





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



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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.

COMMITMENT

Can-do Attitude & Willing
to Walk the Extra Mile



CARING

Care for People & Environment



CREATIVITY

Embrace Change &
Think Out of the Box



Our
Values

CONTINUOUS IMPROVEMENT

Strive for Excellence & Continuous
Learning



COLLABORATION

Teamwork & Partnership



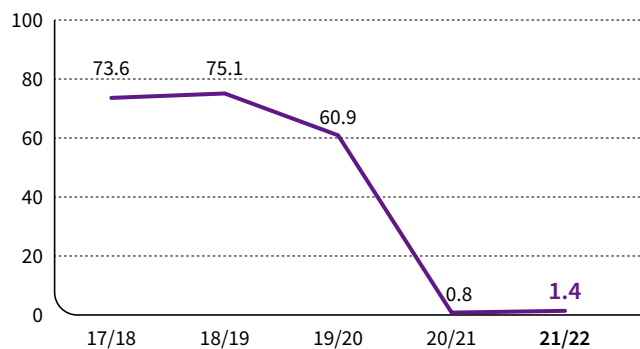
HKIA Facts

| | |
|------------------------|-------------------------------------|
| Airport Site Area | 1,255 hectares |
| Terminal Building Area | Approximately 730,000 square metres |
| Airlines | Around 120 |
| Destinations | Around 150 |
| Runways | 2 |

Performance Highlights

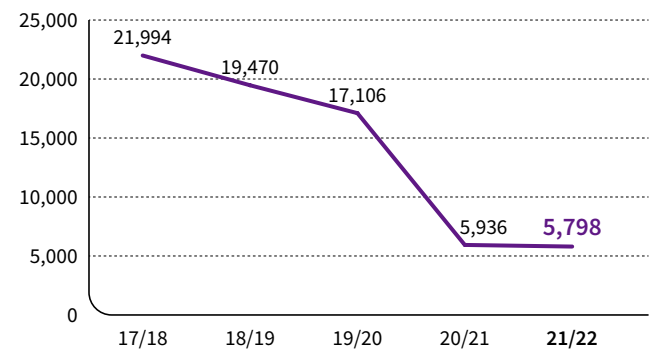
Passenger Traffic

(millions of passengers)



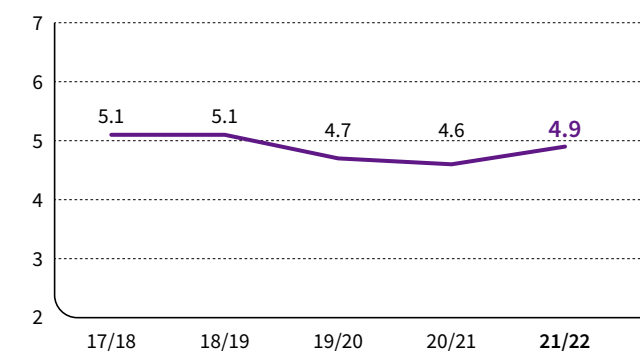
Revenue

(in HK\$ million)



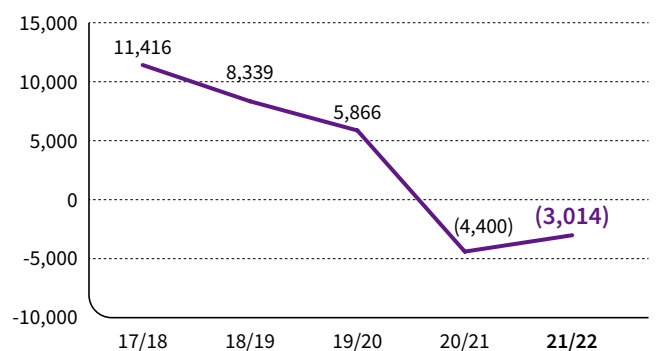
Cargo and Airmail Throughput

(millions of tonnes)



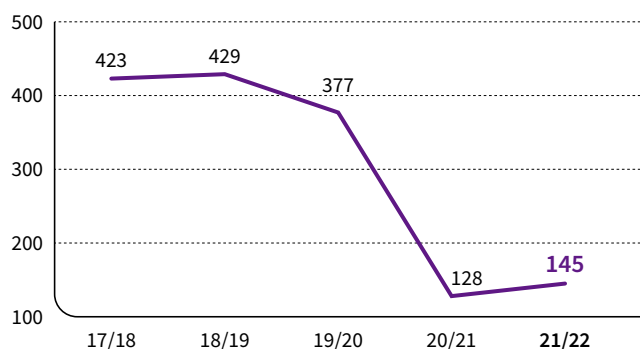
Profit/(Loss) Attributable to the Ordinary Shareholder

(in HK\$ million)



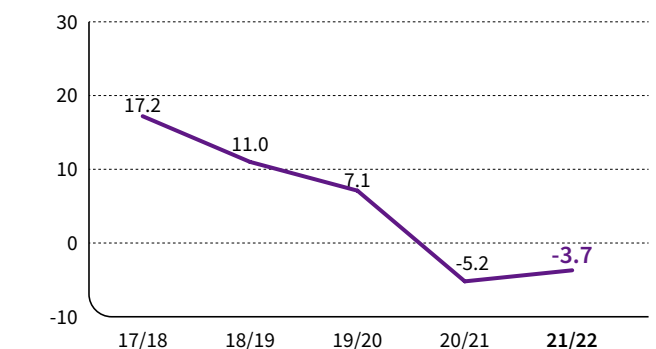
Aircraft Movements

(thousands)



Return on Equity

(in percent)



Chairman's Statement



The past year presented many challenges for HKIA, but we have achieved satisfactory progress in all areas that will secure the airport's long-term success.



Dear Stakeholders,

Fiscal 2021/22, ended 31 March 2022, was another difficult year for the aviation industry, as waves of Covid-19 continued to sweep the globe, suppressing international travel.

Passenger traffic at Hong Kong International Airport (HKIA) remained severely disrupted. However, thanks to the perseverance and agility of our air cargo partners, HKIA's cargo throughput rebounded to pre-pandemic levels. HKIA was again named the best cargo airport for the year 2021.

Building for the future

Despite the disruptions from the pandemic, we continued to build HKIA's future with our Airport City development.

The Three-runway System project reached several major milestones. In September 2021, we celebrated the completion of pavement works for the new Third Runway. Installation of essential systems and construction of supporting facilities for the new runway, as well as modification works on the original North Runway, are now under way. The new runway is on schedule to be commissioned in 2022.

The pandemic has shown the importance of air cargo and logistics support, especially e-commerce and express cargo. During the year, construction of a premium logistics centre and the expansion of DHL's Central Asia Hub made good progress. Together with the planned HKIA Logistics Park in Dongguan, these facilities will consolidate our role as an international cargo gateway.

In parallel with HKIA's expansion, we are investing in new technologies and continuously upgrading our facilities and services to give a better travel experience to passengers.



Chairman's Statement



Creating new opportunities

In March 2021, the 14th Five-year Plan was approved by the National People's Congress and Hong Kong was positioned as the country's international aviation hub. Our Airport City development is taking advantage of this unique role to break new ground.

The SKYCITY commercial development is the centrepiece in our Airport City vision. In December 2021, the Regala Skycity Hotel opened with over 1,200 rooms for business and leisure travellers. Next to the new hotel is 11 SKIES, Hong Kong's largest retail, dining and entertainment complex. The first phase of 11 SKIES, comprising three grade A office towers, will soon open for business.

Planning for the Phase 2 development of AsiaWorld-Expo has started. The bayside area will be developed into Airport City Cove, which will include a pier, marina facilities and a hotel.

With these unique offerings, SKYCITY will become a destination for local, regional and international visitors. The synergies between SKYCITY and the expanded HKIA with the planned extension of aviation and cargo activities in Zhuhai and Dongguan will provide new impetus to the economic development of the Greater Bay Area.

All these developments will require a deep talent pool. This year, Hong Kong International Aviation Academy opened a new campus with additional training facilities. The academy is well on its way to becoming a regional aviation training centre.



A bright future beckons

The past year presented many challenges for HKIA, but we have achieved satisfactory progress in all areas that will secure the airport's long-term success.

I would like to thank our Board Members for their support and would also like to recognise every member of the HKIA community for their commitment and hard work in the face of adversity.

Hong Kong has a proven track record of overcoming challenges. I am confident we will soon get over the pandemic and once again welcome millions of passengers to the airport.

A handwritten signature in black ink, appearing to be 'Jack So Chak-kwong'. The signature is stylized and written in a cursive-like font.

Jack So Chak-kwong

Chairman

Hong Kong, 30 May 2022

Chief Executive Officer's Statement



When the pandemic recedes, airports around the world will all work to win travellers back. It is therefore essential that we upgrade our services and facilities to deliver a fresh, appealing travel experience.



Dear Stakeholders,

The prolonged Covid-19 pandemic had a negative impact on Hong Kong International Airport (HKIA) in fiscal 2021/22, ended 31 March 2022. The emergence of coronavirus variants, especially Omicron, resulted in persistent travel restrictions and quarantine requirements that severely affected international air travel.

Nevertheless, we maintained airport operations and ensured the integrity of global supply chains, in particular the smooth flow of medical supplies and other essential goods.

In 2021/22, passenger volumes and flight movements increased 70.4% and 13.1% year-on-year, to 1.4 million and 144,505, respectively, but remained significantly below pre-pandemic figures. Cargo throughput rose 7.1% to 4.9 million tonnes, a return to pre-pandemic levels.

Remaining vigilant

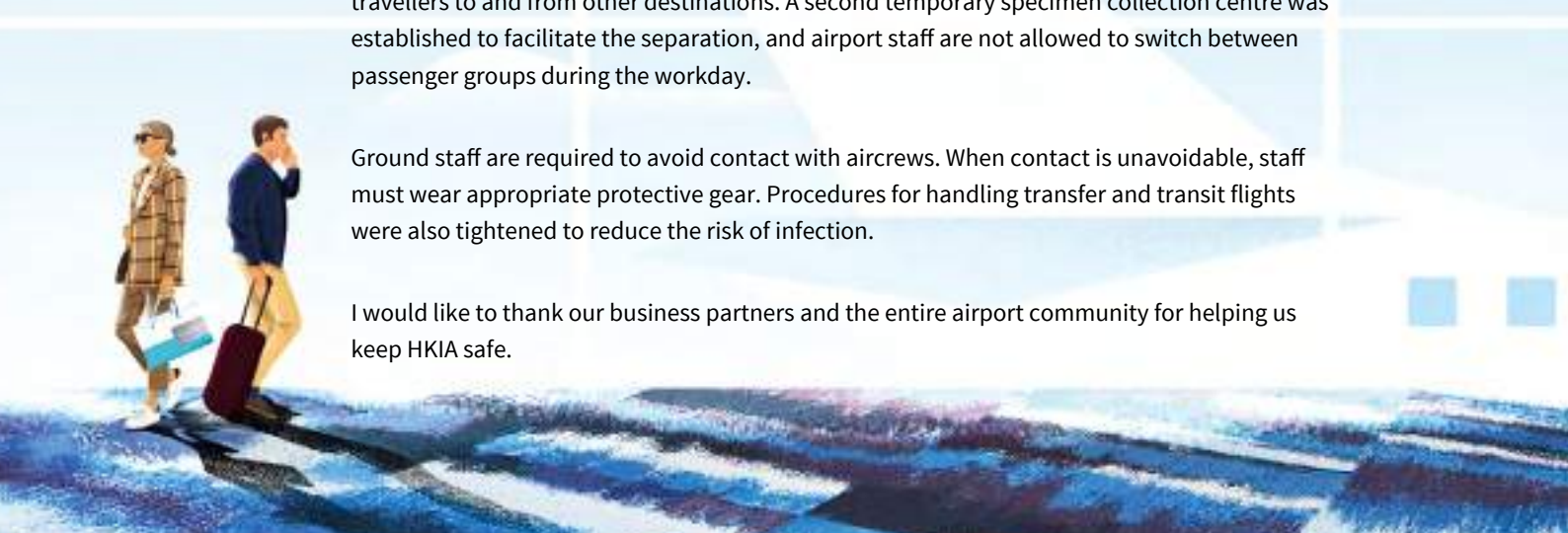
Since the pandemic began, HKIA has introduced and refined a series of health protection measures to safeguard passengers, staff and other airport users.

We worked closely with the Hong Kong Government and our business partners to promote vaccination. By 31 March 2022, the airport community had achieved over 95% vaccination rate. Meanwhile, all staff with a heightened risk of infection, such as airline staff and aircraft cabin cleaners, have received three doses of the vaccine. These milestones are attributable to the airport community's relentless efforts to encourage vaccination, including a lottery sponsored by Airport Authority Hong Kong that awarded more than 60,000 air tickets to vaccinated airport staff and members of the public, as well as vaccination leave, health talks and educational videos.

As part of the infection control measures, since November 2021 the restricted area of Terminal 1 (T1) has been divided into zones for passengers travelling to and from the Mainland and for travellers to and from other destinations. A second temporary specimen collection centre was established to facilitate the separation, and airport staff are not allowed to switch between passenger groups during the workday.

Ground staff are required to avoid contact with aircrews. When contact is unavoidable, staff must wear appropriate protective gear. Procedures for handling transfer and transit flights were also tightened to reduce the risk of infection.

I would like to thank our business partners and the entire airport community for helping us keep HKIA safe.



Chief Executive Officer's Statement

With rising local and international vaccination rates, we are actively preparing for passenger traffic recovery. We will continue to cooperate with the Hong Kong Government, our business partners and stakeholders to rebuild air traffic in a safe, orderly manner.

A fresh experience

When the pandemic recedes, airports around the world will all work to win travellers back. It is therefore essential that we upgrade our services and facilities to deliver a fresh, appealing travel experience.

This year, we unveiled renovated boarding gates in T1. New seats and carpets enhance the terminal's ambience, while artwork and lush greenery create a calm environment. T1's East Hall was expanded to make room for recreational facilities, which will include a two-storey-high children's playground and an open-air garden.

We will also treat passengers to a better dining and shopping experience when they return to HKIA. New retail and food and beverage choices were added in the East Hall luxury shopping zone, which received a stylish upgrade last year. Two new icon duplex shops and two new fine food stores are ready to open. Construction works for a third duplex shop are under way.

In August 2021, we completed the revamp of HKairportShop.com. The shopping platform will offer additional online-to-offline services, such as a luxury concierge and boarding gate delivery, for an all-round retail experience.

In the longer run, the Three-runway System (3RS) will reshape HKIA and provide travellers with a more spacious, pleasant environment. During the year, pavement works for the new Third Runway were completed and it was designated as the North Runway. Flight check for the Third Runway concluded smoothly in April 2022 and drills and familiarisation programmes are under way to ensure the runway's readiness for commissioning in 2022. Meanwhile, the original North Runway was redesignated as the Centre Runway.

In addition to the Third Runway, the 3RS project will feature an expanded Terminal 2 with full-fledged services for departures and arrivals, and a 283,000-square-metre T2 Concourse with a full range of shops, restaurants and other passenger facilities.

Technology holds the key to our strategy for transforming the passenger experience. In 2021/22, we launched Flight Token, a biometric system that enables departing passengers to use their face as identification and navigate effortlessly through the airport – from check-in and bag drop to security checks and aircraft boarding – without having to show their travel document and boarding pass at every checkpoint. During the year, 5G mobile service was extended to all passenger terminals. Next year, the high-speed network will cover the airfield and other outdoor areas.

Building on the success of our autonomous baggage delivery vehicles, we adopted this technology for airport perimeter patrols and cargo apron operations. In future, we plan to use autonomous vehicles for staff shuttles.

To further improve communications among HKIA's air cargo community and enhance operational efficiency, we rolled out the blockchain-enabled HKIA Cargo Data Platform, a single trusted network that offers near real-time shipment tracking.

In 2021/22, we updated our long-term road maps to facilitate the development and application of advanced technologies at HKIA. The road maps will also support HKIA's transformation into a data-driven airport.

A sustainable future

Sustainability plays an important role in HKIA's development strategies. This year, we pledged to achieve net zero carbon emissions at HKIA by 2050. The pledge includes a midpoint target of a 55% reduction of absolute emissions by 2035, from a 2018 baseline.

To attain the 2035 target, we devised a comprehensive plan to reduce emissions at HKIA and indirect emissions from our operations. Some measures, such as the electrification of airside vehicles and ground services equipment, and the use of energy-efficient installations and innovative energy management systems, have already been undertaken.

The net zero pledge was enthusiastically received by our business partners. To help them reach the target, we are enhancing our existing support programme and introducing a HK\$20 million Green Innovation and Technology Fund for piloting new technologies. In addition, a capacity building programme will equip the airport community with carbon-management knowledge and skills.

During the year, we updated a study on HKIA's readiness to handle potential climate change impacts. An adaptation and resilience plan was developed with strategies to manage the climate-related risks and opportunities facing the airport. Meanwhile, we set a goal of increasing HKIA's recyclables recovery rate by 25% by 2025, from a 2018 baseline.

These measures will help HKIA retain its leadership in sustainable development.

Beyond the challenges

The continued pandemic has led to a slow recovery for our industry. However, people have shown a strong desire to travel, and I am confident in HKIA's outlook when travel restrictions are lifted.

With the support of our business partners and the airport community, we will sustain HKIA's success as a leading international aviation hub.



Fred Lam Tin-fuk

Chief Executive Officer

Hong Kong, 30 May 2022

The Board



The Hon Jack So Chak-kwong



Mr Fred Lam Tin-fuk



The Hon Frank Chan Fan



Ms Sabrina Chao Sih-ming



The Hon Rock Chen Chung-nin



Ms Irene Chow Man-ling

The Honourable

Jack So Chak-kwong *GBM GBS JP* Chairman

Aged 77. 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. Non-official member of the Chief Executive's Council of Advisers on Innovation and Strategic Development. Independent Non-executive Director of AIA Group Limited and China Resources Power Holdings Company Limited. Senior Advisor to Credit Suisse, Greater China. He was Chairman and Chief Executive of the MTR Corporation Limited from 1995 to 2003. He was 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 *JP* Chief Executive Officer*

Aged 63. 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 (ACI) and the ACI World Governing Board. 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.

The Honourable Frank Chan Fan *JP* Secretary for Transport and Housing*

Aged 64. Mr Chan became a Board Member in July 2017 upon his appointment as Secretary for Transport and Housing. He was Director of Electrical and Mechanical Services and General Manager of the Electrical and Mechanical Services Trading Fund, and is now the Chairman of the Hong Kong Housing Authority, the Hong Kong Maritime and Port Board, the Hong Kong Logistics Development Council and the Aviation Development and Three-runway System Advisory Committee. He is also a Board Member of the MTR Corporation Limited and The Hong Kong Mortgage Corporation Limited. Mr Chan received a Bachelor's Degree in Engineering from the University of Hong Kong, a Master's Degree in Medical Physics from the University of Aberdeen, UK, and a Master's Degree in Business Management from the University of Hong Kong. He also attended the Advanced Management Programme at Harvard Business School. He is a Fellow of the Hong Kong Institution of Engineers and an Honorary Fellow of the Institution of Mechanical Engineers, UK.

Ms Sabrina Chao Sih-ming

Aged 48. Appointed to the Board in June 2021. Ms Chao is the Chairman of Wah Kwong Shipping Holdings Limited and Charterhouse School (Asia) Limited and the President of the Baltic and International

Maritime Council (BIMCO). Ms Chao graduated from Imperial College London with a Bachelor of Science in Mathematics and Management. She is a leader in the global maritime industry. Former Chairman of Asian Shipowners' Association and the Hong Kong Shipowners Association. Former Member of the Hong Kong Maritime and Port Board under the Transport and Housing Bureau of the Hong Kong SAR Government. Chairman of the External Advisory Group of the Department of Logistics and Maritime Studies at The Hong Kong Polytechnic University. Chairman of the Maritime Services Training Board of the Vocational Training Council. Member of the Council and ex-officio member of the Court of Lingnan University.

The Honourable

Rock Chen Chung-nin *SBS JP*

Aged 55. 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 from 2004 until 2021. He is Chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. Vice-chairman of the Chinese General Chamber of Commerce, Hong Kong. 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.



Mr Stuart Thomson Gulliver



The Hon Christopher Hui Ching-yu



Ms Nisa Bernice Leung Wing-yu



Captain Victor Liu Chi-yung



Ir Dr the Hon Lo Wai-kwok



Ir Edwin Tong Ka-hung

Ms Irene Chow Man-ling

Aged 52. Appointed to the Board in June 2020. Ms Chow is a Chartered Financial Analyst. She had 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. 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 63. Appointed to the Board in June 2019. 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 Chief Executive's Council of Advisers on Innovation and Strategic Development and 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 JP Secretary for Financial Services and the Treasury*

Aged 45. 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 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.

Ms Nisa Bernice Leung Wing-yu JP

Aged 51. 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 Limited, Venus Medtech (Hangzhou) Inc., CanSino Biologics Inc., dMed, Chain Medical Labs, Berry Oncology, Belief BioMed, ZhenGe Biotech and Valgen, 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 from 2019 to 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.

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

Aged 56. 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-kwok GBS MH JP

Aged 69. Appointed to the Board in June 2019. 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. Committee Member of the China Association for Science and Technology.

Ir Edwin Tong Ka-hung SBS

Aged 63. 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, waste water treatment and flood prevention. He is also proficient in formulating and taking forward the Hong Kong SAR Government's policies for 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.

The Board



Mr Adrian Wong Koon-man



Dr William Wong Ming-fung



Mr Thomas Jefferson Wu



The Hon Frankie Yick Chi-ming



Dr the Hon Allan Zeman

Mr Adrian Wong Koon-man *BBS MH JP*

Aged 57. Appointed to the Board in June 2018 and reappointed in June 2021. He is a Director of Aviation Security Company Limited, VL Asset Management Limited and Abercan Limited, Chairman of the Corruption Prevention Advisory Committee and Member of the Advisory Committee on Corruption of the Independent Commission Against Corruption, Member of the Travel Industry Authority and an Independent Non-executive Director of 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 50. 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. Vice Chairman of the Committee on Overseas Lawyers Examination and the Committee of Mainland Affairs of the Hong Kong Bar Association. 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.

Mr Thomas Jefferson Wu *JP*

Aged 49. Appointed to the Board in June 2019. He served in various senior management roles with the Hopewell Holdings group from 1999 to 2019, including group Deputy Chairman and Managing Director. He has held senior executive positions in the property and infrastructure sector for almost 20 years. Mr Wu is a Member of the 13th National Committee of the Chinese People's Political Consultative Conference, the Environment Bureau's Energy Advisory Committee, and the Securities and Futures Commission's Committee on Real Estate Investment Trusts.

The Honourable Frankie Yick Chi-ming *SBS JP*

Aged 68. Appointed to the Board in June 2014 and reappointed in June 2017, June 2020 and June 2021. Director of the Aviation Security Company Limited Board. A Chartered Engineer. Joined Wharf Group in 1994, now overseeing inter alia, the Wharf Group's public transport and terminals portfolio. Member of the Legislative Council representing the Transport Functional Constituency. Member of the Property Management Services Authority as well as the 13th National Committee of the Chinese People's Political Consultative Conference. Vice-chairman of the Independent Police Complaints Council. Non-executive Director of Harbour Centre Development Limited (stock code: 51) and The "Star" Ferry Company, Limited. Director of Modern Terminals Limited and Hong Kong Air Cargo Terminals Limited.

Dr the Honourable Allan Zeman *GBM GBS JP*

Aged 73. Appointed to the Board in June 2015 and reappointed in June 2018 and June 2021. Chairman of Lan Kwai Fong Group and Lan Kwai Fong Association and owner of Paradise Properties Group. Non-executive Chairman of Wynn Macau, Limited. Non-executive Director of Pacific Century Premium Developments Limited. Independent Non-executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Television Broadcasts Limited and Fosun Tourism Group. Governor of Our Hong Kong Foundation. Member of the Governing Board of the Hong Kong Entrepreneurs Fund of the Alibaba Entrepreneurs Fund. Honorary Adviser to Ocean Park Hong Kong. Vice Patron of the Community Chest of Hong Kong. Non-official Member of the Chief Executive's Council of Advisers on Innovation and Strategic Development and the Human Resources Planning Commission.

* Member by virtue of being holder of the post

Secretary to the Board

Mrs Ivy Chan

Auditors

KPMG

Executive Directors



Ms Cissy Chan Ching-sze



Mrs Vivian Cheung Kar-fay



Ms Florence Chung Wai-yee



Mr Julian Lee Pui-hang



Mr Ricky Leung Wing-kee



Mr Tommy Leung King-yin

Ms Cissy Chan Ching-sze

Executive Director, Commercial

Aged 56. A Master of Business Administration graduate from the Chinese University of Hong Kong. Ms Chan was appointed in September 2012. Before joining Airport Authority Hong Kong (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 Sub-committee.

Mrs Vivian Cheung Kar-fay

Executive Director, Airport Operations

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 alumnus of Stanford University's Executive Programme. She was appointed Executive Director, Airport Operations, in December 2019. Mrs Cheung worked for the General Electric Company and a high-technology start-up in Silicon Valley for many years before joining AAHK in 1992. With almost 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 Florence Chung Wai-yee

Executive Director, Human Resources & Administration

Aged 58. 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 46. Holds a Bachelor of Science in Chemical Engineering from the Massachusetts Institute of Technology. Mr Lee was appointed in July 2020. Before joining AAHK, Mr Lee was a Managing Director at Everbright Sun Hung Kai Company Limited. Mr Lee also served at Standard Chartered Bank (Hong Kong) Limited and Merrill Lynch (Asia Pacific) Ltd in senior management positions in corporate finance and investment banking. Mr Lee is a Director of Hangzhou Xiaoshan International Airport Co., Ltd.

Mr Ricky Leung Wing-kee

Executive Director, Engineering & Technology

Aged 61. 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 close to 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 58. 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 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 the Chief Operating Officer of the Hong Kong-Zhuhai Airport Management Company Limited from 2006 to 2009, and was the Deputy Director, Third Runway Project Management, from 2016 to 2022. Mr Leung is a member of the Hong Kong Institution of Engineers.

Financial and Operational Highlights

| | 2021/22 | 2020/21 | +/- % ¹ |
|---|---------|---------|--------------------|
| Financial results | | | |
| <i>(in HK\$ million)</i> | | | |
| Revenue | 5,798 | 5,936 | -2.3% |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | (378) | (2,118) | -82.2% |
| Depreciation and amortisation | (3,039) | (3,169) | -4.1% |
| Net interest and finance income | 77 | 71 | +8.5% |
| Loss attributable to the ordinary shareholder | (3,014) | (4,400) | -31.5% |
| Dividend declared | - | - | - |
| Financial position and ratios | | | |
| <i>(in HK\$ million)</i> | | | |
| Total assets | 185,219 | 155,819 | +18.9% |
| Total borrowings | 73,017 | 41,769 | +74.8% |
| Total equity | 92,709 | 94,182 | -1.6% |
| Return on equity ² | -3.7% | -5.2% | |
| Total debt/capital ratio ³ | 44% | 31% | |
| Net debt/net capital ratio ⁴ | 27% | 7% | |
| Credit ratings | | | |
| Standard & Poor's: | | | |
| Long-term local currency | AA+ | AA+ | |
| Long-term foreign currency | AA+ | AA+ | |
| Operational highlights⁵ | | | |
| Passenger traffic ⁶ (millions of passengers) | 1.4 | 0.8 | +70.4% |
| Cargo and airmail throughput ⁷ (millions of tonnes) | 4.9 | 4.6 | +7.1% |
| Aircraft movements (thousands) | 145 | 128 | +13.1% |

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.

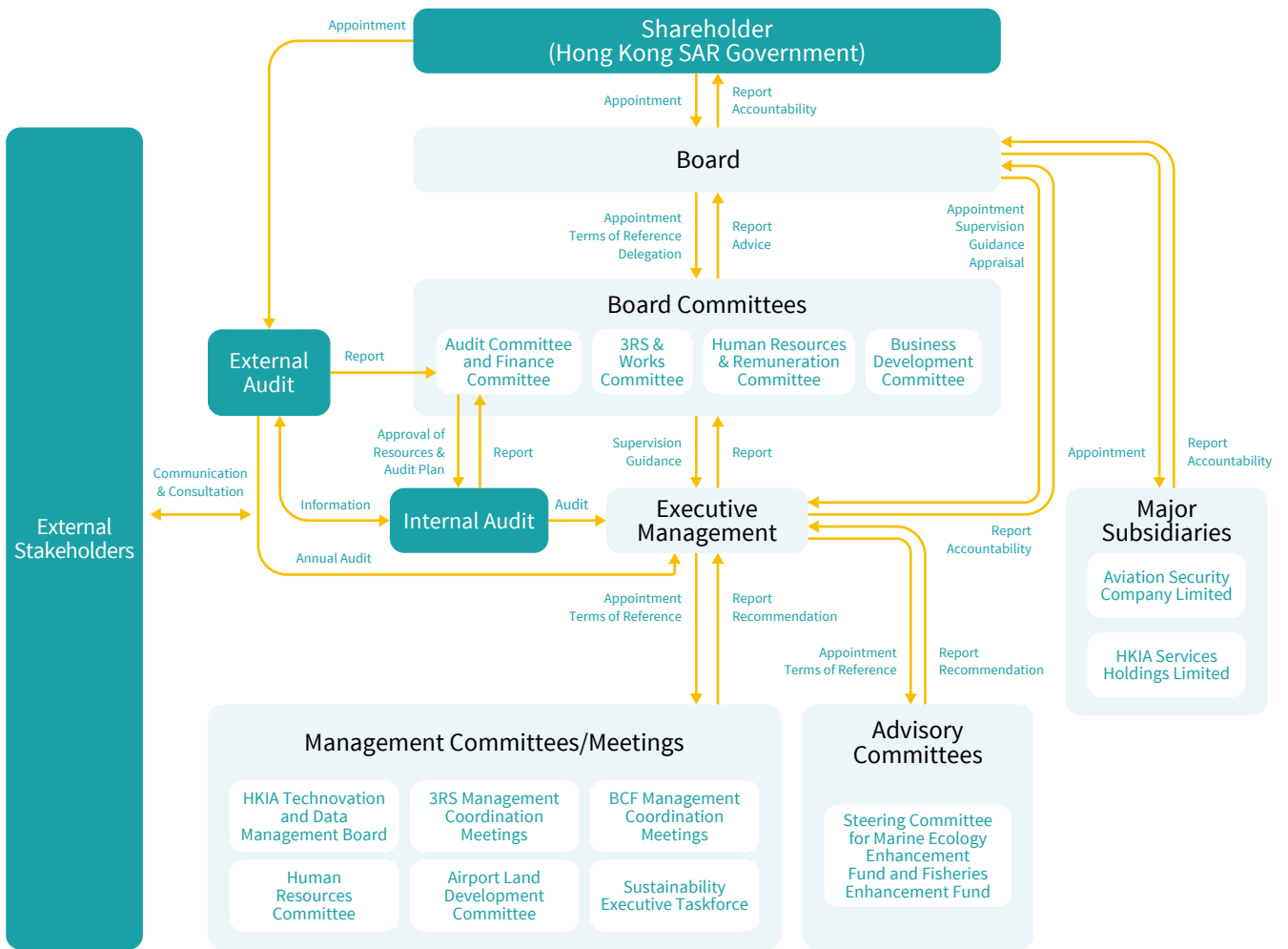
⁷ Cargo throughput includes originating, terminating and transshipment cargo. Transshipment cargo is counted twice. Airmail throughput includes airmail from Hongkong Post and transit mail from airlines.

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:

Corporate Governance Structure



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.

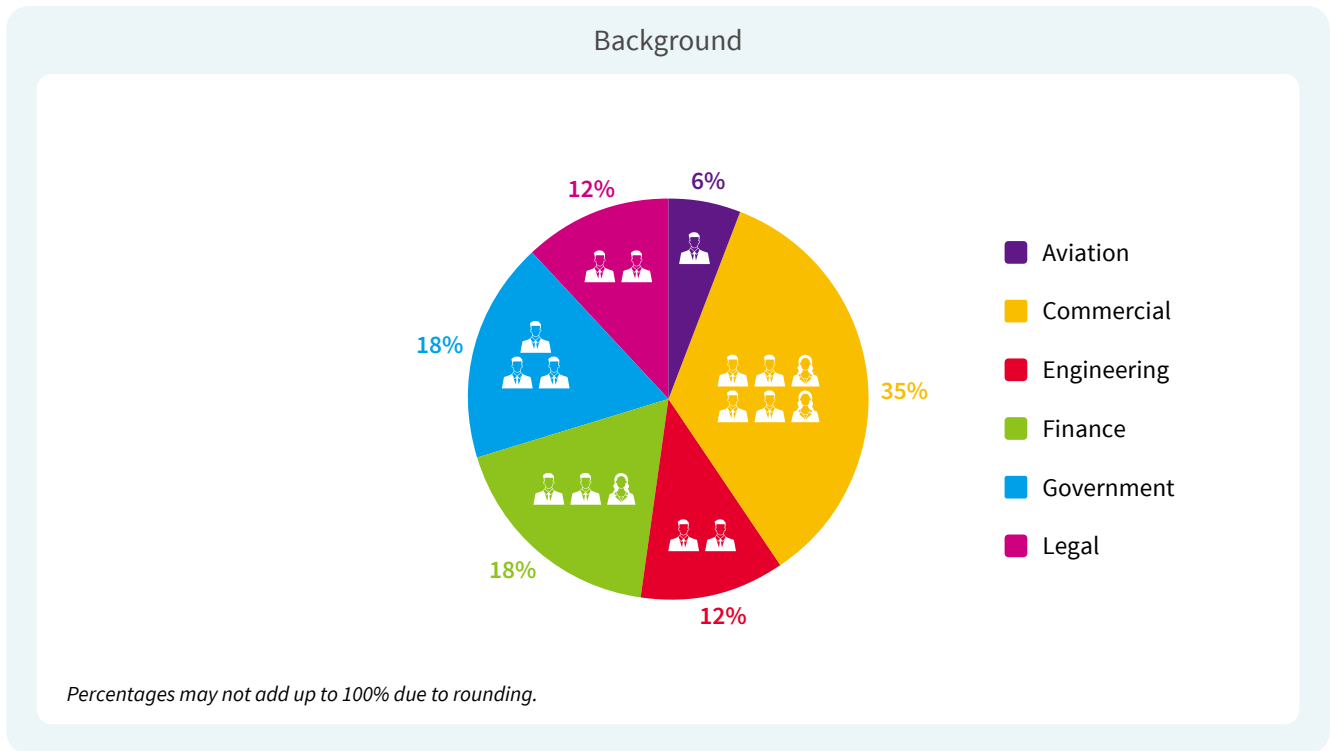
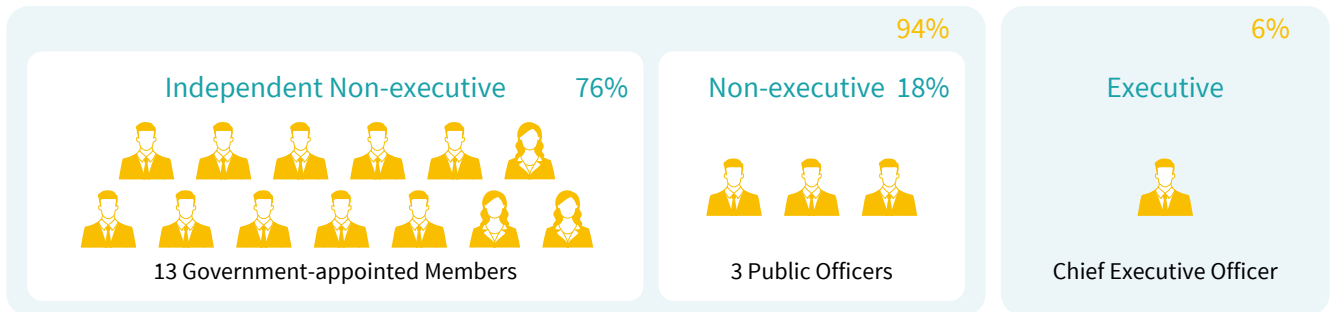
Corporate Governance

BOARD COMPOSITION

As of 30 May 2022, the Board had 17 Members, whose biographies are set out on pages 12 to 14 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 13 Members are considered independent¹, representing 76% 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 Housing, and the Director-General of Civil Aviation.

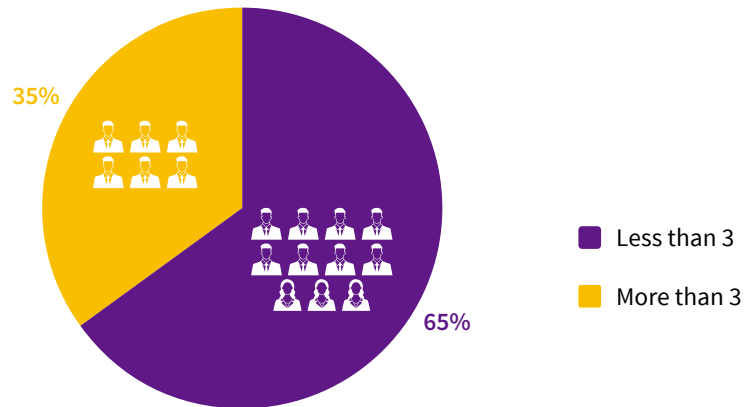
BOARD DIVERSITY

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.

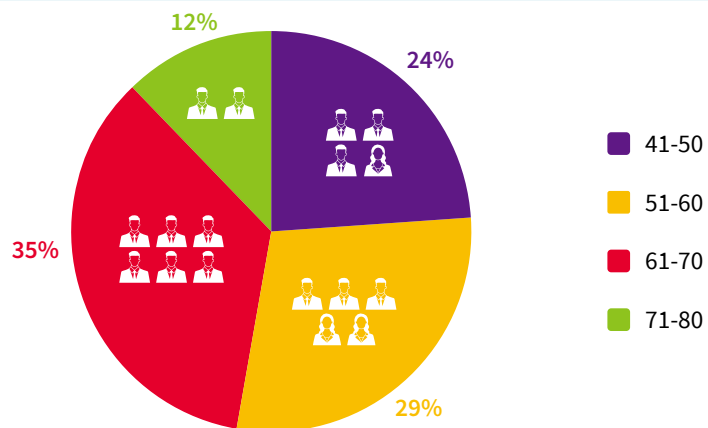


¹ Any Member who is not a public officer or an executive of AAHK and is not related to any Board Member or member of executive management is considered to be independent.

No. of Years on AAHK Board



Age



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 109.

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, Executive Directors (EDs) and management; briefings on airport operations, aviation security and major developments; and visits to airport facilities. The induction programme enables new Members to familiarise themselves with the airport business and AAHK's objectives, strategies, operations and internal controls.

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

Corporate Governance

Three-runway System (3RS) project by way of presentations and aerial videos. In addition to webinars on subjects such as board leadership and operational resilience, AAHK arranged visits to the Third Runway and to 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

SUMMARY OF WORK DONE IN 2021/22

- Held three of the five scheduled meetings with an average attendance rate of 83.3%
- Considered papers by way of circulation in lieu of meetings that had been cancelled due to COVID-19
- Considered 37 papers (all issued three clear days before the meeting, with 14 exceeding this target)
- Significant matters considered or resolved:

Corporate

- Corporate goals and performance measures
- Board Committees' membership
- Internal control review, and risk and business continuity management
- Annual and 5-year business plans
- Long-term carbon reduction strategy and climate resilience plan

Financial

- Annual budget and 5-year financial plan
- Audited financial statements and unaudited interim financial report
- Quarterly management accounts and reports
- Annual dividend
- 3RS financing plan, including bond issuance

Projects

- Major contracts under the 3RS project
- Projects relating to developments on the Hong Kong Boundary Crossing Facilities (HKBCF) Island

Commercial and Business Strategies

- Major licence fee charging mechanisms
- Development of HKIA Logistics Park in Dongguan
- Hong Kong-Zhuhai airport cooperation

Human Resources

- Staff remuneration review
- Corporate performance assessment
- Appointment and reappointment of executive management

Operations

- Capacity and service enhancements

Meetings

Attendance records of Members at the three Board meetings held are detailed on page 26.

Members are required to declare their interests in business proposals, if any, to be considered by the Board. Members with interests are required to withdraw from the relevant discussions and decision-making process, as appropriate.

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 are required to report to the Board at each Board meeting. 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 reports are submitted to the Board at each Board meeting
- Full minutes of Committee meetings are available to Board members for information

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.

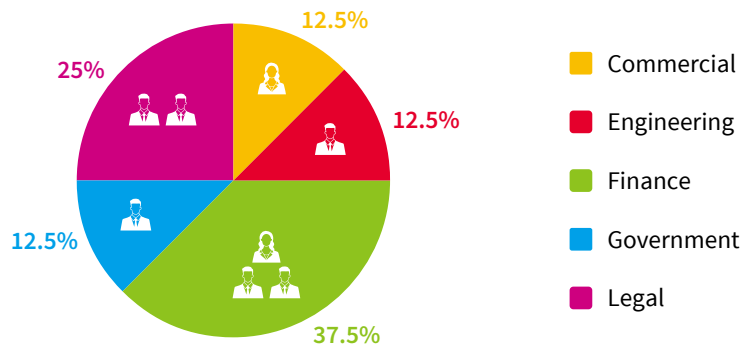
The composition of Board Committees was reviewed and approved by the Board in May 2022. The majority of Board Members serve on two Board Committees.

The following sets out details of Board Committees, their membership, principal duties and a summary of work done in the year ended 31 March 2022.

Corporate Governance

AUDIT COMMITTEE AND FINANCE COMMITTEE (ACFC)

Members' Background – ACFC



Average Attendance Rate: 93.8%

MEMBERS

The Committee has eight non-executive Members, seven 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
- Ir Edwin Tong Ka-hung
- Dr William Wong Ming-fung

Non-executive

- Secretary for Financial Services and the Treasury

PRINCIPAL DUTIES

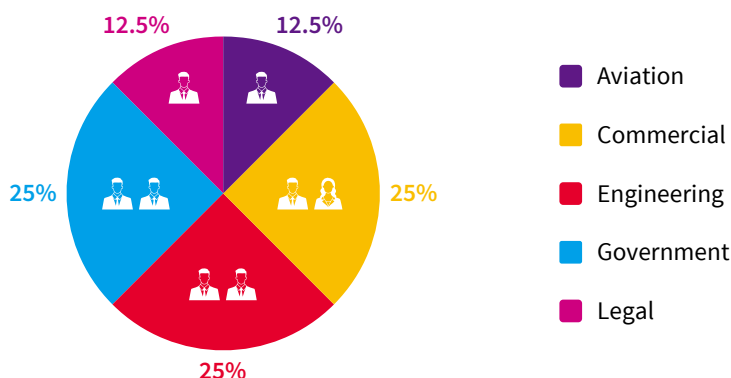
1. Reviews financial statements
2. Makes recommendations on the appointment of the external auditor, approves its remuneration and terms of engagement, and oversees AAHK's relations with the external auditor
3. Reviews accounting policies, annual budget and 5-year financial plan
4. Oversees internal 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 2021/22

- Held four meetings with an average attendance rate of 93.8%
- Considered 15 papers (all issued more than three clear days before the meeting)
- Significant matters considered or resolved:
 - Audited annual financial statements and unaudited interim financial report
 - Annual budget and 5-year financial plan
 - Quarterly operating results
 - Dividend policy
 - 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 strategy
 - 3RS financing plan, including bond issuance

3RS & WORKS COMMITTEE (3RSWC)

Members' Background – 3RSWC



Average Attendance Rate: 87.0%

MEMBERS

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

Independent Non-executive

- Ir Dr the Hon Lo Wai-kwok (Chairman)
- Ms Nisa Bernice Leung Wing-yu
- Ir Edwin Tong Ka-hung
- Dr William Wong Ming-fung
- Mr Thomas Jefferson Wu

Executive

- Mr Fred Lam Tin-fuk

Non-executive

- Secretary for Transport and Housing
- 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

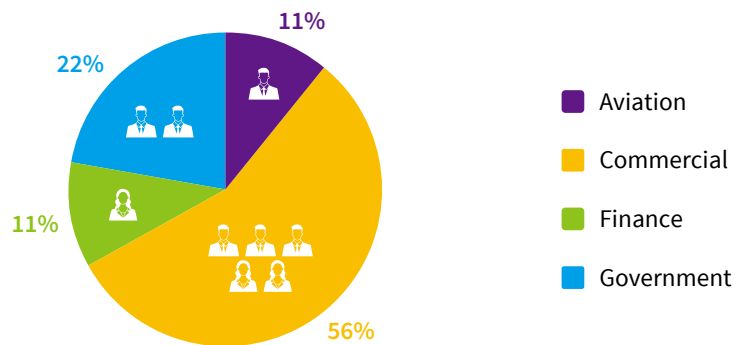
SUMMARY OF WORK DONE IN 2021/22

- Held six meetings with an average attendance rate of 87.0%
- Considered 20 papers (95% of which were issued three clear days before the meeting)
- Significant matters considered or resolved:
 - Annual capital works budget and 5-year capital works plan
 - Procurement strategies and award of major works contracts
 - Procurement strategies and award of contracts related to developments on the HKBCF Island
 - Design consultancy services for nearby developments
 - Enhancement of airport facilities
 - Airport improvement and maintenance works
 - Progress of reclamation, the 3RS and major capital works and projects
 - Variation to contract budgets

Corporate Governance

BUSINESS DEVELOPMENT COMMITTEE (BDC)

Members' Background – BDC



Average Attendance Rate: 94.4%

MEMBERS

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

Independent Non-executive

- Dr the Hon Allan Zeman (Chairman)
- Ms Sabrina Chao Sih-ming
- Ms Irene Chow Man-ling
- Ms Nisa Bernice Leung Wing-yu
- Mr Thomas Jefferson Wu
- The Hon Frankie Yick Chi-ming

Executive

- Mr Fred Lam Tin-fuk

Non-executive

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

PRINCIPAL DUTIES

Considers, approves and makes recommendations to the Board on:

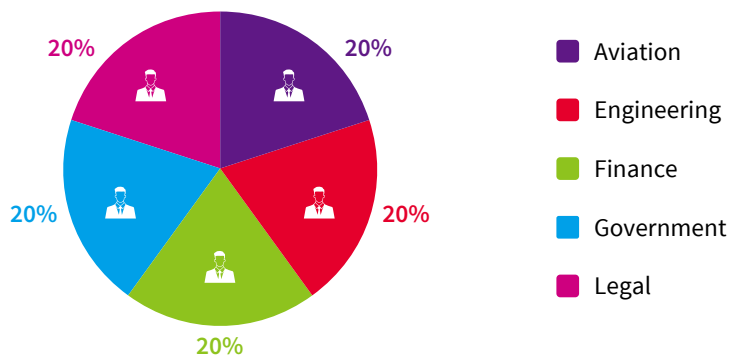
1. Business strategies relating to the development of Hong Kong International Airport (HKIA)
2. Airport commercial and business development plans and proposals other than those under the 3RS
3. Major commercial or operational commitments, including review of airport charges and other pricing and charging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

SUMMARY OF WORK DONE IN 2021/22

- Held four meetings with an average attendance rate of 94.4%
- Considered 13 papers (all issued three clear days before the meeting, with six exceeding this target)
- Significant matters considered or resolved:
 - Airport retail strategy
 - Development of HKIA Logistics Park in Dongguan
 - Sustainability initiatives and long-term carbon reduction target
 - Business strategies and licence fee charging mechanisms
 - Procurement strategies and award of operation and service contracts

HUMAN RESOURCES & REMUNERATION COMMITTEE (HRRC)

Members' Background – HRRC



Average Attendance Rate: 100%

MEMBERS

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

Independent Non-executive

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

Executive

- Mr Fred Lam Tin-fuk

Non-executive

- Secretary for Transport and Housing

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 EDs
4. Makes recommendations on the remuneration of the CEO and EDs
5. Oversees senior management succession planning

SUMMARY OF WORK DONE IN 2021/22

- Held three meetings with an attendance rate of 100%
- Considered four papers (all issued three clear days before the meeting, with two exceeding this target)
- Significant matters considered or resolved:
 - Annual review of staff remuneration
 - Annual corporate goals and performance measurements
 - Annual corporate performance assessment and award of variable compensation for staff
 - Appointment and reappointment of executive management

Corporate Governance

Meeting Attendance (1 April 2021 to 31 March 2022)

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

Notes:

¹ Chairman of the Committee

² Appointed to the Board and Committees on 1 June 2021

³ Appointed Chairman of the Committee on 1 June 2021

⁴ Retired from Board and Committees on 31 May 2021

⁵ Retired as Chairman of the Committee on 31 May 2021

⁶ Resigned from Committee on 31 May 2021

⁷ Representatives of the external auditor participated in two Board meetings and two ACFC meetings during the year

ACFC: Audit Committee and Finance Committee

3RSWC: 3RS & Works Committee

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 for senior executives
- Review of corporate performance

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 performance
- Leads the executive management team to implement the policies and strategies adopted by the Board

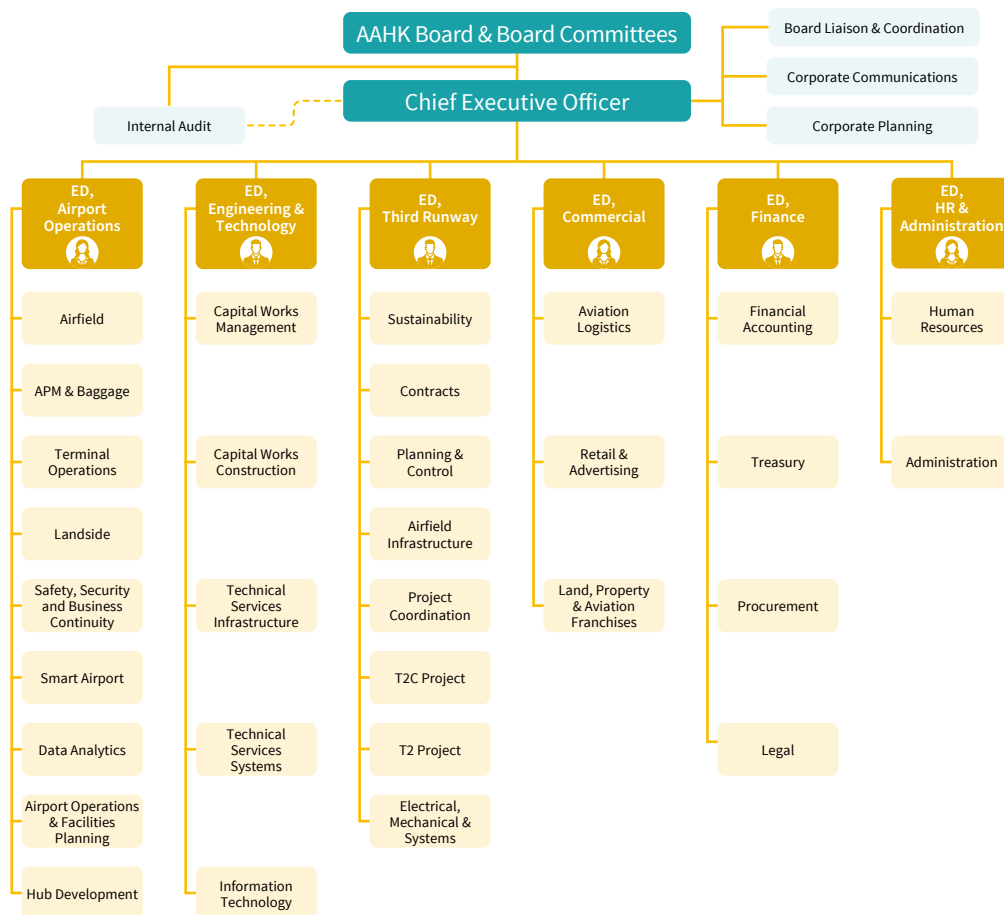
Corporate Governance

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 2022 is as follows:

AAHK Organisation Structure



The performance and compensation of the CEO 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 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 and EDs are set out in the Notes to the Financial Statements on pages 109 to 112.

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) • 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) • 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) • 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) • 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) • 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) • 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 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 EDs by band. In 2021/22, 29 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 and 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, which 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 of the Board is responsible for overseeing AAHK's sustainability strategy. AAHK has established a Sustainability Executive Taskforce which is chaired by AAHK's CEO and attended by all EDs as well as the General Manager, Sustainability. The Taskforce is responsible for driving and overseeing the progress of key sustainability initiatives and programmes, and is supported by an Internal Sustainability Committee at the General Managers' level.

The Sustainability Department is responsible for developing and implementing AAHK's sustainability strategy, management and reporting systems. The Sustainability Department is supported by the Environmental Management System Working Group, a diverse group comprising members from all departments within AAHK, who assist in developing and implementing environmental actions.

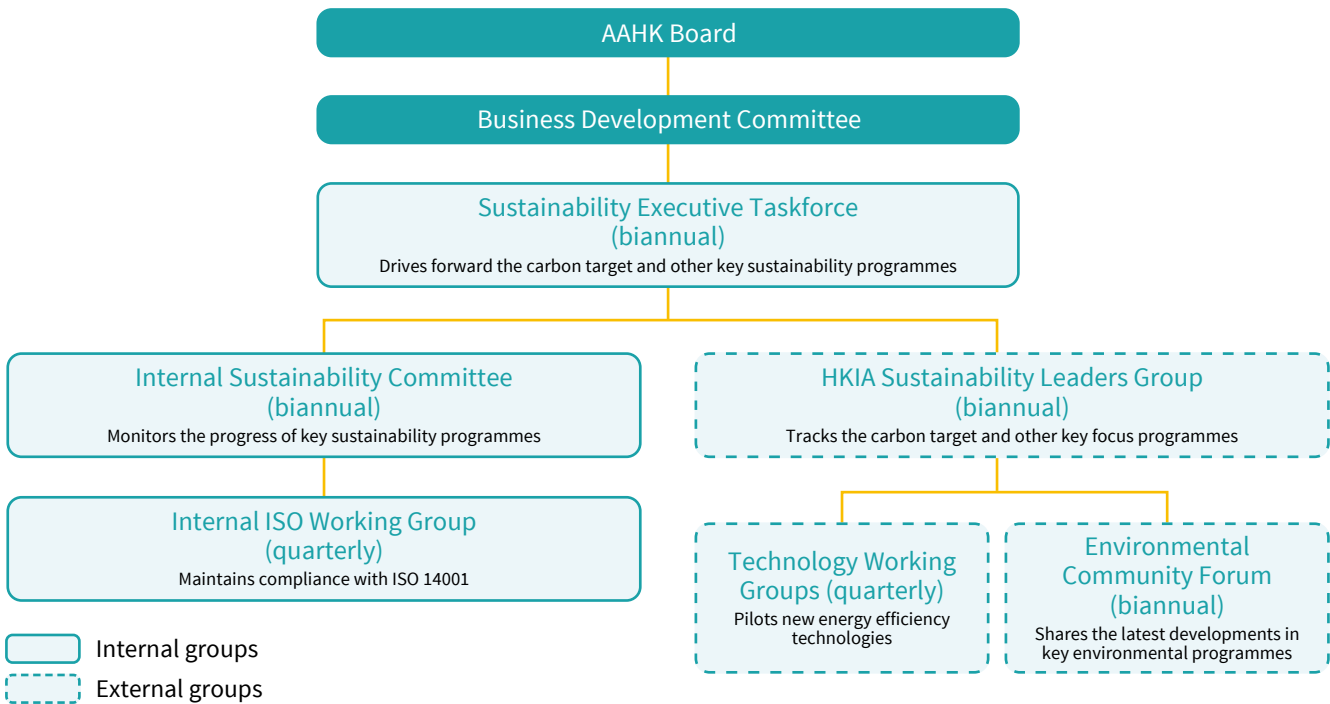
AAHK's *Sustainability Report 2020/21*, published during the reporting year, was prepared in accordance with the internationally recognised Global Reporting Initiative's (GRI) Standards: Core option and GRI G4 Airport Operators Sector Disclosures and was voluntarily disclosed in compliance with the Environmental, Social and Governance Reporting Guide published by Hong Kong Exchanges and Clearing Limited. The report was independently verified by the Hong Kong Quality Assurance Agency.

Corporate Governance

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

- Gold in the “Public Sector/Not-for-profit (Large)” category at the 2021 Best Corporate Governance and ESG Awards organised by the Hong Kong Institute of Certified Public Accountants
- “Hong Kong Sustainability Award 2020/21” in the “Large Organisation” category organised by Hong Kong Management Association
- “Airport Deal of the Year – Global” and “Airport Deal of the Year – Hong Kong” at *The Asset’s* Triple A Infrastructure Awards 2021
- Gold in the “Over 25 million passengers per annum” category of the Asia-Pacific Green Airports Recognition 2021 organised by Airports Council International for outstanding performance in air quality management
- Platinum in the “Over 50 million passengers per annum” category of the Asia-Pacific Green Airports Recognition 2022 organised by Airports Council International for outstanding achievement in carbon management
- “Industry leadership: Airport Resilience” at the CCBJ Business Achievement Award 2021, organised by *Climate Change Business Journal*

Sustainability Governance Structure



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 Review 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 2018, an external consultant was engaged to review the current enterprise risk management practices and framework adopted across the organisation. The adequacy and effectiveness of the existing risk management framework was found to be satisfactory. AAHK's risk management approach was also found to be consistent with the provisions of the CG Code issued by the Stock Exchange of Hong Kong Limited.

In light of emerging and leading practices adopted globally for enterprise risk management and sustainability governance, a Sustainability Executive Taskforce chaired by the CEO and with EDs as members has been established. The details and governance structure are disclosed in the Sustainability section above.

INTERNAL CONTROLS

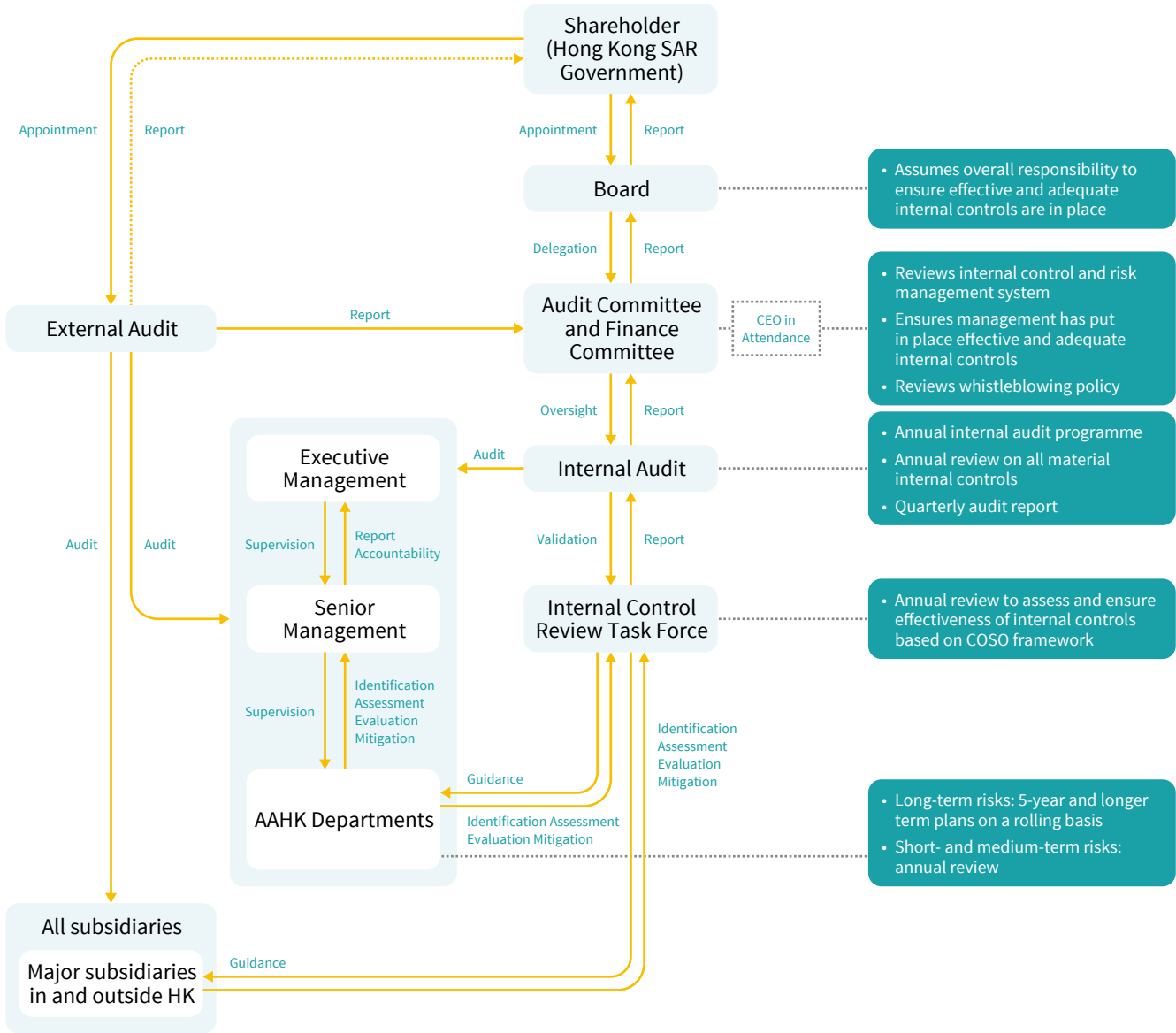
Internal controls form an integral part of AAHK's management system and are embedded in the operational procedures of functional departments. The underlying principle of AAHK's internal controls is to manage and mitigate, rather than eliminate, risks.

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

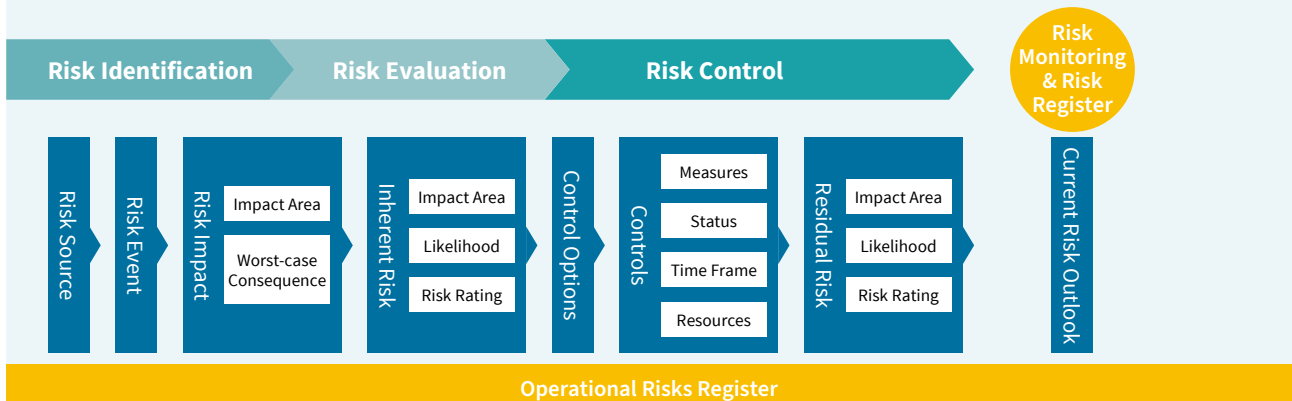
To recognise emerging risks from economic, market or environmental changes, management uses ongoing risk assessments. These assessments help the Board identify new exposure areas and implement appropriate mitigation measures.

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) | 2021/22 | 2020/21 |
|-----------------------------|---------|---------|
| Audit fees | 5 | 7 |
| Fees for non-audit services | 2 | 2 |

The non-audit work conducted by KPMG during 2021/22 was mainly in relation to tax compliance 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.

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, in 2018/19 the internal audit started 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.

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 an annual comprehensive 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 42 to 45.

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 keeps 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.

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.

Corporate Governance

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 Hong Kong SAR Government and the Legislative Council and published on the HKIA website after approval by the Board.

Accountability

AAHK considers accountability one of the fundamental pillars of corporate governance and has built its corporate structure and management culture on this concept. Under the current structure, the Board is accountable for the performance of AAHK. Executive management is responsible for AAHK's day-to-day 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.

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 excluded from the relevant 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.

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

Ethical Culture

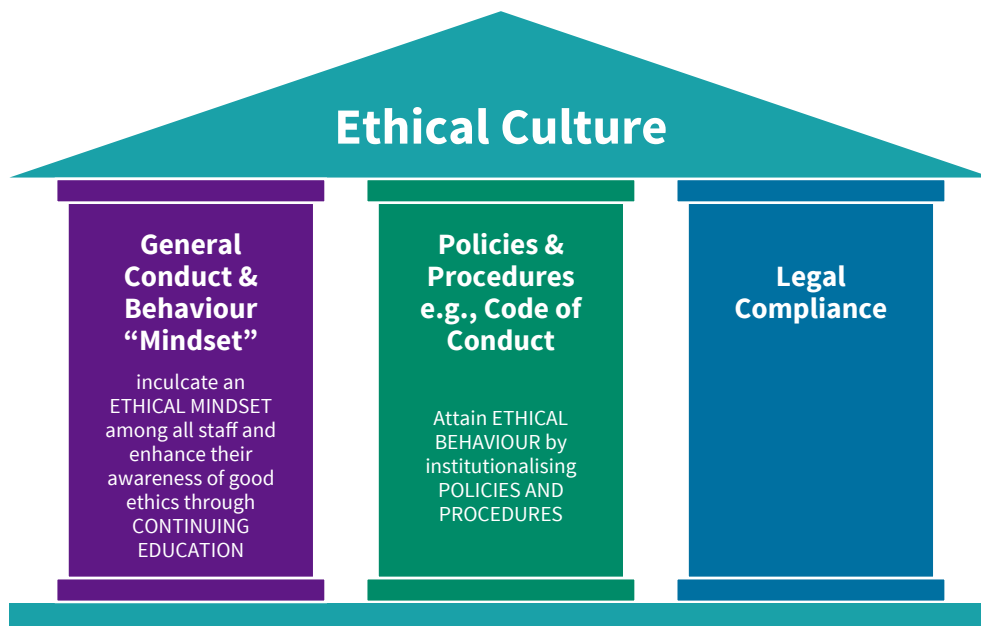
AAHK requires all staff to maintain the highest level of ethics and integrity in conducting the affairs of AAHK. To this end, the AAHK Code of Conduct (the Code) provides guidelines to help staff make ethical decisions in the course of discharging their duties, sets out their legal and ethical obligations 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 Independent Commission Against Corruption

(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.

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 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.



Corporate Governance

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

| Category | Training/Topic | Timeline |
|--|--|--------------------------------------|
| General Mindset and Behaviour (Mandatory) | - Orientation for new hires • Importance and framework of corporate governance • Highlights of Code of Conduct | Within three months |
| | - Code of Conduct | Within one month Annual refresher |
| | - Staff Information Security Handbook | Within one month Annual refresher |
| | - Employee Safety Handbook | Within one month |
| | - Brief introduction to AAHK's environmental management system | Within one month |
| Legal Compliance (Mandatory) | - Briefing on equal opportunities | Within one month |
| | - Seminar on data privacy | |
| | - ICAC briefing: General awareness | |
| | - ICAC briefing: Misconduct in public office | |
| Procedures and Practices (By Nomination) | - Internal audit workshop | Within six months |
| | - Finance policies workshop | |
| | - Information technology policies workshop | |
| | - Procurement policies workshop | |
| | - Overseas business travel workshop | |

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 has implemented a variable compensation scheme since 2002 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.

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.

Financial Reporting

AAHK's consolidated financial statements fully 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 2022 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 Hong Kong SAR 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 Hong Kong SAR Government, are members. |

Risk Management

Airport Authority Hong Kong (AAHK) recognises the risks it faces and manages them by establishing a good internal control environment and making continual improvements to suit changing operational needs. The Corporate Governance Report on pages 17 to 41 sets out details of our risk management and internal control systems.

Risk Profiles and Controls

While the key risks identified in the annual review for 2021/22 and controls put in place are set out in the following section, a more detailed description of the risks is available on pages 12 to 30 of the Offering Memorandum in relation to AAHK's green bond, issued on 13 January 2022 (www.hongkongairport.com/iwov-resources/file/airport-authority/tender-notice/USDBonds2022_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, after the full lifting of traffic restrictions• Availability of project management staff and skilled labour to successfully deliver the Three-runway System (3RS) and other projects• Maintaining high service standards• 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. The new Third Runway is expected to be commissioned in 2022, and an action plan is in hand to prepare for its commissioning• Procurement of external consultants and specialists to augment in-house project management resources• Close collaboration with educational, trade and government bodies to provide training for local workers• Constant monitoring and regular reviews of service delivery standards and operating procedures• Contingency plans and regular drills to test the response capabilities of all concerned parties and minimise impact on passengers• Adopt predictive and smart technologies to improve operational efficiency• Continual investment in facilities upgrades and replacement projects to ensure efficient and safe operation• Precautionary measures to safeguard the health and safety of passengers and airport staff, and rounds of relief measures to support the airport community |

ENVIRONMENTAL RISKS

Caring for the environment is imperative for the long-term sustainable development of HKIA. AAHK strives to operate and develop the airport in a responsible manner by minimising the environmental footprint of its operations. AAHK has established strategic and operational measures to manage environmental issues.

Environmental risks are identified and assessed through an internal control exercise. Material risks to the Sustainability Risk Profile are escalated to senior management if they have a potential impact on AAHK's operations. 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"> Operating in full compliance with environmental legislation Implementing AAHK's environmental initiatives |
| Controls in Place | <ul style="list-style-type: none"> 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 Ensure any measure to reduce HKIA's environmental footprint is 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 2020/21*, which is available at www.hongkongairport.com/iwov-resources/file/sustainability/sustainability-report/AA_Sustainability_Report_202021_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 technologically-driven security initiatives in mobile patrol, access control and screening operations are the focuses at HKIA over the next decade under the Interim Two-runway System, the Three-runway System and beyond. 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 secure operating environment, in the midst of the pandemic.

| | |
|--------------------------|---|
| Major Challenges | <ul style="list-style-type: none"> Upholding high standards of safety and security amid the COVID-19 outbreak and preparing for the commissioning of new projects and facilities Reinforcing safety consciousness and security awareness among airport staff Changing threats from acts of terrorism committed around the world and from persistent local security threats Other global public health risks, such as Zika virus disease, Middle East Respiratory Syndrome (MERS) and measles |
| Controls in Place | <p>Safety</p> <ul style="list-style-type: none"> Operate an effective Safety Management System and regularly review and update the Aerodrome Safety Management System Manual to ensure its appropriateness and relevance Monitor and review the safety performance of franchisees, licensees and contractors through regular inspection and audit programmes and safety committee meetings Continuously control and monitor aerodrome safety hazards arising from new projects and facilities by organising Aerodrome Safety (Construction) Taskforce meetings with the participation of both operations and works departments Ensure the compliance of individual departments' safety management plans with AAHK's Fire Safety Strategy and Fire Safety Management Plan <p>Security</p> <ul style="list-style-type: none"> Implement the approved replacement programme for the hold baggage screening system and "Smartlane" cabin baggage screening system to enhance the standards and effectiveness of baggage security Continual enhancement to the detection of firearms and explosives at the airport through the deployment of the Aviation Security Company Limited's Canine Unit Complete the upgrade of CCTV cameras to provide enhanced image information, security surveillance and tracking capabilities, and event recording Adopt technological solutions to reduce the airport's reliance on personnel. 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 Continual exploration of new technologies, such as artificial intelligence, facial recognition and stand-off screening, to augment security by creating a robust, layered security regime |

Risk Management

SAFETY, SECURITY AND HEALTH RISKS

| | |
|--------------------------|--|
| Controls in Place | Health <ul style="list-style-type: none">• Monitor potential public health risks and closely coordinate with the Hong Kong SAR Government and the airport community• Adopt automated temperature screening of passengers, visitors, and staff• Public announcements, displaying posters and distributing leaflets to passengers arriving from affected areas, where appropriate• Using advanced technology to enhance cleaning and disinfection in terminals• Workshops with the Port Health Division to raise awareness of public health risks among the airport community• Joint exercises with the Department of Health to familiarise the airport community with emergency response protocols for public health incidents• Staff countermeasures to enhance protection and reduce the risk of infection, such as heightened vaccination and testing requirements, work-from-home arrangements, split team operations at offices and control centres, staggered work deployment and social distancing• Implementing enhanced health measures to minimise contact between local staff and potentially higher risk foreign aircrew, segregation of high-risk and low-risk operation zones, segregation of staff performing high-risk tasks from those performing low-risk tasks• Supporting the Hong Kong SAR Government's health initiatives at HKIA, including the establishment and promotion of testing and vaccination centres, mobile vaccination stations, and testing and screening facilities for arriving passengers; coordinating for the disbursement of government subsidies and distributing COVID-19 testing kits to high-risk airport workers; and developing an information technology (IT) interface and facilitating data collection for a health code system |
|--------------------------|--|

FINANCIAL RISKS

AAHK is exposed to a variety of financial risks.

| | |
|--------------------------|---|
| Major Challenges | Credit, liquidity, interest rate and foreign currency risks |
| Controls in Place | Details of AAHK's exposure to financial risks and the policies and practices adopted to manage these risks are described in Note 24 to the Financial Statements on pages 136 to 144 |

INFORMATION TECHNOLOGY RISKS

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

| | |
|--------------------------|--|
| Major Challenges | <ul style="list-style-type: none">• The 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 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• Preventive, detective and containment measures help mitigate security threats. Monitoring tools alert management to risks and vulnerabilities• An annual IT technology review and mitigation planning process are in place, with the progress of the process being regularly reviewed• Management of the strategic direction of cybersecurity |

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 |
| 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 also reviewed to identify potential areas of risk that may apply to AAHK• Policies, procedures and appropriate actions 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• Adequate risk mitigation measures are in place and are constantly reviewed for enhancement |

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">• Acquisition of sufficient talent to support HKIA's expansion |
| Controls in Place | <ul style="list-style-type: none">• A human resources plan up to 2026/27 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 |

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



2021

APR

Airport Authority Hong Kong (AAHK) signs an agreement with the Hong Kong Business Aviation Centre for a HK\$400 million expansion of business aircraft facilities at Hong Kong International Airport (HKIA).



MAY

To promote Covid-19 vaccination, AAHK announces a lottery that distributes 50,000 air tickets to the public and 11,000 tickets to airport community members.



A contract is signed between AAHK and Dah Chong Hong – Dragonair Airport GSE Service Limited for the latter to provide deployment, management and maintenance services for the second phase of AAHK's ground services equipment pooling scheme.



JUN

AAHK wins gold in the "over 25 million passengers per annum" category of the Asia Pacific Green Airports Recognition 2021 organised by Airports Council International (ACI).



JUL

In accordance with International Civil Aviation Organisation's policy, 100% security screening is implemented for export air cargo at HKIA.



AsiaWorld-Expo (AWE) announces a HK\$600 million venue-wide renovation project.



As a new initiative to strengthen airport security, the AVSECO Canine Unit opens a kennel at HKIA.

AAHK introduces the Green Airport Design and Construction Strategy, an airport-wide programme to ensure the sustainability of HKIA's development projects.

AUG



HKIA welcomes Hong Kong's athletes on their triumphant return from the Tokyo 2020 Olympic Games.

AAHK's five-year HK\$35 billion syndicated loan facilities are named "Airport Deal of the Year" at *The Asset's* Triple A Infrastructure Awards 2021.



HKIA claims the "Top Asian Airport Efficiency Excellence Award" from the Air Transport Research Society for the 11th time.

SEP



Pavement works for HKIA's Third Runway are completed and a ceremony is held to mark the milestone. Officiated by the Chief Executive of the Hong Kong Special Administrative Region, the event is attended by around 200 guests.

SEP

HKIA celebrates the Hong Kong team's return from the Tokyo 2020 Paralympic Games.



Autonomous patrol cars start performing perimeter patrols at HKIA.



Hong Kong International Aviation Academy opens a new campus in the HKIA Community Building.



DEC

In preparation for the transition to a Three-runway System (3RS), HKIA's North Runway (07L/25R) is redesignated the Centre Runway (07C/25C).



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



AAHK takes home a gold award at the 2021 Best Corporate Governance and ESG Awards organised by the Hong Kong Institute of Certified Public Accountants and a Hong Kong Sustainability Award from The Hong Kong Management Association.

With 1,208 rooms and suites, the Regala Skycity Hotel opens in SKYCITY.



OCT

HKIA is voted "Best Global Airport" at the 2021 Asian Freight, Logistics and Supply Chain Awards and "Asia's Leading Airport" at the World Travel Awards.



AAHK enhances the efficiency of air cargo services with the introduction of the HKIA Cargo Data Platform.



2022

JAN

AAHK publishes its inaugural Sustainable Finance Framework, which sets out how it will fund projects that will contribute to HKIA's sustainable development.



AAHK successfully prices a US\$4.0 billion multi-tranche senior notes offering, including its first green tranche.

NOV

Two AAHK customer service staff receive The Ombudsman's Awards for Officers of Public Organisations.

AAHK hosts the 2021 Greater Bay Area A5 Chairmen's Meeting. The event forges closer ties between airports in the region.



As an anti-pandemic measure, the restricted area of Terminal 1 is separated into zones for passengers travelling to/from the Mainland and to/from other destinations. Temporary Specimen Collection Centre Two is set up to facilitate the arrangement.

Flight Token, HKIA's biometric identification system, is named "Best Innovation in Airport Passenger-related Processes" at the Amadeus and ACI World Technology Innovation Awards.



FEB

The T2 Concourse and Air Traffic Control Tower of the 3RS project receive a provisional platinum rating under the BEAM Plus New Buildings V1.2 scheme.



MAR

Flight check for the Third Runway commences.



AAHK becomes the sole shareholder of AWE upon the Hong Kong Government's transfer of all its interests in the facility.

Passenger Services



At Hong Kong International Airport (HKIA), we take pride in providing passengers with a safe and pleasant journey. During the year, we upgraded our facilities and services in preparation for the recovery of air traffic.



Managing Covid-19

In 2021/22, HKIA continued to implement a range of anti-pandemic measures to ensure the safety of travellers, staff and other airport users. We remain vigilant and continually review, audit and strengthen these procedures in the face of emerging variants.

To further minimise the risk of Covid-19 transmission, in November 2021 we began separating passengers going to and from the Mainland from those travelling to other destinations. Passengers are separated into two zones with dedicated shops, restaurants and washrooms, and airport staff may only work in one area each day. To facilitate Covid-19

testing, an additional temporary specimen collection centre was established in T1 Satellite Concourse (T1S) for passengers arriving from the Mainland, while the centre in T1 Midfield Concourse continued to accommodate other travellers.

All airport staff are required to have received at least two vaccine doses and must fulfil the testing requirement before entering the restricted area. Employees with a valid medical exemption from receiving the vaccine are tested every three days. People working in high-risk jobs, such as ground agents and cabin cleaners, must be vaccinated and tested regularly. As of 31 March 2022, more than 95% of airport staff had received two shots. Everyone in high-risk jobs was required to have a third vaccination by 10 March 2022.

In addition, all local ground staff are required to avoid contact with aircrews. Ground staff must wear surgical masks and face shields, and maintain a 1.5-metre distance from aircrews during unavoidable interactions.

To address the testing needs of airport staff, testing centres were set up in both the restricted and non-restricted areas of HKIA. The Ground Transportation Centre (GTC) served as a community vaccination centre, before being converted into a testing facility in October 2021.

In addition to strengthening anti-pandemic measures at HKIA, such as further separation of different passenger groups, AAHK actively promotes vaccination among airport staff.



Passenger Services

Wider use of technologies, including mobile negative-pressure sanitising chambers and autonomous robots, fosters hygiene at HKIA.



We have enhanced terminal hygiene by deploying advanced technologies, such as autonomous cleaning and disinfection robots, while janitorial staff focus on high-traffic surfaces – including escalator handrails and the control panels of smart check-in kiosks, e-Security Gates and passenger lifts – which are treated with antimicrobial coatings.

In 2021/22, touchless control panels were fitted in 49 passenger lifts throughout the terminals and GTC. The number of mobile negative-pressure sanitising chambers for airport staff was increased from three to ten, and we are installing systems that will sanitise baggage trolleys and arriving baggage with ultraviolet light.

This year, HKIA was recertified in the Airport Health Accreditation programme operated by Airports Council International (ACI). This was in recognition of our health measures.

Since the outbreak of Covid-19, Airport Authority Hong Kong (AAHK) has provided relief measures that comprise various fee waivers, concessions and rental relief to help the airport community through the pandemic. The relief package was extended throughout 2021/22. We also assisted eligible airport staff in applying for benefits from the Hong Kong Government’s Anti-epidemic Fund.

Enhancing the airport experience

When travellers return to HKIA, they will discover a sleek, modern environment. All departure gates on Level 6 of Terminal 1 (T1) have new boarding desks, e-Boarding Gates, portals and signage.

T1’s departure area is also being transformed into 12 vibrant zones with themes of entertainment, family-friendliness and relaxation. Four zones are now complete. Custom-made seats let passengers work or relax in comfort, and new landscaping and art pieces create moments of tranquillity. The remaining zones will be finished in 2022/23.

During the year, renovations to 108 public washrooms in T1 and T1S concluded. Washrooms now feature contemporary interiors, as well as sensors that monitor usage rates, cleanliness and consumables.

The expansion of the East Hall was substantially completed and an occupation permit was issued in January 2022. The new space will house a rooftop garden, a children's play area, a Caring Corner and additional shops and catering outlets.

In the East Hall luxury shopping zone, newly fitted Chanel and Louis Vuitton duplex shops and two new fine food

stores are ready to open. A third duplex shop is now being constructed for Hermès.

In 2020/21, we introduced our enterprise 5G wireless network in parts of T1. This year, the enterprise 5G service was extended to all passenger terminals. In 2022/23, the network will cover the airfield and other outdoor areas including tunnels and ancillary buildings of the existing Two-runway System. AAHK's enterprise 5G project was recognised by the Communications Association of Hong Kong (CAHK) and received a gold prize in the "Best Innovation for Future Enterprise" category of the CAHK STAR Awards 2021.



5G coverage throughout the terminals treats passengers to a faster and smoother mobile experience.



Freshly renovated departure areas modernise T1's environment and transform waiting and boarding into a delightful experience.

Passenger Services



The upgraded HKAirportShop.com will introduce new online-to-offline services and promotions to enrich the shopping experience at HKIA.

We also revamped our online shopping platform – HKAirportShop.com – with a fresh, stylish look. The platform will have new online-to-offline services and promotions, such as a luxury concierge and delivery to boarding gates, when traffic resumes. Meanwhile, our HKAirport Rewards loyalty programme has recruited 28,000 members since it was soft launched in May 2020.

This year, we added facilities to better serve passengers with special needs. Two new Caring Corners, in Arrivals Hall A and near Departures Gate 36, are ready to open. These wheelchair-

accessible areas offer seats, televisions and helplines for passengers with reduced mobility, the elderly and pregnant women. Near Gate 69 on the Arrivals Level, we opened a wheelchair-accessible changing room with washrooms and showers.

To help passengers with limited mobility board and disembark from aircraft, a new ambulift entered service. With advanced safety features and a capacity of five passengers in wheelchairs or two travellers on stretchers, the ambulift eases transfers between the apron and the aircraft door.



A new ambulift adds convenience for passengers with limited mobility by helping them board or disembark from aircraft.

Shaping the airport of the future

We are reinventing the travel experience with the launch of Flight Token, a self-service biometric system that increases passenger convenience, accelerates departures and enhances the accuracy of identity checks.

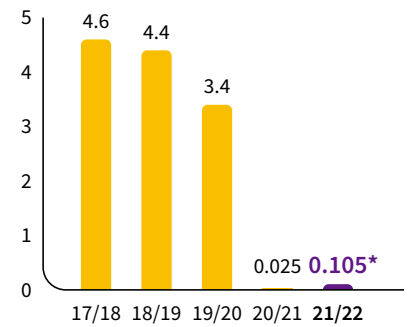
With this new touchless system, travellers checking in at a smart kiosk create an electronic token containing their biometric data and information about their travel document and

boarding pass. Passengers can then use their face as identification when checking luggage at self bag drop facilities and when passing through e-Security Gates and e-Boarding Gates.

To support the introduction of Flight Token, this year we completed the installation of e-Boarding Gates at departure gates on Level 6 of T1. Smart check-in kiosks were upgraded to accept electronic passports and facial recognition capabilities were rolled out at self bag drop counters. Enrolment in Flight Token will be enabled at Hong Kong-based carriers' check-in counters in 2022/23.

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

(millions of passengers)



* All cross-boundary land and sea transport was suspended in 2021/22, except for partial operation of sea-to-air ferry services from Shekou.

From check-in to security checks and boarding, Flight Token lets passengers use their face as identification and allows for hassle-free navigation throughout the terminal.



Passenger Services



Mainland
26%

Australasia
4%

Europe
22%

Taiwan
4%

South East Asia
15%

Japan
2%

USA & Canada
15%

Others
12%

Flight Token won “Best Innovation in Airport Passenger-related Processes” at the inaugural Amadeus and ACI World Technology Innovation Awards.

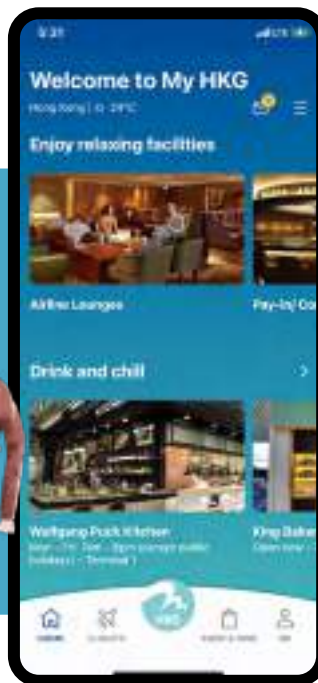
During the year, we added more personalised features to HKIA’s mobile app. “My HKG” now provides information about the queuing status at departure checkpoints, travel tips by destination, shopping and dining recommendations, and complimentary flight delay and Covid-19 insurance for passengers departing from HKIA. More services and features will be available in 2022/23.

In the face of ever-changing traveller behaviours, we are adopting new approaches for more effective airport management. In 2021/22, we made use of data analytics to investigate the amount of time people spent at HKIA, their dwell time in different zones and their preferred destinations. The increased volume, diversity and richness of information will help us better plan and improve passenger facilities and services, and track HKIA’s performance.

To realise HKIA’s evolution into a data-driven airport, this year we crafted a ten-year data analytics road map, in which a development framework will help us enhance the passenger experience, operational efficiency, safety and security.



“My HKG” delivers more personalised information to suit the needs of individual passengers.





The AVSECO Canine Unit comes as a flexible measure to bolster security at HKIA.

Strengthening safety and security

During the year, AAHK and the Aviation Security Company Limited (AVSECO) jointly set up the AVSECO Canine Unit, which began patrolling the non-restricted area of HKIA in search of explosives, firearms and ammunition.

To support the unit, AAHK built a kennel and training facility in the airport restricted area. A 2,200-square-metre outdoor training site is also available for dogs and their handlers. In July 2021, AVSECO, the Hong Kong Police Force and the Hong Kong Customs and Excise Department signed an agreement to share knowledge and facilities, conduct

joint exercises and operations, and establish a joint canine breeding programme.

Recognising the need for continuous preparedness, in 2021/22 we held over 30 drills and exercises, and more than 70 training sessions covering emergency response, public health, security, fire safety, adverse weather preparedness, training for new airline and ground handling staff, and more.

In October 2021, some 80 members of the airport community participated in a runway walk, where they were briefed on the factors affecting runway safety and learned about the specialised equipment used for runway inspection.



Excellent
87.9%

Very Good
11.5%

Good
0.6%*

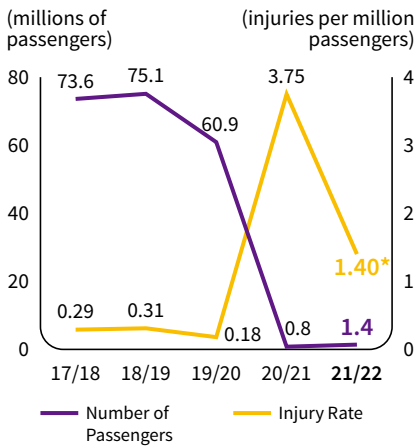
* There were five cases of Overall Satisfaction scoring 3 (Good) in 2021.



Activities like runway walks reinforce safety awareness among members of the airport community.

Passenger Services

Passenger Traffic and Injury Rate



* Two injuries were recorded in 2021/22, compared to three in 2020/21.

Regional connections

Due to the pandemic, the suspension of land and sea transport between HKIA and Mainland destinations continued in 2021/22.

The ferry service between Shekou and HKIA was the sole exception. To meet demand, three daily sea-to-air trips were added in August and September 2021, bringing the total to five sailings per day. Since then, three sea-to-air sailings have operated each day. Around 100,000 people used this service

in 2021/22. All passengers were required to complete check-in formalities and have their boarding pass printed and baggage checked at the upstream port and to comply with anti-pandemic transit/transfer regulations.

This year, four carriers joined the upstream check-in service at Shekou: Air Canada, Asiana Airlines, Ethiopian Airlines and Qatar Airways.

To prepare for the resumption of air travel and future growth, we are developing new cross-boundary services and city terminals in the Greater Bay Area (GBA). This includes



a new ferry service from Guangzhou's Pazhou district. Construction of Pazhou Port is now complete, and we have applied for regulatory approval to offer this service. We are also exploring the establishment of a city terminal in Pazhou and ferry services from Huangpu, Guangzhou.

Construction of the SkyPier Terminal, which will allow GBA passengers to directly enter HKIA's restricted area without undergoing Hong Kong's immigration and customs formalities, is nearly complete, while construction

works on the associated bonded bridge are ongoing. AAHK is working closely with the Transport and Housing Bureau, the Security Bureau and law enforcement agencies to ensure statutory support and compliance.

We are also planning intermodal products that will facilitate travel between the airport and the GBA. This year, we reached an agreement with Hong Kong's MTR Corporation to develop "Air+Rail" bundled travel products.

Service Performance in 2021/22

Baggage Delivery (First Bag)¹
99.7%

Baggage Delivery (Last Bag)²
99.8%

Passenger Embarkation & Disembarkation by Air Bridge
99.9%

Departures Security Screening Under Normal Circumstances³
99.6%

Transfer Security Screening Under Normal Circumstances³
99.1%

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.



Cargo and Aviation Services



While Covid-19 slashed passenger traffic, it spurred demand for air cargo services. Hong Kong International Airport (HKIA) met this challenge and developed new facilities to stimulate the long-term growth of our airfreight business.



A robust rebound

In 2021/22, HKIA's cargo throughput grew 7.1%, to 4.9 million tonnes – a return to pre-pandemic levels. This performance again made HKIA the world's busiest airport in terms of total cargo volume.

Demand for vaccines was strong. During the year, HKIA handled imports of around 14 million doses and transshipments of 190 million shots to destinations in Asia and the Americas.

For the sixth consecutive year, HKIA was named "Best Global Airport" at the 2021 Asian Freight, Logistics and Supply Chain Awards.

Strengthening transshipments

Our location in the Greater Bay Area (GBA) and extensive international flight network contribute to HKIA's position as a leading transshipment hub. This year, we continued work on several projects to further enhance our competitiveness.

Airport Authority Hong Kong (AAHK) is developing HKIA Logistics Park in Dongguan and a new airside intermodal cargo pier at HKIA. These projects will expand our catchment area and tap growing demand for airfreight services in the GBA.

In January 2022, as part of a pilot scheme for the new sea-air intermodal transshipment initiative, operational tests with real sea-to-air shipments were successfully completed between Dongguan Port and HKIA's existing West Quay. Goods cleared by Mainland customs were transported by sea to the West Quay, where they were inspected by Hong Kong customs and the Aviation Security Company Limited. Shipments were tugged to the airside cargo terminal for security screening and cargo acceptance, and then transhipped by air to their final destinations.

A regular sailing schedule under the pilot scheme commenced in March 2022. Upstream security screening, followed by cargo acceptance at Dongguan Port, is expected to begin in mid-2022. Serving Mainland imports and exports, this scheme is designed to stimulate cargo volume for the logistics park.

In 2021/22, construction of the Transit Mail Centre at HKIA started. Scheduled to be commissioned by 2025, the centre will increase our capacity for handling transit mail from the Mainland.



A pilot scheme on the new sea-air transshipment arrangement paves the way for cargo services between HKIA Logistics Park in Dongguan and the new airside intermodal cargo pier at HKIA.



Cargo and Aviation Services



The HKIA Cargo Data Platform connects stakeholders along the air cargo supply chain and enables them to track and trace shipments in near real-time.



| | |
|-------------------------------|--------------------------|
| USA & Canada 20% | Mainland 8% |
| South East Asia 17% | Taiwan 8% |
| Europe 14% | Australasia 2% |
| Japan 8% | Others 23% |

* Airmail is excluded.

HKIA Cargo Data Platform

The HKIA Cargo Data Platform debuted in October 2021 with its first module covering the export process. The blockchain-enabled network securely connects air cargo supply chain stakeholders to facilitate process digitalisation, and tracks and traces shipments on a near real-time basis.

In addition to improving efficiency and communications among users, the platform provides valuable data for service enhancements and future business planning. It also supports the International Air Transport Association's ONE Record standard for data sharing.

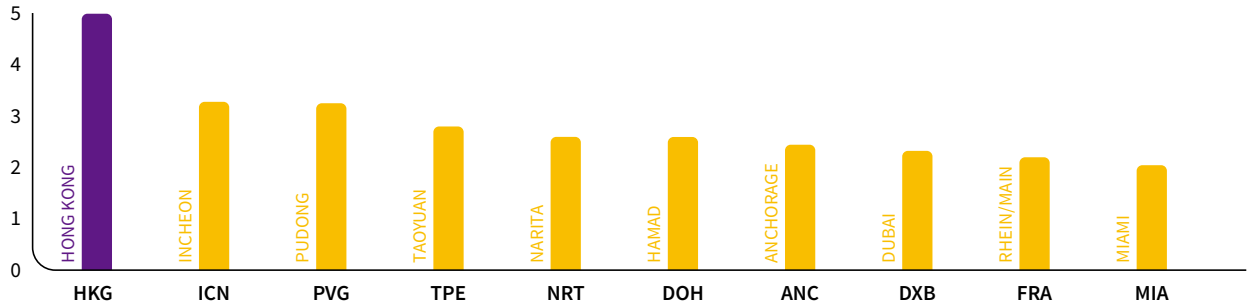
Meeting the new air cargo security screening requirement

To meet the International Civil Aviation Organisation's new security requirement, effective 1 July 2021, 100% security screening was implemented for export air cargo at HKIA. In preparing the air cargo industry to fulfil this requirement, the Hong Kong Civil Aviation Department, in collaboration with industry stakeholders including AAHK, recognised more than 150 off-airport regulated air cargo screening facilities, where cargo can be securely screened and palletised before being transported to HKIA. The programme reinforces security while maintaining operational efficiency.

AAHK also helped the industry build screening capacity at air cargo terminals and develop secure transportation to HKIA for screened cargo.

10 Busiest Airports in 2021 – 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 2022

New business aviation facilities

In April 2021, AAHK signed an agreement with Hong Kong Business Aviation Centre (HKBAC) for a HK\$400 million expansion project that will double its annual capacity for business aircraft flight movements.

HKBAC's existing terminal will be expanded fourfold, to 4,800 square metres, and a new building will be constructed to provide additional customs, immigration and quarantine

facilities, and a canopy for aircraft and passengers. Existing passenger lounges, aircrew facilities and the VIP lounge will also be upgraded.

The expansion will help maintain Hong Kong's edge as a business aviation hub.

Expanding network

In 2021/22, HKIA welcomed 22 new airlines and ten destinations, including Chicago Rockford, Keflavik, Moscow Zhukovsky, Paris-Vatry, Riga, Santiago (Chile), São Paulo GRU, Tawau, Ujung Pandang and Ulan-Ude, to its network.

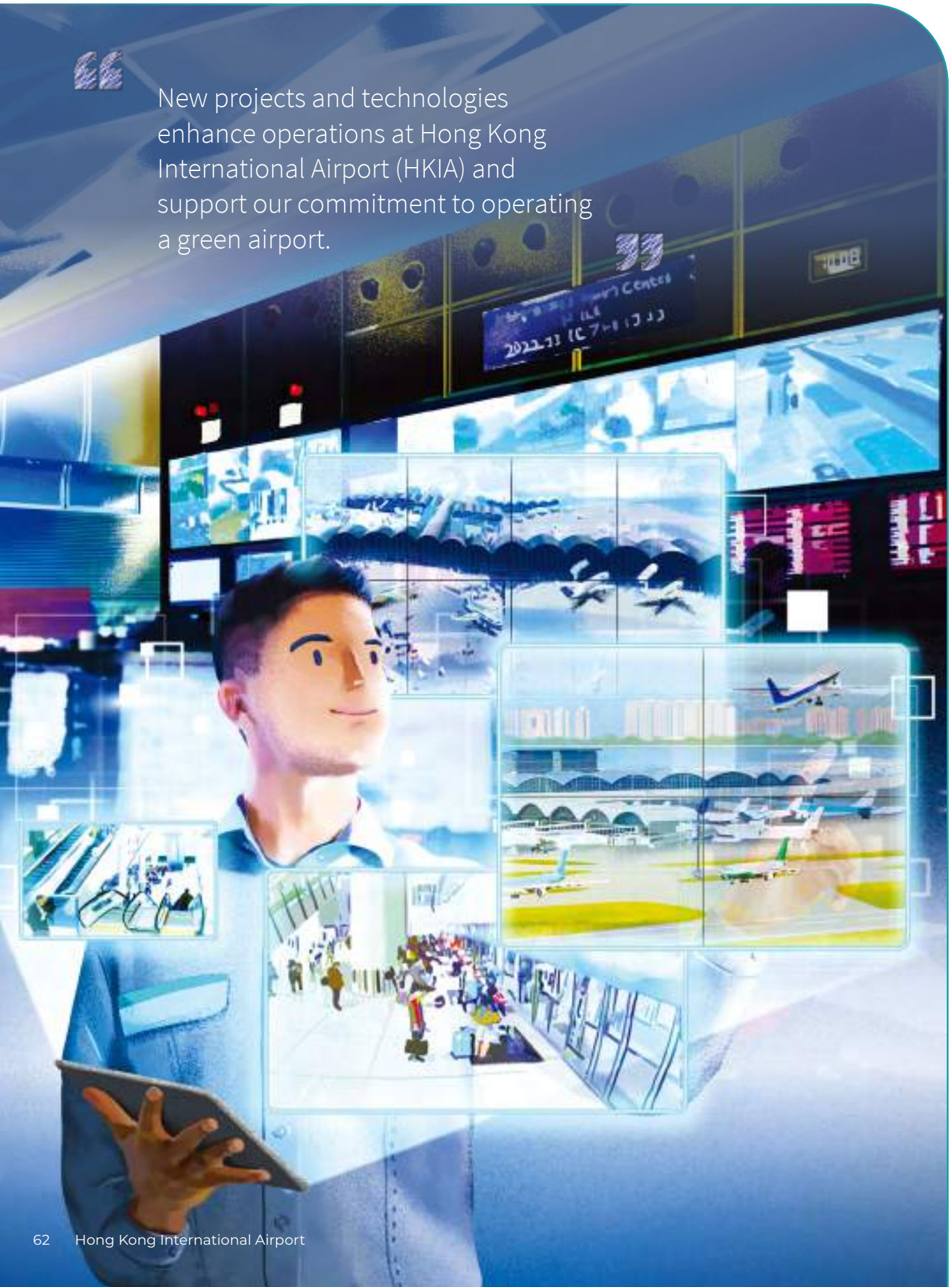
The expansion of HKBAC helps attract businesses to Hong Kong and maintains the city's competitiveness as an international commercial centre.



Airfield and Systems



New projects and technologies enhance operations at Hong Kong International Airport (HKIA) and support our commitment to operating a green airport.





The ground services equipment pooling scheme facilitates turnarounds of flights, leading to their on-time departures.



Optimising apron traffic

In 2018, we began the first phase of a ground services equipment (GSE) pooling scheme on the Midfield Apron. Under this programme, Airport Authority Hong Kong (AAHK) purchases GSE that are critical for passenger flights, including conveyor belt loaders, lower deck loaders and passenger steps. The GSE are stationed at parking stands, where they are available for rent. By centralising the deployment of GSE, the scheme prevents delays caused by ramp handling operators finding or waiting for equipment, and facilitates on-time departures. The scheme also reduces traffic and, because more than 95% of the GSE are electrically powered, helps to cut HKIA's carbon footprint.

In May 2021, AAHK signed a contract with Dah Chong Hong – Dragonair Airport GSE Service Limited for the provision of daily deployment, management and maintenance services for the GSE during the second phase of the pooling scheme, which will begin in April 2022. Upon its full implementation, the second phase will see the GSE fleet size increase to over 500. Coverage will be extended to Terminal 1 (T1) and eventually T2 Concourse under the Three-runway System.

In January 2022, AAHK launched an apron vehicles pooling programme that offers staff transportation, goods transportation and airside escort services. Members of the airport community can reserve a vehicle round the clock using the “ApronGo” mobile app.

Like the GSE scheme, this programme enables effective resource usage and reduces airside traffic. It also gives airport operators an affordable alternative to converting their fleet to electric vehicles, as required by AAHK's policy.

Airfield and Systems

Advanced technologies

Autonomous electric tractors (AETs) transport baggage for air-to-sea and sea-to-air passengers between T1 and SkyPier on an apron road. In November 2021, we extended the application of the AETs to the inside of the T1 Baggage Hall, where they tow empty dollies from arrivals belts to staging areas and deliver out-of-gauge arrival baggage to dedicated belts.

Enhanced AETs were deployed for on-site trials transporting cargo between the Main Cargo Apron and the West Cargo Apron. With upgraded sensors and driving algorithms, the enhanced AETs have an increased capacity of six dollies and are able to navigate roundabouts and tunnels.

The AETs have shown satisfactory performance and we plan to further expand their fleet size and service area.

Autonomous driving technology also strengthens airport security. In September 2021, we introduced autonomous patrol cars (APCs). Equipped with high-definition cameras, lidar sensors, ultra-precise GPS and video analytics functionality, four APCs assist with daily patrols along the South Runway Road and North Perimeter Road. Upon detection of abnormalities, such as potential human intrusion or irregularities in the razor wire along the airport boundaries, the APCs will alert security staff, who can assess the situation using real-time video. The APCs can operate in typhoons and travelled more than 40,000 kilometres by March 2022.

In March 2022, we started proof-of-concept trials of a remote-controlled aircraft pushback tractor, an electrically powered tractor that moves aircraft away from parking stands during departures. The new tractor reduces carbon emissions and helps to relieve personnel shortages.

This year, we became the first airport to use predictive air-conditioning management with the Weather Forecast for Air-conditioning Control System (Weather FACTS). This locally developed technology uses data analytics and atmospheric information from HKIA and the Hong Kong Observatory (HKO) to forecast T1's cooling demand, 24 hours in advance. Working with T1's new chillers, Weather FACTS will save an estimated 5.1 gigawatt hours of electricity each year, without



APCs complement manual patrols along HKIA's boundaries to strengthen aviation security. They are equipped with advanced technologies to ensure safe operation.

compromising passenger comfort. Weather FACTS won “Energy Project of the Year” at the Association of Energy Engineers’ 2021 Regional Awards – Asia Pacific Rim.

To comply with a mandate from the International Civil Aviation Organisation to report runway surface conditions to stakeholders, AAHK, HKO and the University of Hong Kong jointly developed a predictive model that uses real-time rainfall data and runway drainage characteristics to calculate the water depth on HKIA’s runways. Soft launched in November 2021, the model automatically generates runway condition reports for dissemination.

In 2021/22, we implemented phase two of the Augmented Airfield Service System (AS2). With data from the airside vehicle tracking system, the internet-of-things and video analytics, AS2 now tracks the entire passenger aircraft turnaround process. AS2 helps us allocate resources more effectively and predict and eliminate bottlenecks.

Asset upgrades

During the year, we carried out upgrade projects that will meet HKIA’s future needs.

For example, following the expansion of the Automated People Mover fleet serving T1 to 56 cars in 2020, we are preparing to upgrade the system from four-car to six-car operation. This will allow the T1 line’s hourly capacity to increase by approximately 50%, accommodating demand when it returns to pre-pandemic levels.



Weather FACTS analyses data, including air and seawater temperatures, cloud conditions, wind direction and speed, humidity and sunshine intensity, as well as HKIA’s flight information to predict cooling demand in T1.

We also upgraded the radio frequency identification technology in the baggage sortation system and began replacing the tilt-tray sorters with cross-belt sorters to boost the system’s efficiency.

A multi-phased project to modernise over 500 air handling units in T1 commenced. In 2022/23, high-efficiency fan motors with advanced filtration technology will be installed in 100 air handling units. In addition to improving indoor air quality, the project is expected to increase the capacity of the terminal’s cooling system by 10% and achieve a 20% energy saving.

During the year, we leveraged the radar technology used in HKIA’s unmanned aircraft system detectors to generate alerts when overheight vessels enter the waters near the airport. The new capabilities further enhance safety at HKIA.

We also cooperated with CLP Power Hong Kong Limited to develop the city’s largest battery energy storage

system, which will help us cope with the greater need for backup power as HKIA grows. Comprising over 400 lithium batteries, the mobile system provides a maximum output of 4 megavolt-amperes and can store electricity produced during routine testing of HKIA’s backup generators for future use.

Industry collaboration

In November 2021, AAHK hosted the Greater Bay Area (GBA) A5 Chairmen’s Meeting. This regular summit for GBA airports enables the exchange of insights on the industry’s latest developments and promotes the sustainable growth of regional aviation.

Previously suspended because of Covid-19, the International Airports Benchmarking Programme, which includes HKIA and eight other aviation hubs, resumed in November 2021. The current benchmarking exercise focuses on sustainability, efficiency and productivity.

Mainland Projects

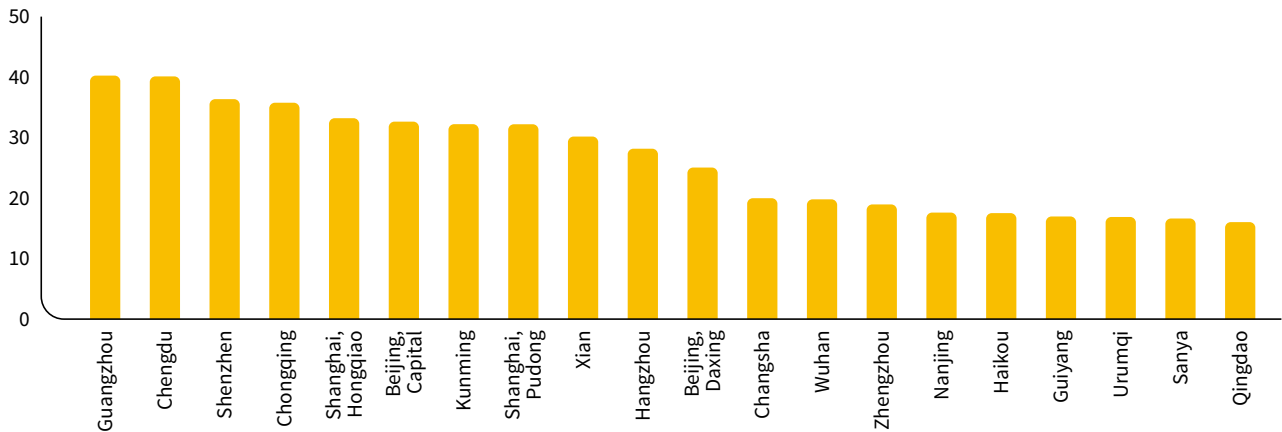


Capitalising on the leading aviation hub status of Hong Kong International Airport (HKIA), Airport Authority Hong Kong (AAHK) has developed long-standing partnerships with Mainland airports and facilitated their growth.



Top 20 Airports on the Mainland in 2021 – Passenger Throughput

(millions of passengers)



Source: Civil Aviation Administration of China

Hangzhou Xiaoshan International Airport

In 2006, AAHK acquired a 35% interest in Hangzhou Xiaoshan International Airport (HXIA).

Passenger demand at HXIA, particularly international traffic, remained depressed due to the ongoing pandemic. In calendar 2021, passenger numbers were unchanged from 2020, at 28.2 million, while flight movements rose 0.4%, to 238,000. Cargo throughput benefited from strong e-commerce and cold chain demand, increasing 14.0%, to 914,063 tonnes.

This solid performance helped HXIA retain its position as the Mainland’s tenth busiest passenger airport and fifth busiest cargo airport.

In 2021, ten domestic destinations were added to HXIA’s passenger network. New freighter services were launched to Brussels, Osaka and Seoul.

To meet future passenger demand, HXIA’s Phase 3 expansion is going full speed ahead. Construction works for Terminal 4 (T4) and the Ground Transportation Centre, two core elements of the expansion, concluded at the end of 2021 and

interior fit-out is now under way. The two new buildings are expected to be commissioned in May 2022. T4 can be further expanded to reach an ultimate capacity of 50 million passengers per year. Meanwhile, a comprehensive network of roads and flyovers was built around the new buildings to provide passengers with seamless connections.

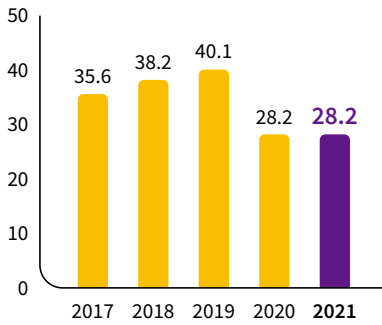


Designed with an ultimate capacity of 50 million passengers a year, the new T4 at HXIA will offer a spacious environment.

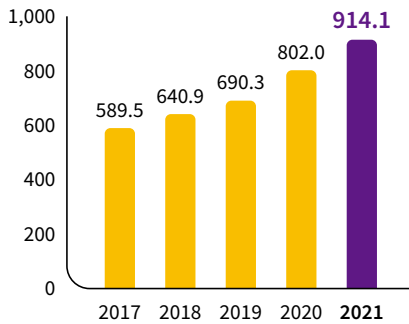
Mainland Projects

Throughput at Hangzhou Xiaoshan International Airport

(millions of passengers)



(cargo in thousands of tonnes)



Source: Civil Aviation Administration of China

In December 2021, HXIA’s cargo services were enhanced with the introduction of New York-Hangzhou-Seoul flights. As HXIA’s inaugural fifth freedom route, it allows loading and unloading of cargo in these three cities and strengthens the airport’s competitiveness as a logistics hub. In addition, the construction of HXIA’s new international cargo terminal will be accelerated to support the development of a pilot free-trade zone in Hangzhou.



New retail and food and beverage outlets at Hongqiao airport upgrade the passenger experience.

Shanghai Hongqiao International Airport

Since 2009, a joint venture between AAHK and the Shanghai Airport Authority has managed the terminal operations and retail businesses at Shanghai Hongqiao International Airport.

Traffic at Hongqiao airport recovered steadily in 2021. Passenger throughput increased 6.5%, to 33.2 million, making Hongqiao the Mainland’s fifth busiest passenger airport. Flight movements grew 5.4%, to 231,261.

In 2021, Hongqiao airport continued to build a smooth, pleasant passenger journey. Automated boarding

gates that use facial recognition technology were commissioned at 13 departure gates in Terminal 2 (T2). In collaboration with Shanghai Disney Resort, the airport opened two children’s play areas that feature the resort’s signature characters.

In upgrading the retail and dining experience, seven retail brands opened their first Mainland airport outlets at Hongqiao airport, while six highly acclaimed restaurants – offering Chinese, Asian and Western fare – opened in T2’s south concourse.

Hongqiao airport was named “Best Airport in China” in the CAPSE Aviation Services Awards 2021, and was recognised as one of Asia Pacific’s best airports by Airports Council International.

Zhuhai Airport

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

In 2021, Zhuhai Airport's passenger volume and cargo throughput climbed 9.3% and 4.4%, respectively, to 8.0 million and 40,046 tonnes. Flight movements grew 9.2%, to 66,969. One airline and six cities joined Zhuhai Airport's network this year, for a total of 35 carriers and 89 domestic destinations.

The Airport Integrated Control platform and Airport Collaborative Decision Making system continued to enhance Zhuhai Airport's on-time

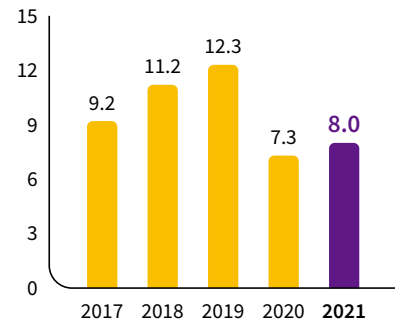
departure rate, which rose from 92.9% in 2020 to 93.4%.

In September 2021, Zhuhai Airport opened a city terminal in the Huafeng Hotel in Xiangzhou district. At the terminal, passengers can enjoy a range of convenient services, including air ticket purchases, flight check-in and baggage acceptance, and travel directly to Zhuhai Airport via an express train.

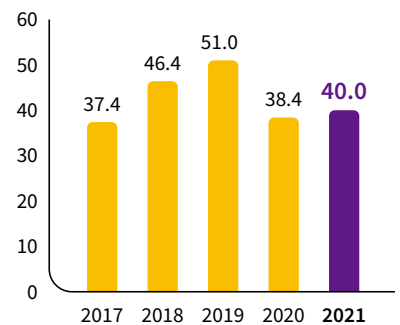
In December 2021, Zhuhai Airport completed the reconstruction of Apron 3. This project will add ten remote aircraft parking stands and support the ongoing expansion of the passenger terminals.

Throughput at Zhuhai Airport

(millions of passengers)



(cargo in thousands of tonnes)



Source: Civil Aviation Administration of China

The city terminal in the Huafeng Hotel enables a seamless departure journey from Zhuhai Airport.



Sustainability and People



Sustainability is integral to the operations and development of Hong Kong International Airport (HKIA). Through a range of initiatives, we work with our business partners to reduce our environmental footprint, support the community and contribute to Hong Kong's sustainable development.



Net zero carbon

During 2021/22, Airport Authority Hong Kong (AAHK) and its key aviation-related business partners pledged 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. This commitment is in line with the Intergovernmental Panel on Climate Change's scenario of 1.5 degrees Celsius of global warming and supports the Hong Kong Government's Climate Action Plan 2050. It also demonstrates our ongoing commitment to be one of the world's greenest airports.

To achieve the midpoint target, we developed a carbon management plan that will reduce HKIA's direct and indirect emissions. Direct emissions will be cut through initiatives such as the electrification of airside vehicles and ground services equipment, and trials of low-carbon fuels. We are trimming indirect emissions from electricity consumption with wide-ranging energy efficiency measures, including an ongoing, large-scale transition to LED lighting, switching to energy-efficient chillers and developing innovative, technology-driven energy management solutions. Meanwhile, on-site renewable energy generation projects are being pursued.

Following extensive engagement with the airport community, AAHK enhanced its Business Partners Carbon Support Programme and is committed



AAHK is expanding its fleet of electric vehicles and ground services equipment to reduce direct carbon emissions at HKIA.

to launching a HK\$20 million Green Innovation and Technology Fund to support piloting of new carbon reduction technologies. In addition, we will establish technology working groups to encourage collaboration across the airport community and accelerate the implementation of these technologies and initiatives. This year, we partnered with the Business Environment Council to develop a bespoke capacity-building programme for our business partners to provide them with essential skills in carbon management. AAHK will also supply tools and guidance to help our business partners track their carbon emissions.

Climate resilience

In August 2021, we completed a study to review and strengthen HKIA's operational resilience and adaptive capacity to a changing climate.

We used the study, which included analyses of multiple scenarios, to develop a climate adaptation and resilience plan based on assessments of prioritised risks relating to key assets and operations and potential impacts associated with the transition to a low-carbon economy. The plan enables AAHK to integrate climate risk management considerations across the organisation.

AAHK included transparent climate-related disclosures, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), in its *Sustainability Report 2020/21*, which was published in November 2021. AAHK is among the first airport operators in Asia to publish a TCFD statement.

Sustainability and People

New waste target

This year, we pledged to increase HKIA's recyclables recovery rate by 25% by 2025, from a 2018 baseline. To drive improvements, we revamped refuse rooms in the terminal buildings and expanded our waste storage and sorting spaces. An artificial intelligence-based robotic waste sorter facilitates recyclables separation from our waste streams. In addition, we continue to push for a higher recyclables separation rate through incentives to our waste contractor, provision of resources and training to airport tenants, and waste reduction initiatives, such as food waste recycling and food rescue programmes.

We also actively reduce waste at source. To save paper towels, we are installing around 570 electric hand dryers in terminal washrooms. Some 40 additional water dispensers are being installed in the terminals to reduce consumption of single-use plastic bottles.

Technological innovations, such as an artificial intelligence-based robotic waste sorter, are being explored to improve HKIA's waste recycling performance.



Green Airport Design and Construction Strategy

In July 2021, we rolled out a two-year trial of the Green Airport Design and Construction Strategy, which embeds sustainability in projects at HKIA that we develop alone and with our business partners.

The airport-wide strategy ensures sustainability is incorporated at the planning, design, development and construction stages of different development projects, with the goal of minimising their environmental impacts. The new strategy builds on the success of a similar initiative that was introduced during the implementation of the Three-runway System project.

Caring for people

As the pandemic spread and Omicron emerged, AAHK redoubled its efforts to protect staff.

Flexible work arrangements, including staggered office hours, split teams and work-from-home plans, were extended. At AAHK's offices, temperature checks at entrances continued, social distancing measures were strengthened and all AAHK employees and visitors are required to be vaccinated. Antimicrobial coatings were applied in all AAHK offices and additional air purifiers were installed. Extra cleaning and disinfection measures continued, especially in areas with confirmed Covid-19 cases. In addition to the ongoing provision of surgical masks, we distributed rapid antigen test kits to employees and their families.





AAHK's EXTRA MILE project encourages participants to develop their careers in the aviation industry and helps them discover their personal interests and potential.

To support the Hong Kong Government's vaccination programme, AAHK employees are entitled to paid vaccination leave. To promote Covid-19 vaccination in the wider airport community, talks and video sessions were organised to enhance understanding of vaccines, while an esports tournament was organised for vaccinated airport staff.

We also organised a lottery that was open to people who had received vaccination. The lucky draw gave away 50,000 air tickets to members of the public, 10,000 to airport community members and a further 1,000 to AAHK staff.

Despite the pandemic, the EXTRA MILE project continued during the year to support neighbouring communities. The "Working Holiday@Lantau" programme provided youth aged 18 to 25 with accommodation in Lantau while matching them with jobs from our business partners. "EduCare", which offers after-school tutorial services for children of airport staff, hosted online classes. Meanwhile, "The Pioneer" – a placement programme for non-Chinese speakers – found jobs for participants at SKYCITY's newly opened Regala Skycity Hotel.

To engage with youth, this year we resumed our airport visit programme for tertiary and secondary students. Groups were kept small with anti-pandemic precautions in place. Webinars and virtual airport tours were also arranged for students to learn about HKIA and its developments.

Strengthening our talent pool

A strong, united workforce is the key to AAHK's long-term development. In 2021/22, we continued to build our talent pool. Leadership development programmes were completed for high-potential senior and junior managers, and executive development programmes were arranged for key individuals and high-potential employees.

We also held our annual talent review and succession planning meeting to review our leadership bench strength and the development progress of key individuals and high potentials. To cater to the diverse training needs of staff, the curriculum of our online training platform, "myLearning", was enhanced to provide over 5,000 e-courses that cover a wide range of topics.

Sustainability and People



To groom talent, AAHK arranges leadership development programmes for high-potentials, while staff with outstanding performance are praised in the corporate recognition programme.

On talent acquisition, this year we resumed recruitment for management trainees and graduate engineers. Our eight-week summer internship programme continued, enrolling 75 students from 12 local and overseas universities and educational institutions. The programme included job attachments, workshops and seminars, and brainstorming sessions on HKIA's development.

During the year, HKIA's second Hong Kong-wide Virtual Job Fair attracted some 18,000 candidates. The two-day event offered more than 1,000 jobs from over 30 airport community companies. Meanwhile, district-level job fairs were held in Tin Shui Wai and Yau Ma Tei.

Building our corporate culture

As a platform for front-line staff to practise AAHK's "5Cs" core values – commitment, creativity, collaboration, continuous improvement and caring – at work, we continued the

Work Improvement Team (WIT) programme in 2021/22. Thirty-five teams comprising some 200 front-line staff contributed their ideas on enhancing airport operations. The WIT Convention was successfully held online in February 2022.

Role models for "5Cs" values have continuously been identified, recognised and promoted through AAHK's corporate recognition programme. Two outstanding employees and nine exceptional teams were awarded at a ceremony in January 2022.

We also enhance employee engagement through various initiatives. The Business Series online talks delivered by senior management kept staff up to date on corporate developments. The annual town hall meeting also went virtual and attracted about 2,000 staff. In October 2021, Dialogue with Chairman brought together senior management from AAHK and its subsidiaries for updates about HKIA. A virtual Chinese New Year party, featuring games and

a lucky draw, was held in February 2022 and was attended by around 1,700 staff.

Digitalisation in HR management

To enhance the employee experience, we are digitalising key human resources systems. This year, we added new functions to the Employee Self-service platform that allow staff to claim allowances and update their vaccination records. An online performance management system was also developed. Formerly called the HKIA Extranet, the HKIA Operations Portal was relaunched with a fresh look, a user-friendly interface and new features to improve productivity and enhance communication among the airport community. In recognition of our achievement in driving digital transformation, AAHK was presented a gold award in the "Excellence in HR Digitalisation" category at the HR Distinction Awards 2021 organised by *Human Resources Online*.

Hong Kong International Aviation Academy

Hong Kong International Aviation Academy (HKIAA) continued to grow in 2021/22, delivering about 1,250 courses to more than 37,000 students through face-to-face and online classes.

At the invitation of the United Nations Office on Drugs and Crime, virtual classes on air cargo and mail security were organised for officials from Bangladesh. Online courses on airport management and operations were also delivered to members of Mainland aviation authorities and institutions.

In 2021/22, several new courses were launched, including the second standardised airfield training programme and two foundation certificate courses in passenger and ramp operations. A course on behavioural detection, developed in conjunction with the Aviation Security Company Limited and recognised

by the International Civil Aviation Organisation (ICAO), was introduced. HKIAA also completed the course validation for its third ICAO Standard Training Package on aviation risk and business continuity management.

Using a new flight demonstration device modelled on the Airbus A321neo, HKIAA worked with the Hong Kong Civil Aviation Department to offer a course for 220 air traffic controllers. Further use of the device for development of new courses is being explored.

This year, HKIAA's summer day camps attracted around 180 young aviation enthusiasts. A new four-day "Aviation Inside-out Day Camp" was added to provide participants with knowledge of different airport professions through site visits and virtual simulations. In addition, HKIAA's first "Flying Classroom" programme let 90 tertiary students explore ground and in-flight operations onboard a flight over Hong Kong.

In September 2021, HKIAA opened a new campus in the HKIA Community Building. The 5,500-square-metre campus includes an air traffic control training centre, an auditorium, a lecture hall, aviation security training facilities, and training facilities and systems that are in compliance with ICAO standards. The facility also features a flight simulator and consoles that use virtual reality to teach students how to drive airfield vehicles.

In 2021/22, HKIAA signed memoranda of understanding with the Civil Aviation Management Institute of China, the International Cooperation and Service Centre of the Civil Aviation Administration of China, and the Chongqing Airport Group. The memoranda covered collaboration on programme development and admissions, mutual recognition of qualifications, joint research, seminars and conferences. HKIAA also signed an agreement with QingPu Training Centre to train airport practitioners in Hong Kong and Shanghai.



A new campus gives HKIAA space and facilities to grow.

Looking Forward



Through the Airport City vision, Hong Kong International Airport (HKIA) is transcending its role as a leading aviation hub and becoming a local, regional and international landmark.



The Three-runway System

The Three-runway System (3RS) project – which comprises the reclamation of 650 hectares of land; the construction of the Third Runway, a supporting taxiway system, T2 Concourse (T2C), a new Baggage Handling System (BHS), a new Automated People Mover system (APM), and associated facilities and infrastructure; and the expansion of Terminal 2 (T2) – will cater to long-term air traffic demand and support the growth of the Airport City.

The 3RS project achieved several milestones in 2021/22. Around 610 hectares of reclaimed land was handed over to follow-on contractors and construction of the associated sea wall was substantially completed.

Pavement works for the Third Runway were completed in mid-2021, while construction and paving of the

parallel taxiways were finished in early 2022. In December 2021, the former North Runway (07L/25R) was redesignated as the Centre Runway (07C/25C). The Third Runway was designated as the North Runway (07L/25R) in February 2022. When the Third Runway becomes operational, the Centre Runway will be closed for reconfiguration. The contract for the reconfiguration works was awarded in June 2021.

During the year, critical works – including runway grooving and line marking; landscaping; and the installation of utilities, security fences, airfield ground lights, as well as firefighting and rescue, air navigation and aviation meteorological facilities and systems – for the Third Runway were substantially completed. Flight check for the Third Runway commenced in March 2022 and will be completed in April 2022. Meanwhile, work on aerodrome licensing and preparations for the commencement of the Interim Two-runway System

operation progressed according to schedule.

Other airfield construction works are also on schedule. The section of the Western Vehicular Tunnel under the taxiways was completed in February 2022. Construction of the Eastern Vehicular Tunnel on the existing airport island is ongoing, while piling works for the tunnel section on the reclaimed land began in September 2021. Construction of the section under the Centre Runway will start when the runway is closed.

During the year, the foundation and substructure works for T2C and the expanded T2 continued. Superstructure and building services works at the south end of T2 are ongoing, and the steel structure of the first roof module was erected in March 2022. Superstructure construction for T2C will begin in 2022/23. The foundation of the new Air Traffic Control Tower was completed and superstructure works began in March 2022.



Looking Forward



In preparation for HKIA's expansion into a 3RS, the original North Runway, taxi lanes and parking stands are being redesignated.

All architectural and building services works for the new Integrated Airport Centre (IAC), which is HKIA's control centre, were substantially completed in 2021/22. The new facility will have an upgraded airport management system. When the new IAC opens, the existing IAC will be converted into a backup control centre.

Construction of tunnels on the existing airport island for the APM and BHS continued. Box-jacking (a trenchless tunnelling method) of the completed section under the Airport Express train tracks began in December 2021. Excavation and base slab construction for the APM/BHS tunnel section on the reclaimed land commenced in June 2021.

As construction of the 3RS project progressed, we continued to track its impact through a comprehensive environmental monitoring and audit programme.

We also implemented initiatives to enhance the environment around HKIA. To enrich the habitat for marine life, 100 artificial reefs were deployed in waters near the South Runway in June and July 2021. Shellfish reefs, which are made of recycled oyster shells, limestone and live oysters, were laid along the new sea wall of the Third Runway in June 2021,

while placement of eco-enhanced concrete blocks along the new sea wall continues. Airport Authority Hong Kong (AAHK) is monitoring the effectiveness of these initiatives.

In another example of our commitment to enhancing marine ecology, we have prepared a design and management plan for the proposed North Lantau Marine Park. With AAHK's assistance, the Agriculture, Fisheries and Conservation Department is proceeding with the preparatory work for the statutory designation of the marine park.

This year, the Marine Ecology Enhancement Fund and Fisheries Enhancement Fund handed out grants of HK\$11.7 million to 15 projects. A sharing session was held in November 2021 to explain the findings and achievements of the funded projects.



Enjoying a convenient location in SKYCITY and offering 1,208 rooms and suites, the Regala Skycity Hotel is poised to be a popular choice for business and leisure travellers.

SKYCITY

The SKYCITY development will help to maximise the Airport City's commercial and business potential.

In December 2021, the Regala Skycity Hotel soft opened. With 1,208 guest rooms and suites, three restaurants, and banquet and conference facilities, the hotel is ideal for leisure and business travellers. It is conveniently linked to AsiaWorld-Expo (AWE) and 11 SKIES via footbridges. Regala Skycity Hotel's sustainable design and construction earned it a provisional gold rating under the BEAM Plus New Buildings V1.2 programme.

Next to the hotel is 11 SKIES, a development offering 3.8 million square feet of retail, dining, entertainment and office facilities. Offering workspace for businesses in fast-growing industries, the three grade A office towers in 11 SKIES received an occupation permit in December 2021 and are scheduled to open in mid-2022.



With a pier, berthing facilities and a hotel, Airport City Cove will bring a taste of seaside life to HKIA.

In the bayside of SKYCITY, we are planning Airport City Cove, which will feature a pier, berthing facilities and a hotel. Scheme design and an environmental impact assessment for Airport City Cove began in September 2021.

An important piece of the SKYCITY development, AWE started a five-year, HK\$600 million upgrade that covers the interior design and lighting, audiovisual, ventilation and drainage systems. High-speed Wi-Fi 6 and 5G networks were installed, as were advanced sanitation systems that use ozone and ultraviolet light.

A detailed design for AWE's Phase 2 development was completed in 2021/22. Phase 2 will feature Hong Kong's largest indoor multipurpose entertainment arena and new facilities for meetings, conventions, exhibitions and other large, customer-oriented events.

This year, we became AWE's sole shareholder after the Hong Kong Government transferred all of its interests in the facility to AAHK.

New connections

Several projects are enhancing connectivity to HKIA and SKYCITY.

The Airportcity Link, a non-bonded vehicular and pedestrian bridge that will include an autonomous transportation system, will connect SKYCITY to the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge (HZMB). Construction of the marine section of the Airportcity Link began in February 2022.

An extension of the Airportcity Link's autonomous transportation system – the Airport Tung Chung Link – will connect SKYCITY with Tung Chung's town centre. The project's scheme design and environmental impact assessment are being conducted in tandem with those for Airport City Cove.

In the Hong Kong Port of the HZMB, two automated car parks with approximately 6,000 spaces will serve guests from the Greater Bay Area (GBA). In October 2021, construction began on "Park and Fly", which will let air passengers proceed directly to HKIA through a bonded bridge, without having to undergo Hong Kong immigration procedures. "Park and Visit" is currently being designed and will allow guests from the GBA to go directly to SKYCITY via the Airportcity Link.

Financial Review

Financial Summary

| <i>(in HK\$ million)</i> | 2021/22 | 2020/21 | +/-% ¹ |
|---|---------|---------|-------------------|
| Revenue | 5,798 | 5,936 | -2.3% |
| Operating expenses before depreciation and amortisation | (6,176) | (8,054) | -23.3% |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | (378) | (2,118) | -82.2% |
| Depreciation and amortisation | (3,039) | (3,169) | -4.1% |
| Net interest and finance income | 77 | 71 | +8.5% |
| Share of results of an associate | 78 | 53 | +47.2% |
| Share of results of joint ventures | (46) | (34) | +35.3% |
| Loss before taxation | (3,308) | (5,197) | -36.3% |
| Income tax credit | 553 | 829 | -33.3% |
| Loss for the year | (2,755) | (4,368) | -36.9% |
| Loss attributable to the ordinary shareholder | (3,014) | (4,400) | -31.5% |
| Dividend declared | - | - | - |
| Key financial ratios | | | |
| Return on equity ² | -3.7% | -5.2% | |
| Total debt/capital ratio ³ | 44% | 31% | |
| Net debt/net capital ratio ⁴ | 27% | 7% | |
| Key traffic summary⁵ | | | |
| Passenger traffic ⁶ (millions of passengers) | 1.4 | 0.8 | +70.4% |
| Cargo and airmail throughput ⁷ (millions of tonnes) | 4.9 | 4.6 | +7.1% |
| Aircraft movements (thousands) | 145 | 128 | +13.1% |

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.

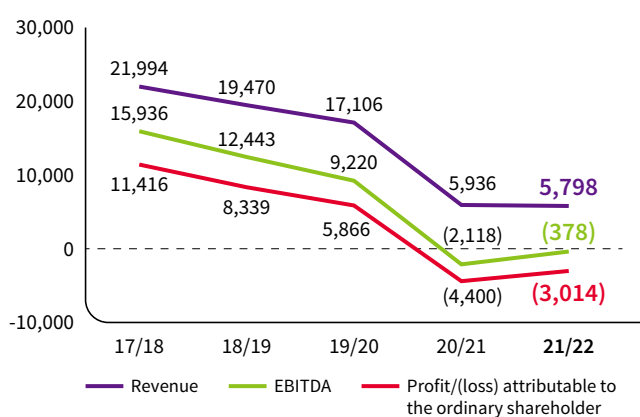
⁷ Cargo throughput includes originating, terminating and transshipment cargo. Transshipment cargo is counted twice. Airmail throughput includes airmail from Hongkong Post and transit mail from airlines.

Overview

Airport Authority Hong Kong (AAHK) continued to be impacted by the prolonged Covid-19 pandemic as the emergence of coronavirus variants, especially Omicron, resulted in persistent travel restrictions and quarantine requirements that severely suppressed international air travel in fiscal 2021/22, ended 31 March 2022.

Financial Results

(in HK\$ million)



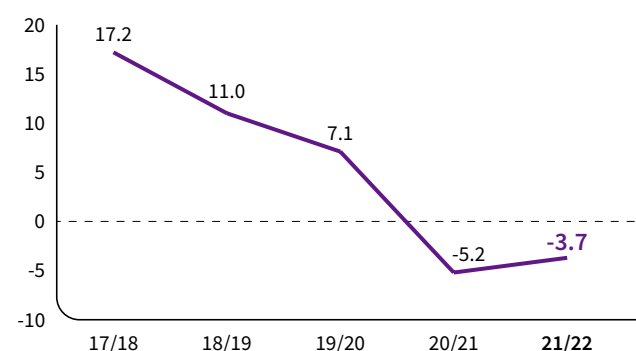
With travel restrictions, quarantine requirements, restrictions on non-residents entering Hong Kong and the route-specific flight suspension mechanism, passenger traffic at Hong Kong International Airport (HKIA) remained weak. In 2021/22, HKIA recorded 1.4 million passengers and handled 144,505 flight movements, representing annual increases of 70.4% and 13.1%, respectively, but were significantly lower than the pre-pandemic levels in 2019/20. Cargo and airmail throughput rose 7.1%, to 4.9 million tonnes, due to the increase in freighter flights to meet strong demand for e-commerce and transportation of medical supplies and other essential goods.

The weak passenger traffic and flight movements continuously hurt businesses operating at HKIA. In response to the challenges facing Hong Kong's aviation industry, AAHK continued to provide relief measures amounting to HK\$3,740 million in 2021/22 to help the airport community. The measures offered included concessions on franchise fees, and waivers or reductions on airport charges and on rents for tenants of offices, lounges, shops and restaurants at HKIA.

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 36.9% to HK\$2,755 million in 2021/22. This was largely the result of continued focus on effective cost management, coupled with an increase in airport and security charges, which has been partly offset by lower revenues from retail concessions and terminal leasing. The Group reported negative earnings before interest, taxes, depreciation and amortisation (EBITDA) of HK\$378 million and a loss attributable to the ordinary shareholder of HK\$3,014 million, representing decreases of 82.2% and 31.5%, respectively, from 2020/21. As a result, the Group's return on equity improved to -3.7%. 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

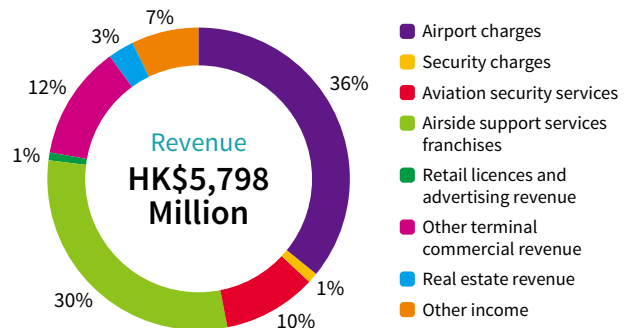
Despite the emergence of coronavirus variants severely affecting the overall passenger traffic at HKIA, departing passenger traffic and flight movements increased slightly in 2021/22 due to the gradual relaxation of travel restrictions and quarantine measures in some countries and regions since mid-2021. Despite the slight improvement in traffic, total revenue fell 2.3%, to HK\$5,798 million, largely as a result of lower revenue from retail and advertising licences, and terminal leasing in 2021/22, coupled with a drop in the amortisation of the Hong Kong SAR Government's waiver of air traffic control charges. 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; and other income, which collectively comprised 97.1% of total revenue.

AERONAUTICAL REVENUE

Airport and security charges primarily consist of charges in connection with the landing and parking of aircraft; usage of passenger terminal buildings and related facilities and services at HKIA; and aviation security services provided to departing passengers. This category, representing 37.0% of total revenue, grew 22.4%, to HK\$2,147 million, primarily due to an increase in departing passenger traffic and flight movements resulting from the relaxation of travel restrictions and quarantine measures in some countries and regions as well as cargo flights which generate higher landing fee.

Revenue by Source

(for the year ended 31 March 2022)



Aviation security services revenue is primarily income from the provision of security services to airlines, franchisees and licensees. This category, representing 9.8% of total revenue, rose 16.7%, to HK\$567 million, primarily due to an increase in passenger traffic and flight movements as well as quarantine-related security services provided to the Department of Health in relation to 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 30.3% of total revenue, grew 0.2%, to HK\$1,759 million, mainly due to increased flight movements.

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 1.1% of total revenue, fell 69.5%, to HK\$62 million. This decrease was mainly a result of the drop in advertising revenue, rental relief provided to shops and restaurants, and the temporary closure of shops and restaurants due to Covid-19.

Other terminal commercial revenue mainly represents income from leasing offices, airport lounges and check-in counters to airlines and other tenants. This category, representing 11.7% of total revenue, decreased 26.0%, to HK\$677 million, largely due to rental relief for offices and lounges in the terminals, the early termination of an airport lounge lease by an airline, and lower occupancy during the financial year.

Other income, representing 7.2% of total revenue, decreased 34.3%, to HK\$417 million, mainly due to the decrease in the amortisation of the Hong Kong SAR Government's waiver of air traffic control charges.

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 decreased 23.3%, to HK\$6,176 million, mainly due to the advance purchase of tickets from Hong Kong-based airlines during 2020/21 as well as the decrease in impairment losses on trade receivables.

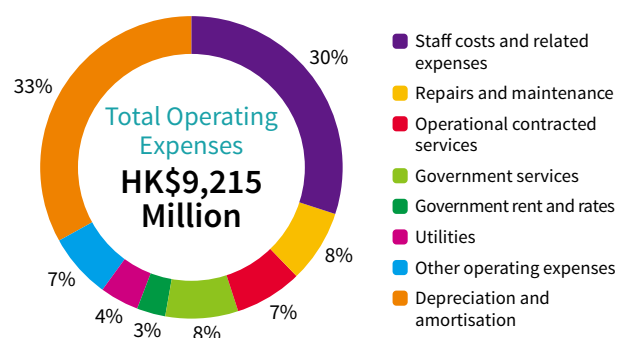
Major expense categories were staff costs and related expenses, repairs and maintenance, operational contracted services, government services, other operating expenses, and depreciation and amortisation, which accounted for approximately 94.5% of total operating expenses. About 43.9% of the Group's total 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. This category, representing 30.4% of total operating expenses, decreased 1.8%, to HK\$2,800 million, mainly due to a reduction in the number of permanent staff, and a headcount and salary freeze.

Repairs and maintenance costs consist primarily of plant and equipment maintenance expenses; refurbishment expenses; and consumables and supplies expenses. This category, representing 8.3% of total operating expenses, grew 4.2%, to HK\$765 million, principally due to additional works on the airfield and terminals to ensure safe and reliable operations.

Operating Expenses by Category

(for the year ended 31 March 2022)



Financial Review

Operational contracted services represents costs for operations outsourced to third-party contractors. This category, representing 7.3% of total operating expenses, decreased 21.3%, to HK\$672 million, largely due to lower spending on services – such as baggage-related services, trolley management, airside bussing services, landside law enforcement services management, etc. – resulting from the drop in traffic, coupled with cost recovery from the Department of Health in relation to the temporary specimen collection centres for arriving passengers in T1 Midfield Concourse and T1 Satellite Concourse.

Government services expense includes air traffic control and aviation meteorological fees payable to the Civil Aviation Department and the Hong Kong Observatory, respectively. Government services, representing 8.2% of total operating expenses, grew 6.5%, to HK\$758 million, mainly due to higher air traffic control fees as a result of increased flight movements.

Other operating expenses, representing 7.3% of total operating expenses, decreased 69.1%, to HK\$670 million, mainly attributable to the advance purchase of tickets from Hong Kong-based airlines in the prior year, and a decrease in the loss allowance for trade debtors. This category also includes hedging loss in relation to perpetual capital securities.

Depreciation and amortisation, representing 33.0% of total operating expenses, decreased 4.1%, to HK\$3,039 million, mainly due to the extension of the lease term of an existing land lease to the year 2071 by way of a reversionary lease granted by the Hong Kong SAR Government during the fiscal year.

Mainland Airports

The Mainland airports in which AAHK has an investment were adversely impacted by Covid-19, in particular since the rebound of confirmed Covid-19 cases in Mainland China from mid-2021 onwards.

In calendar year 2021, passenger traffic at Hangzhou Xiaoshan International Airport (HXIA) was unchanged from 2020, at 28.2 million, while flight movements rose 0.4% to 238,000. Cargo throughput rose 14.0%, to 914,063 tonnes. In 2021/22, AAHK's share of HXIA's loss amounted to HK\$47 million, largely due to Covid-19.

In calendar year 2021, passenger traffic at Zhuhai Airport grew 9.3%, to 8.0 million, flight movements increased 9.2%, to 66,969, while cargo throughput increased 4.4%, to 40,046 tonnes. In 2021/22, AAHK's share of Zhuhai Airport's loss amounted to HK\$28 million, mainly due to the adverse impact of Covid-19.

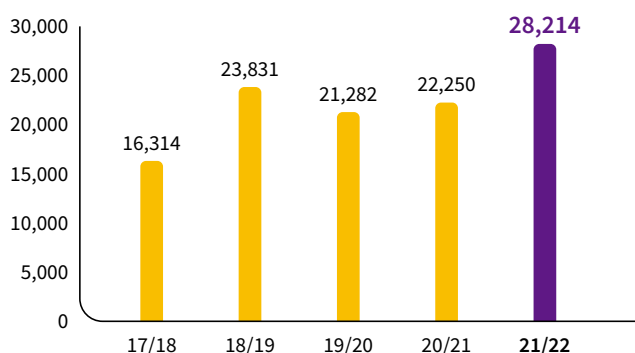
Financial Position

Despite the loss sustained in 2021/22, the Group's financial position remains strong and well capitalised. The Group's total equity as at 31 March 2022 amounted to HK\$92,709 million, a decrease of 1.6% 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\$137,884 million, which accounted for 74.4% of total assets. The Group incurred capital expenditures of HK\$28,214 million during 2021/22, mainly related to the Three-runway System (3RS) project; capacity enhancements in Terminal 1 (T1); the expansion of Car Park 4; construction of the SkyPier Terminal; transformation of the passenger terminal buildings; construction of the new office tower atop the taxi staging area; expansion of enterprise 5G infrastructure; 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\$77 million represented the unamortised cost of the right to operate and manage Zhuhai Airport for a period of 20 years, starting in 2006.

Interest in an associate of HK\$627 million as at 31 March 2021 represented the Group's effective interest in the net assets of Hong Kong IEC Limited (which holds the AsiaWorld-Expo [AWE] exhibition centre), plus the amount due from an associate and the preference shares premium. On 31 March 2022, AAHK acquired the remaining equity interest of IEC Holdings Limited, which holds shares in Hong Kong IEC Limited, from the Hong Kong SAR Government. Upon completion of the acquisition, Hong Kong IEC Limited ceased to be an associate and has become a wholly-owned subsidiary of AAHK.

Interests in joint ventures of HK\$4,851 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 3.6%, to HK\$2,699 million, primarily due to the outstanding amount due from the Social Welfare Department and the Hospital Authority for the rental of AWE's exhibition halls.

Total trade and other payables rose 2.7%, to HK\$13,001 million, mainly attributable to an increase in construction costs payable.

Unused airport construction fee (ACF) of HK\$456 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\$106 million in 2020/21 to HK\$121 million this year, mainly due to the increase in passenger traffic.

Deferred income of HK\$2,077 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 2021/22.

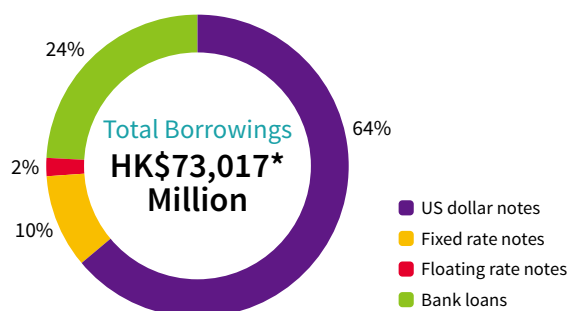
Cash Flow

Net cash used in operating activities decreased from HK\$2,942 million in 2020/21 to HK\$472 million this year, mainly due to the improvement in operating results for the year.

Financing

Loan Facilities and Programmes

(as at 31 March 2022)



* After unamortised finance costs of HK\$409 million.

AAHK's total borrowings as at 31 March 2022 amounted to HK\$73,017 million (2020/21: HK\$41,769 million). In January 2022, AAHK successfully issued US\$4.0 billion in multi-tranche senior notes, comprising:

- US\$1.0 billion 1.75% senior green notes due 2027;
- US\$1.2 billion 2.50% senior notes due 2032;
- US\$1.2 billion 3.25% senior notes due 2052; and
- US\$600 million 3.50% senior notes due 2062.

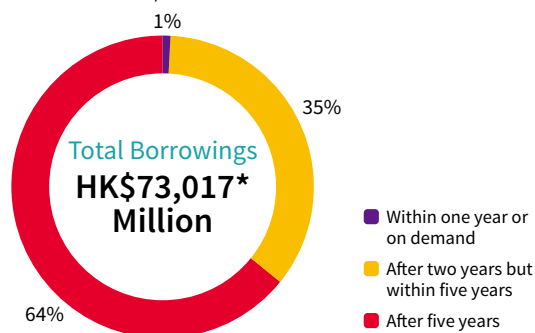
AAHK set a number of records with this landmark transaction. At the time of issuance, this transaction was the largest US dollar bond offering by a Hong Kong issuer since 2003. The 40-year tranche is the longest tenor benchmark US dollar bond offering by a Hong Kong issuer. The notes were several times oversubscribed, which enabled AAHK to price them well below the initial price guidance.

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 2022)



* After unamortised finance costs of HK\$409 million.

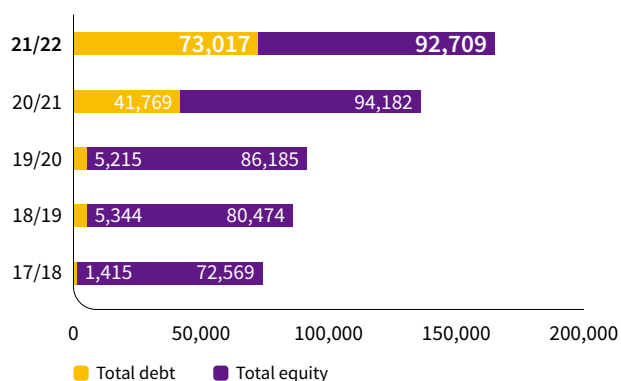
Financial Risk Management

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

The prolonged Covid-19 pandemic has led to a slow recovery for the aviation industry. However, with rising vaccination rates both locally and internationally, we hope to see further relaxation of travel restrictions. With people's strong desire to travel, we are confident we will soon welcome more passengers to HKIA when travel restrictions are lifted.

To prepare for the recovery in air passenger traffic, we continue to upgrade our facilities and services with the aim of welcoming travellers back with a fresh new look and an appealing travel experience. T1 now has newly renovated boarding gates with new seats and carpet, together with lush greenery that creates a more enjoyable journey. The East Hall expansion will provide more room for recreational facilities, including a new two-storey-high children's play area and a roof-top garden, as well as new retail units. Passengers will also be treated to a better dining and shopping experience in our upgraded East Hall luxury shopping zone. Our on-line shopping platform, HKairportShop.com, will offer additional services, such as a luxury concierge and boarding gate delivery, to provide an all-round retail experience. More personalised features are also being added to HKIA's mobile app, "My HKG", to give passengers a hassle-free travel experience.

To establish a new standard of travel for the future airport, we continue to adopt advanced technologies at HKIA. We introduced Flight Token, a biometric system that removes the need for passengers to repeatedly show their travel document and boarding pass at every checkpoint. Enterprise 5G wireless network now covers all passenger terminals and will be extended to HKIA's airfield and outdoor areas by next year, allowing us to increase the use of automation, robotics and video analytics. To realise HKIA's transformation into a data-driven airport, we also crafted a ten-year data analytics roadmap that will help us enhance the passenger experience, operational efficiency, safety and security.

Financial Review

In addition to continuous investments in facilities 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 prosperity of Hong Kong and the region.

The 3RS is central to AAHK's vision of transforming HKIA into an Airport City, and sets the foundation for HKIA's long-term development. The 3RS project is on track with drills and familiarisation programmes under way, while flight checks were completed in April 2022. The new Third Runway is expected to enter service in 2022, while other parts of the 3RS, such as Terminal 2 (T2), T2 Concourse and the relevant transportation system are being constructed.

The SKYCITY development is another integral part to our Airport City vision. The Regala Skycity Hotel has opened; and 11 SKIES, Hong Kong's largest retail, dining and entertainment complex will commence operation in phases with its three grade A office towers opening in mid-2022. Meanwhile, planning for AWE's Phase 2 development continues. When this project is complete, it will boost AWE's total exhibition space to 100,000 square metres and give rise to the largest indoor multipurpose entertainment venue in Hong Kong. The bayside area next to SKYCITY will be developed into Airport City Cove, which will include a pier, berthing facilities and a hotel. With these unique offerings, SKYCITY will become a new landmark for both visitors and residents. Connectivity to HKIA and SKYCITY as well as the surrounding area will be enhanced to maximise the Airport City's commercial potential.

The pandemic has highlighted the importance of air cargo and logistics support. It is therefore important for us to maintain HKIA's cargo leadership and enhance our presence in the Greater Bay Area (GBA). With the planned HKIA Logistics Park in Dongguan, expansion of DHL's Central Asia Hub and construction of a premium logistics centre, we will consolidate HKIA's role as an international cargo gateway for the GBA, Asia's e-commerce hub and a preferred hub for high-value and temperature-controlled airfreight. We also work closely with the industry to enhance cargo handling efficiency. For example, this year we rolled out the HKIA Cargo Data Platform, which is a blockchain-enabled network that securely connects supply chain stakeholders and provides near real-time shipment tracking.

Traffic will need time to recover from Covid-19, and our profits will grow at a slower pace in the medium term. During our recovery, we will remain vigilant and carefully manage our operations, apply prudent financial discipline to save costs, and continue to strive for productivity gains, while maintaining the highest standards of service, safety, security and sustainability. We are confident HKIA will continue to fulfil passengers' expectations, create value for our stakeholders and benefit Hong Kong and the GBA.

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Report of the Members of the Board

Financial year ended 31 March 2022

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 2022.

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 2022 and the Group's financial position as at that date are set out in the Financial Statements on pages 99 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 102.

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\$1,039 million (2020/21: HK\$536 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 2022 are set out in Note 17 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 Hong Kong SAR Government 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 2022.

Donations

Donations made during the year amounted to HK\$995,000 (2020/21: HK\$2,389,000), 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 | 20% | |
| Top five customers | 38% | |
| The largest supplier | | 28% |
| Top five suppliers | | 45% |

Purchases are exclusive of supplies of a capital nature.

Going Concern

The financial statements on pages 99 to 162 have been prepared on a going concern basis. The Board has approved AAHK's budget for 2022/23 and the business plan and financial plan for 2022/23 to 2026/27 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 20 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 17 to 41.

Employees

As of 31 March 2022, AAHK, excluding its subsidiaries, had 2,651 staff (31 March 2021: 2,870). 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 and Executive Directors

Biographies of the Members of the Board and Executive Directors as at the date of this report are set out on pages 12 to 15. Changes to the composition of the Board from the beginning of the financial year to the date of this report are as follows:

- Ir Billy Wong Wing-hoo and the Hon Steven Ho Chun-yin, after serving the Board for six years and five years and five months respectively, retired on 31 May 2021.
- Ms Sabrina Chao Sih-ming and Ir Edwin Tong ka-hung were appointed to the Board for a term of three years, from 1 June 2021 to 31 May 2024.
- The Hon Jack So Chak-kwong was reappointed as the Board Chairman for a term of two years, from 1 June 2021 to 31 May 2023.
- The Hon Frankie Yick Chi-ming and Dr the Hon Allan Zeman were reappointed to the Board for a term of one year, from 1 June 2021 to 31 May 2022.
- Mr David Au Ho-cheung, former Executive Director, Property Development, retired on 18 May 2021.
- Mr Kevin Poole, former Executive Director, Third Runway, retired on 1 February 2022. Mr Tommy Leung King-yin was appointed Executive Director, Third Runway, on the same day.

Interest of Members of the Board 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 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 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 26 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 2022, 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, 30 May 2022

Independent Auditor's Report

To the Airport Authority

(incorporated in Hong Kong under the Airport Authority Ordinance)

Opinion

We have audited the consolidated financial statements of the Airport Authority (“the Authority”) and its subsidiaries (together “the group”) set out on pages 99 to 162, which comprise the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 March 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Airport Authority Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

| Recognition of revenue from airport charges and airside support services franchises | |
|--|---|
| <i>Refer to note 31(t) to the consolidated financial statements for the relevant accounting policies</i> | |
| The Key Audit Matter | How the matter was addressed in our audit |
| <p>Revenue from airport charges and airside support services franchises accounted for approximately 67% of the Authority's total revenue for the year ended 31 March 2022.</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>We identified the recognition of revenue from airport charges and airside support services franchises as a key audit matter because of its significance to the consolidated financial statements and because the determination of airport charges involves complex information technology systems.</p> | <p>Our audit procedures to assess the recognition of revenue from airport charges and airside support services franchises 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 engaging our internal information technology specialists to assess the operating effectiveness of key automated controls and interfaces over the capturing of aircraft movements and passenger traffic and the processing of revenue transactions and to assess the completeness and accuracy of the transaction details contained within the Authority's information technology systems; • performing analytical procedures on the Authority's airport charges recognised during the current year by developing expectations with reference to figures for aircraft movements and passenger traffic extracted from government statistics and the Scheme of Airport Charges published in the Government Gazette and comparing our expectations with the revenue recorded by the Authority; • for airside support services franchises, comparing the minimum fees received and receivable with underlying franchise/licence information, including the monthly payments and the franchise/licence periods as set out in the signed franchise/licence agreements, on a sample basis, re-performing the calculation of minimum fees and assessing whether the minimum fees or the royalties, whichever was higher, had been recorded in the appropriate accounting period; and • re-performing the calculation of royalties received and receivable with reference to turnover reports submitted by the franchisees and licensees and the bases of calculation thereof as set out in the signed franchise/licence agreements, on a sample basis, and assessing whether the royalties had been recorded and accounted for in the appropriate accounting period. |

Key Audit Matters (continued)

| Assessing project provisions for capital works projects | |
|--|--|
| <i>Refer to note 29(b)(ii) to the consolidated financial statements and notes 31(g)(vi) and 31(s) for the relevant accounting policies</i> | |
| 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 2021 to assess the reliability of management's assessment process and evaluating significant variances identified; and • in respect of projects which were undergoing dispute resolution procedures, holding discussions with management and the Authority's internal legal counsel to assess the Authority's legal obligations and financial exposure in connection with these claims. |

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

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

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

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

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

Responsibilities of the Board Members for the Consolidated Financial Statements

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

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

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

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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

30 May 2022

Consolidated Statement of Profit or Loss

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

| <i>\$ million</i> | Note | 2022 | 2021 |
|--|------|----------------|---------|
| Airport charges | | 2,101 | 1,731 |
| Security charges | | 46 | 23 |
| Aviation security services | | 567 | 486 |
| Airside support services franchises | | 1,759 | 1,755 |
| Retail licences and advertising revenue | | 62 | 203 |
| Other terminal commercial revenue | | 677 | 915 |
| Real estate revenue | | 169 | 188 |
| Other income | | 417 | 635 |
| Revenue | 8 | 5,798 | 5,936 |
| Staff costs and related expenses | 4 | (2,800) | (2,850) |
| Repairs and maintenance | | (765) | (734) |
| Operational contracted services | | (672) | (854) |
| Government services | | (758) | (712) |
| Government rent and rates | | (250) | (521) |
| Utilities | | (261) | (217) |
| Other operating expenses | 3(b) | (670) | (2,166) |
| Operating expenses before depreciation and amortisation | | (6,176) | (8,054) |
| Operating loss before depreciation and amortisation | | (378) | (2,118) |
| Depreciation and amortisation | | (3,039) | (3,169) |
| Operating loss before interest and finance costs | 3(a) | (3,417) | (5,287) |
| Interest and finance costs: | | | |
| Finance costs | 5 | (14) | (63) |
| Interest income | | 91 | 134 |
| | | 77 | 71 |
| Share of results of an associate | 12 | 78 | 53 |
| Share of results of joint ventures | 13 | (46) | (34) |
| Loss before taxation | | (3,308) | (5,197) |
| Income tax credit | 6(a) | 553 | 829 |
| Loss for the year | | (2,755) | (4,368) |
| Attributable to: | | | |
| Equity holders of the Authority | | | |
| – Holder of ordinary shares | | (3,014) | (4,400) |
| – Holders of perpetual capital securities | | 263 | – |
| | | (2,751) | (4,400) |
| Non-controlling interests | | (4) | 32 |
| Loss for the year | | (2,755) | (4,368) |

The notes on pages 105 to 162 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

| <i>\$ million</i> | 2022 | 2021 |
|---|----------------|----------------|
| Loss for the year | (2,755) | (4,368) |
| Other comprehensive income for the year | | |
| Item that will not be reclassified to profit or loss: | | |
| Remeasurement of net defined benefit retirement obligations of: | | |
| – the Authority | 50 | 238 |
| Less: deferred tax | (8) | (39) |
| | 42 | 199 |
| – a subsidiary in the People’s Republic of China (“the PRC”) | (3) | 2 |
| – a joint venture in the PRC | (5) | 11 |
| | 34 | 212 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of subsidiaries and joint ventures in the PRC | 221 | 433 |
| Cash flow hedge: net movement in the hedging reserve, net of tax | 682 | 177 |
| Cash flow hedge: net movement in the cost of hedging reserve, net of tax | (117) | (42) |
| | 786 | 568 |
| Other comprehensive income for the year | 820 | 780 |
| Total comprehensive income for the year | (1,935) | (3,588) |
| Attributable to: | | |
| Equity holders of the Authority | | |
| – Holder of ordinary shares | (2,206) | (3,651) |
| – Holders of perpetual capital securities | 263 | – |
| | (1,943) | (3,651) |
| Non-controlling interests | 8 | 63 |
| Total comprehensive income for the year | (1,935) | (3,588) |

The notes on pages 105 to 162 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 March 2022 (Expressed in Hong Kong dollars)

| <i>\$ million</i> | Note | 2022 | 2021 |
|--|-------|-----------------|-----------------|
| Non-current assets | | | |
| Investment property | 9 | 44 | 59 |
| Interest in leasehold land | 9 | 6,041 | 6,070 |
| Other property, plant and equipment | 9 | 131,799 | 105,591 |
| | | 137,884 | 111,720 |
| Intangible assets | 10 | 77 | 281 |
| Interest in an associate | 12 | - | 627 |
| Interests in joint ventures | 13 | 4,851 | 4,710 |
| Net defined benefit retirement asset | 20 | 12 | - |
| Trade and other receivables | 14 | 20 | 100 |
| Derivative financial assets | 24(e) | 1,035 | 331 |
| | | 143,879 | 117,769 |
| Current assets | | | |
| Stores and spares | | 132 | 122 |
| Trade and other receivables | 14 | 2,679 | 2,505 |
| Tax recoverable | 6(c) | 313 | 308 |
| Derivative financial assets | 24(e) | 124 | 6 |
| Cash and bank balances | 15 | 38,092 | 35,109 |
| | | 41,340 | 38,050 |
| Current liabilities | | | |
| Trade and other payables | 16 | (11,570) | (11,219) |
| Interest-bearing borrowings | 17 | (554) | - |
| Current taxation | 6(c) | - | (17) |
| Unused airport construction fee | 18 | (456) | (458) |
| Deferred income | 19 | (215) | (215) |
| Derivative financial liabilities | 24(e) | (2) | (54) |
| | | (12,797) | (11,963) |
| Net current assets | | | |
| | | 28,543 | 26,087 |
| Total assets less current liabilities | | | |
| | | 172,422 | 143,856 |
| Non-current liabilities | | | |
| Trade and other payables | 16 | (1,431) | (1,445) |
| Interest-bearing borrowings | 17 | (72,463) | (41,769) |
| Deferred income | 19 | (1,862) | (2,077) |
| Derivative financial liabilities | 24(e) | (49) | (10) |
| Net defined benefit retirement obligations | 20 | (70) | (82) |
| Deferred tax liabilities | 6(d) | (3,838) | (4,291) |
| | | (79,713) | (49,674) |
| Net assets | | | |
| | | 92,709 | 94,182 |
| Capital and reserves | | | |
| Share capital | 21 | 30,648 | 30,648 |
| Reserves | | 50,050 | 51,469 |
| Perpetual capital securities | 22 | 11,585 | 11,585 |
| Total equity attributable to equity holders of the Authority | | 92,283 | 93,702 |
| Non-controlling interests | | 426 | 480 |
| Total equity | | 92,709 | 94,182 |

Approved and authorised for issue on behalf of the Members of the Board on 30 May 2022.

The Hon Jack So Chak-kwong
Chairman

Mr Fred Lam Tin-fuk
Chief Executive Officer

Mr Julian Lee Pui-hang
Executive Director, Finance

The notes on pages 105 to 162 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

| \$ 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 2020 | | 30,648 | 75 | 1,062 | - | (22) | 115 | 53,890 | - | 85,768 | 417 | 86,185 |
| Changes in equity for the year: | | | | | | | | | | | | |
| Loss for the year | | - | - | - | - | - | (4,400) | - | (4,400) | 32 | (4,368) | |
| Other comprehensive income | | - | 403 | - | - | 177 | (42) | 211 | - | 749 | 31 | 780 |
| Total comprehensive income | | - | 403 | - | - | 177 | (42) | (4,189) | - | (3,651) | 63 | (3,588) |
| Transfer from retained profits to capital reserve | 21(c)(ii) | - | - | 37 | - | - | - | (37) | - | - | - | - |
| Issue of perpetual capital securities | 22 | - | - | - | - | - | - | - | 11,628 | 11,628 | - | 11,628 |
| Direct costs for issue of perpetual capital securities | | - | - | - | - | - | - | - | (43) | (43) | - | (43) |
| At 31 March 2021 and 1 April 2021 | | 30,648 | 478 | 1,099 | - | 155 | 73 | 49,664 | 11,585 | 93,702 | 480 | 94,182 |
| Changes in equity for the year: | | | | | | | | | | | | |
| Loss for the year | | - | - | - | - | - | (3,014) | 263 | (2,751) | (4) | (2,755) | |
| Other comprehensive income | | - | 208 | - | - | 682 | (117) | 35 | - | 808 | 12 | 820 |
| Total comprehensive income | | - | 208 | - | - | 682 | (117) | (2,979) | 263 | (1,943) | 8 | (1,935) |
| Transfer from retained profits to capital reserve | 21(c)(ii) | - | - | 39 | - | - | - | (39) | - | - | - | - |
| Contribution from the Government | 21(c)(iii) | - | - | - | 787 | - | - | - | - | 787 | - | 787 |
| Distribution to perpetual capital securities holders | 22 | - | - | - | - | - | - | - | (263) | (263) | - | (263) |
| Dividend paid to non-controlling interests | | - | - | - | - | - | - | - | - | - | (62) | (62) |
| At 31 March 2022 | | 30,648 | 686 | 1,138 | 787 | 837 | (44) | 46,646 | 11,585 | 92,283 | 426 | 92,709 |

The notes on pages 105 to 162 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

| \$ million | Note | 2022 | 2021 |
|---|------|-----------------|-----------------|
| Operating activities | | | |
| Loss before taxation | | (3,308) | (5,197) |
| Adjustments for: | | | |
| Depreciation | | 2,847 | 2,905 |
| Amortisation of interest in leasehold land | | 156 | 229 |
| Amortisation of intangible assets | | 36 | 35 |
| Interest on notes and bank loans | | 897 | 455 |
| Interest on lease liabilities | | - | 1 |
| Other borrowing costs and interest expense | | 92 | 116 |
| Borrowing costs capitalised into assets under construction | | (1,039) | (536) |
| Interest income | | (91) | (134) |
| Fair value loss/(gain) on derivative financial instruments in fair value hedges | | 1 | (7) |
| Net loss on derivative financial instruments in cash flow hedges | | 64 | 7 |
| Net (gain)/loss on underlying hedged interest-bearing borrowings in fair value hedges | | (11) | 8 |
| Share of results of an associate | | (78) | (53) |
| Share of results of joint ventures | | 46 | 34 |
| (Reversal of impairment losses)/impairment losses on trade and other receivables | | (28) | 195 |
| Net loss on disposal of other property, plant and equipment | | 11 | 30 |
| Gain on step acquisition | | (59) | - |
| Net foreign exchange loss | | 10 | 19 |
| Amortisation of deferred income | | (215) | (547) |
| Expenses recognised in respect of defined benefit retirement plans | | 43 | 48 |
| Operating loss before changes in working capital | | (626) | (2,392) |
| Increase in stores and spares | | (10) | (18) |
| Increase in trade and other receivables | | (88) | (170) |
| Increase/(decrease) in trade and other payables | | 312 | (153) |
| Decrease in deferred income | | - | (37) |
| Decrease in net defined benefit retirement obligations | | (19) | (65) |
| Cash used in operations | | (431) | (2,835) |
| Hong Kong Profits Tax paid | | (34) | (106) |
| PRC Corporate Income Tax paid | | (7) | (1) |
| Net cash used in operating activities | | (472) | (2,942) |
| Investing activities | | | |
| Net maturity/(placement) of deposits with banks with over three months of maturity when placed | | 5,362 | (9,904) |
| Interest received | | 106 | 244 |
| Dividend received from an associate | 12 | 268 | 15 |
| Dividend received from a joint venture | | 1 | 2 |
| Dividend paid to non-controlling interests | | (62) | - |
| Advance payments to contractors | | (14) | (16) |
| Payments for the purchase of other property, plant and equipment | | (26,785) | (23,185) |
| Receipts from disposal of other property, plant and equipment | | - | 4 |
| Payment of annual franchise fee for a PRC subsidiary | | (26) | (38) |
| Net cash inflows arising from the Step Acquisition | 23 | 66 | - |
| Net cash used in investing activities | | (21,084) | (32,878) |

Consolidated Cash Flow Statement

| <i>\$ million</i> | Note | 2022 | 2021 |
|--|-------|---------------|---------------|
| Financing activities | | | |
| Interest paid on notes and bank loans | 15(b) | (713) | (382) |
| Interest element of lease rentals paid | 15(b) | - | (1) |
| Other borrowing costs and interest expense paid | 15(b) | (227) | (384) |
| Capital element of lease rentals paid | 15(b) | (16) | (14) |
| Airport construction fee received | 15(b) | 128 | 613 |
| Drawdown of new bank loans | 15(b) | - | 17,500 |
| Receipts from issue of notes | 15(b) | 31,049 | 19,808 |
| Repayment of notes | 15(b) | - | (600) |
| Net interest expense paid on interest rate swaps | 15(b) | (72) | (5) |
| Issue of perpetual capital securities | 22 | - | 11,628 |
| Direct costs for issue of perpetual capital securities | | - | (43) |
| Distribution paid on perpetual capital securities | 22 | (263) | - |
| Net cash generated from financing activities | | 29,886 | 48,120 |
| Net increase in cash and cash equivalents | | 8,330 | 12,300 |
| Cash and cash equivalents at beginning of year | | 18,521 | 6,188 |
| Effect of foreign exchange rate changes | | 15 | 33 |
| Cash and cash equivalents at end of year | 15(a) | 26,866 | 18,521 |

The notes on pages 105 to 162 form part of these consolidated financial statements.

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 31.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the Authority. Note 31(a) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these consolidated financial statements. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 32).

(b) Basis of preparation of the consolidated financial statements

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

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial instruments which are adjusted for or stated at their fair values as explained in note 23 and the accounting policies set out in notes 31(e), (f) and (n).

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 29.

3. Operating Loss Before Interest and Finance Costs

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

| <i>\$ million</i> | 2022 | 2021 |
|---|-------|-------|
| Auditors' remuneration: | | |
| – audit services | 5 | 7 |
| – tax services | 2 | 1 |
| – other services | – | 1 |
| Stores and spares expensed | 51 | 59 |
| Net loss on disposal of other property, plant and equipment | 11 | 30 |
| Gain on step acquisition (note 23) | (59) | – |
| (Reversal of impairment losses)/impairment losses on trade and other receivables (note 14(b)) | (28) | 195 |
| Depreciation: | | |
| – owned assets leased out under operating leases (note 9(d)) | 116 | 141 |
| – right-of-use assets | 15 | 24 |
| – other assets | 2,716 | 2,740 |
| Amortisation: | | |
| – interest in leasehold land | | |
| – leased out under operating leases (note 9(d)) | 12 | 18 |
| – others | 144 | 211 |
| – intangible assets (note 10) | 36 | 35 |
| Expense relating to short-term leases and low-value assets | 2 | 2 |
| Rentals from investment property less direct outgoings of \$24 million (2021: \$25 million) | (2) | (20) |

3. Operating Loss Before Interest and Finance Costs (continued)

(b) Other operating expenses

Other operating expenses include the (reversal of impairment losses)/impairment losses on trade and other receivables (note 14(b)). In prior year, other operating expenses also included the purchases of air tickets from home-based airlines to provide liquidity support to the airlines.

4. Staff Costs and Related Expenses

| <i>\$ million</i> | 2022 | 2021 |
|---|-------|-------|
| Contributions to defined contribution retirement plans | 154 | 154 |
| Expenses recognised in respect of defined benefit retirement plans (note 20) | 43 | 48 |
| Total retirement costs | 197 | 202 |
| Salaries, wages and other benefits | 3,557 | 3,558 |
| Total staff costs and related expenses | 3,754 | 3,760 |
| Less: staff costs and related expenses capitalised into assets under construction | (954) | (910) |
| | 2,800 | 2,850 |

5. Finance Costs

| <i>\$ million</i> | 2022 | 2021 |
|--|---------|-------|
| Interest on bank loans | 161 | 128 |
| Interest on notes | 736 | 327 |
| Interest on lease liabilities | - | 1 |
| Other borrowing costs | 74 | 64 |
| Other interest expense | 18 | 52 |
| Total interest expense | 989 | 572 |
| Net foreign exchange loss | 10 | 19 |
| Fair value loss/(gain) on derivative financial instruments in fair value hedges ¹ | 1 | (7) |
| Net loss on derivative financial instruments in cash flow hedges | 64 | 7 |
| Net (gain)/loss on underlying hedged interest-bearing borrowings in fair value hedges | (11) | 8 |
| Less: borrowing costs capitalised into assets under construction | (1,039) | (536) |
| | 14 | 63 |

¹ Includes net interest income of \$7 million (2021: \$4 million) in respect of interest rate swaps under fair value hedging arrangements.

The borrowing costs have been capitalised at the average cost of funds to the group calculated on a monthly basis. The average interest rate used for capitalisation for the year was 2.13% (2021: 2.53%) per annum.

Notes to the Consolidated Financial Statements

6. Taxation

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

| <i>\$ million</i> | 2022 | 2021 |
|---|-------|-------|
| Current tax – Hong Kong Profits Tax | | |
| – provision for the year | 16 | 17 |
| – over-provision in respect of prior year | - | (5) |
| Current tax – PRC Corporate Income Tax | | |
| – provision for the year | 1 | 3 |
| – under/(over)-provision in respect of prior year | 2 | (3) |
| Deferred tax (note 6(d)) | | |
| – origination and reversal of temporary differences | (572) | (841) |
| Income tax credit | (553) | (829) |

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

The provision for PRC Corporate Income Tax is calculated at 25% (2021: 25%) of the estimated assessable profits for the year.

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

| <i>\$ million</i> | 2022 | 2021 |
|---|---------|---------|
| Loss before taxation | (3,308) | (5,197) |
| Notional tax credit on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned | (563) | (892) |
| Tax effect of non-deductible expenses | 34 | 78 |
| Tax effect of non-taxable income | (29) | (20) |
| Under/(over)-provision in respect of prior year | 2 | (8) |
| Tax effect of tax loss and other temporary differences not recognised | 5 | 15 |
| Tax effect of temporary differences previously not recognised | (2) | (2) |
| Actual tax credit | (553) | (829) |

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

| <i>\$ million</i> | 2022 | 2021 |
|--|-------|-------|
| Provision for the year (note 6(a)) | | |
| – Hong Kong Profits Tax | 16 | 17 |
| – PRC Corporate Income Tax | 1 | 3 |
| Provisional Hong Kong Profits Tax paid | (33) | (3) |
| PRC Corporate Income Tax paid/payable | (7) | (1) |
| Balance of tax recoverable relating to prior years | (290) | (307) |
| | (313) | (291) |
| Classified in the consolidated statement of financial position as: | | |
| Tax recoverable | (313) | (308) |
| Current taxation | - | 17 |
| | (313) | (291) |

6. Taxation (continued)

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

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

| <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 2020 | 5,227 | – | (225) | 46 | 5,048 |
| Charged/(credited) to profit or loss | 583 | (1,390) | (36) | 2 | (841) |
| Charged to other comprehensive income | – | – | 84 | – | 84 |
| At 31 March 2021 | 5,810 | (1,390) | (177) | 48 | 4,291 |
| At 1 April 2021 | 5,810 | (1,390) | (177) | 48 | 4,291 |
| Charged/(credited) to profit or loss | 891 | (1,457) | (4) | (2) | (572) |
| Charged to other comprehensive income | – | – | 119 | – | 119 |
| At 31 March 2022 | 6,701 | (2,847) | (62) | 46 | 3,838 |

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

The group has not recognised deferred tax assets in respect of subsidiaries' cumulative tax losses and other temporary differences of \$125 million (2021: \$96 million) and \$nil (2021: \$2 million) respectively as it is not probable that sufficient future taxable profits against which the cumulative tax losses and other temporary differences can be utilised. Tax losses relating to subsidiaries in Hong Kong do not expire under the current tax legislation.

7. Emoluments of the Members of the Board and Executive Directors

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

Basic compensation

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

Performance-related compensation

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

Retirement benefits

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

Notes to the Consolidated Financial Statements

7. Emoluments of the Members of the Board and Executive Directors

(continued)

(a) Emoluments of the Members of the Board

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

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

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

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

7. Emoluments of the Members of the Board and Executive Directors

(continued)

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

| 2021 \$'000 | Board Member's fee | Basic compensation | Performance- related compensation | Retirement benefits | Total |
|---|--------------------------|-----------------------|---|------------------------|--------|
| Members of the Board | | | | | |
| Non-executive Members | | | | | |
| Jack So Chak-kwong ¹ | - | - | - | - | - |
| Rock Chen Chung-nin (appointed in June 2020) | 92 | - | - | - | 92 |
| Irene Chow Man-ling (appointed in June 2020) | 92 | - | - | - | 92 |
| Stuart Thomson Gulliver | 110 | - | - | - | 110 |
| Steven Ho Chun-yin | 110 | - | - | - | 110 |
| Nisa Bernice Leung Wing-yu (appointed in October 2020) | 55 | - | - | - | 55 |
| Lo Wai-kwok | 110 | - | - | - | 110 |
| Adrian Wong Koon-man | 110 | - | - | - | 110 |
| Billy Wong Wing-hoo | 110 | - | - | - | 110 |
| William Wong Ming-fung (appointed in October 2020) | 55 | - | - | - | 55 |
| Thomas Jefferson Wu | 110 | - | - | - | 110 |
| Frankie Yick Chi-ming | 110 | - | - | - | 110 |
| Allan Zeman | 110 | - | - | - | 110 |
| Secretary for Financial Services and the Treasury ² | 110 | - | - | - | 110 |
| Secretary for Transport and Housing ² | 110 | - | - | - | 110 |
| Director-General of Civil Aviation ² | 110 | - | - | - | 110 |
| Franklin Lam Fan-keung (retired in May 2020) | 18 | - | - | - | 18 |
| Peter To (retired in May 2020) | 18 | - | - | - | 18 |
| Carlson Tong (resigned in July 2020) | 31 | - | - | - | 31 |
| Executive Member | | | | | |
| Fred Lam Tin-fuk (Chief Executive Officer) | - | 6,217 | 2,936 | 905 | 10,058 |
| | 1,571 | 6,217 | 2,936 | 905 | 11,629 |

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

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

7. Emoluments of the Members of the Board and Executive Directors

(continued)

(b) Emoluments of Executive Directors

The aggregate of the emoluments of the Executive Directors of the Authority is as follows:

| \$'000 | 2022 | 2021 |
|----------------------------------|--------|--------|
| Basic compensation | 21,482 | 21,863 |
| Performance-related compensation | 9,379 | 9,383 |
| Retirement benefits | 2,505 | 2,847 |
| | 33,366 | 34,093 |

Shown below is the number of Executive Directors, whose emoluments fall within the bands stated:

| \$ | Number of individuals | |
|-----------------------|-----------------------|------|
| | 2022 | 2021 |
| 500,001 – 1,000,000 | 1 | – |
| 1,000,001 – 1,500,000 | 1 | – |
| 3,500,001 – 4,000,000 | – | 1 |
| 4,000,001 – 4,500,000 | 1 | 1 |
| 4,500,001 – 5,000,000 | 1 | 2 |
| 5,000,001 – 5,500,000 | 3 | 1 |
| 5,500,001 – 6,000,000 | – | 1 |
| 6,000,001 – 6,500,000 | – | 1 |
| 6,500,001 – 7,000,000 | 1 | – |
| | 8 | 7 |

During the year, the five individuals with the highest emoluments comprise the Chief Executive Officer and four Executive Directors (2021: five comprise the Chief Executive Officer and four Executive Directors), whose emoluments are disclosed under note 7(a) and above, respectively.

8. Segmental Information

Services from which reportable segments derive their revenue

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

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

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

8. Segmental Information (continued)

Revenue from major services

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

Disaggregation of revenue

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

| <i>\$ million</i> | 2022 | 2021 |
|---|--------------|--------------|
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Airport charges | 2,101 | 1,731 |
| Security charges | 46 | 23 |
| Aviation security services | 567 | 486 |
| Others | 297 | 401 |
| | 3,011 | 2,641 |
| Revenue from other sources | | |
| Airside support services franchises | 1,660 | 1,486 |
| Retail licences and advertising revenue | 62 | 203 |
| Other terminal commercial revenue | 677 | 915 |
| Others | 388 | 691 |
| | 2,787 | 3,295 |
| | 5,798 | 5,936 |

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

Geographical information

No geographical information is shown as the revenue and operating loss of the group is substantially derived from activities in Hong Kong, other than its investments in certain subsidiaries and interests in joint ventures in the PRC, details of which are disclosed under notes 11 and 13 to the consolidated financial statements respectively.

Information about major customers

The group's customer base is diversified and includes one customer (2021: one customer) with whom transactions have exceeded 10% of the group's revenue.

Included in the revenue for the year are aggregated revenues of approximately \$1,164 million which arose from this customer (2021: \$1,036 million from one customer). This includes only revenue arising from those entities which are known to the group to be under common control of this customer.

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 | | | | | | | | | | |
|--|-------------------------------------|---|---|---|---------------------------------|---------------------|--------------------------|----------------|---------------------|----------------------------|----------------|
| | Airfields | Terminal complexes & ground transportation centre | Access, utilities, other buildings & support facilities | Systems, installations, plant & equipment | Furniture, fixtures & equipment | Right-of-use assets | Construction in progress | Sub-total | Investment property | Interest in leasehold land | Total |
| Cost | | | | | | | | | | | |
| At 1 April 2020 | 14,576 | 30,714 | 16,793 | 15,765 | 2,876 | 37 | 44,184 | 124,945 | 146 | 11,309 | 136,400 |
| Exchange adjustments | 1 | 11 | - | 14 | 14 | - | 8 | 48 | - | - | 48 |
| Additions | 7 | 13 | 2 | 497 | 310 | 23 | 20,776 | 21,628 | - | - | 21,628 |
| Reclassifications | 503 | 2,124 | (419) | (210) | 168 | - | (2,156) | 10 | (10) | - | - |
| Disposals | (98) | (1,346) | (269) | (363) | (82) | - | - | (2,158) | - | - | (2,158) |
| At 31 March 2021 | 14,989 | 31,516 | 16,107 | 15,703 | 3,286 | 60 | 62,812 | 144,473 | 136 | 11,309 | 155,918 |
| At 1 April 2021 | 14,989 | 31,516 | 16,107 | 15,703 | 3,286 | 60 | 62,812 | 144,473 | 136 | 11,309 | 155,918 |
| Exchange adjustments | - | 7 | - | 9 | 11 | - | 3 | 30 | - | - | 30 |
| Additions | 3 | 55 | 33 | 316 | 205 | 28 | 27,451 | 28,091 | - | - | 28,091 |
| Acquired through step acquisition (note 23) | - | - | 651 | 284 | - | - | 9 | 944 | - | 127 | 1,071 |
| Reclassifications | 234 | 1,157 | 956 | 220 | 171 | - | (2,712) | 26 | (26) | - | - |
| Disposals | (9) | (4) | (12) | (72) | (43) | (11) | - | (151) | - | - | (151) |
| At 31 March 2022 | 15,217 | 32,731 | 17,735 | 16,460 | 3,630 | 77 | 87,563 | 173,413 | 110 | 11,436 | 184,959 |
| Accumulated depreciation, amortisation and impairment | | | | | | | | | | | |
| At 1 April 2020 | 5,304 | 15,110 | 8,419 | 7,318 | 1,924 | 14 | - | 38,089 | 77 | 5,010 | 43,176 |
| Exchange adjustments | - | 4 | - | 4 | 4 | - | - | 12 | - | - | 12 |
| Charge for the year | 451 | 1,042 | 494 | 661 | 228 | 24 | - | 2,900 | 5 | 229 | 3,134 |
| Reclassifications | - | - | 4 | 1 | - | - | - | 5 | (5) | - | - |
| Written back on disposals | (93) | (1,329) | (264) | (360) | (78) | - | - | (2,124) | - | - | (2,124) |
| At 31 March 2021 | 5,662 | 14,827 | 8,653 | 7,624 | 2,078 | 38 | - | 38,882 | 77 | 5,239 | 44,198 |
| At 1 April 2021 | 5,662 | 14,827 | 8,653 | 7,624 | 2,078 | 38 | - | 38,882 | 77 | 5,239 | 44,198 |
| Exchange adjustments | - | 3 | - | 4 | 6 | 1 | - | 14 | - | - | 14 |
| Charge for the year | 447 | 901 | 538 | 737 | 205 | 15 | - | 2,843 | 4 | 156 | 3,003 |
| Reclassifications | - | - | 13 | 1 | 1 | - | - | 15 | (15) | - | - |
| Written back on disposals | (9) | (3) | (11) | (67) | (39) | (11) | - | (140) | - | - | (140) |
| At 31 March 2022 | 6,100 | 15,728 | 9,193 | 8,299 | 2,251 | 43 | - | 41,614 | 66 | 5,395 | 47,075 |
| Net book value | | | | | | | | | | | |
| At 31 March 2022 | 9,117 | 17,003 | 8,542 | 8,161 | 1,379 | 34 | 87,563 | 131,799 | 44 | 6,041 | 137,884 |
| At 31 March 2021 | 9,327 | 16,689 | 7,454 | 8,079 | 1,208 | 22 | 62,812 | 105,591 | 59 | 6,070 | 111,720 |

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

- (b) Under the Private Treaty Land Grant issued by the Government for the period from 1 December 1995 to 30 June 2047 (“the Land Grant”), the Government has granted to the Authority up to the year 2047 the legal rights to the entire airport site at Chek Lap Kok together with the rights necessary to develop such site for the purposes of its business. In September 2016, the Government approved that the North Commercial District (“NCD”) area be carved out from the original land lease and put under a new lease with a 50-year term granted to the Authority up to the year 2066 to support NCD development. In August 2021, the lease term of the remaining portions in the original land lease shall be extended to the year 2071 by way of a reversionary lease granted by the Government (“the extended Land Grant”). This resulted in a decrease in the group’s depreciation charge for the year of \$368 million. The net land formation cost of \$11,436 million (2021: \$11,309 million) and the land premium of \$4,000 (2021: \$4,000) have been classified as interest in leasehold land. The costs of interest in leasehold land do not include future land premium, if any.

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

(c) Fair value measurement of investment property

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

The group engaged an independent firm of surveyors, Knight Frank Petty Limited (“the valuer”), who have among their staff Fellow members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued, to value its investment property for disclosure purposes. The valuer has considered the assignment restrictions on the investment property in the valuation. The fair value of the group’s investment property as at 31 March 2022 calculated by reference to net rental income allowing for reversionary income potential amounted to \$334 million (2021: \$470 million), which falls under Level 3 of the fair value hierarchy (note 24(e)).

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

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

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

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

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

| <i>\$ million</i> | 2022 | 2021 |
|---------------------------------|---------------|--------|
| Within one year | 2,989 | 2,794 |
| After one but within five years | 6,242 | 6,112 |
| After five years | 11,036 | 11,158 |
| | 20,267 | 20,064 |

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

During the year, \$2,534 million (2021: \$2,723 million) was recognised as income in profit or loss in respect of the operating leases and franchise/sub-lease agreements, which included contingent rentals of \$514 million (2021: \$642 million).

The cost less accumulated amortisation of the interest in leasehold land for airport related development and the provision of airside support services sub-leased to third parties under non-cancellable franchise/sub-lease agreements for the group as at 31 March 2022 was \$456 million (2021: \$469 million) with annual amortisation amounting to \$12 million (2021: \$18 million).

The cost less accumulated depreciation of other property, plant and equipment leased to third parties under non-cancellable operating leases for the group as at 31 March 2022 was \$2,785 million (2021: \$2,229 million) with annual depreciation amounting to \$116 million (2021: \$141 million).

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

- (e) A review of the useful life of investment property and other property, plant and equipment is undertaken by the Authority periodically. Apart from those disclosed in note 9(b), there is no change in the estimated useful lives of investment property and other property, plant and equipment from the review undertaken during the year. A similar review undertaken during the previous year resulted in a net increase in the group's annual depreciation charge of \$12 million.

10. Intangible assets

| <i>\$ million</i> | 2022 | 2021 |
|--|-------|------|
| Cost | | |
| At 1 April | 565 | 540 |
| Exchange adjustments | 13 | 25 |
| Eliminated upon step acquisition (note 23) | (238) | - |
| At 31 March | 340 | 565 |
| Accumulated amortisation | | |
| At 1 April | 284 | 232 |
| Exchange adjustments | 9 | 17 |
| Charge for the year | 36 | 35 |
| Eliminated upon step acquisition (note 23) | (66) | - |
| At 31 March | 263 | 284 |
| Net book value | | |
| At 31 March | 77 | 281 |

Intangible asset as at 31 March 2022 represents the right to operate and manage Zhuhai Airport which is being amortised over 20 years on a straight line basis. Intangible assets as at 31 March 2021 represented the rights to operate and manage Zhuhai Airport and AsiaWorld-Expo which were being amortised over 20 years and 12.5 years on a straight line basis respectively.

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") (notes 12 and 23) | Hong Kong | Ordinary shares: \$2,267,084,251 Preference shares: \$403,758,261 | 100% | – | 100% | Development and holding of AsiaWorld-Expo exhibition centre |

* A sino-foreign equity joint venture

(a) HKZAM

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

| <i>\$ million</i> | 2022 | 2021 |
|--|-------|-------|
| NCI percentage | 45% | 45% |
| Non-current assets | 652 | 609 |
| Current assets | 474 | 563 |
| Non-current liabilities | (120) | (249) |
| Current liabilities | (299) | (191) |
| Net assets | 707 | 732 |
| Carrying amount of NCI | 318 | 329 |
| Revenue | 540 | 551 |
| (Loss)/profit for the year | (52) | 29 |
| Total comprehensive income for the year | (55) | 31 |
| (Loss)/profit for the year allocated to NCI | (24) | 14 |
| Total comprehensive income for the year allocated to NCI | (25) | 15 |

11. Investments in Subsidiaries (continued)

(b) AWEM

AWEM operates AsiaWorld-Expo exhibition centre under a management and operating agreement up to 2031 in return for a management fee. AsiaWorld-Expo exhibition centre is held by HKIEC, an indirect wholly owned subsidiary of the Authority as at 31 March 2022 (see notes 12 and 23).

12. Interest in an Associate

| <i>\$ million</i> | 2022 | 2021 |
|------------------------------|-------------|------|
| Share of net assets | - | 187 |
| Amount due from an associate | - | 268 |
| Preference shares premium | - | 172 |
| | - | 627 |

Details of the group's interest in an associate as at 31 March 2021, which was accounted for using the equity method in the consolidated financial statements, are as follows:

| Name of associate | Place of incorporation and operation | Particulars of issued and paid up capital | Proportion of ownership interest | | Principal activity |
|--------------------------|---|--|---|-----------------------------|---|
| | | | Group's effective interest | Held by a subsidiary | |
| HKIEC | Hong Kong | \$2,670,842,512 | 15.1% | 15.1% | Development and holding of AsiaWorld-Expo exhibition centre |

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

The group is entitled to the equity return from HKIEC and the return arising from the preference shares in form of preferred dividend. The settlement of the preferred dividend is subject to the availability of the distributable profits or cash surplus of HKIEC. The share of profit from HKIEC for the year is \$78 million (2021: \$53 million). During the year, preferred dividend of \$268 million was received in cash (2021: \$15 million).

In March 2022, the Authority acquired the remaining equity interest of 88.2% in IEC Holdings Limited from the Government (the "March 2022 Acquisition"). Upon completion of the March 2022 Acquisition, HKIEC has become an indirect wholly owned subsidiary of the Authority thereafter. Details of the March 2022 Acquisition are disclosed in note 23.

Notes to the Consolidated Financial Statements

13. Interests in Joint Ventures

| <i>\$ million</i> | 2022 | 2021 |
|---------------------|-------|-------|
| Share of net assets | 4,614 | 4,483 |
| Goodwill | 237 | 227 |
| | 4,851 | 4,710 |

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

| 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> | 2022 | 2021 |
|------------------------------|----------|---------|
| Gross amounts of HXIA | | |
| Non-current assets | 32,758 | 23,653 |
| Current assets | 3,748 | 4,240 |
| Non-current liabilities | (13,409) | (7,354) |
| Current liabilities | (10,097) | (7,909) |
| Net assets/equity | 13,000 | 12,630 |

13. Interests in Joint Ventures (continued)

(a) HXIA (continued)

| <i>\$ million</i> | 2022 | 2021 |
|----------------------------|---------|---------|
| Income | 3,031 | 2,880 |
| Expenses | (3,151) | (2,977) |
| Loss before taxation | (120) | (97) |
| Income tax | (13) | (4) |
| Loss after taxation | (133) | (101) |
| Other comprehensive income | (14) | 33 |
| Total comprehensive income | (147) | (68) |

| <i>\$ million</i> | 2022 | 2021 |
|--|--------|--------|
| Reconciled to the group's interest in HXIA | | |
| Gross amounts of HXIA's net assets | 13,000 | 12,630 |
| Group's effective interest | 35% | 35% |
| Group's share of HXIA's net assets | 4,550 | 4,421 |
| Goodwill | 237 | 227 |
| Carrying amount in the consolidated financial statements | 4,787 | 4,648 |

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

| <i>\$ million</i> | 2022 | 2021 |
|---|-------|-------|
| Share of loss after taxation | (47) | (35) |
| Share of other comprehensive income | (5) | 11 |
| Less: transfer to capital reserve | (17) | (15) |
| Share of loss and other comprehensive income to be retained | (69) | (39) |
| Share of retained profits brought forward from previous years | 1,232 | 1,271 |
| Share of retained profits carried forward to next year | 1,163 | 1,232 |

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

| <i>\$ million</i> | 2022 | 2021 |
|--------------------------------|-------|-------|
| At 1 April | 1,013 | 998 |
| Transfer from retained profits | 17 | 15 |
| At 31 March | 1,030 | 1,013 |

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

| <i>\$ million</i> | 2022 | 2021 |
|-----------------------------------|--------|--------|
| Contracted for | 1,822 | 7,111 |
| Authorised but not contracted for | 11,528 | 14,693 |
| | 13,350 | 21,804 |

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

Notes to the Consolidated Financial Statements

13. Interests in Joint Ventures (continued)

(b) SHKAM

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

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

| <i>\$ million</i> | 2022 | 2021 |
|--|------|------|
| Gross amounts of SHKAM | | |
| Current assets | 139 | 135 |
| Current liabilities | (9) | (9) |
| Net assets/equity | 130 | 126 |
| Income Statement | | |
| <i>\$ million</i> | 2022 | 2021 |
| Income | 12 | 12 |
| Expenses | (9) | (8) |
| Profit before taxation | 3 | 4 |
| Income tax | (1) | (1) |
| Net profit and other comprehensive income | 2 | 3 |
| Reconciliation to the group's interest in SHKAM | | |
| <i>\$ million</i> | 2022 | 2021 |
| Reconciled to the group's interest in SHKAM | | |
| Gross amounts of SHKAM's net assets | 130 | 126 |
| Group's effective interest | 49% | 49% |
| Group's share of SHKAM's net assets and carrying amount in the consolidated financial statements | 64 | 62 |

14. Trade and Other Receivables

| <i>\$ million</i> | 2022 | 2021 |
|--|---------|---------|
| Trade debtors | 3,483 | 3,378 |
| Less: loss allowance (note 14(b)) | (1,088) | (1,116) |
| | 2,395 | 2,262 |
| Other debtors | 35 | 59 |
| | 2,430 | 2,321 |
| Advance payments to contractors | 20 | 16 |
| Prepayments | 218 | 236 |
| Deposits and debentures | 31 | 32 |
| | 2,699 | 2,605 |
| Classified in the consolidated statement of financial position as: | | |
| Current assets | 2,679 | 2,505 |
| Non-current assets | 20 | 100 |
| | 2,699 | 2,605 |

As at 31 March 2022, all of the trade and other receivables under current assets are expected to be recovered or recognised as an expense within one year except for \$20 million (2021: \$18 million), which is expected to be recovered after more than one year.

14. Trade and Other Receivables (continued)

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

| <i>\$ million</i> | 2022 | 2021 |
|---------------------------------|--------------|--------------|
| Amounts not yet due | 1,432 | 1,383 |
| Less than one month past due | 38 | 120 |
| One to three months past due | 106 | 87 |
| More than three months past due | 819 | 672 |
| | 2,395 | 2,262 |

Trade debtors are generally due within 14 to 30 days from the date of billing. The group's credit policy is set out in note 24(a). The group holds cash deposits and bank guarantees of \$3,335 million (2021: \$3,003 million) as collateral over the trade debtors.

- (b) **Impairment of trade debtors**

Impairment losses in respect of trade debtors are recorded using an allowance account unless the group considers that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (note 31(l)).

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

| <i>\$ million</i> | 2022 | 2021 |
|---|--------------|--------------|
| At 1 April | 1,116 | 927 |
| Impairment losses (reversed)/recognised in other operating expenses | (28) | 195 |
| Uncollectible amounts written off | - | (6) |
| At 31 March | 1,088 | 1,116 |

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

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

Expected loss rates ranged from 31% to 88% for debtors 1-30 days past due to 211-240 days past due (2021: 12% to 100% for debtors 1-30 days past due to 91-120 days past due). The Authority usually fully provides for trade receivables aged over 240 days (2021: 180 days) based on historical experience save for any exceptional exposures.

Notes to the Consolidated Financial Statements

15. Cash and Bank Balances and Other Cash Flow Information

(a) Cash and bank balances comprise:

| <i>\$ million</i> | 2022 | 2021 |
|--|--------|--------|
| Deposits with banks within three months of maturity when placed | 22,044 | 16,548 |
| Cash at bank and in hand | 4,822 | 1,973 |
| Cash and cash equivalents in the consolidated cash flow statement | 26,866 | 18,521 |
| Deposits with banks with over three months of maturity when placed | 11,226 | 16,588 |
| Cash and bank balances in the consolidated statement of financial position | 38,092 | 35,109 |

As at 31 March 2022, cash and bank balances of \$389 million (2021: \$425 million) held by a subsidiary are subject to currency exchange restrictions in the PRC.

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

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

| <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 17) | | (Note 16) | | (Note 24(e)) | |
| At 1 April 2021 | 41,769 | 52 | 33 | (453) | (273) | 41,128 |
| Changes from financing cash flows: | | | | | | |
| Interest paid on notes and bank loans | - | (713) | - | - | - | (713) |
| Other borrowing costs and interest expense paid | (223) | (4) | - | - | - | (227) |
| Capital element of lease rentals paid | - | - | (16) | - | - | (16) |
| Airport construction fee received | - | - | - | 128 | - | 128 |
| Receipts from issue of notes | 31,049 | - | - | - | - | 31,049 |
| Net interest expense paid on interest rate swaps | - | (72) | - | - | - | (72) |
| Total changes from financing cash flows | 30,826 | (789) | (16) | 128 | - | 30,149 |
| Non-cash changes: | | | | | | |
| Interest on notes and bank loans (note 5) | - | 897 | - | - | - | 897 |
| Other borrowing costs (note 5) | - | 74 | - | - | - | 74 |
| Airport construction fee | - | - | - | (121) | - | (121) |
| Other non-cash movements | 422 | 80 | 28 | - | (835) | (305) |
| Total other changes | 422 | 1,051 | 28 | (121) | (835) | 545 |
| At 31 March 2022 | 73,017 | 314 | 45 | (446) | (1,108) | 71,822 |

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

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

| <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 17) | | (Note 16) | | (Note 24(e)) | |
| At 1 April 2020 | 5,215 | (47) | 24 | (960) | (54) | 4,178 |
| Changes from financing cash flows: | | | | | | |
| Interest paid on notes and bank loans | - | (382) | - | - | - | (382) |
| Interest element of lease rentals paid | - | - | (1) | - | - | (1) |
| Other borrowing costs and interest expense paid | (317) | (67) | - | - | - | (384) |
| Capital element of lease rentals paid | - | - | (14) | - | - | (14) |
| Airport construction fee received | - | - | - | 613 | - | 613 |
| Drawdown of new bank loans | 17,500 | - | - | - | - | 17,500 |
| Receipts from issue of notes | 19,808 | - | - | - | - | 19,808 |
| Repayment of notes | (600) | - | - | - | - | (600) |
| Net interest expense paid on interest rate swaps | - | (5) | - | - | - | (5) |
| Total changes from financing cash flows | 36,391 | (454) | (15) | 613 | - | 36,535 |
| Non-cash changes: | | | | | | |
| Interest on notes and bank loans (note 5) | - | 455 | - | - | - | 455 |
| Interest on lease liabilities (note 5) | - | - | 1 | - | - | 1 |
| Other borrowing costs (note 5) | - | 64 | - | - | - | 64 |
| Airport construction fee | - | - | - | (106) | - | (106) |
| Other non-cash movements | 163 | 34 | 23 | - | (219) | 1 |
| Total other changes | 163 | 553 | 24 | (106) | (219) | 415 |
| At 31 March 2021 | 41,769 | 52 | 33 | (453) | (273) | 41,128 |

16. Trade and Other Payables

| <i>\$ million</i> | 2022 | 2021 |
|--|--------|--------|
| Creditors and accrued charges | 10,025 | 10,090 |
| Deposits received | 1,050 | 1,033 |
| Contract retentions | 1,881 | 1,508 |
| Lease liabilities | 45 | 33 |
| | 13,001 | 12,664 |
| Classified in the consolidated statement of financial position as: | | |
| Current liabilities | 11,570 | 11,219 |
| Non-current liabilities | 1,431 | 1,445 |
| | 13,001 | 12,664 |

Notes to the Consolidated Financial Statements

16. Trade and Other Payables (continued)

As at 31 March 2022, all of the trade and other payables are expected to be settled or recognised as income within one year except for \$1,431 million (2021: \$1,445 million), which are expected to be settled after more than one year and mainly relate to licence deposits received from retail licensees and contract retentions.

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

| <i>\$ million</i> | 2022 | 2021 |
|--------------------------------------|---------------|--------|
| Due within 30 days or on demand | 3,442 | 3,701 |
| Due after 30 days but within 60 days | 1,604 | 1,405 |
| Due after 60 days but within 90 days | 911 | 644 |
| Due after 90 days | 4,068 | 4,340 |
| | 10,025 | 10,090 |

17. Interest-bearing Borrowings

| <i>\$ million</i> | 2022 | 2021 |
|---|---------------|--------|
| Notes payable (a) | | |
| HK dollar fixed rate notes due 2022 to 2043 | 7,433 | 7,444 |
| HK dollar floating rate notes due 2027 | 1,500 | 1,500 |
| US dollar notes due 2027 to 2062 | 46,993 | 15,548 |
| Bank loans (b) | 17,500 | 17,500 |
| Less: unamortised finance costs | (409) | (223) |
| | 73,017 | 41,769 |

- (a) The Authority established the United States (“US”) \$1 billion Medium Term Note programme in 2010. Prior to that, the Authority’s Hong Kong dollar notes were issued through private placement. The programme was increased to US\$8 billion in 2017.

In prior year, the Authority issued a total of \$8,179 million notes under the US\$8 billion Medium Term Note programme. Out of these notes issued, \$6,679 million are fixed rate notes with maturity between 5 and 10 years and annual coupon rates ranging between 1.55% and 2.33%. The remaining \$1,500 million are floating rate notes with maturity of 7 years and carrying an annual coupon rate relating to Hong Kong Interbank Offered Rate (“HIBOR”).

In February 2019, the Authority issued notes due 2029 under the US\$8 billion Medium Term Note programme with a principal amount of US\$500 million at an issue price of 99.857 per cent and at annual coupon rate of 3.45%. The notes are listed on the Hong Kong Stock Exchange and repayable in Hong Kong dollar under cross currency swaps (see note 24(d)).

In February 2021, the Authority issued US dollar notes due 2031 with a principal amount of US\$900 million at an issue price of 99.140 per cent and at annual coupon rate of 1.625%. In addition, the Authority issued US dollar notes due 2051 with a principal amount of US\$600 million at an issue price of 99.711 per cent and at annual coupon rate of 2.625%. These notes are listed on the Hong Kong Stock Exchange.

17. Interest-bearing Borrowings (continued)

(a) (continued)

In January 2022, the Authority issued totally US\$4 billion multi-tranche notes. These notes are listed on the Hong Kong Stock Exchange. The multi-tranche offering comprises of:

- US\$1 billion green notes due 2027 with coupon rate of 1.75% issued at 99.506%;
- US\$1.2 billion notes due 2032 with coupon rate of 2.50% issued at 99.921%;
- US\$1.2 billion notes due 2052 with coupon rate of 3.25% issued at 99.052%; and
- US\$600 million notes due 2062 with coupon rate of 3.50% issued at 100%.

As at 31 March 2022, the Authority's outstanding fixed rate notes have annual coupon rates ranging from 1.55% to 4.20% (2021: 1.55% to 4.20%). The fixed rate notes are unsecured and repayable in full upon maturity.

(b) In June 2020, the Authority signed a five-year unsecured Hong Kong dollar term and revolving credit facility of \$35 billion. The facility consists of a term loan tranche and a revolving loan tranche of \$17.5 billion each. Interest is payable on amounts drawn down at a rate related to HIBOR. During the year, \$17.5 billion was drawn down from the term loan tranche and the amount was swapped from floating rate to fixed rate through use of interest rate swaps. As at 31 March 2022, there was no outstanding amount under the revolving loan tranche (2021: \$nil).

(c) As at 31 March 2022, the Authority has uncommitted money market line facilities of \$2,692 million (2021: \$2,689 million). Interest is payable on amounts drawn down at a rate related to HIBOR. As at 31 March 2022, there was no outstanding amount under these facilities (2021: \$nil).

(d) As at 31 March 2022, the unsecured interest-bearing borrowings were repayable as follows:

| <i>\$ million</i> | 2022 | 2021 |
|---------------------------------------|--------|--------|
| Within one year or on demand | 554 | – |
| After one year but within two years | – | 565 |
| After two years but within five years | 25,919 | 18,127 |
| After five years | 46,544 | 23,077 |
| | 72,463 | 41,769 |
| | 73,017 | 41,769 |

(e) None of the interest-bearing borrowings is subject to any financial covenants imposed by the lenders. Interest-bearing borrowings are carried at amortised cost. The carrying amount of those Hong Kong dollar fixed rate notes hedged for fair value risks are adjusted for the change in fair value attributable to the risk being hedged. Further details of the group's management of liquidity risk are set out in note 24(b).

18. Unused Airport Construction Fee (“ACF”)

| <i>\$ million</i> | 2022 | 2021 |
|--|-------|-------|
| At 1 April | 458 | 974 |
| Add: ACF received or receivable for the year | 121 | 106 |
| Less: payment of 3RS capital expenditure | (123) | (622) |
| At 31 March | 456 | 458 |

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

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

19. Deferred Income

Deferred income mainly represents amounts received in respect of sub-leases of interest in leasehold land of the airport site and subsidy from the Government. They are accounted for in accordance with the accounting policies detailed in notes 31(t)(v) and 31(t)(ix) respectively.

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

20. Employee Retirement Benefits

(a) Defined benefit retirement plans

The Authority makes contributions to a defined benefit retirement plan (“the Hong Kong plan”) registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong), which covers 9% (2021: 10%) of the Authority’s employees. The plan is administered by independent trustees with its assets held separately from those of the Authority. The trustees are required by the Trust Deed to act in the best interests of the plan participants and are responsible for setting the investment policies of the plan. Under the plan, an employee is entitled to a lump sum payment upon termination of membership, which is calculated with reference to the final scheme salary and the eligible number of years of service that the employee had.

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

Based on an independent actuarial valuation of the plan as at 31 March 2022 according to HKAS 19, “*Employee benefits*” prepared by qualified staff of Mercer (Hong Kong) Limited (2021: Mercer (Hong Kong) Limited) using the “projected unit credit” actuarial method and a set of actuarial assumptions, the Authority’s obligation under the plan is fully (2021: 98%) covered by the plan assets held by the trustees. The signing actuaries are either Fellow members of the Society of Actuaries of the United States of America or an equivalent in another actuarial body.

HKZAM established a defined benefit retirement plan (“the HKZAM plan”) for its eligible employees, which is unfunded and covers 25% (2021: 28%) of HKZAM’s employees. Under the plan, a retired employee is entitled to a monthly fixed payment over a period upon retirement. An independent actuarial valuation of this plan according to HKAS 19, “*Employee benefits*”, as at 31 March 2022 was also prepared by qualified staff of Mercer (Hong Kong) Limited using the projected unit credit method.

20. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

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

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

| <i>\$ million</i> | 2022 | 2021 |
|--|-------|-------|
| The Hong Kong plan | | |
| Present value of funded obligations | 730 | 845 |
| Fair value of plan assets | (742) | (825) |
| | (12) | 20 |
| The HKZAM plan | | |
| Present value of unfunded obligations | 70 | 62 |
| | 58 | 82 |
| Classified in the consolidated statement of financial position as: | | |
| Net defined benefit retirement asset | (12) | – |
| Net defined benefit retirement obligations | 70 | 82 |
| | 58 | 82 |

A portion of the above liabilities is expected to be settled after more than one year. The Authority expects to pay \$18 million in contributions to the Hong Kong defined benefit retirement plan for the year ending 31 March 2023.

(ii) Plan assets consist of the following:

| <i>\$ million</i> | 2022 | 2021 |
|-----------------------|------|------|
| Equity securities | 373 | 428 |
| Corporate bonds | 330 | 355 |
| Cash | 39 | 40 |
| Net other receivables | – | 2 |
| | 742 | 825 |

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

An asset-liability modelling study is performed periodically to analyse the strategic investment policies of the Hong Kong plan. Based on the latest review, the strategic asset allocation of the Hong Kong plan is around 50% in equities and 50% in bonds and cash.

The HKZAM plan is unfunded and without any plan assets.

20. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

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

| <i>\$ million</i> | 2022 | 2021 |
|---|------|------|
| The Hong Kong plan | | |
| At 1 April | 845 | 931 |
| Remeasurements: | (68) | (42) |
| – Actuarial gains arising from changes in financial assumptions | (37) | (10) |
| – Experience adjustments | (31) | (32) |
| Benefits paid by the plans | (90) | (91) |
| Current service cost | 35 | 40 |
| Interest cost | 8 | 7 |
| At 31 March | 730 | 845 |
| The HKZAM plan | 70 | 62 |
| At 31 March | 800 | 907 |

The weighted average durations of the defined benefit obligations for the Hong Kong and the HKZAM plans are 4.9 years (2021: 5.6 years) and 8.4 years (2021: 8.8 years) respectively.

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

| <i>\$ million</i> | 2022 | 2021 |
|--|------|------|
| At 1 April | 825 | 652 |
| Group's contributions paid to the plans | 19 | 65 |
| Benefits paid by the plans | (90) | (91) |
| Actual return on plan assets | (12) | 199 |
| – Interest income | 8 | 5 |
| – Return on plan assets, excluding interest income | (18) | 196 |
| – Administrative expenses paid from plan assets | (2) | (2) |
| At 31 March | 742 | 825 |

20. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

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

| <i>\$ million</i> | 2022 | 2021 |
|---|------|-------|
| Amounts recognised in profit or loss: | | |
| The Hong Kong plan | | |
| Current service cost | 35 | 40 |
| Administrative expenses paid from plan assets | 2 | 2 |
| Net interest on net defined benefit liability | - | 2 |
| | 37 | 44 |
| The HKZAM plan | 6 | 4 |
| Total amounts recognised in profit or loss | 43 | 48 |
| Amounts recognised in other comprehensive income: | | |
| The Hong Kong plan | | |
| Remeasurements: | | |
| – Actuarial gains arising from changes in financial assumptions | (37) | (10) |
| – Experience adjustments | (31) | (32) |
| Return on plan assets, excluding interest income | 18 | (196) |
| | (50) | (238) |
| The HKZAM plan | 3 | (2) |
| Total amounts recognised in other comprehensive income | (47) | (240) |
| Total defined benefit credits | (4) | (192) |

The current service cost, administrative expenses paid and the net interest on net defined benefit liability are recognised in the following line items in the consolidated statement of profit or loss.

| <i>\$ million</i> | 2022 | 2021 |
|----------------------------------|------|------|
| Staff costs and related expenses | 43 | 48 |

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

| | 2022 | 2021 |
|-----------------------------------|------|------|
| The Hong Kong plan | | |
| Discount rate | 1.9% | 0.9% |
| Future long term salary increases | 3.5% | 3.5% |
| The HKZAM plan | | |
| Discount rate | 2.8% | 3.2% |

20. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

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

The below analysis shows how the defined benefit obligations as at 31 March 2022 would have increased/ (decreased) as a result of a 0.5% change in the significant actuarial assumptions:

| <i>\$ million</i> | Increase by 0.5% | Decrease by 0.5% |
|-----------------------------------|------------------|------------------|
| The Hong Kong plan | | |
| Discount rate | (18) | 18 |
| Future long term salary increases | 21 | (20) |
| The HKZAM plan | | |
| Discount rate | (3) | 3 |

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

(b) Defined contribution retirement plans

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

21. Capital and Reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the group’s consolidated equity is set out in the consolidated statement of changes in equity on page 102.

(b) Share capital

| <i>\$ million</i> | The Authority | |
|--|----------------------|--------|
| | 2022 | 2021 |
| Authorised, issued, allotted and fully paid: 306,480 ordinary shares of \$100,000 each (2021: 306,480 ordinary shares) | 30,648 | 30,648 |

21. Capital and Reserves (continued)

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 31(u).

(ii) Capital reserve

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

(iii) Contribution from the Government

The contribution from the Government comprises the excess of the group's acquired interests in the net fair values of identifiable assets and liabilities of IEC Holdings Limited and its subsidiary over the consideration paid, which included its pre-existing interests in IEC Holdings Limited and its subsidiary ("IEC Holdings sub-group") remeasured at fair values as at the acquisition date (see note 23).

(iv) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow dealt with in accordance with the accounting policy adopted for cash flow hedges set out in note 31(f).

(v) Cost of hedging reserve

The cost of hedging reserve comprises the fair values of the effect of foreign currency basis spread and forward element of the derivative financial instruments used in cash flow hedges in accordance with the accounting policy adopted for cash flow hedges set out in note 31(f).

(vi) Distributability of reserves

As at 31 March 2022, the aggregated amount of reserves available for distribution to the equity shareholder of the Authority was \$44,918 million (2021: \$47,958 million). The Board did not propose any final dividend for the year ended 31 March 2022 (2021: \$nil).

(vii) Capital management

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

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

Notes to the Consolidated Financial Statements

21. Capital and Reserves (continued)

(c) Nature and purpose of reserves (continued)

(vii) Capital management (continued)

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

| <i>\$ million</i> | Note | 2022 | 2021 |
|----------------------------|------|---------|---------|
| Total debt ¹ | 17 | 73,017 | 41,769 |
| Total equity | | 92,709 | 94,182 |
| Total capital ² | | 165,726 | 135,951 |
| Total debt/capital ratio | | 44% | 31% |

¹ Total debt represents interest-bearing borrowings.

² Total capital represents total debt plus total equity.

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

22. Perpetual Capital Securities

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

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

23. Step Acquisition

On 31 March 2022, the Authority acquired the remaining equity interest of 84.9% in HKIEC, an associate of the group and the holding company of AsiaWorld-Expo exhibition centre through the acquisition of the remaining equity interest of 88.2% in IEC Holdings Limited at a nominal consideration of \$1 (the “Step Acquisition”) from the Government.

The Step Acquisition was completed on 31 March 2022 (the “Completion Date”). On the Completion Date, IEC Holdings Limited has become a wholly owned subsidiary of the Authority and HKIEC ceased to be an associate and has become a subsidiary of the group and the group holds the entire interest of AsiaWorld-Expo exhibition centre. In accordance with HKFRSs, the group continued to share the results of HKIEC under the equity method of accounting during the period from 1 April 2021 to the Completion Date.

On the Completion Date, the group remeasured the fair values of its pre-existing interests in IEC Holdings sub-group and recognised a gain of approximately \$59 million. The pre-existing interests in IEC Holdings sub-group included the Authority’s original equity interest of 11.8% in IEC Holdings Limited, the group’s 15.1% interest in HKIEC (previously recognised as an interest in an associate) and an intangible asset, which represented the right to operate and manage AsiaWorld-Expo, before the Step Acquisition. The fair values of these formed part of the total consideration of the Step Acquisition and were included in the calculation of bargain purchase arising from the Step Acquisition. The bargain purchase has been recognised in equity as a contribution from the Government (see note 21(c)(iii)).

23. Step Acquisition (continued)

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

| <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. If the acquisition had occurred on 1 April 2021, the group's consolidated revenue for the year would have been \$6,645 million and the group's consolidated loss attributable to the equity holders of the Authority for the year would have been \$2,759 million. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future performance.

24. Financial Risk Management and Fair Values of Financial Instruments

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

(a) Credit risk

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

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

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

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

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, the group has a certain concentration of credit risk as 3% (2021: 7%) and 64% (2021: 55%) of the total trade and other receivables was due from the group's largest customer and the five largest customers respectively.

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

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 14.

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

(b) Liquidity risk

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

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

| <i>\$ million</i> | 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 |
| 2022 | | | | | | |
| Interest-bearing borrowings | 73,017 | 99,680 | 2,154 | 1,598 | 30,544 | 65,384 |
| Trade and other payables | 12,001 | 12,097 | 10,296 | 556 | 1,043 | 202 |
| Interest rate swaps (net settled) | (996) | 88 | 23 | 25 | 39 | 1 |
| Cross currency swaps (net settled) | (131) | (371) | (19) | (19) | (158) | (175) |
| Forward exchange contracts | (1) | 160 | 9 | 10 | 31 | 110 |
| | 83,890 | 111,654 | 12,463 | 2,170 | 31,499 | 65,522 |
| 2021 | | | | | | |
| Interest-bearing borrowings | 41,769 | 50,050 | 704 | 1,247 | 20,265 | 27,834 |
| Trade and other payables | 11,664 | 11,810 | 9,888 | 625 | 932 | 365 |
| Interest rate swaps (net settled) | (188) | 382 | 81 | 85 | 203 | 13 |
| Cross currency swaps (net settled) | (77) | (77) | (2) | (12) | (50) | (13) |
| Forward exchange contracts | (9) | 159 | - | 9 | 30 | 120 |
| | 53,159 | 62,324 | 10,671 | 1,954 | 21,380 | 28,319 |

As shown above, interest-bearing borrowings (including interest) of the group amounting to \$2,154 million (2021: \$704 million) are due to be repaid in the upcoming 12 months after 31 March 2022. The short term liquidity risk inherent in this contractual maturity will be addressed by internal sources of funds and new external borrowings.

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

(c) Interest rate risk

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

(i) Hedges of interest rate risk

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

The group classifies interest rate swaps into either fair value or cash flow hedges and states them at their fair values in accordance with the policy set out in note 31(f).

Details of the notional amounts, maturity period and fair values of swaps entered into by the group at the end of the reporting periods are set out in note 24(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

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

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

| <i>\$ million</i> | 2022 | 2021 |
|---|-------|------|
| At 1 April | 147 | – |
| Effective portion of the cash flow hedge recognised in other comprehensive income | 819 | 176 |
| Less: deferred tax | (135) | (29) |
| At 31 March | 831 | 147 |
| Change in fair value of the interest rate swaps during the year | 816 | 179 |
| Hedge ineffectiveness recognised in consolidated statement of profit or loss | 3 | (3) |
| Effective portion of the cash flow hedge recognised in other comprehensive income | 819 | 176 |

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

(c) Interest rate risk (continued)

(ii) Interest rate profile

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

| <i>\$ million</i> | 2022 | 2021 |
|---|---------------|---------------|
| Fixed rate borrowings | | |
| Bank loans ¹ | 17,445 | 17,428 |
| Fixed rate notes | 53,520 | 22,278 |
| Floating rate notes ¹ | 1,498 | 1,498 |
| | 72,463 | 41,204 |
| Variable rate borrowings | | |
| Fixed rate notes ² | 554 | 565 |
| Total borrowings | 73,017 | 41,769 |
| Fixed rate borrowings as a percentage of total borrowings | 99% | 99% |

¹ Swapped to fixed rate

² Swapped to floating rate

(iii) Sensitivity analysis

As at 31 March 2022, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have increased the group's profit after taxation and retained profits by approximately \$1 million (2021: decreased by \$2 million), while a general decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased the group's profit after taxation and retained profits by approximately \$1 million (2021: increased by \$4 million). Other components of consolidated equity would have decreased by approximately \$244 million (2021: \$327 million) and increased by approximately \$248 million (2021: \$332 million) in response to the general increase and decrease in interest rates respectively. The effect of interest-bearing bank deposits is expected to be not significant and is not taken into account in the analysis.

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

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

(d) Foreign currency risk

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

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

As at 31 March 2022, the group is exposed to US dollar currency risk in respect of the US dollar notes issued of US\$6,000 million (2021: US\$2,000 million) and cash and bank balances of US\$2,418 million (2021: US\$2,475 million).

Although the US dollar currency risk is substantially mitigated by the peg between Hong Kong dollar and US dollar, the group further reduces this risk by the use of cross currency swaps to hedge most of the payment of the US dollar notes into Hong Kong dollar. The group designates these cross currency swaps as cash flow hedges. Details of the notional amounts, maturity period and fair values of cross currency swaps entered into by the group at the end of the reporting periods are set out in note 24(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

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

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

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

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

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

(d) Foreign currency risk (continued)

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

| <i>\$ million</i> | 2022 | 2021 |
|---|-------|------|
| At 1 April | 8 | (22) |
| Effective portion of the cash flow hedge recognised in other comprehensive income | 171 | 8 |
| Amount transferred from equity to consolidated statement of profit or loss | (174) | 24 |
| Less: deferred tax | 1 | (2) |
| At 31 March | 6 | 8 |
| Change in fair value of the cross currency swaps during the year | 174 | (24) |
| Change in fair value of the forward exchange contracts during the year | (3) | 32 |
| Hedge ineffectiveness recognised in consolidated statement of profit or loss | - | - |
| Effective portion of the cash flow hedge recognised in other comprehensive income | 171 | 8 |

As at 31 March 2022, the group's borrowings denominated in US dollar were largely swapped into Hong Kong dollar by entering into the cross currency swaps. The group targets to swap all borrowings in foreign currency into Hong Kong dollar. As the Hong Kong dollar is pegged to US dollar at a range between 7.75 to 7.85, management considers that the foreign currency risk associated with the unhedged US dollar exposure is not material to the group. Accordingly, no sensitivity analysis is considered necessary.

As at 31 March 2022, the group is exposed to Renminbi currency risk arising from cash and bank balances of RMB165 million (2021: RMB163 million). If Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, the group's profit after taxation and retained earnings would have been \$8 million (2021: \$8 million) lower/higher. The analysis is performed on the same basis for 2020/21.

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

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

The fair value disclosure of investment property carried at cost follows the above hierarchy (note 9(c)).

As at 31 March 2021 and 2022, the group's derivative financial instruments are carried at fair value. These instruments fall under Level 2 of the fair value hierarchy described above.

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: \$nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

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

| \$ million | Recurring fair value measurement using significant other observable inputs (Level 2) | | | 2021 | | |
|--|---|-----------------------------|----------------------------------|--------------------|---------------------|--------------------------|
| | 2022 Notional amount | 2022 Financial assets | 2022 Financial liabilities | Notional amount | Financial assets | Financial liabilities |
| Cash flow hedges | | | | | | |
| Interest rate swaps | \$19,000 | 995 | - | \$19,000 | 230 | (51) |
| Cross currency swaps | US\$3,600 | 158 | (27) | US\$1,100 | 83 | (6) |
| Forward exchange contracts | AUD29 | 2 | (1) | AUD29 | 9 | - |
| Fair value hedges | | | | | | |
| Interest rate swaps | \$550 | 1 | - | \$550 | 9 | - |
| Derivative financial instruments for perpetual capital securities | | 3 | (23) | | 6 | (7) |
| Total | | 1,159 | (51) | | 337 | (64) |
| Less: portion to be recovered/(settled) within one year | | | | | | |
| Cash flow hedges | | | | | | |
| Interest rate swaps | \$19,000 | 122 | - | \$19,000 | - | (51) |
| Forward exchange contracts | AUD29 | 1 | - | AUD29 | - | - |
| Fair value hedges | | | | | | |
| Interest rate swaps | \$550 | 1 | - | \$550 | 6 | - |
| Derivative financial instruments for perpetual capital securities | | - | (2) | | - | (3) |
| | | 124 | (2) | | 6 | (54) |
| Portion to be recovered/(settled) after one year | | 1,035 | (49) | | 331 | (10) |

Derivative financial instruments qualifying as cash flow hedges as at 31 March 2022 have maturities of 0.3 year to 9.8 years (2021: 1.3 to 9.9 years) from the end of the reporting period.

Derivative financial instruments qualifying as fair value hedges as at 31 March 2022 have maturities of 0.1 to 0.5 year (2021: 1.1 to 1.5 years) from the end of the reporting period.

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

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of forward exchange contracts, cross currency swaps and interest rate swaps are the estimated amount that the Authority would receive or pay to terminate the swap and forward exchange contracts at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the counterparties. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2022 and 2021 except for the following financial instruments, for which their carrying amounts and fair values and the level of fair value hierarchy are disclosed below:

| \$ million | Notional amount | Carrying amount at 31 March | Fair value at 31 March | Fair value measurements categorised into | | |
|------------------|-----------------------|-----------------------------|------------------------|--|---------|---------|
| | | | | Level 1 | Level 2 | Level 3 |
| 2022 | | | | | | |
| Fixed rate notes | US\$6,000 and \$7,429 | 54,074 | 50,422 | 42,988 | 7,434 | - |
| 2021 | | | | | | |
| Fixed rate notes | US\$2,000 and \$7,429 | 22,843 | 22,736 | 15,116 | 7,620 | - |

Discounted cash flow techniques are used in deriving the fair value of the fixed rate notes. The discount rates used are market related rates at the end of the reporting period.

25. Outstanding Commitments

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

| \$ million | 2022 | | | 2021 | | |
|-----------------------------------|---------------|---------------|---------------|--------|--------|---------|
| | 3RS | Others | Total | 3RS | Others | Total |
| Contracted for | 39,663 | 6,747 | 46,410 | 48,636 | 6,560 | 55,196 |
| Authorised but not contracted for | 15,648 | 25,484 | 41,132 | 28,346 | 26,498 | 54,844 |
| | 55,311 | 32,231 | 87,542 | 76,982 | 33,058 | 110,040 |

The outstanding commitments of the group's joint venture, HXIA, are separately disclosed in note 13(a).

26. Material Related Party Transactions

The Authority is wholly owned by the Government. Transactions between the group and Government departments, agencies or Government controlled entities, other than those transactions such as the payment of fees, taxes, rent and rates, etc. that arise in the normal dealings between the Government and the group, are considered to be related party transactions pursuant to HKAS 24, "Related party disclosures" and are identified separately in these consolidated financial statements.

Members of the Board and Executive Directors, and parties related to them, are also considered to be related parties of the Authority. Material transactions with these parties, if any, are separately disclosed. Emoluments paid to Members of the Board and Executive Directors are disclosed in note 7.

During the year, other than disclosed elsewhere in the consolidated financial statements, the Authority has had the following material related party transactions:

- (a) The Authority has entered into agreements with the Government under which the Government provides maintenance services in respect of sewage pumping system, waste water treatment plant and airfield ground lighting at the airport. The amounts incurred for these services for the year amounted to \$61 million (2021: \$63 million). As at 31 March 2022, the amounts due to the Government with respect to the above services amounted to \$30 million (2021: \$23 million).
- (b) The Authority has also entered into service agreements with the Government under which the Government is to provide aviation meteorological and air traffic control services and aircraft rescue and fire fighting services at the airport. The amounts incurred for the year amounted to \$756 million (2021: \$708 million) and the amounts due to the Government as at 31 March 2022 with respect to the above services amounted to \$0.4 million (2021: \$0.4 million).
- (c) The Authority and HKIA Staff Services Limited ("HKIASS"), a subsidiary of the Authority, have entered into a service agreement with the Government under which the Authority agreed through HKIASS, to provide additional manpower to the Government to meet foreseeable human resources demand in rendering air traffic control services at the airport (note 26(b)) at nil consideration.

26. Material Related Party Transactions (continued)

- (d) The Authority has entered into an agreement with MTR Corporation Limited (“MTRC”), in which the Government is the majority shareholder, under which MTRC provides maintenance services to the Automated People Mover System and Cars in both Terminals 1 and 2, SkyPier and T1 Midfield Concourse (formerly known as Midfield Concourse). The amounts incurred by the Authority for these services for the year amounted to \$194 million (2021: \$127 million). As at 31 March 2022, the amounts due to MTRC with respect to the maintenance services amounted to \$154 million (2021: \$127 million).
- (e) The Authority has leased certain areas at the airport to Hongkong International Theme Parks Ltd. (“HKITP”), in which the Government is the majority shareholder. There was no material net amount received and receivable for the year (net amount refunded for the year ended 31 March 2021: \$10 million). As at 31 March 2022, the amounts due to HKITP amounted to \$0.2 million (2021: \$10 million).
- (f) AVSECO, a subsidiary of the Authority, has provided security-related services to various Government departments, agencies and Government controlled entities other than the Authority. The aggregated amounts received and receivable for the year amounted to \$69 million (2021: \$59 million). As at 31 March 2022, the aggregated amounts due from these departments, agencies or entities amounted to \$9 million (2021: \$9 million).
- (g) AWEM has entered into a management and operating agreement with HKIEC, in which the Government is previously the majority shareholder, to manage, promote, operate and maintain the AsiaWorld-Expo exhibition centre (note 11). The aggregated amounts received and receivable from the event services income and others from various Government departments and Government controlled entities other than the Authority since the Completion Date amounted to \$nil. As at 31 March 2022, the aggregated amounts due from these departments or entities amounted to \$248 million.
- (h) The Authority and AVSECO have provided quarantine-related services to various Government departments and Government controlled entities. The aggregated amounts received and receivable for the year amounted to \$560 million (2021: \$395 million). As at 31 March 2022, the aggregated amounts due from these departments or entities amounted to \$20 million (2021: \$18 million).

27. Impacts of COVID-19 Pandemic

The outbreak of COVID-19, and the introduction of quarantine and travel restrictions by most major destinations, including Hong Kong, has significantly reduced the number of air passengers and air traffic movements. The effect of COVID-19 outbreak on the Authority’s revenue combined with the relief measures offered by the Authority to the aviation industry community resulted in a loss for the year.

The Authority has been closely monitoring the impact of these situations on its operations and finances and has taken measures. In particular, the Authority has procured liquidity through its internal resources and available financial facilities to satisfy upcoming working capital requirements.

While the circumstances of the COVID-19 outbreak are still evolving, the impact of COVID-19 on the operations and financial position will be reassessed at the next interim review.

28. Immediate and Ultimate Controlling Party

As at 31 March 2022, the immediate parent and ultimate controlling party of the group is the Government.

29. Accounting Judgements and Estimates

(a) Critical accounting judgements in applying the group's accounting policies

In applying the group's accounting policies, management has made the following accounting judgements:

(i) Interest in leasehold land

On 1 December 1995, the Authority was granted the rights to the airport site at Chek Lap Kok for a nominal land premium of \$2,000. The Authority was responsible for all of the costs for the formation of the airport site, with respect to which \$11,571 million was initially incurred. The land formed is considered to have all the characteristics of land in Hong Kong and will revert to the lessor at the end of the Land Grant. Such cost is considered to have been incurred to obtain the benefits of a leasehold land. Accordingly, the land premium and the land formation costs have been classified as interest in leasehold land. Upon the granting of finance leases of portions of the land concerned, the cost of leasehold land excluded from the consolidated statement of financial position is based on an apportionment of the overall land cost.

(ii) Sub-lease of leasehold land

The Authority sub-leases part of its interest in leasehold land to various Government departments, agencies or Government controlled entities at 'nil' rental for substantially the full period of the Land Grant, to provide services for the sole benefit of the airport and its users. As it is considered that these sub-leases are for the sole benefit of the Authority for enhancing services at the airport, they are in substance held for the full and exclusive benefit of the Authority and accordingly such sub-leases continue to be treated as interest in leasehold land in the consolidated financial statements of the Authority and are not derecognised.

(iii) Interests in joint ventures

HXIA receives Civil Aviation Development Fund subsidies, airport construction fee subsidies and certain other subsidies (collectively known as "CADF") for airport development purposes from the PRC government which are required to be treated as a capital contribution in HXIA's PRC statutory financial statements.

In the group's consolidated financial statements, the group equity accounts for its share of the CADF according to its shareholding percentage, on the basis that all shareholders of HXIA can enjoy the economic benefits arising from the CADF received by HXIA.

Prior to June 2016, the group recognised its share of the CADF in the consolidated statement of profit or loss in the same period as recognised by HXIA. In June 2016, the group changed its method of recognising the CADF as a result of additional conditions being imposed by the Ministry of Finance and the Civil Aviation Administration of China in relation to the governance of CADF applications (財建[2016] 362號). As these new conditions are similar to those imposed on government grants related to assets, from June 2016 onwards the group recognises its share of the CADF over the useful life of the subsidised assets.

As the CADF may only be used for restricted purposes and are not distributable, the group transfers such amounts from retained profits to the capital reserve.

29. Accounting Judgements and Estimates (continued)

(b) Major sources of estimation uncertainty

Notes 20 and 24(e) contain information about the assumptions and their risk factors relating to defined benefit retirement asset/obligations and the fair value of financial instruments respectively. Other major areas of estimation uncertainty are as follows:

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

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

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

(ii) Project provisions

The group establishes project provisions for the settlement of estimated claims that may arise due to time delays, additional costs or other unforeseen circumstances common to major construction contracts. The claims provisions which are estimated based on a best assessment of the group's liabilities under each contract by professionally qualified personnel may differ from the actual claims settlement.

30. Fund-raising Event Requiring Public Subscription Permit from Social Welfare Department

The Authority has a donation box fund-raising programme under Public Subscription Permit (Permit No.: 2021/039/1) from Social Welfare Department to support the services of certain charitable organisations. During the period from 1 April 2021 to 31 March 2022, the donations received was \$0.08 million (2021: \$0.05 million). After deducting handling fees of \$0.01 million (2021: \$7,771) charged by a service provider not related to the Authority, the net donations distributed of \$0.07 million (2021: \$0.04 million) were equally allocated among The Community Chest of Hong Kong, Changing Young Lives Foundation, Friends of the Earth (HK) Charity Limited, Green Power Limited, OIWA Limited, The Neighbourhood Advice-Action Council Tung Chung Integrated Services Centre and World Wide Fund for Nature Hong Kong (2021: The Community Chest of Hong Kong, Changing Young Lives Foundation, Friends of the Earth (HK) Charity Limited, Green Power Limited, Hong Kong Sheng Kung Hui Tung Chung Integrated Services, OIWA Limited and The Neighbourhood Advice-Action Council Tung Chung Integrated Services Centre).

31. Summary of Significant Accounting Policies

(a) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the group.

None of these developments has had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in these consolidated financial statements.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Authority, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholder of the Authority. Non-controlling interests in the results of the group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of the Authority. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 31(n) or (o) depending on the nature of the liability.

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (note 31(c)).

31. Summary of Significant Accounting Policies (continued)

(c) Associate and joint ventures

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group or the Authority and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the group's equity investment. Thereafter, the investment is adjusted for the post-acquisition change in the group's share of the investee's net assets and any impairment losses relating to the investment (notes 31(d) and (j)). Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the group's share of losses exceeds its interest in the associate or the joint venture, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the group's net investment in the associate or the joint venture.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(d) Goodwill

Goodwill represents the excess of the cost of an investment in a joint venture over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as at the acquisition date.

In respect of an investment in a joint venture, the carrying amount of goodwill is included in the carrying amount of the interest in the joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (note 31(j)).

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of an investment in a joint venture is recognised immediately in profit or loss.

On disposal of a joint venture, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

31. Summary of Significant Accounting Policies (continued)

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(f) Accounting for derivative financial instruments and hedging activities

The group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or (2) hedges of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction (cash flow hedges).

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in other comprehensive income and accumulated separately in equity in the hedging reserve. Amounts accumulated in equity are reclassified from equity to profit or loss in the periods when the hedged transaction affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the group revokes designation of the hedge relationship but if the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

The foreign currency basis spread and forward element of derivatives, which have been separated and excluded from the designation as cash flow hedges, are recognised directly in other comprehensive income and accumulated separately in equity in the cost of hedging reserve. Amounts accumulated in equity are amortised and reclassified from equity to profit or loss over the term of derivatives.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

31. Summary of Significant Accounting Policies (continued)

(g) Investment property, interest in leasehold land, other property, plant and equipment

(i) The Authority was responsible for all of the costs of the formation of the airport site. The land formation cost and the land premium have been classified as interest in leasehold land. Interest in leasehold land is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 31(j)).

(ii) Investment property

Investment property includes leasehold land and its related improvements and/or buildings held to earn rental income. This includes land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment property is stated in the consolidated statement of financial position at cost net of accumulated depreciation and impairment losses (note 31(j)). Investment property is depreciated over its estimated useful life or the unexpired term of the lease, whichever is shorter. Rental income from investment property is accounted for as described in note 31(t).

(iii) Other property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (note 31(j)).

(iv) Repairs and maintenance expenditure in respect of investment property, and other property, plant and equipment is charged to profit or loss as and when incurred.

(v) Gains or losses arising from the retirement or disposal of investment property, interest in leasehold land, and an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of investment property, interest in leasehold land, and the item and are recognised in profit or loss on the date of retirement or disposal.

(vi) Construction in progress

Assets under construction and capital works are stated at cost. Costs comprise direct costs of construction, such as materials, direct staff costs, an appropriate proportion of production overheads, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and net borrowing costs (note 31(n)) capitalised during the period of construction or installation and testing. Capitalised costs also include provision amount assessed by the group that may be required for the settlement of contractual claims from contractors. Capitalisation of these costs ceases and the asset concerned is transferred to investment property, interest in leasehold land, other property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the policy detailed in note 31(h).

31. 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 31(h) below. Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies set out in note 31(t) below.

When the group leases out its interest in leasehold land up to substantially the full period of the underlying Land Grant and the related risks and rewards are substantially transferred to the lessees, such leases are accounted for as finance leases. The interest in leasehold land is derecognised and the differences between the carrying amount of the interest in leasehold land and net proceeds received for such arrangements are recognised in profit or loss from the commencement dates of such finance leases.

31. Summary of Significant Accounting Policies (continued)

(h) Depreciation

Depreciation is calculated to write off the cost of items of investment property, interest in leasehold land, and other property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

The estimated useful lives are:

| | |
|--|-------------------------------------|
| Interest in leasehold land | Unexpired term of lease |
| Airfields: | |
| Runway base courses, taxiways and road non-asphalt layers, aprons and tunnels | 10 years to unexpired term of lease |
| Runway wearing courses, taxiways and road asphalt layers, lighting and other airfield facilities | 5 to 25 years |
| Terminal complexes and ground transportation centre: | |
| Building structure and road non-asphalt layers | Unexpired term of lease |
| Road asphalt layers, building services and fit-outs | 3 to 25 years |
| Access, utilities, other buildings and support facilities: | |
| Road and bridge non-asphalt layers | 20 years to unexpired term of lease |
| Road and bridge asphalt layers, other building and support facilities | 5 years to unexpired term of lease |
| Utility supply equipment | 5 to 25 years |
| Systems, installations, plant and equipment | 3 years to unexpired term of lease |
| Furniture, fixtures and equipment | 3 to 15 years |
| Right-of-use assets | Unexpired term of lease |
| Investment property: | |
| Building structure | Unexpired term of lease |
| Building services and fit-outs | 5 to 25 years |
| Furniture, fixtures and equipment | 3 to 15 years |

Where parts of an item of investment property, interest in leasehold land, and other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 31(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The group's intangible assets, which are a franchise with a finite useful life, are amortised from the date it became available for use over the franchise periods of 12.5 or 20 years. The period and method of amortisation are reviewed annually.

31. Summary of Significant Accounting Policies (continued)

(j) Impairment of assets

- (i) Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:
- interest in leasehold land;
 - investment property;
 - other property, plant and equipment;
 - intangible assets;
 - interest in an associate; and
 - interests in joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

- (ii) Interim financial reporting and impairment

At the end of the interim period, the group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

(k) Stores and spares

Stores and spares are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase and costs incurred in bringing the stores and spares to their present location and condition and is computed on a weighted average cost basis, less provision for obsolescence. The amount of any write-down of stores and spares to their net realisable value and provision for obsolescence are recognised as an expense in the period the write-down or provision occurs. Any obsolete and damaged stores and spares are written off to profit or loss.

(l) Trade and other receivables

Trade and other receivables are recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less loss allowance for credit losses.

The group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (trade and other receivables).

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

31. Summary of Significant Accounting Policies (continued)

(l) Trade and other receivables (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs (which are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies).

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(m) ACF

The ACF is collected by the Authority from passengers exclusively for the purpose of meeting 3RS construction costs. ACF is recognised in the consolidated statement of financial position upon receipt or becoming receivable from the collecting parties. It is initially recognised as unused ACF, until it is used to settle the relevant costs of construction. At this point in time it will be transferred from the unused ACF account and deducted from the carrying amount of the 3RS assets. Consequently, ACF is effectively recognised in profit or loss over the useful life of the 3RS assets by way of reduced depreciation expense.

(n) Interest-bearing borrowings and borrowing costs

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

31. Summary of Significant Accounting Policies (continued)

(n) Interest-bearing borrowings and borrowing costs (continued)

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

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

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, performance annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Authority and its subsidiaries in Hong Kong are required to make contributions to Mandatory Provident Funds under the MPF Ordinance. Such contributions are recognised as an expense in profit or loss as incurred.

The employees of the subsidiary in the PRC participate in a defined contribution retirement plan managed by the local governmental authorities whereby the subsidiary is required to contribute to the plan at fixed rates of the employees' salary costs.

(ii) Defined benefit retirement plan obligations

The group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

31. Summary of Significant Accounting Policies (continued)

(q) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognised in profit or loss and allocated as part of “staff costs and related expenses”. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/(asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the group’s obligations. If there is no sufficiently deep market in such bonds, the market yield of government bonds is used.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)).

(r) Income tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

31. Summary of Significant Accounting Policies (continued)

(r) Income tax (continued)

(iii) (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

Deferred tax assets and liabilities are not discounted.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Authority or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Authority or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

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

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

31. Summary of Significant Accounting Policies (continued)

(t) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Revenue is recognised in profit or loss as follows:

- (i) Airport charges, representing landing charges, parking charges and terminal building charges, are recognised when the airport facilities are utilised.
- (ii) Security charges in respect of aviation security services to passengers are recognised when the airport facilities are utilised.
- (iii) Aviation security services revenue from the provision of security services to airlines, franchisees and licensees is recognised when the services are rendered.
- (iv) Franchise revenue from awarded airside support services, retail revenue from awarded retail licences, advertising revenue from awarded advertising licences, other terminal commercial revenue from leasing of check-in counters and airline lounges and office rental and other service revenue and recoveries, are recognised on an accruals basis in accordance with the related agreements.
- (v) Real estate revenue arising from sub-leases of interest in leasehold land and office buildings is recognised in profit or loss on a straight-line basis over the periods of the operating leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregated net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Amounts received in advance in respect of sub-leases of interest in leasehold land granted are accounted for as deferred income and are recognised in profit or loss on a straight-line basis over the periods of the respective sub-leases.
- (vi) Income arising from finance leases of interest in leasehold land is recognised at the inception of such leases, when substantially all the risks and rewards incidental to ownership are transferred to the lessees.
- (vii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- (viii) Interest income is recognised as it accrues using the effective interest rate method.
- (ix) Subsidy from the Government is recognised in profit or loss on a systematic basis over the periods in which the Authority recognises the relevant relief measures as expenses.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities and non-monetary assets and liabilities that are stated at fair value and are denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

31. Summary of Significant Accounting Policies (continued)

(u) Translation of foreign currencies (continued)

The results of entities outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of entities outside Hong Kong, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an entity outside Hong Kong, the cumulative amount of the exchange differences relating to that entity is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Related parties

- (i) A person, or a close member of that person's family, is related to the group if that person:
 - a) has control or joint control over the group;
 - b) has significant influence over the group; or
 - c) is a member of the key management personnel of the group or the group's parent.
- (ii) An entity is related to the group if any of the following conditions applies:
 - a) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - c) Both entities are joint ventures of the same third party.
 - d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - e) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
 - f) The entity is controlled or jointly controlled by a person identified in note (v)(i).
 - g) A person identified in note (v)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - h) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

31. Summary of Significant Accounting Policies (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

32. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for The Year Ended 31 March 2022

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, "Insurance contracts", which are not yet effective for the year ended 31 March 2022 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the group.

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to HKFRS 3, "Reference to the conceptual framework" | 1 January 2022 |
| Amendments to HKAS 16, "Property, plant and equipment: proceeds before intended use" | 1 January 2022 |
| Annual Improvements to HKFRSs 2018-2020 Cycle | 1 January 2022 |
| Amendments to HKAS 1, "Classification of Liabilities as Current or Non-current" | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2, "Disclosure of accounting policies" | 1 January 2023 |
| Amendments to HKAS 8, "Definition of accounting estimates" | 1 January 2023 |
| Amendments to HKAS 12, "Deferred tax related to assets and liabilities arising from a single transaction" | 1 January 2023 |
| HKFRS 17 and amendments to HKFRS 17, "Insurance contracts" | 1 January 2023 |

The group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it is concluded that the adoption of them is unlikely to have a significant impact on the group's consolidated financial statements.

Five-year Financial and Operational Summary

| <i>(in HK\$ million)</i> | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 |
|---|---------|----------|----------|----------|-----------------|
| Consolidated statement of profit or loss | | | | | |
| Revenue | 21,994 | 19,470 | 17,106 | 5,936 | 5,798 |
| Operating expenses before depreciation and amortisation | (6,058) | (7,027) | (7,886) | (8,054) | (6,176) |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 15,936 | 12,443 | 9,220 | (2,118) | (378) |
| Depreciation and amortisation | (3,097) | (3,123) | (2,924) | (3,169) | (3,039) |
| Net interest and finance income | 275 | 379 | 461 | 71 | 77 |
| Share of results of an associate | - | - | (16) | 53 | 78 |
| Share of results of joint ventures | 201 | 261 | 269 | (34) | (46) |
| Profit/(loss) before taxation | 13,315 | 9,960 | 7,010 | (5,197) | (3,308) |
| Income tax (expense)/credit | (1,829) | (1,558) | (1,112) | 829 | 553 |
| Profit/(loss) for the year | 11,486 | 8,402 | 5,898 | (4,368) | (2,755) |
| Attributable to: | | | | | |
| Holder of ordinary shares | 11,416 | 8,339 | 5,866 | (4,400) | (3,014) |
| Holders of perpetual capital securities | - | - | - | - | 263 |
| Non-controlling interests | 70 | 63 | 32 | 32 | (4) |
| Consolidated statement of financial position | | | | | |
| Non-current assets | 67,060 | 84,292 | 98,566 | 117,769 | 143,879 |
| Current assets | 21,870 | 24,938 | 16,336 | 38,050 | 41,340 |
| Current liabilities | (8,652) | (15,581) | (14,977) | (11,963) | (12,797) |
| Net current assets | 13,218 | 9,357 | 1,359 | 26,087 | 28,543 |
| Total assets less current liabilities | 80,278 | 93,649 | 99,925 | 143,856 | 172,422 |
| Non-current liabilities | (7,709) | (13,175) | (13,740) | (49,674) | (79,713) |
| Net assets | 72,569 | 80,474 | 86,185 | 94,182 | 92,709 |
| Share capital | 30,648 | 30,648 | 30,648 | 30,648 | 30,648 |
| Reserves | 41,553 | 49,417 | 55,120 | 51,469 | 50,050 |
| Perpetual capital securities | - | - | - | 11,585 | 11,585 |
| Non-controlling interests | 368 | 409 | 417 | 480 | 426 |
| Total equity | 72,569 | 80,474 | 86,185 | 94,182 | 92,709 |
| Key financial and operational statistics | | | | | |
| Dividend declared <i>(HK\$ million)</i> | - | - | - | - | - |
| Return on equity ¹ | 17.2% | 11.0% | 7.1% | -5.2% | -3.7% |
| Total debt/capital ratio ² | 2% | 6% | 6% | 31% | 44% |
| Passenger traffic ^{3,4} <i>(millions of passengers)</i> | 73.6 | 75.1 | 60.9 | 0.8 | 1.4 |
| Cargo and airmail throughput ^{3,5} <i>(millions of tonnes)</i> | 5.1 | 5.1 | 4.7 | 4.6 | 4.9 |
| Aircraft movements ³ <i>(thousands)</i> | 423 | 429 | 377 | 128 | 145 |

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 2022

| | | | |
|----------------------------|-------------------------|--------------------------|--------------------------------|
| ACT Airlines* | British Airways | Kalitta Air* | San Marino Executive Aviation* |
| Aeroflot Russian Airlines* | CAL Cargo Airlines* | Kargo Xpress* | Saudia Arabian Airlines |
| Aerologic* | Cargolux Airlines* | KLM Royal Dutch Airlines | Scot |
| Aeroméxico* | Cargolux Italia S.p.A.* | K-Mile Air* | SF Airlines* |
| Air Atlanta Icelandic* | Cathay Pacific | Korean Air | Silk Way West Airlines* |
| Air Belgium* | Cebu Pacific Air | Lanmei Airlines* | Singapore Airlines |
| Air Canada | China Airlines | Longtail Aviation* | SmartLynx Malta* |
| Air China | China Cargo Airlines* | Lufthansa | Southern Air Inc.* |
| Air China Cargo* | China Eastern Airlines | Lufthansa Cargo* | SpiceJet* |
| Air France | DHL Aviation* | Malaysia Airlines | SriLanka Airlines |
| Air Hongkong* | Easy Charter* | Maleth Aero* | Suparna Airlines* |
| Air India | Egyptair* | National Air Cargo* | Swiss International Air Lines |
| Air New Zealand | EL AL Israel Airlines | Nepal Airlines | TAAG Angola Airlines* |
| Air Niugini | Elitavia Malta* | Nippon Cargo Airlines* | Thai AirAsia X |
| AirAsia* | Emirates | Nordwind Airlines* | Thai Airways |
| AirAsia X | Ethiopian Airlines | Pacific Airlines* | Titan Airways* |
| AirBridgeCargo Airlines* | Etihad Airways* | Philippine Airlines | Turkish Airlines |
| AirX Charter* | EVA Airways | Philippines AirAsia | T'way Air* |
| AlisCargo Airlines S.p.A.* | FedEx Express* | Polar Air Cargo* | United Airlines* |
| All Nippon Airways | Fiji Airways | Qantas Airways | United Parcel Service* |
| American Airlines* | Finnair | Qatar Airways | Uzbekistan Airways* |
| Asia Pacific Airlines* | Garuda Indonesia | Raya Airways* | Vietnam Airlines |
| Asiana Airlines | GetJet Airlines* | Red Wings Airlines* | Virgin Atlantic Airways |
| ASL Airlines Belgium* | Hi Fly* | ROM Cargo Airlines* | Western Global Airlines* |
| Astral Aviation* | HK Express | Rossiya Airlines* | Wind Rose Aviation* |
| Atlas Air* | Hong Kong Air Cargo* | Royal Brunei Airlines | Xiamen Airlines |
| ATRAN LLC* | Hong Kong Airlines | Royal Flight Airlines* | |
| Aviastar-TU Airlines* | I FLY* | Royal Jordanian* | |
| Aviation Horizons* | IndiGo* | Rubstar Airways* | |
| Biman Bangladesh Airlines | Japan Airlines | S7 Airlines* | |

* Freighter services only

Destinations Served from HKIA as at March 2022

| | | | | |
|------------------------|---|--------------------|---|--------------------------------------|
| North Asia | Denpasar* | Hyderabad* | Moscow/Sheremetyevo* | Boston |
| Beijing/Capital | Hanoi | Jeddah | Moscow/Vnukovo* | Chicago/O'Hare |
| Changsha* | Ho Chi Minh | Kathmandu | Moscow/Zhukovsky* | Chicago/Rockford* |
| Chengdu | Jakarta | Kolkata* | Paris/Charles de Gaulle | Cincinnati* |
| Chongqing | Kota Kinabalu | Kuwait* | Paris/Vatry* | Columbus |
| Fukuoka | Kuala Lumpur | Mumbai | Riga* | Dallas* |
| Fuzhou | Kuala Lumpur/Subang* | Muscat* | Stockholm* | Honolulu* |
| Guangzhou | Kuching | Novosibirsk* | Ulan-Ude* | Houston* |
| Haikou | Labuan* | Riyadh | Vienna* | Huntsville* |
| Hangzhou | Manila | Tashkent* | Yekaterinburg* | Indianapolis* |
| Kaohsiung | Penang | Tel Aviv | Zurich | Los Angeles |
| Khabarovsk* | Phnom Penh | Europe | Australasia/ Pacific Islands | Louisville* |
| Krasnoyarsk* | Phuket | Amsterdam | Adelaide | Memphis* |
| Nagoya* | Singapore | Barcelona* | Auckland | Miami* |
| Ningbo | Surabaya | Brussels* | Brisbane | New York/John Kennedy |
| Osaka/Kansai | Tawau | Budapest* | Cairns | Oakland* |
| Qingdao | Ujung Pandang* | Cologne* | Darwin* | Ontario* |
| Sapporo | Middle East/Central Asia/ South Asia | Frankfurt | Guam* | Philadelphia* |
| Seoul/Incheon | Abu Dhabi* | Frankfurt/Hahn* | Melbourne | Pittsburgh |
| Shanghai/Pudong | Almaty* | Helsinki | Nadi | Portland* |
| Taichung* | Amman* | Istanbul | Perth | San Francisco |
| Taipei | Bahrain* | Istanbul/Atatürk* | Port Moresby | Toronto |
| Tokyo/Haneda | Baku* | Keflavik* | Sydney | Vancouver |
| Tokyo/Narita | Bangalore* | Kiev/Boryspil* | Toowoomba/Wellcamp* | Central and South America |
| Wuhan | Chennai* | Leipzig* | Africa | Guadalajara* |
| Xiamen | Colombo | Liege* | Addis Ababa | Mexico City* |
| Zhengzhou* | Dammam* | London/Heathrow | Cairo* | Santiago* |
| South East Asia | Delhi | Luxembourg* | Nairobi* | São Paulo/GRU* |
| B S Begawan | Dhaka | Maastricht/Aachen* | North America | |
| Bangkok/Suvarnabhumi | Doha | Madrid/Barajas | Anchorage* | * Freighter services only |
| Cebu | Dubai | Manchester | Atlanta | |
| Clark | Dubai/Al Maktoum* | Milan/Malpensa | | |
| Davao* | | Moscow/Domododovo* | | |

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