finance Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee and Finance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Wai Shun, Wilson.

KPMG

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

29 May 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	2023	2022
Airport charges		2,173	2,101
Security charges		343	46
Aviation security services		501	567
Airside support services franchises		1,673	1,759
Retail licences and advertising revenue		752	62
Other terminal commercial revenue		613	677
Real estate revenue		178	169
Convention and exhibition revenue	22	1,605	–
Other income		379	417
Revenue	8	8,217	5,798
Staff costs and related expenses	4	(2,898)	(2,800)
Repairs and maintenance		(946)	(765)
Operational contracted services		(995)	(672)
Government services		(961)	(758)
Government rent and rates		(285)	(250)
Utilities		(401)	(261)
Other operating expenses		(918)	(670)
Operating expenses before depreciation and amortisation		(7,404)	(6,176)
Operating profit/(loss) before depreciation and amortisation		813	(378)
Depreciation and amortisation		(3,308)	(3,039)
Operating loss before interest and finance costs	3	(2,495)	(3,417)
Interest and finance costs:			
Finance costs	5	(192)	(14)
Interest income		700	91
		508	77
Share of results of an associate	22	–	78
Share of results of joint ventures	12	(456)	(46)
Loss before taxation		(2,443)	(3,308)
Income tax credit	6(a)	513	553
Loss for the year		(1,930)	(2,755)
Attributable to:			
Equity holders of the Authority			
– Holder of ordinary shares		(2,142)	(3,014)
– Holders of perpetual capital securities		264	263
		(1,878)	(2,751)
Non-controlling interests		(52)	(4)
Loss for the year		(1,930)	(2,755)

The notes on pages 109 to 162 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

<i>\$ million</i>	2023	2022
Loss for the year	(1,930)	(2,755)
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit retirement obligations of:		
– the Authority	(9)	50
Add/(less): deferred tax	1	(8)
	(8)	42
– a subsidiary in the People’s Republic of China (“the PRC”)	(2)	(3)
– a joint venture in the PRC	2	(5)
	(8)	34
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries and joint ventures in the PRC	(405)	221
Cash flow hedge: net movement in the hedging reserve, net of tax	204	682
Cash flow hedge: net movement in the cost of hedging reserve, net of tax	(646)	(117)
	(847)	786
Other comprehensive income for the year	(855)	820
Total comprehensive income for the year	(2,785)	(1,935)
Attributable to:		
Equity holders of the Authority		
– Holder of ordinary shares	(2,972)	(2,206)
– Holders of perpetual capital securities	264	263
	(2,708)	(1,943)
Non-controlling interests	(77)	8
Total comprehensive income for the year	(2,785)	(1,935)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023 (Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	2023	2022
Non-current assets			
Investment property	9	48	44
Interest in leasehold land	9	5,905	6,041
Other property, plant and equipment	9	159,613	131,799
		165,566	137,884
Intangible assets	10	55	77
Interests in joint ventures	12	4,043	4,851
Net defined benefit retirement asset	19	–	12
Trade and other receivables	13	17	20
Derivative financial assets	23(e)	802	1,035
		170,483	143,879
Current assets			
Stores and spares		139	132
Trade and other receivables	13	3,835	2,679
Tax recoverable	6(c)	311	313
Derivative financial assets	23(e)	555	124
Cash and bank balances	14	42,290	38,092
		47,130	41,340
Current liabilities			
Trade and other payables	15	(16,692)	(11,570)
Interest-bearing borrowings	16	–	(554)
Current taxation	6(c)	(50)	–
Unused airport construction fee	17	(779)	(456)
Deferred income	18	(109)	(215)
Derivative financial liabilities	23(e)	(2)	(2)
		(17,632)	(12,797)
Net current assets			
		29,498	28,543
Total assets less current liabilities			
		199,981	172,422
Non-current liabilities			
Trade and other payables	15	(1,754)	(1,431)
Interest-bearing borrowings	16	(102,828)	(72,463)
Deferred income	18	(1,752)	(1,862)
Derivative financial liabilities	23(e)	(726)	(49)
Net defined benefit retirement obligations	19	(80)	(70)
Deferred tax liabilities	6(d)	(3,181)	(3,838)
		(110,321)	(79,713)
Net assets			
		89,660	92,709
Capital and reserves			
Share capital	20	30,648	30,648
Reserves		47,078	50,050
Perpetual capital securities	21	11,585	11,585
Total equity attributable to equity holders of the Authority		89,311	92,283
Non-controlling interests		349	426
Total equity		89,660	92,709

Approved and authorised for issue on behalf of the Members of the Board on 29 May 2023.

The Hon Jack So Chak-kwong
Chairman

Mr Fred Lam Tin-fuk
Chief Executive Officer

Mr Julian Lee Pui-hang
Executive Director, Finance

The notes on pages 109 to 162 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

\$ million	Note	Attributable to equity holders of the Authority									Non-controlling interests	Total equity
		Share capital	Exchange reserve	Capital reserve	Contribution from the Government	Hedging reserve	Cost of hedging reserve	Retained profits	Perpetual capital securities	Total		
At 1 April 2021		30,648	478	1,099	–	155	73	49,664	11,585	93,702	480	94,182
Changes in equity for the year:												
Loss for the year		–	–	–	–	–	–	(3,014)	263	(2,751)	(4)	(2,755)
Other comprehensive income		–	208	–	–	682	(117)	35	–	808	12	820
Total comprehensive income		–	208	–	–	682	(117)	(2,979)	263	(1,943)	8	(1,935)
Transfer from retained profits to capital reserve	20(c)(ii)	–	–	39	–	–	–	(39)	–	–	–	–
Contribution from the Government	20(c)(iii)	–	–	–	787	–	–	–	–	787	–	787
Distribution to perpetual capital securities holders	21	–	–	–	–	–	–	–	(263)	(263)	–	(263)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(62)	(62)
At 31 March 2022 and 1 April 2022		30,648	686	1,138	787	837	(44)	46,646	11,585	92,283	426	92,709
Changes in equity for the year:												
Loss for the year		–	–	–	–	–	–	(2,142)	264	(1,878)	(52)	(1,930)
Other comprehensive income		–	(381)	–	–	204	(646)	(7)	–	(830)	(25)	(855)
Total comprehensive income		–	(381)	–	–	204	(646)	(2,149)	264	(2,708)	(77)	(2,785)
Transfer from retained profits to capital reserve	20(c)(ii)	–	–	19	–	–	–	(19)	–	–	–	–
Distribution to perpetual capital securities holders	21	–	–	–	–	–	–	–	(264)	(264)	–	(264)
At 31 March 2023		30,648	305	1,157	787	1,041	(690)	44,478	11,585	89,311	349	89,660

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	2023	2022
Operating activities			
Loss before taxation		(2,443)	(3,308)
Adjustments for:			
Depreciation		3,156	2,847
Amortisation of interest in leasehold land		136	156
Amortisation of intangible assets		16	36
Interest on notes and bank loans		2,402	897
Interest on lease liabilities		3	–
Other borrowing costs and interest expense		116	92
Borrowing costs capitalised into assets under construction		(2,058)	(1,039)
Interest income		(700)	(91)
Fair value loss on derivative financial instruments in fair value hedges		–	1
Net (gain)/loss on derivative financial instruments in cash flow hedges		(269)	64
Net gain on underlying hedged interest-bearing borrowings in fair value hedges		(4)	(11)
Share of results of an associate		–	(78)
Share of results of joint ventures		456	46
Reversal of loss allowance for expected credit loss (“ECL”) of trade and other receivables		(6)	(28)
Net loss on disposal of other property, plant and equipment		17	11
Gain on step acquisition		–	(59)
Net foreign exchange loss		2	10
Amortisation of deferred income		(216)	(215)
Expenses recognised in respect of defined benefit retirement plans		37	43
Operating profit/(loss) before changes in working capital		645	(626)
Increase in stores and spares		(7)	(10)
Increase in trade and other receivables		(434)	(88)
Increase in trade and other payables		3,703	312
Decrease in net defined benefit retirement obligations		(18)	(19)
Cash generated from/(used in) operations		3,889	(431)
Hong Kong Profits Tax paid		(8)	(34)
PRC Corporate Income Tax refunded/(paid)		5	(7)
Net cash generated from/(used in) operating activities		3,886	(472)
Investing activities			
Net (placement)/maturity of deposits with banks with over three months of maturity when placed		(24,034)	5,362
Interest received		362	106
Dividend received from an associate	22	–	268
Dividend received from a joint venture		1	1
Dividend paid to non-controlling interests		–	(62)
Advance payments to contractors		(9)	(14)
Payments for the purchase of other property, plant and equipment		(27,720)	(26,785)
Payment of annual franchise fee for a PRC subsidiary		(14)	(26)
Net cash inflows arising from the Step Acquisition	22	–	66
Net cash used in investing activities		(51,414)	(21,084)

CONSOLIDATED CASH FLOW STATEMENT

<i>\$ million</i>	Note	2023	2022
Financing activities			
Interest paid on notes and bank loans	14(b)	(2,014)	(713)
Interest element of lease rentals paid	14(b)	(3)	–
Other borrowing costs and interest expense paid	14(b)	(179)	(227)
Capital element of lease rentals paid	14(b)	(25)	(16)
Airport construction fee received	14(b)	354	128
Receipts from issue of notes	14(b)	30,140	31,049
Repayment of notes	14(b)	(550)	–
Net interest income received/(expense paid) on interest rate swaps	14(b)	253	(72)
Distribution paid on perpetual capital securities	21	(264)	(263)
Net cash generated from financing activities		27,712	29,886
Net (decrease)/increase in cash and cash equivalents		(19,816)	8,330
Cash and cash equivalents at beginning of year		26,866	18,521
Effect of foreign exchange rate changes		(20)	15
Cash and cash equivalents at end of year	14(a)	7,030	26,866

The notes on pages 109 to 162 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. Principal Activities of the Authority

The Airport Authority (“the Authority”) is a statutory corporation wholly owned by the Government of the Hong Kong Special Administrative Region of the People’s Republic of China (“the Government”). It was formally established on 1 December 1995 when the Airport Authority Ordinance (“the Ordinance”) was brought into effect as a continuation of the Provisional Airport Authority which had been set up in 1990.

The Authority’s statutory purpose is to provide, operate, develop and maintain Hong Kong’s airport at Chek Lap Kok, in order to maintain Hong Kong’s status as a centre of international and regional aviation. Pursuant to these purposes, the Authority may also engage in airport-related activities in trade, commerce or industry at Chek Lap Kok and is permitted to engage in or carry out airport-related activities at any place in or outside Hong Kong.

The Authority is required under the Ordinance to conduct its business according to prudent commercial principles.

The Authority’s principal subsidiaries and their principal activities are set out in note 11.

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

2. Statement of Compliance and Basis of Preparation of the Consolidated Financial Statements

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) with the exception of disclosure of Earnings Per Share which is not relevant to the Authority as the Authority’s shares are not publicly traded. A summary of the significant accounting policies adopted by the group is set out in note 29.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the Authority. Note 29(a) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these consolidated financial statements. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 30).

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements comprise the financial statements of the group as well as the group’s interests in joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain assets and liabilities and financial instruments which are adjusted for or stated at their fair values as explained in note 22 and the accounting policies set out in notes 29(e), (f) and (n), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Statement of Compliance and Basis of Preparation of the Consolidated Financial Statements (continued)

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

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 27.

3. Operating Loss Before Interest and Finance Costs

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

<i>\$ million</i>	2023	2022
Auditors' remuneration:		
– audit services	6	5
– tax services	1	2
– other services	2	–
Stores and spares expensed	48	51
Net loss on disposal of other property, plant and equipment	17	11
Gain on step acquisition (note 22)	–	(59)
Reversal of loss allowance for ECL of trade and other receivables (note 13(b))	(6)	(28)
Depreciation:		
– owned assets leased out under operating leases (note 9(d))	111	116
– right-of-use assets	26	15
– other assets	3,019	2,716
Amortisation:		
– interest in leasehold land		
– leased out under operating leases (note 9(d))	9	12
– others	127	144
– intangible assets (note 10)	16	36
Expense relating to short-term leases and low-value assets	2	2
Rentals from investment property less direct outgoings of \$27 million (2022: \$24 million)	5	(2)

4. Staff Costs and Related Expenses

<i>\$ million</i>	2023	2022
Contributions to defined contribution retirement plans	156	154
Expenses recognised in respect of defined benefit retirement plans (note 19)	37	43
Total retirement costs	193	197
Salaries, wages and other benefits	3,709	3,557
Total staff costs and related expenses	3,902	3,754
Less: staff costs and related expenses capitalised into assets under construction	(1,004)	(954)
	2,898	2,800

5. Finance Costs

<i>\$ million</i>	2023	2022
Interest on bank loans	557	161
Interest on notes	1,845	736
Interest on lease liabilities	3	–
Other borrowing costs	99	74
Other interest expense	17	18
Total interest expense	2,521	989
Net foreign exchange loss	2	10
Fair value loss on derivative financial instruments in fair value hedges ¹	–	1
Net (gain)/loss on derivative financial instruments in cash flow hedges	(269)	64
Net gain on underlying hedged interest-bearing borrowings in fair value hedges	(4)	(11)
Less: borrowing costs capitalised into assets under construction	(2,058)	(1,039)
	192	14

¹ Includes net interest income of \$1 million (2022: \$7 million) in respect of interest rate swaps under fair value hedging arrangements.

The borrowing costs have been capitalised at the average cost of funds to the group calculated on a monthly basis. The average interest rate used for capitalisation for the year was 2.58% (2022: 2.13%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Taxation

(a) Taxation in the consolidated statement of profit or loss represents:

<i>\$ million</i>	2023	2022
Current tax – Hong Kong Profits Tax		
– provision for the year	55	16
Current tax – PRC Corporate Income Tax		
– provision for the year	–	1
– under-provision in respect of prior year	–	2
Deferred tax (note 6(d))		
– origination and reversal of temporary differences	(568)	(572)
Income tax credit	(513)	(553)

The provisions for Hong Kong Profits Tax for both years are calculated at 8.25% of the estimated assessable profits for the year up to \$2 million and 16.5% on any part of the estimated assessable profits for the year over \$2 million.

The provision for PRC Corporate Income Tax is calculated at 25% (2022: 25%) of the estimated assessable profits for the year.

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

<i>\$ million</i>	2023	2022
Loss before taxation	(2,443)	(3,308)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(346)	(563)
Tax effect of non-deductible expenses	38	34
Tax effect of non-taxable income	(162)	(29)
Under-provision in respect of prior year	–	2
Tax effect of tax loss and other temporary differences not recognised	17	5
Tax effect of temporary differences previously not recognised	–	(2)
Utilisation of tax losses previously not recognised	(60)	–
Actual tax credit	(513)	(553)

(c) Taxation in the consolidated statement of financial position represents:

<i>\$ million</i>	2023	2022
Provision for the year (note 6(a))		
– Hong Kong Profits Tax	55	16
– PRC Corporate Income Tax	–	1
Provisional Hong Kong Profits Tax paid	(8)	(33)
PRC Corporate Income Tax refunded/(paid)	5	(7)
Balance of tax recoverable relating to prior years	(313)	(290)
	(261)	(313)
Classified in the consolidated statement of financial position as:		
Tax recoverable	(311)	(313)
Current taxation	50	–
	(261)	(313)

6. Taxation (continued)

(d) Deferred tax assets and liabilities recognised in the consolidated statement of financial position represents:

The components of deferred tax (assets)/liabilities of the group recognised in the consolidated statement of financial position and the movements during the year are as follows:

<i>\$ million</i>	Depreciation allowances in excess of the related depreciation and other expenses	Tax loss	Deferred income, defined benefit retirement plan liability and others	Undistributed profits of a PRC joint venture	Total
Deferred tax arising from:					
At 1 April 2021	5,810	(1,390)	(177)	48	4,291
Charged/(credited) to profit or loss	891	(1,457)	(4)	(2)	(572)
Charged to other comprehensive income	–	–	119	–	119
At 31 March 2022	6,701	(2,847)	(62)	46	3,838
At 1 April 2022	6,701	(2,847)	(62)	46	3,838
Charged/(credited) to profit or loss	1,475	(2,019)	1	(25)	(568)
Charged to other comprehensive income	–	–	(89)	–	(89)
At 31 March 2023	8,176	(4,866)	(150)	21	3,181

(e) Deferred tax assets not recognised in the consolidated statement of financial position:

The group has not recognised deferred tax assets in respect of subsidiaries' cumulative tax losses and other temporary differences of \$199 million (2022: \$125 million) and \$3 million (2022: \$nil) respectively as it is not probable that sufficient future taxable profits against which the cumulative tax losses and other temporary differences can be utilised. Tax losses relating to subsidiaries in Hong Kong do not expire under the current tax legislation.

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors

Members of the Board, the Chief Executive Officer, Chief Operating Officer and Executive Directors are considered to be key management personnel of the Authority. There are three components of emoluments paid to the Chief Executive Officer, Chief Operating Officer and Executive Directors.

Basic compensation

Basic compensation consists of base salary, housing and other allowances and benefits in kind.

Performance-related compensation

This represents discretionary payments depending on individual performance and the performance of the group.

Retirement benefits

Retirement benefits relate to the group's contribution to retirement funds or gratuities in lieu of retirement plan contributions accrued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors (continued)

(a) Emoluments of the Members of the Board

The emoluments of the Members of the Board of the Authority are as follows:

2023 \$'000	Board Member's fee	Basic compensation	Performance- related compensation	Retirement benefits	Total
Members of the Board					
Non-executive Members					
Jack So Chak-kwong ¹	–	–	–	–	–
Sabrina Chao Sih-ming	110	–	–	–	110
Philip Chen Nan-lok (appointed in June 2022)	92	–	–	–	92
Rock Chen Chung-nin	110	–	–	–	110
Irene Chow Man-ling	110	–	–	–	110
Stuart Thomson Gulliver	110	–	–	–	110
Nisa Bernice Leung Wing-yu	110	–	–	–	110
Laurence Li Lu-jen (appointed in June 2022)	92	–	–	–	92
Lo Wai-kwok	110	–	–	–	110
Edwin Tong Ka-hung	110	–	–	–	110
Adrian Wong Koon-man	110	–	–	–	110
William Wong Ming-fung	110	–	–	–	110
Secretary for Financial Services and the Treasury ²	110	–	–	–	110
Secretary for Transport and Logistics ²	110	–	–	–	110
Director-General of Civil Aviation ²	110	–	–	–	110
Thomas Jefferson Wu (retired in May 2022)	18	–	–	–	18
Frankie Yick Chi-ming (retired in May 2022)	18	–	–	–	18
Allan Zeman (retired in May 2022)	18	–	–	–	18
Executive Member					
Fred Lam Tin-fuk (Chief Executive Officer)	–	6,864	3,362	912	11,138
	1,558	6,864	3,362	912	12,696

¹ Jack So Chak-kwong has donated his Chairman's Fee as "Jack So Scholarship" to children of Airport Authority employees and therefore no payment has been made to him.

² Members who are public officers. Fees payable to the Members who are public officers are received by the Government rather than by the individuals concerned.

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors (continued)

(a) Emoluments of the Members of the Board (continued)

2022 \$'000	Board Member's fee	Basic compensation	Performance- related compensation	Retirement benefits	Total
Members of the Board					
Non-executive Members					
Jack So Chak-kwong ¹	–	–	–	–	–
Sabrina Chao Sih-ming (appointed in June 2021)	92	–	–	–	92
Rock Chen Chung-nin	110	–	–	–	110
Irene Chow Man-ling	110	–	–	–	110
Stuart Thomson Gulliver	110	–	–	–	110
Nisa Bernice Leung Wing-yu	110	–	–	–	110
Lo Wai-kwok	110	–	–	–	110
Edwin Tong Ka-hung (appointed in June 2021)	92	–	–	–	92
Adrian Wong Koon-man	110	–	–	–	110
William Wong Ming-fung	110	–	–	–	110
Thomas Jefferson Wu	110	–	–	–	110
Frankie Yick Chi-ming	110	–	–	–	110
Allan Zeman	110	–	–	–	110
Secretary for Financial Services and the Treasury ²	110	–	–	–	110
Secretary for Transport and Housing ²	110	–	–	–	110
Director-General of Civil Aviation ²	110	–	–	–	110
Steven Ho Chun-yin (retired in May 2021)	18	–	–	–	18
Billy Wong Wing-hoo (retired in May 2021)	18	–	–	–	18
Executive Member					
Fred Lam Tin-fuk (Chief Executive Officer)	–	6,810	3,300	905	11,015
	1,650	6,810	3,300	905	12,665

¹ Jack So Chak-kwong has donated his Chairman's Fee as "Jack So Scholarship" to children of Airport Authority employees and therefore no payment has been made to him.

² Members who are public officers. Fees payable to the Members who are public officers are received by the Government rather than by the individuals concerned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors (continued)

(b) Emoluments of Chief Operating Officer and Executive Directors

The aggregate of the emoluments of the Chief Operating Officer and Executive Directors of the Authority is as follows:

\$'000	2023	2022
Basic compensation	21,604	21,482
Performance-related compensation	9,825	9,379
Retirement benefits	2,589	2,505
	34,018	33,366

The emoluments of the Chief Operating Officer and Executive Directors of the Authority are within the following bands:

\$	Number of individuals	
	2023	2022
500,001 – 1,000,000	–	1
1,000,001 – 1,500,000	1	1
4,000,001 – 4,500,000	–	1
4,500,001 – 5,000,000	2	1
5,000,001 – 5,500,000	2	3
5,500,001 – 6,000,000	1	–
6,500,001 – 7,000,000	–	1
7,000,001 – 7,500,000	1	–
	7	8

During the year, the five individuals with the highest emoluments comprise the Chief Executive Officer, Chief Operating Officer and three Executive Directors (2022: five comprise the Chief Executive Officer and four Executive Directors), whose emoluments are disclosed under note 7(a) and above, respectively.

8. Segmental Information

Services from which reportable segments derive their revenue

Information reported to the group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the group as a whole, as all of the group's activities are considered to be primarily dependent on the airport traffic and are highly integrated and interdependent on each other. Resources are allocated based on what is beneficial for the group in enhancing the airport experience as a whole rather than any specific department. Performance assessment is based on the results of the group as a whole with operating parameters set out for each department. Consequently, management considers there to be only one operating segment under the requirements of HKFRS 8, "Operating segments", and believes that this presentation provides more relevant information.

Reconciliation of segmental information to the information presented in the consolidated financial statements has not been presented, as the reconciling items net of consolidation adjustments are considered to be immaterial to the group.

Information provided to management in respect of the group's revenues, expenses, assets and liabilities is materially similar to that reported in these consolidated financial statements.

8. Segmental Information (continued)

Revenue from major services

The group's revenue from its major services is set out in the consolidated statement of profit or loss.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major services is as follows:

<i>\$ million</i>	2023	2022
Revenue from contracts with customers within the scope of HKFRS 15		
Airport charges	2,173	2,101
Security charges	343	46
Aviation security services	501	567
Convention and exhibition revenue	1,210	–
Others	165	297
	4,392	3,011
Revenue from other sources		
Airside support services franchises	1,602	1,660
Retail licences and advertising revenue	752	62
Other terminal commercial revenue	613	677
Convention and exhibition revenue	395	–
Others	463	388
	3,825	2,787
	8,217	5,798

The group's revenue from contracts with customers within the scope of HKFRS 15 is mainly recognised at a point in time.

Geographical information

No geographical information is shown as the revenue and operating loss of the group is substantially derived from activities in Hong Kong, other than its investments in certain subsidiaries and interests in joint ventures in the PRC, details of which are disclosed under notes 11 and 12 to the consolidated financial statements respectively.

Information about major customers

The group's customer base is diversified and includes one customer (2022: one customer) with whom transactions have exceeded 10% of the group's revenue.

Included in the revenue for the year are aggregated revenues of approximately \$1,560 million which arose from this customer (2022: \$1,164 million from one customer). This includes only revenue arising from those entities which are known to the group to be under common control of this customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment

(a) Reconciliation of carrying amount

\$ million	Other property, plant and equipment										Total
	Airfields	Terminal complexes & ground transportation centre	Access, utilities, other buildings & support facilities	Systems, installations, plant & equipment	Furniture, fixtures & equipment	Right-of-use assets	Construction in progress	Sub-total	Investment property	Interest in leasehold land	
Cost											
At 1 April 2021	14,989	31,516	16,107	15,703	3,286	60	62,812	144,473	136	11,309	155,918
Exchange adjustments	–	7	–	9	11	–	3	30	–	–	30
Additions	3	55	33	316	205	28	27,451	28,091	–	–	28,091
Acquired through step acquisition (note 22)	–	–	651	284	–	–	9	944	–	127	1,071
Reclassifications	234	1,157	956	220	171	–	(2,712)	26	(26)	–	–
Disposals	(9)	(4)	(12)	(72)	(43)	(11)	–	(151)	–	–	(151)
At 31 March 2022	15,217	32,731	17,735	16,460	3,630	77	87,563	173,413	110	11,436	184,959
At 1 April 2022	15,217	32,731	17,735	16,460	3,630	77	87,563	173,413	110	11,436	184,959
Exchange adjustments	–	(14)	–	(18)	(24)	–	(25)	(81)	–	–	(81)
Additions	62	239	154	1,094	292	43	29,186	31,070	–	–	31,070
Reclassifications	7,791	5,068	1,544	1,209	47	–	(15,682)	(23)	23	–	–
Disposals	(65)	(23)	(4)	(36)	(49)	(9)	–	(186)	–	–	(186)
At 31 March 2023	23,005	38,001	19,429	18,709	3,896	111	101,042	204,193	133	11,436	215,762
Accumulated depreciation, amortisation and impairment											
At 1 April 2021	5,662	14,827	8,653	7,624	2,078	38	–	38,882	77	5,239	44,198
Exchange adjustments	–	3	–	4	6	1	–	14	–	–	14
Charge for the year	447	901	538	737	205	15	–	2,843	4	156	3,003
Reclassifications	–	–	13	1	1	–	–	15	(15)	–	–
Written back on disposals	(9)	(3)	(11)	(67)	(39)	(11)	–	(140)	–	–	(140)
At 31 March 2022	6,100	15,728	9,193	8,299	2,251	43	–	41,614	66	5,395	47,075
At 1 April 2022	6,100	15,728	9,193	8,299	2,251	43	–	41,614	66	5,395	47,075
Exchange adjustments	–	(4)	–	1	1	–	–	(2)	–	–	(2)
Charge for the year	465	884	600	912	266	26	–	3,153	3	136	3,292
Reclassifications	–	–	(13)	(2)	(1)	–	–	(16)	16	–	–
Written back on disposals	(65)	(10)	(4)	(32)	(49)	(9)	–	(169)	–	–	(169)
At 31 March 2023	6,500	16,598	9,776	9,178	2,468	60	–	44,580	85	5,531	50,196
Net book value											
At 31 March 2023	16,505	21,403	9,653	9,531	1,428	51	101,042	159,613	48	5,905	165,566
At 31 March 2022	9,117	17,003	8,542	8,161	1,379	34	87,563	131,799	44	6,041	137,884

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

(b) Under the Private Treaty Land Grant issued by the Government for the period from 1 December 1995 to 30 June 2047 (“the Land Grant”), the Government has granted to the Authority up to the year 2047 the legal rights to the entire airport site at Chek Lap Kok together with the rights necessary to develop such site for the purposes of its business. In September 2016, the Government approved that the North Commercial District (“NCD”) area be carved out from the original land lease and put under a new lease with a 50-year term granted to the Authority up to the year 2066 to support NCD development. In August 2021, the lease term of the remaining portions in the original land lease shall be extended to the year 2071 by way of a reversionary lease granted by the Government (“the extended Land Grant”). This resulted in a decrease in the group’s annual depreciation charge in prior year of \$368 million. The net land formation cost of \$11,436 million (2022: \$11,436 million) and the land premium of \$4,000 (2022: \$4,000) have been classified as interest in leasehold land. The costs of interest in leasehold land do not include future land premium, if any.

In August 2021, a Private Treaty Land Grant for the Three-runway System (“3RS”) at new reclamation land at Chek Lap Kok has been granted by the Government to the Authority up to the year 2071. The net reclamation cost and the land premium of \$1,000 (2022: \$1,000) have been classified as construction in progress.

(c) Fair value measurement of investment property

The investment property is stated at cost net of accumulated depreciation and impairment losses with fair value disclosed for reference purpose.

The group engaged an independent firm of surveyors, Knight Frank Petty Limited (“the valuer”), who have among their staff Fellow members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued, to value its investment property for disclosure purposes. The valuer has considered the assignment restrictions on the investment property in the valuation. The fair value of the group’s investment property as at 31 March 2023 calculated by reference to net rental income allowing for reversionary income potential amounted to \$540 million (2022: \$334 million), which falls under Level 3 of the fair value hierarchy (note 23(e)).

The fair value of the group’s investment property is determined by the Income Approach. Under the Income Approach, the existing rental income from all lettable space of the investment property is capitalised for their respective unexpired terms of contractual tenancies. Upon reversion, i.e. the expiry of an existing tenancy, each office space is assumed to be let at the market rent at the reporting date, which in turn is capitalised at the market yield as expected by investors for this type of property and due consideration has been made of the market expectation of the renewal of Government leases upon expiry. Vacant units, if any, are assumed to be let at their respective market rents at the reporting date. The summation of the capitalised value of the term income and the capitalised value of the reversion income as appropriately deferred provides the market value of the investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

- (d) The group has granted sub-leases of its interest in leasehold land for airport related development and the provision of airside support services under franchise/sub-lease agreements for periods ranging from 5 to 49 years. Under the franchise/sub-lease agreements, the franchisees/lessees are granted sub-leases of interest in leasehold land for the periods of the respective franchises/sub-leases. The group also leases out part of the terminal complexes, other building and related assets under operating leases for periods generally ranging from one year to five years. All terms are renegotiated on renewal.

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

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

<i>\$ million</i>	2023	2022
Within one year	2,822	2,989
After one but within five years	6,232	6,242
After five years	10,093	11,036
	19,147	20,267

In addition to the above, in a prior year, the group began to sub-lease a portion of its interest in leasehold land to a developer to develop and manage a commercial development in SKYCITY which is scheduled to be opened in phases. The sub-lease agreement is for the period to 2066. The group will receive revenue rent only during the initial phase of operations, as set out in the agreement. Subsequent to the initial phase, the group will receive the higher of a guaranteed rent or revenue rent throughout the remaining lease term. Revenue rent represents 20%, or 30%, subject to subsequent adjustment, of the gross revenue derived from the commercial development.

During the year, \$3,135 million (2022: \$2,534 million) was recognised as income in profit or loss in respect of the operating leases and franchise/sub-lease agreements, which included contingent rentals of \$1,263 million (2022: \$514 million).

The cost less accumulated amortisation of the interest in leasehold land for airport related development and the provision of airside support services sub-leased to third parties under non-cancellable franchise/sub-lease agreements for the group as at 31 March 2023 was \$458 million with annual amortisation amounting to \$9 million.

The cost less accumulated depreciation of other property, plant and equipment leased to third parties under non-cancellable operating leases for the group as at 31 March 2023 was \$2,529 million with annual depreciation amounting to \$111 million.

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

- (e) A review of the useful life of investment property and other property, plant and equipment is undertaken by the Authority periodically. There is no material change in the estimated useful lives of investment property and other property, plant and equipment from the review undertaken during the year. Apart from those disclosed in note 9(b), a similar review undertaken during the previous year also resulted in no change in the group's annual depreciation charge.

10. Intangible Assets

<i>\$ million</i>	2023	2022
Cost		
At 1 April	340	565
Exchange adjustments	(25)	13
Eliminated upon step acquisition (note 22)	–	(238)
At 31 March	315	340
Accumulated amortisation		
At 1 April	263	284
Exchange adjustments	(19)	9
Charge for the year	16	36
Eliminated upon step acquisition (note 22)	–	(66)
At 31 March	260	263
Net book value		
At 31 March	55	77

As at 31 March 2023 and 2022, intangible asset represents the right to operate and manage Zhuhai Airport which is being amortised over 20 years on a straight line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Investments in Subsidiaries

The following list contains only the particulars of principal subsidiaries. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up ordinary share capital/ registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Authority	Held by subsidiaries	
Aviation Security Company Limited ("AVSECO")	Hong Kong	\$10,000,000	51%	51%	—	Provision of aviation security services
HKIA Precious Metals Depository Limited	Hong Kong	\$2	100%	100%	—	Provision of storage space and related services
Hong Kong – Zhuhai Airport Management Co., Ltd. ("HKZAM") * (note 11(a))	PRC	RMB360 million	55%	—	55%	Airport management and provision of transportation and ground services relating to aviation
AsiaWorld-Expo Management Limited ("AWEM") (note 11(b))	Hong Kong	\$100,000	100%	—	100%	AsiaWorld-Expo exhibition centre operation and management
Hong Kong IEC Limited ("HKIEC") (note 22)	Hong Kong	Ordinary shares: \$2,267,084,251 Preference shares: \$403,758,261	100%	—	100%	Development and holding of AsiaWorld-Expo exhibition centre

* A sino-foreign equity joint venture

(a) HKZAM

The following table lists out the information relating to HKZAM, the only subsidiary of the group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

\$ million	2023	2022
NCI percentage	45%	45%
Non-current assets	546	652
Current assets	374	474
Non-current liabilities	(148)	(120)
Current liabilities	(244)	(299)
Net assets	528	707
Carrying amount of NCI	238	318
Revenue	390	540
Loss for the year	(124)	(52)
Total comprehensive income for the year	(127)	(55)
Loss for the year allocated to NCI	(55)	(24)
Total comprehensive income for the year allocated to NCI	(56)	(25)

11. Investments in Subsidiaries (continued)

(b) AWEM

AWEM operates AsiaWorld-Expo exhibition centre under a management and operating agreement up to 2031 in return for a management fee. AsiaWorld-Expo exhibition centre is held by HKIEC, an indirect wholly owned subsidiary of the Authority since 31 March 2022 (see note 22).

12. Interests in Joint Ventures

<i>\$ million</i>	2023	2022
Share of net assets	3,824	4,614
Goodwill	219	237
	4,043	4,851

Details of the group's interests in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up registered capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Held by the Authority	
Hangzhou Xiaoshan International Airport Co., Ltd. ("HXIA")	Incorporated	PRC	RMB5,686 million	35%	35%	Management, operation and development of Hangzhou Xiaoshan International Airport and provision of related services
Shanghai Hong Kong Airport Management Co., Ltd. ("SHKAM")	Incorporated	PRC	RMB100 million	49%	49%	Management and operation of the terminals at Hongqiao International Airport, Shanghai ("HIA")

The above entities have 31 December as their statutory financial year end date, which is not coterminous with that of the group. The Authority has determined that it is more practicable to incorporate its share of the results and net assets based on the joint ventures' statutory financial year adjusted for the Authority's accounting policies.

(a) HXIA

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

Summary of financial information of HXIA, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

<i>\$ million</i>	2023	2022
Gross amounts of HXIA		
Non-current assets	31,566	32,758
Current assets	4,891	3,748
Non-current liabilities	(16,713)	(13,409)
Current liabilities	(8,988)	(10,097)
Net assets/equity	10,756	13,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Interests in Joint Ventures (continued)

(a) HXIA (continued)

<i>\$ million</i>	2023	2022
Income	2,148	3,031
Expenses	(3,437)	(3,151)
Loss before taxation	(1,289)	(120)
Income tax	(17)	(13)
Loss after taxation	(1,306)	(133)
Other comprehensive income	6	(14)
Total comprehensive income	(1,300)	(147)

<i>\$ million</i>	2023	2022
Reconciled to the group's interest in HXIA		
Gross amounts of HXIA's net assets	10,756	13,000
Group's effective interest	35%	35%
Group's share of HXIA's net assets	3,765	4,550
Goodwill	219	237
Carrying amount in the consolidated financial statements	3,984	4,787

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

<i>\$ million</i>	2023	2022
Share of loss after taxation	(457)	(47)
Share of other comprehensive income	2	(5)
Less: transfer to capital reserve	(16)	(17)
Share of loss and other comprehensive income to be retained	(471)	(69)
Share of retained profits brought forward from previous years	1,163	1,232
Share of retained profits carried forward to next year	692	1,163

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

<i>\$ million</i>	2023	2022
At 1 April	1,030	1,013
Transfer from retained profits	16	17
At 31 March	1,046	1,030

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

<i>\$ million</i>	2023	2022
Contracted for	2,880	1,822
Authorised but not contracted for	12,743	11,528
	15,623	13,350

These are to be financed independently by HXIA through its internal resources or borrowings. No commitment has been made by the group to contribute by way of equity, loans or guarantees thereof for this purpose.

12. Interests in Joint Ventures (continued)

(b) SHKAM

SHKAM, an unlisted sino-foreign equity joint venture, manages and operates the terminals at HIA, under a management contract signed for 20 years commencing from December 2009 in return for a management fee to be paid by Shanghai Airport (Group) Co. Ltd. Hongqiao International Airport Company.

Summarised financial information of SHKAM, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

<i>\$ million</i>	2023	2022
Gross amounts of SHKAM		
Current assets	130	139
Current liabilities	(10)	(9)
Net assets/equity	120	130

<i>\$ million</i>	2023	2022
Income	12	12
Expenses	(9)	(9)
Profit before taxation	3	3
Income tax	(1)	(1)
Net profit and other comprehensive income	2	2

<i>\$ million</i>	2023	2022
Reconciled to the group's interest in SHKAM		
Gross amounts of SHKAM's net assets	120	130
Group's effective interest	49%	49%
Group's share of SHKAM's net assets and carrying amount in the consolidated financial statements	59	64

13. Trade and Other Receivables

<i>\$ million</i>	2023	2022
Trade debtors	4,194	3,483
Less: loss allowance (note 13(b))	(1,082)	(1,088)
	3,112	2,395
Other debtors	443	35
	3,555	2,430
Advance payments to contractors	17	20
Prepayments	236	218
Deposits and debentures	44	31
	3,852	2,699
Classified in the consolidated statement of financial position as:		
Current assets	3,835	2,679
Non-current assets	17	20
	3,852	2,699

As at 31 March 2023, all of the trade and other receivables under current assets are expected to be recovered or recognised as an expense within one year except for \$27 million (2022: \$20 million), which is expected to be recovered after more than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Trade and Other Receivables (continued)

- (a) The ageing analysis of trade debtors, based on overdue days and net of loss allowance, included above is as follows:

<i>\$ million</i>	2023	2022
Amounts not yet due	1,693	1,432
Less than one month past due	116	38
One to three months past due	256	106
More than three months past due	1,047	819
	3,112	2,395

Trade debtors are generally due within 14 to 30 days from the date of billing. The group's credit policy is set out in note 23(a). The group holds cash deposits and bank guarantees of \$3,417 million (2022: \$3,335 million) as collateral over the trade debtors.

(b) **ECLs of trade debtors**

ECLs in respect of trade debtors are recorded using an allowance account unless the group considers that recovery of the amount is remote, in which case the ECL is written off against trade debtors directly (note 29(l)).

The movements in the loss allowance during the year are as follows:

<i>\$ million</i>	2023	2022
At 1 April	1,088	1,116
Losses reversed and credited to other operating expenses	(6)	(28)
At 31 March	1,082	1,088

(c) **Credit risk arising from trade debtors**

The group measures loss allowance for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Expected loss rates are based on actual loss experience in the past for the respective customer bases. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the trade debtors.

Expected loss rates ranged from 35% to 89% for debtors 1-30 days past due to 211-240 days past due (2022: 31% to 88% for debtors 1-30 days past due to 211-240 days past due). The Authority usually fully provides for trade receivables aged over 240 days (2022: 240 days) based on historical experience save for any exceptional exposures.

14. Cash and Bank Balances and Other Cash Flow Information

(a) Cash and bank balances comprise:

\$ million	2023	2022
Deposits with banks within three months of maturity when placed	4,267	22,044
Cash at bank and in hand	2,763	4,822
Cash and cash equivalents in the consolidated cash flow statement	7,030	26,866
Deposits with banks with over three months of maturity when placed	35,260	11,226
Cash and bank balances in the consolidated statement of financial position	42,290	38,092

As at 31 March 2023, cash and bank balances of \$244 million (2022: \$389 million) held by subsidiaries are subject to currency exchange restrictions in the PRC.

(b) Reconciliation of (assets)/liabilities arising from financing activities:

The table below details changes in the group's (assets)/liabilities from financing activities, including both cash and non-cash changes. (Assets)/liabilities arising from financing activities are (assets)/liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

\$ million	Interest-bearing borrowings	Interest and other borrowing costs payables and deferred finance charges	Lease liabilities	Airport construction fee receivable	Net derivative financial assets	Total
	(Note 16)		(Note 15)		(Note 23(e))	
At 1 April 2022	73,017	314	45	(446)	(1,108)	71,822
Changes from financing cash flows:						
Interest paid on notes and bank loans	–	(2,014)	–	–	–	(2,014)
Interest element of lease rentals paid	–	–	(3)	–	–	(3)
Other borrowing costs and interest expense paid	(69)	(110)	–	–	–	(179)
Capital element of lease rentals paid	–	–	(25)	–	–	(25)
Airport construction fee received	–	–	–	354	–	354
Receipts from issue of notes	30,140	–	–	–	–	30,140
Repayment of notes	(550)	–	–	–	–	(550)
Net interest income received on interest rate swaps	–	253	–	–	–	253
Total changes from financing cash flows	29,521	(1,871)	(28)	354	–	27,976
Non-cash changes:						
Interest on notes and bank loans (note 5)	–	2,402	–	–	–	2,402
Interest on lease liabilities (note 5)	–	–	3	–	–	3
Other borrowing costs (note 5)	–	99	–	–	–	99
Airport construction fee	–	–	–	(671)	–	(671)
Other non-cash movements	290	(424)	43	–	479	388
Total other changes	290	2,077	46	(671)	479	2,221
At 31 March 2023	102,828	520	63	(763)	(629)	102,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Cash and Bank Balances and Other Cash Flow Information (continued)

(b) Reconciliation of (assets)/liabilities arising from financing activities: (continued)

<i>\$ million</i>	Interest-bearing borrowings	Interest and other borrowing costs payables and deferred finance charges	Lease liabilities	Airport construction fee receivable	Net derivative financial assets	Total
	(Note 16)		(Note 15)		(Note 23(e))	
At 1 April 2021	41,769	52	33	(453)	(273)	41,128
Changes from financing cash flows:						
Interest paid on notes and bank loans	–	(713)	–	–	–	(713)
Other borrowing costs and interest expense paid	(223)	(4)	–	–	–	(227)
Capital element of lease rentals paid	–	–	(16)	–	–	(16)
Airport construction fee received	–	–	–	128	–	128
Receipts from issue of notes	31,049	–	–	–	–	31,049
Net interest expense paid on interest rate swaps	–	(72)	–	–	–	(72)
Total changes from financing cash flows	30,826	(789)	(16)	128	–	30,149
Non-cash changes:						
Interest on notes and bank loans (note 5)	–	897	–	–	–	897
Other borrowing costs (note 5)	–	74	–	–	–	74
Airport construction fee	–	–	–	(121)	–	(121)
Other non-cash movements	422	80	28	–	(835)	(305)
Total other changes	422	1,051	28	(121)	(835)	545
At 31 March 2022	73,017	314	45	(446)	(1,108)	71,822

15. Trade and Other Payables

<i>\$ million</i>	2023	2022
Creditors and accrued charges	14,928	10,025
Deposits received	1,075	1,050
Contract retentions	2,380	1,881
Lease liabilities	63	45
	18,446	13,001
Classified in the consolidated statement of financial position as:		
Current liabilities	16,692	11,570
Non-current liabilities	1,754	1,431
	18,446	13,001

15. Trade and Other Payables (continued)

As at 31 March 2023, all of the trade and other payables are expected to be settled or recognised as income within one year except for \$1,754 million (2022: \$1,431 million), which are expected to be settled after more than one year and mainly relate to licence deposits received from retail licensees and contract retentions.

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

<i>\$ million</i>	2023	2022
Due within 30 days or on demand	3,647	3,442
Due after 30 days but within 60 days	1,742	1,604
Due after 60 days but within 90 days	805	911
Due after 90 days	8,734	4,068
	14,928	10,025

16. Interest-Bearing Borrowings

<i>\$ million</i>	2023	2022
Notes payable (a)		
HK dollar fixed rate notes due 2024 to 2043	13,728	7,433
HK dollar floating rate notes due 2027	1,500	1,500
US dollar notes due 2026 to 2062	70,648	46,993
Bank loans (b)	17,500	17,500
Less: unamortised finance costs	(548)	(409)
	102,828	73,017

(a) The Authority maintained a United States ("US") \$8 billion Medium Term Note programme.

During the year, the Authority issued a total of \$6,849 million notes under the US\$8 billion Medium Term Note programme and repaid \$550 million in full. All of these notes issued are fixed rate notes with maturities of 2 to 5 years and annual coupon rates ranging between 2.60% and 3.30%.

In January 2022, the Authority issued totally US\$4 billion multi-tranche notes. These notes are listed on the Hong Kong Stock Exchange with maturities of 5 to 40 years at annual coupon rates ranging from 1.75% to 3.50%.

In January 2023, the Authority issued totally US\$3 billion multi-tranche notes. These notes are listed on the Hong Kong Stock Exchange. The multi-tranche offering comprises of:

- US\$500 million notes due 2026 with coupon rate of 4.875% issued at 99.917%;
- US\$1 billion green notes due 2028 with coupon rate of 4.75% issued at 99.705%;
- US\$700 million notes due 2030 with coupon rate of 4.875% issued at 99.380%; and
- US\$800 million notes due 2033 with coupon rate of 4.875% issued at 99.258%.

As at 31 March 2023, the Authority's outstanding fixed rate notes have annual coupon rates ranging from 1.55% to 4.875% (2022: 1.55% to 4.20%). The fixed rate notes are unsecured and repayable in full upon maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Interest-Bearing Borrowings (continued)

- (b) In June 2020, the Authority signed a five-year unsecured Hong Kong dollar term and revolving credit facility of \$35 billion. The facility consists of a term loan tranche and a revolving loan tranche of \$17.5 billion each. Interest is payable on amounts drawn down at a rate related to Hong Kong Interbank Offered Rate ("HIBOR"). In the same year, \$17.5 billion was drawn down from the term loan tranche and the amount was swapped from floating rate to fixed rate through use of interest rate swaps. As at 31 March 2023, there was no outstanding amount under the revolving loan tranche (2022: \$nil).
- (c) As at 31 March 2023, the Authority has uncommitted money market line facilities of \$2,692 million (2022: \$2,692 million). Interest is payable on amounts drawn down at a rate related to HIBOR. As at 31 March 2023, there was no outstanding amount under these facilities (2022: \$nil).
- (d) As at 31 March 2023, the unsecured interest-bearing borrowings were repayable as follows:

<i>\$ million</i>	2023	2022
Within one year or on demand	–	554
After one year but within two years	4,990	–
After two years but within five years	43,997	25,919
After five years	53,841	46,544
	102,828	72,463
	102,828	73,017

- (e) None of the interest-bearing borrowings is subject to any financial covenants imposed by the lenders. Interest-bearing borrowings are carried at amortised cost. The carrying amount of those hedged for fair value risks in prior years are adjusted for the change in fair value attributable to the risk being hedged. Further details of the group's management of liquidity risk are set out in note 23(b).

17. Unused Airport Construction Fee ("ACF")

<i>\$ million</i>	2023	2022
At 1 April	456	458
Add: ACF received or receivable for the year	671	121
Less: payment of 3RS capital expenditure	(348)	(123)
At 31 March	779	456

ACF is accrued upon the enplanement of the passenger and is remitted to the Authority by the airlines based on airlines' passenger counts.

ACF collected by the Authority, together with the interest generated thereon, is maintained in designated bank accounts and is used exclusively for paying 3RS related projects capital expenditure.

18. Deferred Income

Deferred income mainly represents amounts received in respect of sub-leases of interest in leasehold land of the airport site and subsidy from the Government. They are accounted for in accordance with the accounting policies detailed in notes 29(t)(v) and 29(t)(ix) respectively.

The amount expected to be recognised as income more than one year after the end of the reporting period is included in non-current liabilities.

19. Employee Retirement Benefits

(a) Defined benefit retirement plans

The Authority makes contributions to a defined benefit retirement plan (“the Hong Kong plan”) registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong), which covers 8% (2022: 9%) of the Authority’s employees. The plan is administered by independent trustees with its assets held separately from those of the Authority. The trustees are required by the Trust Deed to act in the best interests of the plan participants and are responsible for setting the investment policies of the plan. Under the plan, an employee is entitled to a lump sum payment upon termination of membership, which is calculated with reference to the final scheme salary and the eligible number of years of service that the employee had.

The plan is funded by contributions from the Authority in accordance with an independent actuary’s recommendation based on periodic actuarial valuations (at least every three years).

Based on an independent actuarial valuation of the plan as at 31 March 2023 according to HKAS 19, “*Employee benefits*” prepared by qualified staff of Mercer (Hong Kong) Limited (2022: Mercer (Hong Kong) Limited) using the “projected unit credit” actuarial method and a set of actuarial assumptions, the Authority’s obligation under the plan is 98% (2022: fully) covered by the plan assets held by the trustees. The signing actuaries are either Fellow members of the Society of Actuaries of the United States of America or an equivalent in another actuarial body.

HKZAM established a defined benefit retirement plan (“the HKZAM plan”) for its eligible employees, which is unfunded and covers 25% (2022: 25%) of HKZAM’s employees. Under the plan, a retired employee is entitled to a monthly fixed payment over a period upon retirement. An independent actuarial valuation of this plan according to HKAS 19, “*Employee benefits*”, as at 31 March 2023 was also prepared by qualified staff of Mercer (Hong Kong) Limited using the projected unit credit method.

The plans expose the group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the retirement plans is disclosed below:

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

<i>\$ million</i>	2023	2022
The Hong Kong plan		
Present value of funded obligations	641	730
Fair value of plan assets	(630)	(742)
	11	(12)
The HKZAM plan		
Present value of unfunded obligations	69	70
	80	58
Classified in the consolidated statement of financial position as:		
Net defined benefit retirement asset	–	(12)
Net defined benefit retirement obligations	80	70
	80	58

A portion of the above liabilities is expected to be settled after more than one year. The Authority expects to pay \$15 million in contributions to the Hong Kong defined benefit retirement plan for the year ending 31 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(ii) Plan assets consist of the following:

<i>\$ million</i>	2023	2022
Equity securities	256	373
Corporate bonds	307	330
Cash	70	39
Net other payables	(3)	–
	630	742

All of the equity securities and bonds have quoted prices in active markets.

An asset-liability modelling study is performed periodically to analyse the strategic investment policies of the Hong Kong plan. Based on the latest review, the strategic asset allocation of the Hong Kong plan is around 42.5% in equities and 57.5% in bonds and cash.

The HKZAM plan is unfunded and without any plan assets.

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

<i>\$ million</i>	2023	2022
The Hong Kong plan		
At 1 April	730	845
Remeasurements:	(48)	(68)
– Actuarial gains arising from changes in demographic assumptions	(2)	–
– Actuarial gains arising from changes in financial assumptions	(33)	(37)
– Experience adjustments	(13)	(31)
Benefits paid by the plans	(86)	(90)
Current service cost	30	35
Interest cost	15	8
At 31 March	641	730
The HKZAM plan	69	70
At 31 March	710	800

The weighted average durations of the defined benefit obligations for the Hong Kong and the HKZAM plans are 4.1 years (2022: 4.9 years) and 8.2 years (2022: 8.4 years) respectively.

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

<i>\$ million</i>	2023	2022
At 1 April	742	825
Group's contributions paid to the plans	18	19
Benefits paid by the plans	(86)	(90)
Actual return on plan assets	(44)	(12)
– Interest income	15	8
– Return on plan assets, excluding interest income	(57)	(18)
– Administrative expenses paid from plan assets	(2)	(2)
At 31 March	630	742

19. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

- (v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

<i>\$ million</i>	2023	2022
Amounts recognised in profit or loss:		
The Hong Kong plan		
Current service cost	30	35
Administrative expenses paid from plan assets	2	2
	32	37
The HKZAM plan	5	6
Total amounts recognised in profit or loss	37	43
Amounts recognised in other comprehensive income:		
The Hong Kong plan		
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	(2)	–
– Actuarial gains arising from changes in financial assumptions	(33)	(37)
– Experience adjustments	(13)	(31)
Return on plan assets, excluding interest income	57	18
	9	(50)
The HKZAM plan	2	3
Total amounts recognised in other comprehensive income	11	(47)
Total defined benefit expense/(income)	48	(4)

The current service cost and administrative expenses paid are recognised in the following line items in the consolidated statement of profit or loss.

<i>\$ million</i>	2023	2022
Staff costs and related expenses	37	43

- (vi) Significant actuarial assumptions and sensitivity analysis are as follows:

	2023	2022
The Hong Kong plan		
Discount rate	3.1%	1.9%
Future long term salary increases	3.5%	3.5%
The HKZAM plan		
Discount rate	2.8%	2.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(vi) Significant actuarial assumptions and sensitivity analysis are as follows: (continued)

The below analysis shows how the defined benefit obligations as at 31 March 2023 would have increased/(decreased) as a result of a 0.5% change in the significant actuarial assumptions:

<i>\$ million</i>	Increase by 0.5%	Decrease by 0.5%
The Hong Kong plan		
Discount rate	(12)	13
Future long term salary increases	16	(15)
The HKZAM plan		
Discount rate	(3)	3

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plans

- (i) The group also operates Mandatory Provident Fund Schemes (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance (“the MPF Ordinance”) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Ordinance, the employer and its employees are each required to make minimum statutory contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of \$30,000. However, under the MPF schemes, contributions by the group range from 5% to 15% of employees’ relevant income and have been charged to profit or loss. While statutory contributions to the plan vest immediately, voluntary contributions to the plan vest over a period of two to seven years.
- (ii) As stipulated by the regulations of the PRC, the subsidiary in the PRC participates in a basic defined contribution pension plan administered by the Municipal Government under which it is governed. The group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate based on the salaries, bonuses and certain allowances of its employees.

20. Capital and Reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the group’s consolidated equity is set out in the consolidated statement of changes in equity on page 106.

(b) Share capital

<i>\$ million</i>	The Authority	
	2023	2022
Authorised, issued, allotted and fully paid:		
306,480 ordinary shares of \$100,000 each (2022: 306,480 ordinary shares of \$100,000 each)	30,648	30,648

20. Capital and Reserves (continued)

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 29(u).

(ii) Capital reserve

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

(iii) Contribution from the Government

The contribution from the Government comprises the excess of the group's acquired interests in the net fair values of identifiable assets and liabilities of IEC Holdings Limited and its subsidiary over the consideration paid, which included its pre-existing interests in IEC Holdings Limited and its subsidiary ("IEC Holdings sub-group") remeasured at fair values as at the acquisition date (see note 22).

(iv) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow dealt with in accordance with the accounting policy adopted for cash flow hedges set out in note 29(f).

(v) Cost of hedging reserve

The cost of hedging reserve comprises the fair values of the effect of foreign currency basis spread and forward element of the derivative financial instruments used in cash flow hedges in accordance with the accounting policy adopted for cash flow hedges set out in note 29(f).

(vi) Distributability of reserves

As at 31 March 2023, the aggregated amount of reserves available for distribution to the equity shareholder of the Authority was \$42,664 million (2022: \$44,918 million). The Board did not propose any final dividend for the year ended 31 March 2023 (2022: \$nil).

(vii) Capital management

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Capital and Reserves (continued)

(c) Nature and purpose of reserves (continued)

(vii) Capital management (continued)

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

<i>\$ million</i>	Note	2023	2022
Total debt ¹	16	102,828	73,017
Total equity		89,660	92,709
Total capital ²		192,488	165,726
Total debt/capital ratio		53%	44%

¹ Total debt represents interest-bearing borrowings.

² Total capital represents total debt plus total equity.

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

21. Perpetual Capital Securities

In December 2020, the Authority issued dual-tranche senior perpetual capital securities (“Series A Securities” and “Series B Securities” respectively) with principal amount of US\$750 million each. The securities are listed on the Hong Kong Stock Exchange.

Series A Securities are non-callable in the first 7.5 years at a distribution rate of 2.40% per annum and floating thereafter with fixed initial spread and step up margin. Series B Securities are non-callable in the first 5.5 years at a distribution rate of 2.10% per annum and floating thereafter with fixed initial spread and step up margin. The payments of distributions can be deferred at the discretion of the Authority and the securities do not contain any contractual obligations to pay the distributions. The securities are classified as equity in the consolidated financial statements of the Authority.

22. Step Acquisition

In September 2018, the group acquired all preference shares issued by HKIEC, which represent 15.1% of the total equity interest of HKIEC, at a consideration of \$652 million in cash and HKIEC became an associate of the group. HKIEC is the holding company of AsiaWorld-Expo exhibition centre and the net assets of HKIEC include mainly the carrying amounts of the AsiaWorld-Expo exhibition centre facilities.

The group is entitled to the equity return from HKIEC and the return arising from the preference shares in form of preferred dividend. The settlement of the preferred dividend is subject to the availability of the distributable profits or cash surplus of HKIEC.

On 31 March 2022, the Authority acquired the remaining equity interest of 84.9% in HKIEC through the acquisition of the remaining equity interest of 88.2% in IEC Holdings Limited at a nominal consideration of \$1 (the “Step Acquisition”) from the Government.

The Step Acquisition was completed on 31 March 2022 (the “Completion Date”). On the Completion Date, IEC Holdings Limited has become a wholly owned subsidiary of the Authority and HKIEC ceased to be an associate and has become a subsidiary of the group and the group holds the entire interest of AsiaWorld-Expo exhibition centre and consolidated the convention and exhibition revenue from 1 April 2022 onwards. In accordance with HKFRSs, the group continued to share the results of HKIEC under the equity method of accounting during the period from 1 April 2021 to the Completion Date and the share of profit from HKIEC and preferred dividend received in cash were \$78 million and \$268 million respectively.

22. Step Acquisition (continued)

On the Completion Date, the group remeasured the fair values of its pre-existing interests in IEC Holdings sub-group and recognised a gain of approximately \$59 million. The pre-existing interests in IEC Holdings sub-group included the Authority's original equity interest of 11.8% in IEC Holdings Limited, the group's 15.1% interest in HKIEC (previously recognised as an interest in an associate) and an intangible asset, which represented the right to operate and manage AsiaWorld-Expo, before the Step Acquisition. The fair values of these formed part of the total consideration of the Step Acquisition and were included in the calculation of bargain purchase arising from the Step Acquisition. The bargain purchase has been recognised in equity as a contribution from the Government (see note 20(c)(iii)).

Details of the carrying values and fair values of the group's pre-existing interests in IEC Holdings sub-group on the Completion Date are summarised as follows:

<i>\$ million</i>	2022
Fair values of pre-existing interests in IEC Holdings sub-group	668
Carrying values of interests in IEC Holdings sub-group before the Step Acquisition	(609)
Gain on step acquisition (Note 3)	59

The fair values of identifiable assets and liabilities of IEC Holdings sub-group on the Completion Date were as follows:

<i>\$ million</i>	2022
Interest in leasehold land	127
Other property, plant and equipment	944
Trade and other receivables	393
Cash and bank balances	66
Trade and other payables	(75)
Fair values of net assets acquired	1,455
Satisfied by:	
Consideration settled in cash	–
Fair values of pre-existing interests in IEC holdings sub-group	668
Contribution from the Government	787
	1,455

An analysis of the cash flows in respect of the Step Acquisition of IEC Holdings sub-group is as follows:

<i>\$ million</i>	2022
Consideration settled in cash	–
Less: cash and cash equivalents acquired	(66)
Net cash inflows arising from the Step Acquisition	(66)

Since the Completion Date, IEC Holdings sub-group did not contribute any revenue or profit to the group for the year ended 31 March 2022. If the acquisition had occurred on 1 April 2021, the group's consolidated revenue would have been \$6,645 million and the group's consolidated loss attributable to the equity holders of the Authority for the year ended 31 March 2022 would have been \$2,759 million. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Risk Management and Fair Values of Financial Instruments

The group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign currency risk. The group conducts its financial risk management activities in accordance with the policies and practices recommended by the Audit Committee and Finance Committee of the Authority. The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. The group's credit risk is primarily attributable to trade and other receivables, over-the-counter derivative financial instruments entered into for hedging purposes and cash and bank balances. Management has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, there are procedures in place to closely monitor the payment performance. Individual credit evaluations are performed on customers requiring credit over a certain amount or customers with long overdue history, which focus on their payment history, ability to pay, as well as information specific to the customers and the economic environment in which they operate. Trade receivables are generally due within 14 to 30 days from the date of billing. In respect of the group's rental and franchise income from operating leases and franchise/sub-lease arrangements respectively, sufficient deposits and bank guarantees are held to cover potential exposure to credit risk.

COVID-19 also has an impact on the Authority's trade receivables due to the travel restrictions implemented across the world. In response to the COVID-19 pandemic, management has been performing more frequent reviews of outstanding balances as the industry as a whole has been impacted.

Cash and bank balances are placed with financial institutions with sound credit ratings to minimise credit exposure. Transactions involving derivative financial instruments are with counterparties with sound credit ratings and with whom the group has signed netting agreements. Given their high credit ratings, management does not expect any investment counterparty to fail to meet its obligations.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, the group has a certain concentration of credit risk as 6% (2022: 3%) and 51% (2022: 64%) of the total trade and other receivables was due from the group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position after deducting any loss allowance. The group does not provide any guarantees which would expose the group to credit risk.

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 13.

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(b) Liquidity risk

All cash management of the group, including the short term investment of cash surpluses and raising of loans and other borrowings to cover expected cash demands, are managed centrally by the Authority except AVSECO, HKIA Services Holdings sub-group, HKZAM and IEC Holdings sub-group which handle their own cash management. The Authority's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate credit facilities from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting periods of the group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the group can be required to pay:

\$ million	Carrying amount at 31 March	Contractual undiscounted cash flow				
		Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
2023						
Interest-bearing borrowings	102,828	137,904	3,537	8,433	52,150	73,784
Trade and other payables	17,695	17,776	15,791	1,776	137	72
Interest rate swaps (net settled)	(1,256)	(1,385)	(574)	(574)	(237)	–
Cross currency swaps (net settled)	619	994	27	27	1,072	(132)
Forward exchange contracts (net settled)	8	8	1	–	2	5
	119,894	155,297	18,782	9,662	53,124	73,729
2022						
Interest-bearing borrowings	73,017	99,680	2,154	1,598	30,544	65,384
Trade and other payables	12,001	12,097	10,296	556	1,043	202
Interest rate swaps (net settled)	(996)	88	23	25	39	1
Cross currency swaps (net settled)	(131)	(371)	(19)	(19)	(158)	(175)
Forward exchange contracts (net settled)	(1)	(10)	(1)	–	(2)	(7)
	83,890	111,484	12,453	2,160	31,466	65,405

As shown above, interest-bearing borrowings (including interest) of the group amounting to \$3,537 million (2022: \$2,154 million) are due to be repaid in the upcoming 12 months after 31 March 2023. The short term liquidity risk inherent in this contractual maturity will be addressed by internal sources of funds and new external borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's interest rate risk arises primarily from long term interest-bearing borrowings. Borrowings at variable rates and at fixed rates expose the group to cash flow interest rate risk and fair value interest rate risk respectively. The group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedges of interest rate risk

Interest rate swaps, denominated in Hong Kong dollars, have been entered into to achieve an appropriate mix of fixed and floating interest rate exposure within the group's policy.

The group classifies interest rate swaps into either fair value or cash flow hedges and states them at their fair values in accordance with the policy set out in note 29(f).

Details of the notional amounts, maturity period and fair values of swaps entered into by the group at the end of the reporting periods are set out in note 23(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

The group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the borrowings. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationships:

<i>\$ million</i>	2023	2022
At 1 April	831	147
Effective portion of the cash flow hedge recognised in other comprehensive income	261	819
Less: deferred tax	(43)	(135)
At 31 March	1,049	831
Change in fair value of the interest rate swaps during the year	261	816
Hedge ineffectiveness recognised in consolidated statement of profit or loss	—	3
Effective portion of the cash flow hedge recognised in other comprehensive income	261	819

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(c) Interest rate risk (continued)

(ii) Interest rate profile

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

<i>\$ million</i>	2023	2022
Fixed rate borrowings		
Bank loans ¹	17,463	17,445
Fixed rate notes	83,867	53,520
Floating rate notes ¹	1,498	1,498
	102,828	72,463
Variable rate borrowings		
Fixed rate notes ²	–	554
Total borrowings	102,828	73,017
Fixed rate borrowings as a percentage of total borrowings	100%	99%

¹ Swapped to fixed rate

² Swapped to floating rate

(iii) Sensitivity analysis

As at 31 March 2023, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have decreased the group's loss after taxation and increased the group's retained profits by approximately \$3 million (2022: \$1 million), while a general decrease of 50 basis points in interest rates, with all other variables held constant, would have increased the group's loss after taxation and decreased the group's retained profits by approximately \$3 million (2022: \$1 million). Other components of consolidated equity would have increased by approximately \$191 million (2022: \$244 million) and decreased by approximately \$194 million (2022: \$248 million) in response to the general increase and decrease in interest rates respectively. The effect of interest-bearing bank deposits is expected to be not significant and is not taken into account in the analysis.

The sensitivity analysis above indicates the instantaneous change in the group's loss after taxation, retained profits and other components of consolidated equity that would have arisen assuming that the change in interest rates had occurred at the end of the reporting periods and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting periods. In respect of the exposure to cash flow interest rate risk arising from floating interest rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's loss after taxation and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis as for prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(d) Foreign currency risk

It is the Authority's policy to require all major operational contracts to be in Hong Kong dollars. The few exceptions to this have involved small value contracts or contracts that were hedged.

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

As at 31 March 2023, the group is exposed to US dollar currency risk in respect of the US dollar notes issued of US\$9,000 million (2022: US\$6,000 million) and cash and bank balances of US\$1,557 million (2022: US\$2,418 million).

Although the US dollar currency risk is substantially mitigated by the peg between Hong Kong dollar and US dollar, the group further reduces this risk by the use of cross currency swaps to hedge most of the payment of the US dollar notes into Hong Kong dollar. The group designates these cross currency swaps as cash flow hedges. Details of the notional amounts, maturity period and fair values of cross currency swaps entered into by the group at the end of the reporting periods are set out in note 23(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

The group uses forward exchange contracts to manage its Australian dollar currency risk until the settlement date of foreign currency payables. The group designates those forward exchange contracts as hedging instruments in cash flow hedges and separates the forward and spot element of a forward exchange contract and designates the change in value of the spot element as hedging instrument. Correspondingly, the hedged item is measured based on the forward exchange rate.

The group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between:

- (i) the cross currency swaps and the US dollar notes; and
- (ii) the forward exchange contracts and the highly probable forecast transactions, based on their currency amounts and the timing of their respective cash flows.

The main sources of ineffectiveness in these hedging relationships are due to the different day count and day adjustments in each of the deals.

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

<i>\$ million</i>	2023	2022
At 1 April	6	8
Effective portion of the cash flow hedge recognised in other comprehensive income	91	171
Amount transferred from equity to consolidated statement of profit or loss	(108)	(174)
Less: deferred tax	3	1
At 31 March	(8)	6
Change in fair value of the cross currency swaps during the year	108	174
Change in fair value of the forward exchange contracts during the year	(17)	(3)
Effective portion of the cash flow hedge recognised in other comprehensive income	91	171

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(d) Foreign currency risk (continued)

As at 31 March 2023, the group's borrowings denominated in US dollar were largely swapped into Hong Kong dollar by entering into the cross currency swaps. The group targets to swap all borrowings in foreign currency into Hong Kong dollar. As the Hong Kong dollar is pegged to US dollar at a range between 7.75 to 7.85, management considers that the foreign currency risk associated with the unhedged US dollar exposure is not material to the group. Accordingly, no sensitivity analysis is considered necessary.

As at 31 March 2023, the group is exposed to Renminbi currency risk arising from cash and bank balances of RMB135 million (2022: RMB165 million). If Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, the group's loss after taxation would have been \$7 million (2022: \$8 million) higher/lower and the group's retained earnings would have been \$7 million (2022: \$8 million) lower/higher. The analysis is performed on the same basis for 2021/22.

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "*Fair value measurement*". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

The fair value disclosure of investment property carried at cost follows the above hierarchy (note 9(c)).

As at 31 March 2022 and 2023, the group's derivative financial instruments are carried at fair value. These instruments fall under Level 2 of the fair value hierarchy described above.

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: \$nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

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

\$ million	Recurring fair value measurement using significant other observable inputs (Level 2)			2022		
	2023 Notional amount	2023 Financial assets	2023 Financial liabilities	2022 Notional amount	2022 Financial assets	2022 Financial liabilities
Cash flow hedges						
Interest rate swaps	\$19,000	1,256	–	\$19,000	995	–
Cross currency swaps	US\$8,350	94	(713)	US\$3,600	158	(27)
Forward exchange contracts	AUD27	–	(8)	AUD29	2	(1)
Fair value hedges						
Interest rate swaps	\$nil	–	–	\$550	1	–
Derivative financial instruments for perpetual capital securities		7	(7)		3	(23)
Total		1,357	(728)		1,159	(51)
Less: portion to be recovered/(settled) within one year						
Cash flow hedges						
Interest rate swaps	\$19,000	555	–	\$19,000	122	–
Forward exchange contracts	AUD27	–	–	AUD29	1	–
Fair value hedges						
Interest rate swaps	\$nil	–	–	\$550	1	–
Derivative financial instruments for perpetual capital securities		–	(2)		–	(2)
		555	(2)		124	(2)
Portion to be recovered/(settled) after one year		802	(726)		1,035	(49)

Derivative financial instruments qualifying as cash flow hedges as at 31 March 2023 have maturities of 0.3 year to 9.8 years (2022: 0.3 year to 9.8 years) from the end of the reporting period.

As at 31 March 2022, derivative financial instruments qualifying as fair value hedges have a maturity of less than one year from the end of the reporting period. These fair value hedges have subsequently expired during the year ended 31 March 2023.

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(e) Fair value measurement (continued)

- (i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of forward exchange contracts, cross currency swaps and interest rate swaps are the estimated amount that the Authority would receive or pay to terminate the swap and forward exchange contracts at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the counterparties. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

- (ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2023 and 2022 except for the following financial instruments, for which their carrying amounts and fair values and the level of fair value hierarchy are disclosed below:

\$ million	Notional amount	Carrying amount at 31 March	Fair value at 31 March	Fair value measurements categorised into		
				Level 1	Level 2	Level 3
2023						
Fixed rate notes	US\$9,000 and \$13,728	83,867	77,160	63,408	13,752	–
2022						
Fixed rate notes	US\$6,000 and \$7,429	54,074	50,422	42,988	7,434	–

Discounted cash flow techniques are used in deriving the fair value of the fixed rate notes. The discount rates used are market related rates at the end of the reporting period.

24. Outstanding Commitments

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

\$ million	2023			2022		
	3RS	Others	Total	3RS	Others	Total
Contracted for	20,848	8,238	29,086	39,663	6,747	46,410
Authorised but not contracted for	13,518	25,006	38,524	15,648	25,484	41,132
	34,366	33,244	67,610	55,311	32,231	87,542

The outstanding commitments of the group's joint venture, HXIA, are separately disclosed in note 12(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Material Related Party Transactions

The Authority is wholly owned by the Government. Transactions between the group and Government departments, agencies or Government controlled entities, other than those transactions such as the payment of fees, taxes, rent and rates, etc. that arise in the normal dealings between the Government and the group, are considered to be related party transactions pursuant to HKAS 24, “*Related party disclosures*” and are identified separately in these consolidated financial statements.

Members of the Board, Chief Operating Officer and Executive Directors, and parties related to them, are also considered to be related parties of the Authority. Material transactions with these parties, if any, are separately disclosed. Emoluments paid to Members of the Board, Chief Operating Officer and Executive Directors are disclosed in note 7.

During the year, other than disclosed elsewhere in the consolidated financial statements, the Authority has had the following material related party transactions:

- (a) The Authority has entered into agreements with the Government under which the Government provides maintenance services in respect of sewage pumping system, waste water treatment plant and airfield ground lighting at the airport. The amounts incurred for these services for the year amounted to \$76 million (2022: \$61 million). As at 31 March 2023, the amounts due to the Government with respect to the above services amounted to \$47 million (2022: \$30 million).
- (b) The Authority has also entered into service agreements with the Government under which the Government is to provide aviation meteorological and air traffic control services and aircraft rescue and fire fighting services at the airport. The amounts incurred for the year amounted to \$952 million (2022: \$756 million) and the amounts due to the Government as at 31 March 2023 with respect to the above services amounted to \$0.4 million (2022: \$0.4 million).
- (c) The Authority and HKIA Staff Services Limited (“HKIASS”), a subsidiary of the Authority, have entered into a service agreement with the Government under which the Authority agreed through HKIASS, to provide additional manpower to the Government to meet foreseeable human resources demand in rendering air traffic control services at the airport (note 25(b)) at nil consideration.
- (d) The Authority has entered into an agreement with MTR Corporation Limited (“MTRC”), in which the Government is the majority shareholder, under which MTRC provides maintenance services to the Automated People Mover System and Cars in both Terminals 1 and 2, SkyPier and T1 Midfield Concourse (formerly known as Midfield Concourse). The amounts incurred by the Authority for these services for the year amounted to \$183 million (2022: \$194 million). As at 31 March 2023, the amounts due to MTRC with respect to the maintenance services amounted to \$189 million (2022: \$154 million).
- (e) The Authority has leased certain areas at the airport to Hongkong International Theme Parks Ltd. (“HKITP”), in which the Government is the majority shareholder. The aggregated amounts received and receivable for the year amounted to \$5 million (2022: no material net amount received and receivable). As at 31 March 2023, the amounts due from HKITP amounted to \$2.3 million (2022: amounts due to HKITP of \$0.2 million).

25. Material Related Party Transactions (continued)

- (f) AVSECO, a subsidiary of the Authority, has provided security-related services to various Government departments, agencies and Government controlled entities other than the Authority. The aggregated amounts received and receivable for the year amounted to \$77 million (2022: \$69 million). As at 31 March 2023, the aggregated amounts due from these departments, agencies or entities amounted to \$8 million (2022: \$9 million).
- (g) AWEM, a subsidiary of the Authority, operates the AsiaWorld-Expo exhibition centre (note 11). The aggregated amounts received and receivable from the convention and exhibition revenue from various Government departments and Government controlled entities other than the Authority for the year amounted to \$1,385 million (2022: \$nil since the Completion Date, see note 22). As at 31 March 2023, the aggregated amounts due from these departments or entities amounted to \$553 million (2022: \$248 million).
- (h) The Authority and AVSECO have provided quarantine-related services to various Government departments and Government controlled entities. The aggregated amounts received and receivable for the year amounted to \$545 million (2022: \$560 million). As at 31 March 2023, the aggregated amounts due from these departments or entities amounted to \$0.1 million (2022: \$20 million).

26. Immediate and Ultimate Controlling Party

As at 31 March 2023, the immediate parent and ultimate controlling party of the group is the Government.

27. Accounting Judgements and Estimates

(a) Critical accounting judgements in applying the group's accounting policies

In applying the group's accounting policies, management has made the following accounting judgements:

(i) Interest in leasehold land

On 1 December 1995, the Authority was granted the rights to the airport site at Chek Lap Kok for a nominal land premium of \$2,000. The Authority was responsible for all of the costs for the formation of the airport site, with respect to which \$11,571 million was initially incurred. The land formed is considered to have all the characteristics of land in Hong Kong and will revert to the lessor at the end of the Land Grant. Such cost is considered to have been incurred to obtain the benefits of a leasehold land. Accordingly, the land premium and the land formation costs have been classified as interest in leasehold land. Upon the granting of finance leases of portions of the land concerned, the cost of leasehold land excluded from the consolidated statement of financial position is based on an apportionment of the overall land cost.

(ii) Sub-lease of leasehold land

The Authority sub-leases part of its interest in leasehold land to various Government departments, agencies or Government controlled entities at 'nil' rental for substantially the full period of the Land Grant, to provide services for the sole benefit of the airport and its users. As it is considered that these sub-leases are for the sole benefit of the Authority for enhancing services at the airport, they are in substance held for the full and exclusive benefit of the Authority and accordingly such sub-leases continue to be treated as interest in leasehold land in the consolidated financial statements of the Authority and are not derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Accounting Judgements and Estimates (continued)

(a) Critical accounting judgements in applying the group's accounting policies (continued)

(iii) Interests in joint ventures

HXIA receives Civil Aviation Development Fund subsidies, airport construction fee subsidies and certain other subsidies (collectively known as "CADF") for airport development purposes from the PRC government which are required to be treated as a capital contribution in HXIA's PRC statutory financial statements.

In the group's consolidated financial statements, the group equity accounts for its share of the CADF according to its shareholding percentage, on the basis that all shareholders of HXIA can enjoy the economic benefits arising from the CADF received by HXIA.

Prior to June 2016, the group recognised its share of the CADF in the consolidated statement of profit or loss in the same period as recognised by HXIA. In June 2016, the group changed its method of recognising the CADF as a result of additional conditions being imposed by the Ministry of Finance and the Civil Aviation Administration of China in relation to the governance of CADF applications (財建 [2016] 362號). As these new conditions are similar to those imposed on government grants related to assets, from June 2016 onwards the group recognises its share of the CADF over the useful life of the subsidised assets.

As the CADF may only be used for restricted purposes and are not distributable, the group transfers such amounts from retained profits to the capital reserve.

(b) Major sources of estimation uncertainty

Notes 19 and 23(e) contain information about the assumptions and their risk factors relating to defined benefit retirement asset/obligations and the fair value of financial instruments respectively. Other major areas of estimation uncertainty are as follows:

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

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

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

(ii) Project provisions

The group establishes project provisions for the settlement of estimated claims that may arise due to time delays, additional costs or other unforeseen circumstances common to major construction contracts. The claims provisions which are estimated based on a best assessment of the group's liabilities under each contract by professionally qualified personnel may differ from the actual claims settlement.

28. Fund-Raising Event Requiring Public Subscription Permit from Social Welfare Department

The Authority has a donation box fund-raising programme under Public Subscription Permit (Permit No.: 2022/026/1) from Social Welfare Department to support the services of certain charitable organisations. During the period from 1 April 2022 to 31 March 2023, the donations received was \$0.17 million (2022: \$0.08 million). After deducting handling fees of \$0.03 million (2022: \$0.01 million) charged by a service provider not related to the Authority, the net donations distributed of \$0.14 million (2022: \$0.07 million) were equally allocated among The Community Chest of Hong Kong, Changing Young Lives Foundation, Friends of the Earth (HK) Charity Limited, Green Power Limited, OIWA Limited, The Neighbourhood Advice-Action Council Tung Chung Integrated Services Centre and World Wide Fund for Nature Hong Kong.

29. Summary of Significant Accounting Policies

(a) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the group.

None of these developments has had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in these consolidated financial statements.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Authority, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholder of the Authority. Non-controlling interests in the results of the group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of the Authority. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 29(n) or (o) depending on the nature of the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

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

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (note 29(c)).

(c) Associate and joint ventures

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group or the Authority and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the group's equity investment. Thereafter, the investment is adjusted for the post-acquisition change in the group's share of the investee's net assets and any impairment losses relating to the investment (notes 29(d) and (j)). Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the group's share of losses exceeds its interest in the associate or the joint venture, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the group's net investment in the associate or the joint venture.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

29. Summary of Significant Accounting Policies (continued)

(d) Goodwill

Goodwill represents the excess of the cost of an investment in a joint venture over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as at the acquisition date.

In respect of an investment in a joint venture, the carrying amount of goodwill is included in the carrying amount of the interest in the joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (note 29(j)).

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of an investment in a joint venture is recognised immediately in profit or loss.

On disposal of a joint venture, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(f) Accounting for derivative financial instruments and hedging activities

The group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or (2) hedges of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction (cash flow hedges).

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in other comprehensive income and accumulated separately in equity in the hedging reserve. Amounts accumulated in equity are reclassified from equity to profit or loss in the periods when the hedged transaction affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the group revokes designation of the hedge relationship but if the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

The foreign currency basis spread and forward element of derivatives, which have been separated and excluded from the designation as cash flow hedges, are recognised directly in other comprehensive income and accumulated separately in equity in the cost of hedging reserve. Amounts accumulated in equity are amortised and reclassified from equity to profit or loss over the term of derivatives.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(g) Investment property, interest in leasehold land, other property, plant and equipment

- (i) The Authority was responsible for all of the costs of the formation of the airport site. The land formation cost and the land premium have been classified as interest in leasehold land. Interest in leasehold land is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 29(j)).
- (ii) Investment property
- Investment property includes leasehold land and its related improvements and/or buildings held to earn rental income. This includes land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.
- Investment property is stated in the consolidated statement of financial position at cost net of accumulated depreciation and impairment losses (note 29(j)). Investment property is depreciated over its estimated useful life or the unexpired term of the lease, whichever is shorter. Rental income from investment property is accounted for as described in note 29(t).
- (iii) Other property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (note 29(j)).
- (iv) Repairs and maintenance expenditure in respect of investment property, and other property, plant and equipment is charged to profit or loss as and when incurred.
- (v) Gains or losses arising from the retirement or disposal of investment property, interest in leasehold land, and an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of investment property, interest in leasehold land, and the item and are recognised in profit or loss on the date of retirement or disposal.
- (vi) Construction in progress
- Assets under construction and capital works are stated at cost. Costs comprise direct costs of construction, such as materials, direct staff costs, an appropriate proportion of production overheads, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and net borrowing costs (note 29(n)) capitalised during the period of construction or installation and testing. Capitalised costs also include provision amount assessed by the group that may be required for the settlement of contractual claims from contractors. Capitalisation of these costs ceases and the asset concerned is transferred to investment property, interest in leasehold land, other property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the policy detailed in note 29(h).

29. Summary of Significant Accounting Policies (continued)

(g) Investment property, interest in leasehold land, other property, plant and equipment (continued)

(vii) Leased assets

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(1) As a Lessee

At the lease commencement date, the group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the group enters into a lease in respect of a low-value asset, the group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses ((iii) above).

(2) As a Lessor

When the group acts a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When the group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and are depreciated in accordance with the group's depreciation policies set out in note 29(h) below. Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies set out in note 29(t) below.

When the group leases out its interest in leasehold land up to substantially the full period of the underlying Land Grant and the related risks and rewards are substantially transferred to the lessees, such leases are accounted for as finance leases. The interest in leasehold land is derecognised and the differences between the carrying amount of the interest in leasehold land and net proceeds received for such arrangements are recognised in profit or loss from the commencement dates of such finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(h) Depreciation

Depreciation is calculated to write off the cost of items of investment property, interest in leasehold land, and other property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

The estimated useful lives are:

Interest in leasehold land	Unexpired term of lease
Airfields:	
Runway base courses, taxiways and road non-asphalt layers, aprons and tunnels	10 years to unexpired term of lease
Runway wearing courses, taxiways and road asphalt layers, lighting and other airfield facilities	5 to 25 years
Terminal complexes and ground transportation centre:	
Building structure and road non-asphalt layers	Unexpired term of lease
Road asphalt layers, building services and fit-outs	3 to 25 years
Access, utilities, other buildings and support facilities:	
Road and bridge non-asphalt layers	20 years to unexpired term of lease
Road and bridge asphalt layers, other building and support facilities	5 years to unexpired term of lease
Utility supply equipment	5 to 25 years
Systems, installations, plant and equipment	3 years to unexpired term of lease
Furniture, fixtures and equipment	3 to 15 years
Right-of-use assets	Unexpired term of lease
Investment property:	
Building structure	Unexpired term of lease
Building services and fit-outs	5 to 25 years
Furniture, fixtures and equipment	3 to 15 years

Where parts of an item of investment property, interest in leasehold land, and other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 29(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The group's intangible assets, which are a franchise with a finite useful life, are amortised from the date it became available for use over the franchise periods of 20 years. The period and method of amortisation are reviewed annually.

29. Summary of Significant Accounting Policies (continued)

(j) Impairment of assets

(i) Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

- interest in leasehold land;
- investment property;
- other property, plant and equipment;
- intangible assets; and
- interests in joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(ii) Interim financial reporting and impairment

At the end of the interim period, the group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

(k) Stores and spares

Stores and spares are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase and costs incurred in bringing the stores and spares to their present location and condition and is computed on a weighted average cost basis, less provision for obsolescence. The amount of any write-down of stores and spares to their net realisable value and provision for obsolescence are recognised as an expense in the period the write-down or provision occurs. Any obsolete and damaged stores and spares are written off to profit or loss.

(l) Trade and other receivables

Trade and other receivables are recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less loss allowance for credit losses.

The group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (trade and other receivables).

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(l) Trade and other receivables (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs (which are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies).

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as a gain or loss in profit or loss. The group recognises a gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of loss in profit or loss in the period in which the recovery occurs.

(m) ACF

The ACF is collected by the Authority from passengers exclusively for the purpose of meeting 3RS construction costs. ACF is recognised in the consolidated statement of financial position upon receipt or becoming receivable from the collecting parties. It is initially recognised as unused ACF, until it is used to settle the relevant costs of construction. At this point in time it will be transferred from the unused ACF account and deducted from the carrying amount of the 3RS assets. Consequently, ACF is effectively recognised in profit or loss over the useful life of the 3RS assets by way of reduced depreciation expense.

(n) Interest-bearing borrowings and borrowing costs

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

29. Summary of Significant Accounting Policies (continued)

(n) Interest-bearing borrowings and borrowing costs (continued)

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

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

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, performance annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Authority and its subsidiaries in Hong Kong are required to make contributions to Mandatory Provident Funds under the MPF Ordinance. Such contributions are recognised as an expense in profit or loss as incurred.

The employees of the subsidiary in the PRC participate in a defined contribution retirement plan managed by the local governmental authorities whereby the subsidiary is required to contribute to the plan at fixed rates of the employees' salary costs.

(ii) Defined benefit retirement plan obligations

The group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(q) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognised in profit or loss and allocated as part of “staff costs and related expenses”. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/(asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the group’s obligations. If there is no sufficiently deep market in such bonds, the market yield of government bonds is used.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)).

(r) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities.

Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

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

29. Summary of Significant Accounting Policies (continued)

(r) Income tax (continued)

(iii) (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

Deferred tax assets and liabilities are not discounted.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Authority or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Authority or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(t) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Revenue is recognised in profit or loss as follows:

- (i) Airport charges, representing landing charges, parking charges and terminal building charges, are recognised when the airport facilities are utilised.
- (ii) Security charges in respect of aviation security services to passengers are recognised when the airport facilities are utilised.
- (iii) Aviation security services revenue from the provision of security services to airlines, franchisees and licensees is recognised when the services are rendered.
- (iv) Franchise revenue from awarded airside support services, retail revenue from awarded retail licences, advertising revenue from awarded advertising licences, other terminal commercial revenue from leasing of check-in counters and airline lounges and office rental and other service revenue and recoveries, are recognised on an accruals basis in accordance with the related agreements.
- (v) Real estate revenue arising from sub-leases of interest in leasehold land and office buildings is recognised in profit or loss on a straight-line basis over the periods of the operating leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregated net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Amounts received in advance in respect of sub-leases of interest in leasehold land granted are accounted for as deferred income and are recognised in profit or loss on a straight-line basis over the periods of the respective sub-leases.
- (vi) Income arising from finance leases of interest in leasehold land is recognised at the inception of such leases, when substantially all the risks and rewards incidental to ownership are transferred to the lessees.
- (vii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- (viii) Interest income is recognised as it accrues using the effective interest rate method.
- (ix) Subsidy from the Government is recognised in profit or loss on a systematic basis over the periods in which the Authority recognises the relevant relief measures as expenses.
- (x) Revenue from convention and exhibition mainly comprises event services income and licence income from operating leases which are recognised when services are rendered and in equal instalments over the periods covered by the licence term, respectively.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities and non-monetary assets and liabilities that are stated at fair value and are denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

29. Summary of Significant Accounting Policies (continued)

(u) Translation of foreign currencies (continued)

The results of entities outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of entities outside Hong Kong, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an entity outside Hong Kong, the cumulative amount of the exchange differences relating to that entity is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Related parties

- (i) A person, or a close member of that person's family, is related to the group if that person:
 - a) has control or joint control over the group;
 - b) has significant influence over the group; or
 - c) is a member of the key management personnel of the group or the group's parent.
- (ii) An entity is related to the group if any of the following conditions applies:
 - a) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - c) Both entities are joint ventures of the same third party.
 - d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - e) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
 - f) The entity is controlled or jointly controlled by a person identified in note (v)(i).
 - g) A person identified in note (v)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - h) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

30. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for The Year Ended 31 March 2023

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 March 2023 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>"Disclosure of accounting policies"</i>	1 January 2023
Amendments to HKAS 8, <i>"Definition of accounting estimates"</i>	1 January 2023
Amendments to HKAS 12, <i>"Deferred tax related to assets and liabilities arising from a single transaction"</i>	1 January 2023
HKFRS 17 and amendments to HKFRS 17, <i>"Insurance contracts"</i>	1 January 2023
Amendments to HKAS 1, <i>"Classification of Liabilities as Current or Non-current"</i>	1 January 2024
Amendments to HKAS 16, <i>"Lease Liability in a Sale and Leaseback"</i>	1 January 2024

The group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it is concluded that the adoption of them is unlikely to have a significant impact on the group's consolidated financial statements.

FIVE-YEAR FINANCIAL AND OPERATIONAL SUMMARY

<i>(in HK\$ million)</i>	18/19	19/20	20/21	21/22	22/23
Consolidated statement of profit or loss					
Revenue	19,470	17,106	5,936	5,798	8,217
Operating expenses before depreciation and amortisation	(7,027)	(7,886)	(8,054)	(6,176)	(7,404)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	12,443	9,220	(2,118)	(378)	813
Depreciation and amortisation	(3,123)	(2,924)	(3,169)	(3,039)	(3,308)
Net interest and finance income	379	461	71	77	508
Share of results of an associate	–	(16)	53	78	–
Share of results of joint ventures	261	269	(34)	(46)	(456)
Profit/(loss) before taxation	9,960	7,010	(5,197)	(3,308)	(2,443)
Income tax (expense)/credit	(1,558)	(1,112)	829	553	513
Profit/(loss) for the year	8,402	5,898	(4,368)	(2,755)	(1,930)
Attributable to:					
Holder of ordinary shares	8,339	5,866	(4,400)	(3,014)	(2,142)
Holders of perpetual capital securities	–	–	–	263	264
Non-controlling interests	63	32	32	(4)	(52)
Consolidated statement of financial position					
Non-current assets	84,292	98,566	117,769	143,879	170,483
Current assets	24,938	16,336	38,050	41,340	47,130
Current liabilities	(15,581)	(14,977)	(11,963)	(12,797)	(17,632)
Net current assets	9,357	1,359	26,087	28,543	29,498
Total assets less current liabilities	93,649	99,925	143,856	172,422	199,981
Non-current liabilities	(13,175)	(13,740)	(49,674)	(79,713)	(110,321)
Net assets	80,474	86,185	94,182	92,709	89,660
Share capital	30,648	30,648	30,648	30,648	30,648
Reserves	49,417	55,120	51,469	50,050	47,078
Perpetual capital securities	–	–	11,585	11,585	11,585
Non-controlling interests	409	417	480	426	349
Total equity	80,474	86,185	94,182	92,709	89,660
Key financial and operational statistics					
Dividend declared <i>(HK\$ million)</i>	–	–	–	–	–
Return on equity ¹	11.0%	7.1%	-5.2%	-3.7%	-2.7%
Total debt/capital ratio ²	6%	6%	31%	44%	53%
Passenger traffic ^{3,4} <i>(millions of passengers)</i>	75.1	60.9	0.8	1.4	12.4
Cargo and airmail throughput ^{3,5} <i>(millions of tonnes)</i>	5.1	4.7	4.6	4.9	4.1
Aircraft movements ³ <i>(thousands)</i>	429	377	128	145	161

¹ Return represents profit/(loss) attributable to the ordinary shareholder. Equity represents average share capital plus average reserves.

² Total debt represents interest-bearing borrowings. Total capital represents total debt plus total equity.

³ Operational statistics is based on Airport Authority Hong Kong's data for Hong Kong International Airport only.

⁴ Passenger traffic includes originating, terminating, transfer and transit passengers. Transfer and transit passengers are counted twice.

⁵ Cargo throughput includes originating, terminating and transshipment cargo. Transshipment cargo is counted twice. Airmail throughput includes airmail from Hongkong Post and transit mail from airlines.

AIRLINES OPERATING AT HKIA AS AT MARCH 2023

ACT Airlines*	Cargolux Airlines International S.A.*	IndiGo*	Saudi Arabian Airlines*
AeroLogic*	Cargolux Italia S.p.A.*	Japan Airlines	Scoot
Aeroméxico*	Cathay Pacific	Jiangxi Air	SF Airlines*
AEROTRASCARGO*	Cebu Pacific	Juneyao Airlines	Shandong Airlines
Air Atlanta Icelandic*	China Airlines	Kalitta Air*	Shanghai Airlines
Air Canada	China Cargo Airlines*	Kargo Xpress*	Shenzhen Airlines
Air China	China Eastern Airlines	KLM Royal Dutch Airlines	Sichuan Airlines
Air France	China Southern Airlines	K-Mile Air*	Silk Way West Airlines*
Air Hongkong*	CMA CGM AIR CARGO*	Korean Air	Singapore Airlines
Air India	DHL Air*	Loongair	SpiceJet*
Air New Zealand	DHL Aviation*	Lucky Air	Spring Airlines
Air Niugini	Egyptair*	Lufthansa	SriLankan Airlines
AirAsia	Elitavia Malta*	Lufthansa Cargo*	Suparna Airlines*
AirAsia X*	Emirates	Malaysia Airlines	Swiss International Air Lines
AirExplore*	Ethiopian Airlines	MIAT Mongolian Airlines	TAAG Angola Airlines
Airline Geo Sky*	Etihad Airways*	MNG Airlines*	Terra Avia*
AirX Charter*	European Air Transport Leipzig*	National Air Cargo*	Thai AirAsia
All Nippon Airways	EVA Airways	Nepal Airlines	Thai Airways
Asia Pacific Airlines*	FedEx Express*	Nippon Cargo Airlines*	Tianjin Airlines
Asiana Airlines	Fiji Airways	Orbest S.A.*	Turkish Airlines
ASL Airlines Belgium*	Finnair	Peach Aviation	United Airlines
Astral Aviation*	FITS Aviation*	Philippine Airlines	United Parcel Service*
Atlas Air*	Garuda Indonesia	Philippines AirAsia	Urumqi Air
Aviation Horizons*	Greater Bay Airlines	Polar Air Cargo*	Uzbekistan Airways*
Bamboo Airways	Hainan Airlines	Qantas Airways	Vietjet Air
Beijing Capital Airlines	Hebei Airlines	Qatar Airways	Vietnam Airlines
Biman Bangladesh Airlines	Hi Fly Malta*	Raya Airways*	West Air
British Airways	HK Express	ROM Cargo Airlines*	Western Global Airlines*
CAL Cargo Airlines*	Hong Kong Air Cargo*	Royal Brunei Airlines	Xiamen Airlines
Cambodia Airways	Hong Kong Airlines	SalamAir*	
CAMEX Airlines*	Iberojet*	San Marino Executive Aviation S.r.l.*	

* Freighter services only

DESTINATIONS SERVED FROM HKIA AS AT MARCH 2023

North Asia

Beijing/Capital
Beijing/Daxing
Changsha
Chengdu
Chongqing
Fukuoka
Fuzhou
Guangzhou
Guiyang
Haikou
Hangzhou
Hefei
Jeju
Jinan
Kaohsiung
Kunming
Nagoya
Nanchang
Nanjing
Ningbo
Okinawa
Osaka/Kansai
Qingdao
Quanzhou
Sapporo
Seoul/Incheon
Shanghai/Pudong
Shenyang
Shenzhen*
Taichung
Taipei
Takamatsu
Tianjin

Tokyo/Haneda

Tokyo/Narita
Wenzhou
Wuhan
Wuxi
Xiamen
Xian
Zhengzhou

East Asia/ South East Asia

B S Begawan
Bangkok/Don Mueang
Bangkok/Suvarnabhumi
Cebu
Chiang Mai
Clark*
Da Nang
Davao
Denpasar
Hanoi
Ho Chi Minh
Jakarta
Kota Kinabalu
Kuala Lumpur
Kuala Lumpur/Subang*
Kuching*
Manila
Penang
Phnom Penh
Phuket
Singapore
Surabaya
Ulan Bator

Middle East/ Central Asia/South Asia

Abu Dhabi*
Almaty
Amman*
Bahrain*
Baku*
Bangalore
Chennai*
Colombo
Dammam*
Delhi
Dhaka
Doha
Dubai
Dubai/AI Maktoum*
Hyderabad*
Jeddah*
Karaganda*
Kathmandu
Kolkata*
Kuwait*
Mumbai
Muscat*
Riyadh*
Sharjah*
Tashkent*
Tel Aviv

Europe

Amsterdam
Brussels*
Budapest*
Cologne*
Frankfurt

Frankfurt/Hahn*

Helsinki
Istanbul
Leipzig*
Liege*
London/Heathrow
Luxembourg*
Maastricht/Aachen*
Madrid/Barajas
Manchester
Milan/Malpensa
Munich*
Nottingham*
Paris
Vienna*
Zurich

Australasia/ Pacific Islands

Auckland
Brisbane
Cairns
Darwin
Guam
Melbourne
Nadi
Perth
Port Moresby
Sydney
Toowoomba/Wellcamp*

Africa

Addis Ababa
Cairo*
Luanda/Quatro de Fevereiro

North America

Anchorage*
Atlanta*
Boston
Chicago/O'Hare
Chicago/Rockford*
Cincinnati*
Columbus*
Dallas*
Honolulu*
Houston*
Huntsville*
Indianapolis*
Los Angeles
Louisville*
Memphis*
Miami*
New York/John Kennedy
Oakland*
Ontario*
Philadelphia*
Portland*
San Francisco
Toronto
Vancouver

Central and South America

Guadalajara*
Mexico City*
San José/Juan Santamaria*
São Paulo/GRU

* Freighter services only

Airport Authority Hong Kong

HKIA Tower
1 Sky Plaza Road
Hong Kong International Airport
Lantau, Hong Kong

Telephone: (852) 2188 7111
Facsimile: (852) 2824 0717
Website: www.hongkongairport.com

