

Chairman's Statement



Dear Stakeholders,

Fiscal 2009/10, ended 31 March 2010, was an unprecedented year for the global aviation industry and for Hong Kong International Airport (HKIA).

As the year began, we were in the grip of a severe economic downturn. In April 2009, cargo throughput at HKIA was down by nearly one-fifth from year-earlier figures. Gradually, the global economy began to rebound. In the first quarter of 2010, cargo throughput was up 34.0% from the previous year. In this volatile operating environment, HKIA delivered a satisfactory performance while maintaining our service standards, enhancing our facilities and laying the groundwork for future growth.

When compared with 2008/09, air traffic movements fell 5.4%, passenger volume dropped 1.7%, while cargo volume rose 4.4%. Thanks to strict cost controls, productivity gains, increased revenues from retail operations and an improving economic climate, profit attributable to our equity shareholder rose 9.9%, to HK\$2,844 million. Of that amount, HK\$2,300 million will be returned to our sole shareholder, the Hong Kong SAR Government, as an ordinary dividend. In view of the Airport Authority (AA)'s strong financial position, the Board has also declared a special dividend of HK\$2,200 million out of previous accumulated retained profits. After making these payments, the AA will have paid its shareholder a total of HK\$18,980 million since 2003/04 in the form of dividends and repayment of capital.



Dr the Hon Marvin Cheung Kin-tung
Chairman



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Relief Measures

These results were particularly gratifying in light of the relief package that we introduced for businesses operating at HKIA in the wake of the financial crisis, which had a dramatic impact on the aviation industry worldwide. Effective from April to December 2009, the package included a 10% reduction in landing and parking fees for airlines. It also allowed companies renting lounges, offices, counters and storage space to defer up to 50% of their rent for one year and repay the deferred charges in interest-free instalments. The reduction in landing and parking fees was later extended until the end of March 2010. In total, the relief measures reduced HKIA's revenues by HK\$242 million.

Despite a challenging economic climate, there were several highlights in 2009/10. For the seventh time since 2002, HKIA was named best airport in the TTG Travel Awards. And for the fourth consecutive year, Airports Council International recognised HKIA as the world's best airport among facilities serving over 40 million passengers annually. Our 2008/09 annual report won seven prizes, including the diamond award in the public sector/not-for-profit category in the Hong Kong Institute of Certified Public Accountants' Best Corporate Governance Disclosure Awards.

Staying Competitive

During the year, we continued to refine development plans that will ensure HKIA has the facilities and capacity to meet future demand and retain its position as a leading international and regional aviation centre. This year saw the completion of two important facilities, SkyPier and the North Satellite Concourse, that will help us meet this goal and further enhance our service standards.

Our current five-year plan focuses on maximising the performance and efficiency of existing facilities. We are now studying the construction of a passenger concourse, complete with aircraft stands and an automated people mover link in the midfield, which is located between our two runways. This project will support a gradual increase in the runway capacity from the current 59 to 68 air traffic movements per hour by 2015.

Work continued on *HKIA Master Plan 2030*, a 20-year development blueprint that examines the airport's traffic forecasts, capacity constraints and ability to meet long-term demand. This document will include the outcome of preliminary feasibility studies on the engineering, financial and environmental aspects of building a third runway. When *HKIA Master Plan 2030* is complete, we will consult the public and stakeholders in a public engagement process.





Cooperation with the Mainland

Through our joint ventures at Zhuhai Airport and Hangzhou Xiaoshan International Airport, our consulting work at Beijing Capital International Airport and other projects, we are developing local knowledge and management expertise on the Mainland. In October 2009, we capitalised on this expertise by forming a joint venture, Shanghai Hong Kong Airport Management Co., Ltd, that manages Shanghai Hongqiao International Airport's two terminals, east transportation centre and retail operations. This is an exciting opportunity, one that allows us to contribute to the growth and development of one of the world's most dynamic regions.

A Strong Team

The AA has an experienced management team and a motivated staff. The quality of our people was particularly evident this year, as they maintained consistently high levels of service, safety and efficiency in the face of rapidly fluctuating demand. I am grateful for their hard work and commitment.

The achievements of the past year would have been impossible without the guidance and insight of our Board. I would therefore like to thank outgoing member Mr He Guangbei for his invaluable contributions. I would also like to welcome the Hon Chan Kam-lam, the Hon

Albert Ho Chun-yan and Dr Allan Wong Chi-yun, who joined the Board on 1 January 2010.

In addition, I would like to take this opportunity to recognise retiring Executive Director, Finance & Investment, Mr Raymond Lai Wing-chueng for his 14 years of loyal and dedicated service to the AA. Mr Lai retired at the end of May 2010 and I wish him a long and happy retirement.

Finally, I would like to extend my heartfelt appreciation to our business partners and the Hong Kong SAR Government for their continued support during an extraordinary year.

Dr the Hon Marvin Cheung Kin-tung
Chairman
Hong Kong, 31 May 2010

