

Chairman's Statement



Dear Stakeholders,

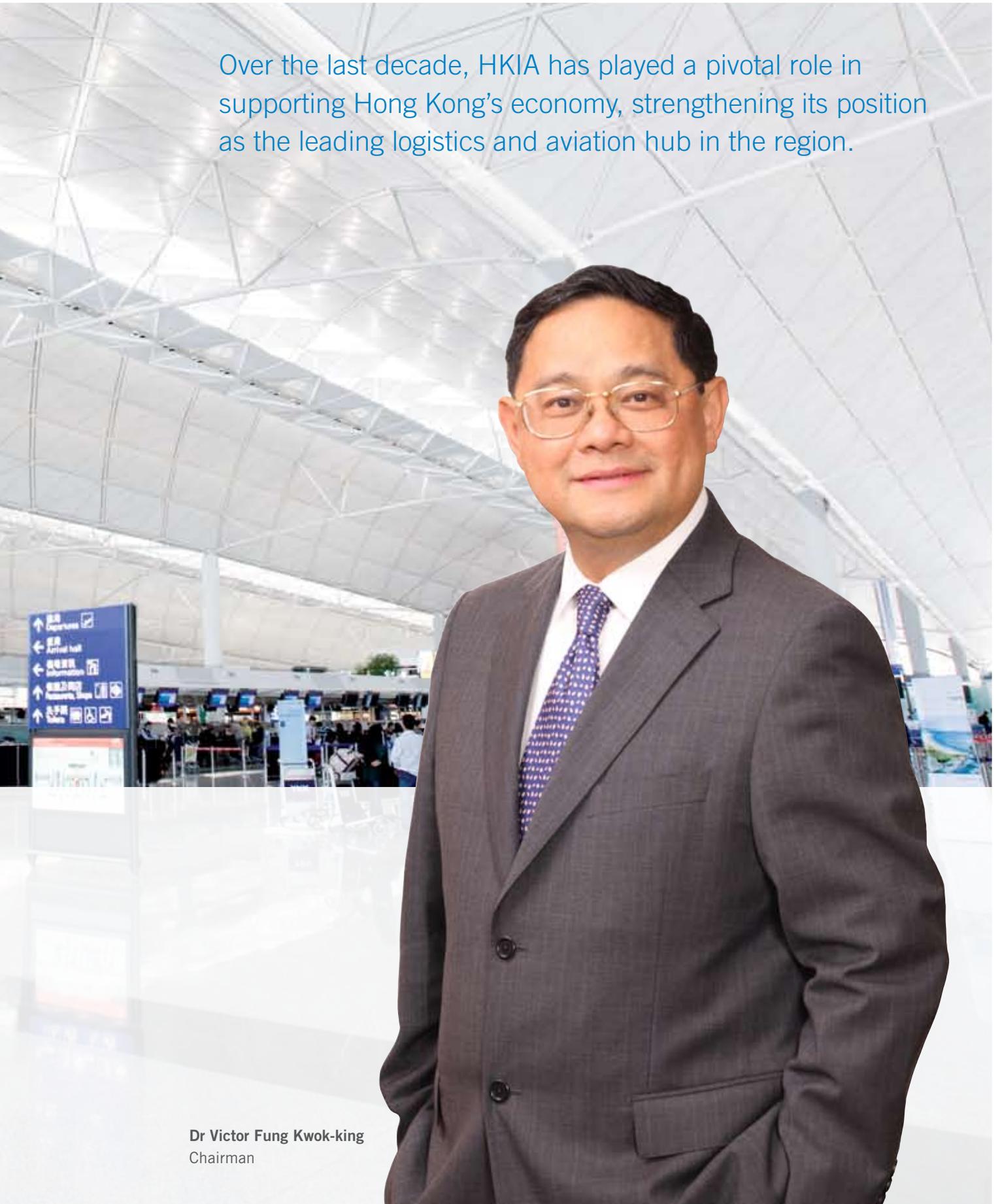
The year ended 31 March 2008 was another record-breaking year for Airport Authority Hong Kong. Passenger volume, cargo throughput and air traffic movements reached record levels, contributing to a profit attributable to equity shareholder of the Airport Authority (AA) of HK\$2.3 billion. Of this amount, HK\$2 billion will be returned to our shareholder, the Hong Kong SAR Government, as a dividend. The amount represents a 25% increase on the dividend of last year and is five times more than our first dividend payout in 2004.

A Decade of Success

2008 marks the 10th anniversary of Hong Kong International Airport (HKIA), which opened on 6 July 1998. Over the last decade, HKIA has played a pivotal role in supporting Hong Kong's economy, strengthening its position as the leading logistics and aviation hub in the region. Our passenger volume has grown from 21.6 million in 1998/99* to 48.9 million in 2007/08, cargo throughput has risen from 1.2 million to 3.8 million tonnes, and air traffic movements have grown from 122,000 to 300,000.

* Period from 6 July 1998 to 31 March 1999.

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Dr Victor Fung Kwok-king
Chairman

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This decade of rapid development has provided significant employment and growth opportunities for the 60,000-strong airport community as well as for industries such as logistics, transport and tourism. HKIA has been the world's fifth busiest international passenger airport since 1997, and the busiest international cargo airport for the 12th consecutive year since 1996.

Safety and security have remained paramount over the decade. The airport community has successfully handled various crisis situations over the past few years, and HKIA has repeatedly received awards for its high safety and security standards.

Throughout the years, HKIA has established itself as the international gateway hub of China, connecting the Chinese Mainland to the world and the world to the Chinese Mainland. We have actively expanded our home market beyond Hong Kong to include the 52 million inhabitants in the Greater Pearl River Delta (GPRD) region, and have developed ourselves into a multi-modal transport hub, with sea and land connectivity for passenger and cargo traffic. To handle growing patronage, we have also established upstream check-in services for cross-boundary ferry passengers to and from the GPRD.

In order to meet future demand, the AA has annually invested an average of HK\$2.1 billion in the past 10 years to continually expand our capacity and enhance our facilities.

Together with our efficient and reliable airport services, such developments have made HKIA one of the busiest, most popular and most widely recognised airports in the world. For six out of the last seven years, HKIA has been named the World's Best Airport by Skytrax, and has won a host of other awards for both passenger experience and air cargo excellence.

Closer Interaction with the Mainland

Closer partnership and interaction with the Mainland's aviation industry is a key strategy for enhancing HKIA's competitiveness. Our partnership with Zhuhai Airport and Hangzhou Xiaoshan International Airport has produced fruitful results, with both airports recording double-digit passenger growth. The experience we have gained from these airports and in giving operational support and consultancy advice to our counterparts at Beijing Capital International Airport on Terminal 3's phased opening in early 2008 gives us confidence that we can undertake more cooperation projects with Mainland airports in the future when suitable opportunities arise.

I am happy to see that the Hong Kong SAR and Shenzhen governments are working together to forge a closer link between the airports of both cities, which can greatly facilitate the four critical flows of people, goods, capital and information between Hong Kong and the Chinese Mainland. Facilitation of these flows will be further enhanced when the high-speed rail link between Hong Kong and Shenzhen and the Hong Kong-Zhuhai-Macao Bridge are put into effect.

Strengthening Hong Kong's Competitiveness

Everything we do is focused on strengthening Hong Kong's and HKIA's long-term competitiveness. Currently, HKIA connects Hong Kong to over 155 destinations worldwide and there are close to 90 airlines operating from the airport. We have to continuously optimise our assets and make sure that our handling capacity is adequate to support the further growth of Hong Kong's economy.

In this regard, we have undertaken a HK\$4.5 billion programme for Terminal 1 capacity enhancement and airfield improvements such as the building of North Satellite Concourse, the reconfiguration of the Departures Immigration Hall, the addition of new taxiways and resurfacing of the two runways. To better serve and tap into the increasing volumes of multi-modal traffic from the Mainland, especially the GPRD region, we have opened Terminal 2, a new terminal that integrates land, sea and air transport. We are at the same time expanding our cross-boundary SkyPier ferry services and Mainland coach services.

We have also embarked on a series of programmes for the expansion of aviation support services and air cargo handling facilities. The franchise for a new air cargo terminal was awarded in March 2008 and within a few years, additional hangars for aircraft maintenance and business jets will also be commissioned.

Creating a Sustainable Future

As we move forward with projects in varying stages of completion, we remain focused on the need to ensure that our growth is sustainable. To dovetail with government plans for a progressive increase of hourly runway movements, we are ensuring that appropriate airport infrastructure will be provided to maximise the capacity of the existing two runways. In this regard, we are continuing to work closely with the Civil Aviation Department and our business partners.

Within 2008, we will be looking at the potential development of the Midfield for more bridge-served parking stands and terminal facilities and we will commence the engineering and environmental studies to consider the feasibility of a third runway at HKIA. Operating an airport is a long-term

business and we must plan decades ahead for the future. The consideration of how HKIA's future runway capacity can be secured is thus crucial. Whatever the decision is, it should be in the best long-term interests of the Hong Kong community.

Our People: The Key to Continuing Success

The outstanding success of the past decade would not have been possible without the dedication and resourcefulness of our 1,100 colleagues, as well as the wisdom and support of our Board. I would like to thank the existing and past Board members, and our present and past staff members for their contributions and dedication. I would also like to thank our business partners and the 60,000 members of the airport community for building and sustaining an airport that is justifiably regarded as the pride of Hong Kong.

Finally, on behalf of the Board, I would like to express my appreciation to the Hong Kong SAR Government and the Central Government for their steadfast support. The AA is proud to look back on a decade of outstanding achievements, while at the same time looking forward to many more years of contributing to the economic and social progress of Hong Kong, the GPRD and China as a whole.



Dr Victor Fung Kwok-king
Chairman
Hong Kong, 27 May 2008