8. INFORMATION ON THE GROUP *(Cont'd)*

Cargo : In the year ended 31 December, 1998, the Airports handled 544,245 tonnes of cargo and 18,565 tonnes of mail. Most cargo is carried in the holds of passenger aircraft. Approximately 17 per cent. of aircraft movements in the year ended 3 1 December, 1998 were of dedicated cargo aircrafts which are aircrafts instructed to carry only cargo i.e., a full freighter. The types of cargo carried include perishable, electronic, dry bulk products and animals. The handling of cargo is charged based on the transaction at a rate of RM22 per transaction.

The carriage of cargo is an important part of the business of airlines because it provides the opportunity for them to increase their revenues from each flight. In turn, the Group derives revenue from aircraft landings and the land which cargo facilities occupy to cargo handlers and airlines.

Other Aircraft Movements : The Airports also handle other aircraft movements, including positioning, training, business, private and military flights, although the Airports do not impose charges for use of the Airports by military aircraft.

Others : In addition to these charges, MA Sepang and MASB levy fees for services to aircraft operators such as the provision of aerobridges, check-in counters and security services.

Non-Aeronautical Revenue

The following table shows a breakdown of the Group's non-aeronautical revenues.

	Year ended 31 March,				I April, 1995 to 31 December,				Year ended 31 December,					1 Jan, 1999 to 31 May,	
	1994 RM	%	1995 RM	%	1995 RM	%	1996 RM	%	1997 RM	%	1998 RM	%	1998 U.S.$	1999 RM	%
							(thousand)								
Non-flight Related Rents :															
• Duty and non-duty free outlets	42,117	71	55.418	55	67,659	56	87.367	48	106.517	50	102.723	39	27,032	71,466	40
- Others*	7.353	13	6.235	6	7,300	6	17.924	10	15.756	7	27,903	10	7,343	11,185	6
Tenant charge back servives**		-						-		•	10.166	4	2.675		
Retail sales	1,965	3	34.785	35	40.620	33	69,078	38	77,536	37	82,234	30	21,640	37,665	21
Advertising	1.918	3	1,358	I	732	1	1.692	1	4.053	2	812		214		
Technical service income**'		-						-	2.222	1	1.845	I	486	1.977	1
Grand prir		-						-	3.022	I	3.868	1	1.018.	20,940	12
Petrol kiosk		-						-			6,789	3	1.787	4,483	2
Car park		-						-			8.718	3	2.294	5,673	3
Airside Hotel***		-						-		-	14,803	5	3,896	12,343	7
Free Commercial Zone		-						-			1.379	I	363	7,191	4
Miscellaneous	6.098	10	3.385	3	4.659	4	4.663	3	4,231		8,685	3	2,286	6,398	4
Total (non-aeronautical revenues)	59.451	100	101.181	100	120.969	100	180.724	100	213.337	100	269.925	100	71.033	179.322	100

* *Other :* *Compromises rental for other airport premises, e.g. booth counters* which ore *based* on *a* monthly *fixed charged.*

** *Tenant charge* bark represents *utilities* expenses incurred *by tenants* which *are charged* bork to *the respective tenants.*

*** *Relates* to income *generated from MAMTS* in *relation to the provision* of *technical* services to *Pochentong* Airport in *Cambodia. MAMTS also receives management fee for the secondment of its staff to provide management and administrative guidance to the joint-venture company,* CAMS.

**** *100% of revenue from the hotel accrues to the* Group

In general, major airports can support significant retail activity as airport users tend to have higher than average disposable incomes. The Company believes that KLIA and the other international airports namely the airports at Subang, Penang, Langkawi, Kuching and Kota Kinabalu, with average aggregate daily passenger traffic of 35,756 people at KLIA and 20,844 at the other international airports, are ideal locations for retail outlets. The Group grants sub-concessions within the Airports to third parties engaged in a variety of commercial activities, including the operation of retail outlets, restaurants and bars, and other services (such as banks and fuel stations). In addition, the Group manages and operates certain commercial activities such as duty free outlets, the airside transit hotel at KLIA, the Free Commercial Zone at KLIA, parking facilities and the lease of office space.

At 3 1 December, 1998, approximately 46,553 square metres at KLIA was allocated for commercial activities. KLIA accounts for 9.2 per cent. of the total retail space available at the Airports.

Directly Operated Retail Outlets : *MA Niaga* : MA Niaga is a wholly owned subsidiary of the Company. MA Niaga operates retail outlets at KLIA and the airports at Langkawi, Kota Kinabalu, Kuching and Johor Baharu. These retail outlets sell a wide range of products including chocolates, perfumes, cosmetics, alcohol, cigarettes, jewellery, pewter wares and brand names like Burberry, Tie Rack and Bally. MA Niaga's total retail area at KLIA is 2,166 square metres. MA Niaga competes with other retail operators for the right to provide retail services at the Airports and does not receive any preferential treatment or exclusive rights as a member of the Group. In addition, MA Niaga supervises the food and beverage outlets at KLIA on behalf of the Company for which it receives a management fee. MA Niaga also provides a travellers' services centre at KLIA which provides various travel related services including meet and guest services, hotel reservations and tours.

The total rental paid by MA Niaga is in the form of minimum guaranteed payment ("MGP") of which the total rental per month is estimated at around RM2.1 million for guaranteed KLIA and RM128,000 for the other airports. MGP is the minimum amount of rental payment made by the concessionaires/retailers.

Growth in the airport retail industry is dependent upon growth of the tourism industry and increasing aircraft and passenger traffic at the Airports. Government legislation and policies on customs duties, eligibility for tax-free purchases, the individual/passenger quota for purchases and duty free licensing also have a significant influence on the success of the Group's airport retail sector.

The Company believes that there is a significant market for growth in retail at the Airports. MA Niaga's market share of the airport retail industry at KLIA is estimated at approximately 30 per cent. The estimated market share is based on the management's estimate of the expected growth in retail spending, traffic volume and the optimal usage and availability of rental space at the airports.

Free Commercial Zone : Free Commercial Zone at KLIA is a cargo transportation hub, which spans over 208 acres next to the passenger facilities. It has a total of 18 parking bays for wide and narrow body freighters. It has an initial cargo throughput capacity of 1 ,000,000 tonnes.

Concessions : Commercial activities managed through concessions consist primarily of retail outlets, restaurants and bars, airline lounges and the lease of advertising space. The Group negotiates concessions with individual operators pursuant to certain internal guidelines. For certain types of concessions, (e.g. retail outlets), the fees are on a royalty basis, and are based on a percentage of the concessionaire's annual operating revenues, subject to a fixed minimum guaranteed payment. These concessions are secured by a tender bid process in which the prospective concessionaires submit their bids of the minimum guaranteed payment they are prepared to make. Royalty rates vary according to the category of service or product offered and whether items are duty free or duty paid. In 1999, the royalty percentage charged ranged from a minimum of five per cent. of revenues to a maximum of 22 per cent. of revenues for retail outlets and from a minimum of 10 per cent. of revenues to a maximum of 27 per cent. of revenues for food and beverage outlets.

At present, the concessionaires operating retail outlets at KLIA are generally making the minimum guaranteed payment only as they are not generating sufficient business to make additional royalty payments. A significant proportion, approximately 60 per cent., in number of concessionaires at KLIA were more than three months in arrears on their monthly minimum guaranteed payment as at 30 April, 1999. The Company believes that this is a result of lower than expected passenger traffic levels and the increased costs, such as cost of goods sold (imported products) rental overheads, associated with operating retail outlets at KLIA.

The concession contracts vary in length according to the type of activity and the initial investments required of the concessionaire and are usually not renewed automatically. Concessions for retail outlets are generally granted for a period of three, with an option for a further two, years although the Group does agree to longer terms where appropriate, for example, for food and beverage outlets or other facilities which require substantial initial investment by the concessionaire.

At present the Group provides utilities for the concessionaires and tenants and charges the costs of these services back to the concessionaires although there is no surcharge for this service.

There are 64 retail outlets and 26 food and beverage outlets operating pursuant to concessions at KLIA. These businesses sell a broad range of duty free and duty paid products, including luxury clothing, cosmetics, consumer goods and liquor.

The Company also intends to take advantage of the additional space resulting from the renovation of existing passenger terminals at various airports and the expansion of the passenger terminal at Penang by increasing the aggregate space dedicated to commercial activity. See also "Future Plans and Strategy".

Advertising : The Airports directly lease and, in certain cases, grant concessions for, advertising space located both inside and outside the terminals, including panels, promotional stands, display booths, and on baggage trolleys.

Rental Revenue : Rental revenue is derived from the lease by the Group of space and associated equipment to specific users. Unlike concession revenue, the Group does not derive any rental revenue based on a percentage of sales.

Rental tenants within the terminal buildings are principally airlines and, to a lesser extent, other users such as consultants, cleaners, etc. Major elements of the rental charges to airlines include offices and first and business class lounges.

Rental income outside the terminal buildings is derived primarily from cargo buildings, hangars for aircraft maintenance and other commercial properties within the Airports' premises which are leased to operators whose activities relate to the Airports. These include, at KLIA, the Pos Malaysia and KLAS occupied land and the Southern Common Amenities. Southern Common Amenities refer to an area where there is provision of services to meet the needs of the employees of KLIA such as banks, post office, clinic, restaurant, shop and others amenities and engineering complex.

Car Parking : Public car parking arrangements vary from airport to airport and range from multi-storey car parks to extensive surface parking areas. In the past, the car parks at the Airports have been operated by concessionaires or agents but the Group is taking steps to manage these car park operations on its own. At KLIA, car parking has been managed by MA Sepang since its opening and will subsequently be transferred to MA Properties. KLIA has 6,750 short stay parking bays and 5,509 long stay parking bays (which are presently closed). Parking is charged by the hour or any part thereof for short stay car parks. The short stay car parks are connected to the main terminal building by travellators. Employees of KLIA are allowed to park at the short stay covered car parks at a discounted rate. The long stay parking bays are intended for customers who wish to park their car overnight. The parking rate for a long stay parking bay is cheaper compared to a short stay parking bay.

Others : Much of the KLIA land was used for palm oil plantations prior to the lease of the land to MA Sepang. A wholly owned subsidiary of MA Properties, MAAH was set up in 1998 and is responsible for the oil palm plantations pending any future development of the land . MAAH will also take control of the landscape management operations at KLIA.

The landside hotel at KLIA, the Pan Pacific Hotel, is partly owned by the Group through a subsidiary, KLAH. MA Properties and Warisan Anggun Sdn. Bhd. have a 60 per cent. and 40 per cent. shareholding respectively in KLAH. The hotel is connected to KLIA by a sky-bridge of 30 meters length and has three food and beverage outlets as well as the other usual amenities and services such as tennis courts and a swimming pool. It is targeted at business travellers, airline crews and transit passengers. Construction of the hotel commenced on 27 March, 1996 and since its opening on 23 June, 1998, it has generated gross revenues of RM 13.6 million in 1998 and RM 11.7 million for the first five months of 1999. The hotel is the only 4-star hotel in the vicinity of the airport. The hotel has maintained occupancy rates of between 55 to 60 per cent since its opening. Its main competitor is the nearby two-star Sepang Concorde Hotel.

SIC is a wholly owned subsidiary of the Company. The activities of SIC include the management and operation of the Sepang F1 Circuit situated near KLIA, as well as the promotion of motor racing in Malaysia. The Sepang F1 Circuit was developed by MASB. SIC has the exclusive right in Malaysia to organise and promote the Malaysian leg of the Formula One Grand Prix every year for a period of at least seven years. This event is part of the FIA Worid Formula One Championships and the first was scheduled on 15 to 17 October, 1999. This event for SIC will generate income from ticket sales to a potential capacity crowd of 130,000, as well as exclusive rights to Malaysian terrestrial television coverage of the Formula One event, share of all revenues from sources including advertising fees, and the lease of the corporate and hospitality suites. Other revenue sources for SIC include income from event organisation, the opening of the track to the paying public, merchandising, hospitality events and fees, circuit sponsorship and event sponsorship (granting a sponsor the right to have an event named after them). Since the Sepang F 1 Circuit became operational in 1999, it has hosted the Malaysian Motorcycle Grand Prix which took place between 16 to 18 April, 1999 (the FOM World Motorcycle Championship). This event, held over three days, also generated income amounting to RM2,305,744 for SIC. The Sepang F1 Circuit measures 5.5 km. The main items of expenditure for SIC are the fees and staging costs for the Formula One and Malaysian Grand Prix events and employee payrolls. There are plans to develop the site into a one-stop recreation centre and current facilities at the site include a Go-Kart arena which has a track built to the same Formula One specifications as the main circuit.

Through joint ventures, MA Properties has a 12.5 per cent. interest in GDC, a joint venture with Petronas, which provides KLIA with electricity and chilled water, and a 20 per cent. interest in KAFS, a joint venture with Petronas (65 per cent.) and MAS (15 per cent.), which manages and operates the airport fuelling system at KLIA.

Through another wholly owned subsidiary, MAMTS, the Company manages and operates Pochentong airport in Phnom Penh, Cambodia through a joint venture, CAMS. Another joint venture, UTW, provides certain maintenance and engineering services for KLIA.

Other revenue generating activities include the operation and management of the airside hotel at KLIA and the exhibition centre with a covered exhibition area of 34,000 square metres and a massive open area of 130,000 square metres (in the building that used to be the main international terminal) at Subang Airport.

Revenue from Major Airline Customers

The following table shows revenues relating to the major airline customers of the Group as a percentage of total aeronautical revenue for the year ended 3 1 December, 1998:

	Year ended 31 December, 1998
	%
Revenues	
MAS	53.94
Singapore Airlines	10.64
Cathay Pacific Airways	2.67
Japan Airlines	2.90
KLM Royal Dutch	1.11
China Southern Airlines	0.81

As the flag carrier for Malaysia, MAS remains the Group's most important customer. In 1998, MAS carried 86 per cent. of the Group's domestic passengers and 55 per cent. of its international passengers. See "Investment Considerations, Customer Concentration: Relationship with MAS".

The Group has also granted a sub-lease to MAS in respect of a technical area (the "MAS **Campus")** comprising (i) a hangar used by MAS primarily for the maintenance of aircraft and the provision of various other technical services to MAS and other carriers, (ii) a carge terminal for cargo facilities including storage, break bulking, repackaging and labelling and (iii) ground handling facilities which provide, amongst others, catering services to MAS and other carriers, in total covering an area of approximately 82 hectares. The sub-lease, which was been granted for the duration of the KLIA Concession, does not impose fees upon MAS to reflect, in part, investments made by MAS in relation to infrastructure costs such as the construction costs of various buildings and facilities in the MAS Campus during Phase I and, in part, in consideration of current and future expenditure in accordance with construction plans for the MAS Campus.

The Airports

K. L. International Airport

KLIA is now the primary gateway to Malaysia. Built and paid for by the Government at a cost of RM10.7 billion, KLIA has two runways, 106 aircraft stands, 46 of which have aerobridges, six check-in islands, 2 16 international and domestic check-in counters, 26 food and beverage outlets, 7 1 retail and service outlets and an initial annual passenger capacity of **25** million with a future capacity to expand 100 million. An airside transit hotel has 80 day-use rooms with ensuite shower and other facilities.

KLIA is located approximately 50 kilometres from the centre of the city of Kuala Lumpur. It takes approximately one hour to reach KLIA from Kuala Lumpur city centre by road. Kuala Lumpur is Malaysia's largest urban area and the country's main business and commercial centre.

KLIA also services significant portions of Malaysia. There are limited long-haul international services to and from Penang in northern Malaysia and Kota Kinabalu and Kuching in East Malaysia. Generally, KLIA is the gateway to and the primary exit from Malaysia.

Primary road access from Kuala Lumpur is through the North-South Central Link Expressway. A second access route is provided by the Eastern access running between the existing Nilai interchange on the North-South Highway and the airport, thereby improving access from the centre of Kuala Lumpur and its southern outskirts. A dedicated highway to link Kuala Lumpur to the new Government administrative centre in Putrajaya and KLIA is scheduled to be completed in 2002.

An express rail link is being privately developed and is currently scheduled for completion in 2002. This rail link is intended to provide for seamless travel between KLIA and Sentral Station in Brickfields, Kuala Lumpur and may include check-in facilities at Sentral Station itself. Sentral Station is being developed as a hub for local mass transit systems including the light rail transit system. It is anticipated that the travel time between KLIA and Sentral Station will be 30 minutes using the express rail link. The Company believes that the express rail link will increase passenger convenience and contribute positively to passenger growth at KLIA.

In the six months ended 3 1 December, 1998, KLIA handled 6,524,405 passenger movements (6,67 1,520 including transit passengers) and 63,5 13 aircraft movements. The majority of such passenger movements (69.8 per cent.) were international travellers and approximately 56.7 per cent. of such aircraft movements were international aircraft movements. The predominance of international aircraft movements at KLIA is partly due to the transfer to Subang Airport in October 1998 of some of MAS domestic flights.

Airport Infrastructure

KLIA occupies a 10,000 hectare site approximately 50 kilometres from the centre of Kuala Lumpur. It is accessible by expressways and roads at present. An express rail link linking Kuala Lumpur, Putrajaya and KLIA is scheduled to be completed in 2002.

Runway, Taxiways and Roads : KLIA has two runways which are 4,000m long and 60m wide which permit all existing aircraft types to operate under all weather conditions. Both runways can be operated in either direction. One of the runways is designed to be extendable up to 4,600m to take into account the possible need for longer runways for larger future aircraft. The separation between the two runways is 2,535m which permits totally independent operations of each runway regardless of how they are used.

The KLIA Master Plan allows for the ultimate development of five runways of which one will be set at right angles to the other runways. This orientation will allow an increase in capacity, especially take-off capacity, by sending departing aircraft in a different direction to other aircraft thereby relieving pressure on airspace and controllers.

Terminal and Satellite Buildings: KLIA, which currently comprises of a main terminal building and a satellite terminal, has a present capacity of 25 mppa. Given that KLIA and Subang Airport had combined passenger movements of 14,788,335 in the year ended 3 1 December 1998, the Company believes, based on air traffic forecasts, that KLIA will not require significant development costs for at least 5 to 7 years. After this period, the Company believes that, with selective planned upgrading of the current facilities, the present capacity may be increased to 30 mppa with 'minimal capital expenditure requirements. Significant capital expenditure will be required in 13 to 16 years when a second satellite terminal is constructed to extend capacity to 35 to 45 mppa. In addition, the KLIA Master Plan envisages a second terminal building built as a mirror image of the first. This will give a total capacity of 80-100 mppa.

One of the key policies reflected in the KLIA Master Plan is the maximisation of aerobridge facilities to remove the need for passengers to be transported from aircraft to terminal by shuttle buses. In order to provide stands for the aerobridge service, KLIA has a remote four-armed satellite connected to the main terminal building via an automated track transit system for the transport of passengers (a "track transit" system). The track transit system operates driverless and is fully automatic in its operation. The running of the system is monitored from a central control room.

The satellite concept was designed to reduce walking distances and allow the development of a commercial zone within the satellite which is large enough to offer a comprehensive range of services and at the same time is close to the aircraft. The KLIA Master Plan envisages the eventual completion of four satellites, two connected to the present main terminal building and two connected to the mirror terminal building which is to be developed.

Control Towers : There is an apron control tower located near the satellite building which monitors airside ground movement. It is managed by DCA. There is also an air traffic control tower managed by DCA.

Baggage handling: KLIA has an automated baggage sorting system which is equipped with 14 outbound delivery belts and is capable of processing 14,000 items of baggage per hour. There are 34km of conveyor belt at KLIA which culminate in 9 international carousels and 2 domestic carousels (plus one extra interchangeable carousel).

Parking : The short stay car park consists of two buildings comprising four blocks with 6,750 parking lots and 13 bus bays. It is connected by link bridge to the main terminal building and the landside hotel at KLIA. The long stay car park which is presently closed is 1.5km away from the main terminal building and has 5,509 parking lots and 27 bus bays.

VIP Suites : KLIA has six VIP suites and one CIP suite available for private use for which it charges rental.

VVIP Complex : A separate building houses the VVIP complex. Facilities include a reception hall, four private VVIP suites, a function room and a media briefing room.

Cargo: There are also two cargo terminals operated by MAS and KLAS for cargo facilities including storage, break bulking, repackaging and labelling.

Others: KLIA has a six storey administration building occupied by Government departments and MA Sepang is the Free Commercial Zone authority. KLIA facilities include a combined generation plant which produces chilled water and electricity for the airport, a waste water treatment plant, aircraft maintenance centres, flight catering facilities, handling agent facilities and the Southern Common Amenities.

TAMS: KLIA utilises a total airport management system which comprises of 42 individual component systems. TAMS is a state-of-the-art integrated airport management system to enhance efficiency through the exchange of data between individual systems. The component systems include air traffic management, runway/taxiway lighting control, baggage handling, gate allocation, passenger check-in and flight information displays. It is also possible to use each component of TAMS as a stand-alone system. TAMS is presently being utilised on a largely integrated basis and the Company believes that this is sufficient to operate KLIA efficiently.

In a report by the IATA Global Airport Monitor, KLIA was ranked first for "Overall Business Passenger Satisfaction for Airports with 15 to 25 mppa" and third for "Overall Passenger Satisfaction*' for business travellers (April 1999). The IATA Global Airport Monitor provides comparative airport service performance indicators for 65 major international airports worldwide.

As at 30 June, 1999, there were 42 international airlines, comprising 37 passenger airlines other than MAS operating at KLIA, although some of these operate on a code share basis only. (Code shares represent those airlines which do not fly their own aircraft to and from an airport but rather have an arrangement with one or more other airlines that do operate to and from the airport to utilise those airlines services for passengers booking through the code share airline. Each particular flight carries its own flight number as well as that of the other airline.)

MAS operates the most international flights at KLIA followed by Singapore Airlines. Passenger airlines operating scheduled international flights from KLIA are listed below.

Passenger Airlines Operating International Flights at KLIA, June 1999
(Includes passenger airlines operating on a code share basis only)

Aeroflot Soviet Airlines
Air India
Air Lanka
Air Maldives / Malaysia Airlines
Air Mauritius
All Nippon Airways
Biman Bangladesh
British Airways/Qantas Airways
Cathay Pacific Airways Ltd
China Airlines
China Southern Airlines
Emirates Airlines
Eva Airways
Garuda Indonesia
Gulf Air
Indian Airlines
Iran Air
Japan Airlines
Myanmar Airways International
Merpati Nusantara
Middle East Airlines/Malaysia Airlines
Malaysia Airlines
KLM-Royal Dutch Airlines
Korean Air
Lauda Air
Lufthansa German Airlines
Northwest Airlines
Pakistan International Airways
Philippine Airlines (temporarily suspended)
Royal Air Cambodge
Royal Brunei Airlines
Royal Jordanian Airlines
Saudi Arabian Airlines
Singapore Airlines
Thai Airways
Turkish Airlines
Uzbekistan Airways
Vietnam Airlines
Virgin Atlantic/Malaysia Airlines

Eleven freight-only carriers operated at KLIA as at 3 1 May, 1999. KLIA's freight business is ancillary to its international and domestic passenger business.

Subang Airport

Subang Airport is Kuala Lumpur's second airport. It has a single runway and one passenger terminal with a capacity of 4 mppa at present. Subang Airport's runway is 3,780 meters in length and 45 meters wide. The Subang Airport can accommodate Boeing 747-400 operations. Subang is Malaysia's second busiest airport for domestic passenger movements with 3803,244 domestic passenger movements in the year ended 31 December, 1998. Subang Airport provides a base for some domestic flights of the major national airline (MAS) and serves smaller domestic airlines. Subang Airport also has an expanding network of scheduled services within the region operated by Air Asia, Malaysia's second national airline. 17 domestic scheduled services were temporarily transferred to Subang in October, 1998 from KLIA although they are scheduled to return to KLIA at the latest when the express rail link is complete. The express rail link is scheduled to be completed in early 2002. A number of charter flights also operate out of Subang Airport.

The following tables give certain combined information on revenue for Subang Airport and KLIA:

	Year ended 31 March,		1 April, 1995 to 3 1 December,	Year ended 31 December,				1 Jan, 1999 to 31 May,
	1994	1995	1995	1996	1997	1998	1998	1999
	RM	RM	RM	RM	RM	RM	U.S.$	RM
			(thousands)					
Revenue	**157,046**	**189,057**	**179,086**	**292,798**	**333,686**	**378,405**	**99.580**	**9,583**

The following tables give certain combined information on passenger and aircraft movements on Subang Airport and KLIA

	Year ended 31 December,					1 Jan 1999 to 31 July
	1994	1995	1996	1997	1998	1999
Passengers (ppa)**						
- International	6,539,446	7,304,427	8,456,166	8,889,022	8,837,930	5,393,868
- Domestic	4,804,202	5,240,302	5,858,38 1	6,706,452	5,668,464	3,053,859
Cargo (tonnes)	262,053	325.78 1	372,339	413,695	326,435	351,515
Aircraft movements	137,871	146,248	163,493	162,652	153,005	224,476

* *the figures reflect the combined revenues and pnssenger numbers since July 1998 of Subang Airport and KLIA. Until the opening of KLIA, Subang Airport was the mnin internntionnl and domestic nirport for pnssenger and aircraft movements. AN international and domestic scheduled/lights were moved to KLIA upon its opening. However, in October 1998 some domestic flights operated by MAS and ccrtnin other flights eg. those operated by Air Asia. were transferred back to Subnng Airport.*

** *passengers per annum*

Penang Airport

Penang International Airport has one runway and one terminal and can accommodate Boeing 747-400 operations. Penang International Airport's runway is 3,354 meters long and 45 meters wide. Various airlines serve the airport including MAS, Singapore Airlines, Thai Airways, FedEx and Cathay Pacific. It has retail services including 20 retail shops and four restaurants. Penang Airport is an important cargo airport handling 89,964 tonnes of cargo in the seven months ending 3 1 July, 1999 and 87,235 tonnes of cargo in the seven months ending 3 1 July, 1998. The terminal facilities are being expanded and will eventually have a capacity of 5 mppa. A new cargo facility with a capacity of handling 360,000 tonnes has recently been completed.

8. INFORMATION ON THE GROUP *(Cont 'd)*

The following tables give certain information for Penang Airport:

	Year ended 31 March,		1 April, 1995 to 31 December,	Year ended 31 December,				1 Jan 1999 to 31 May
	1994	1995	1995	1996	1997	1998	1998	1999
	RM	RM	RM (thousands)	RM	RM	RM	U.S.$	RM
Revenue	32,793	38,491	32.670	60,754	62,997	66,586	17,523	27,018

	Year ended 31 December,					1 Jan 1999 to 31 July
	1994	1995	1996	1997	1998	1999
Passengers (ppa)**						
- International	1,146,577	1173639	1,163,215	1,172,745	1,049,428	655,362
- Domestic	1,507,908	1,561,965	1,686,184	1,654,713	1,343,395	755,112
Cargo (tonnes)	60,962	87,470	101,716	122,176	137,021	89,964
Aircraft movements	36,045	35,656	35,961	35,446	32,445	16,137

** *passengers per annum*

Kota Kinabalu Airport

Kota Kinabalu International Airport has one runway and one terminal and can accommodate Boeing 747-400 operations. Kota Kinabalu International Airport runway measures 2,987 meters in length and 45 metres in width. It has a 17,000 sq.m. cargo facility. Various airlines serve the airport including MAS, Singapore Airlines, Dragon Air and Philippine Airlines. It has retail services including 12 duty free shops and three restaurants. Kota Kinabalu International Airport is the main passenger and cargo airport serving the state of Sabah in East Malaysia. Kota Kinabalu International Airport passenger terminal has a capacity of 4.95 mppa. A new cargo centre with a cargo area of 3 1,000 square meters was recently completed with further plans for the renovation of the main terminal building. Kota Kinabalu International Airport cargo facility has a capacity to handle 250,929 tonnes of cargo per annum.

The following table gives certain information for Kota Kinabalu:

	Year ended 31 March,		1 April, 1995 to 31 December,	Year ended 31 December,				1 Jan 1999 to 31 July
	1994	1995	1995	1996	1997	1998	1998	1999
	RM	RM	RM (thousands)	RM	RM	RM	U.S.$	RM
Revenue	17,717	21,017	17,209	25,945	30,284	26,358	6,936	7,350

	Year ended 31 December,					I Jan 1999 to 31 May
	1994	1995	1996	1997	1998	1999
Passengers (ppa)**						
- International	369,531	480,802	399,067	364,467	374,918	296,739
- Domestic	1,699,710	1,930,005	2,079,491	2,222,078	1,884,520	1,249,724
Cargo (tonnes)	24,270	29,537	23,099	37,203	27,942	15,038
Aircraft movements	40,608	43,882	45,726	49,148	38,716	21,817

** *passengers per annum*

Kuching Airport

Kuching International Airport has one runway and one terminal and can accommodate MD- 11 operations. Kuching International Airport's runway measures 2,454 meters in length and 45 meters in width. It has a 1,407 sq.m cargo facility. Various airlines serve the airport including MAS, Singapore Airlines and Royal Brunei Airlines. It has retail services including 13 retail shops and four restaurants. Kuching Airport is the main passenger and cargo airport serving the state of Sarawak in East Malaysia. Kuching International Airport passenger terminal has a capacity of 2.735 mppa and a cargo area of 1,407 square metres. Kuching International Airport has a capacity to handle 19,000 tonnes cargo annually.

The following tables give certain information for Kuching Airport:

	Year ended 31 March,		1 April, 1995 to 31 December,	Year ended 31 December,				1 Jan to 31 May 1999
	1994	1995	1995	1996	1997	1998	1998	1999
	RM	RM	RM (thousands)	RM	RM	RM	U.S.$	RM
Revenue	14,209	15,308	11,469	22,365	21,648	20,114	5,293	8,081

	Year ended 31 December,					1 Jan 1999 to 31 July
	1994	1995	1996	1997	1998	1999
Passengers (ppa)**						
- international	322,881	352,277	326,084	289,896	236,496	136,166
- Domestic	1,567,974	1,714,975	1,837,478	1,865,673	1,704,241	1,108,467
Cargo (tonnes)	14.622	16,154	20,420	22,542	17,447	11,515
Aircraft movements	37,193	34,576	40,477	40,872	35,147	18,133

** *passengers per annum*

Langkawi Airport

Langkawi International Airport has one runway and one terminal with a capacity of 2.5 mppa. Langkawi International Airport's runway measures 3,810 meters in length and 45 meters in width. It was renovated and extended after the privatisation of the DCA. The renovations were completed in 1995. Various airlines serve the airport including MAS, Silk Air and as well as airlines such as Fin Air and Cathay Pacific on a chartered basis. It has retail services including 17 retail shops and one restaurant and can accommodate Boeing 747-400 operations. Langkawi International Airport has a cargo area measuring 1,673 sq.m.. Langkawi International Airport has an annual cargo capacity of 22,000 tones.

The following tables give certain information for Langkawi Airport:

	Year ended 31 March,		1 April, 1995 to 31 December,	Year ended 31 December,				1 Jan 1999 to31 May
	1994	1995	1995	1996	1997	1998	1998	1999
	RM	RM	RM (thousands)	RM	RM	RM	U.S.$	RM
Revenue	7,815	8,661	8,397	18,230	12,394	11,681	3,074	4,512

	Year ended 31 December,					1 Jan 1999 to 31 July
	1994	1995	1996	1997	1998	1999
Passengers (ppa)**						
- international	81,245	106,114	95,673	79,939	78,983	48,327
- Domestic	791,899	782,017	771,868	746,893	656,840	368,915
Cargo (tonnes)	257	391	444	349	420	166
Aircraft movements	36,578	22,798	19,704	13,248	10,894	4,732

** *passengers per annum*

8. INFORMATION ON THE GROUP *(Cont'd)*

Johor Buharu Airport

Johor Baharu Airport has one runway and one terminal and was recently refurbished at a cost of RM80 million. Johor Baharu Airport's runway measures 3,354 meters in length and 46 meters width. It has a 1,346 sq.m cargo facility. Johor Baharu is primarily a domestic airport although it runs scheduled services to certain regional destinations such as Bali and Palembang. It has retail services including eight duty free shops and two restaurants. Johor Baharu Airport is able to accommodate limited Boeing 747 operations. Johor Baharu Airports has a capacity to handle 20,000 tones cargo annually. Its passenger capacity is approximately 2.5 mppa. million.

The following tables give certain information for Johor Baharu Airport:

	Year ended 31 March,		1 April, 1995 to 31 December,	Year ended 31 December,				1 Jan, 1999 to 31 May,
	1994	199s	199s	1996	1997	1998	1998	1999
	RM	RM	RM	RM	RM	RM	U.S.$	RM
			(thousands)					
Revenue	8,059	8,078	5,582	8,890	10,695	10,690	2,813	4,130

	Year ended 31 December,					1 Jan, 1999 to 31 July,
	1994	199s	1996	1997	1998	1999
Passengers (ppa)**						
- International	20,789	76,28 1	62,43 1	77,527	55,796	41,138
- Domestic	687,521	788,280	854,298	949,792	754,947	471,453
Cargo (tonnes)	2,275	3,183	4,082	2,068	1,411	1,064
Aircraft movements	17,903	2 1,479	22,860	21,418	17,392	6,368

** *passengers per annum*

Other Airports

The Airports above, namely KLIA, the international airports at Penang, Langkawi, Kota Kinabalu and Kuching and the domestic airports at Subang and Johor Baharu accounted for 83 per cent. of passenger movements and 93 per cent. of cargo movements in 1998.

The other airports in Malaysia are accessible by road and are generally located within 10 to 30 minutes by road from the nearest large town. STOLports are situated in outlying areas in East Malaysia where there is limited access by road and are intended to service the local community in that area.

The infrastructure at the other Airports varies from airport to airport. Generally speaking, each Airport consists of a single runway and terminal building with limited apron space. Certain airports have aerobridge facilities and cargo complexes. Air traffic control is handled by the DCA

8. INFORMATION ON THE GROUP (Con? 'd)

The following tables give certain information for the other domestic Airports:

	Year ended 31 March,		1 April, 1995 to 3 1 December,	Year ended 31 December,				1 Jan 1999 to 31 May,
	1994	1995	1995	1996	1997	1998	1998	1999
	RM	RM	RM	RM	RM	RM	u.s.s	RM
			(thousands)					
Revenue	33,182	35,608	24,666	40,079	43,460	35,487	9,339	16,167

	Year ended 31 December,					1 Jan 1999 to 31 July
	1994	1995	1996	1997	1998	1999
Passengers (ppa)**						
- International	147,734	208,085	241,658	150,737	97,626	63,951
- Domestic	4,477,970	4,621,118	5,041,237	5,295,777	4,264,046	2,667,098
Cargo (tonnes)	16,792	19,426	19,3 16	53,568	33,569	9,293
Aircraft movements	220,459	228,465	2 14,332	193,763	162,929	83,163

** *passengers per annum*

See "Principal Sources of Revenue, Recent Aircraft, Passenger and Cargo Movement*' for an explanation of the dip in revenues in relation to all the Airports for the year ended 3 1 December, 1998.

Airport Development

The Company regards planning for airport development as a continuous process which is vital to the growth of the Group. The Company maintains a planning department which monitors existing facilities at the Airports and develops programmes for improving facilities so that traffic demand may be accommodated safely and efficiently while maximising cost effectiveness. The planning process involves, amongst other things, an analysis of air traffic forecasts, airport access, land availability, environmental issues and economic feasibility. Economic feasibility involves comparing the costs of improvement as against the returns and benefits to be realised by the Group, passengers, cargo handlers and aircraft operators.

KLIA was developed to meet Malaysia's long term requirements for its primary international airport. As such, the KLIA Master Plan adopts a structured approach to forward planning and resources, such as a land bank for expansion, have been reserved for KLIA development.

MA Sepang is responsible for the development of KLIA in accordance with the KLIA Master Plan. As KLIA was opened only very recently, the Company does not believe that significant development costs will need to be expended in relation to KLIA for at least five to seven years. Each phase of the plan is intended to be implemented based on the traffic volumes being handled and forecast at KLIA.

For certain other airports, e.g. Langkawi, the master plan formulated when the airport was developed represents the blueprint for the development of the airport. However, in certain cases, such as at Penang Airport, the master plan did not anticipate to cater for the speed of growth and technological developments and no longer provides effective guidelines for development. In such circumstances, the Group develops new plans or considers development strategies depending on requirements.

Since 1992, various airport development projects have been carried out by the Group. These include terminal renovation and expansion and a new car park at Langkawi Airport, which has been completed, and terminal renovation and expansion at Johor Baharu Airport which has also been completed. A new cargo complex has been built and terminal renovations are presently being carried out at Penang Airport. Further development plans include a new terminal complex, apron and taxiway at Kota Bahru and an extension and renovation of the terminal building at Miri.

The following table shows capital expenditure by the Group on development and renovation of the Designated Airports,

	Years ended 31 December,						
	1994	1995	1996	1997	1998	1998	1 Jan, to 31 May, 1999
	RM	RM	RM	RM (thousands)	RM	U.S.$	RM
Group	45,461	104,943	37,194	34,47 1	98,967	26,044	189,140

The Group has in the past been able to rely on contributions from the Government for the development and expansion of airports in Malaysia. In the five years ended 3 1 December, 1998 Government expenditure on the Designated Airports amounted to approximately RM973.9 million. The Company believes that further Government funding may not be forthcoming in the future. As such, the Company may be solely responsible for the costs of further improvements or renovations to existing airports and the costs of developing new airports (if any) including in circumstances where the Group is requested by the Government to improve existing airports or develop new airports. However, the Company does not believe that this will involve significant capital expenditure as the Airports do not have capacity problems at present with the exception of Kota Kinabalu, Sibu, Kota Bharu, Tawau and Penang where the planned capital expenditure over the next five years is not anticipated to exceed RM120 million. The aforesaid RM120 million planned capital expenditure will be funded through internally generated funds. See "Investment Considerations".

Competition

Although the Group does not have an exclusive right to the management and operation of any new airports developed in Malaysia, the Group currently does not have competition in Malaysia. It currently manages and operates all existing commercial airports and STOLports in Malaysia (except for Kerteh Airport, a small airport built to service the oil facilities in its vicinity operated by the national oil company). The Company believes that any future airport developed in the country is likely to be managed by the Group because it has the specialised skills necessary for such an undertaking.

Although the Group does not face competition from other airports in Malaysia, the Airports, in particular KLIA, face competition from other regional airports, including Changi Airport, Singapore and Dong Muang Airport in Bangkok, Thailand. Any attempts to make KLIA a hub for international airlines will involve competition with these airports. Although KLIA's aeronautical charges, including landing, parking and passenger charges, compete favourably with other regional airports, KLIA's status as a hub is also dependent on other factors like connectivity, i.e. the number of connecting flights there are out of KLIA for arriving airlines, and passenger comfort levels. See "Future Plans and Strategy".

The Airports do face competition from improving road and rail systems although the Company believes that business travellers are less susceptible to improvements in alternative forms of transportation. The completion of the North South Highway from the northern tip of Peninsular Malaysia to Singapore has significantly reduced road travel times between airport towns and along its route. For example, the journey by road from Kuala Lumpur to Ipoh used to take 4 hours prior to completion of the North South Highway and has now been reduced to 2 hours. This has had a major impact on passenger traffic between Ipoh and Kuala Lumpur which has fallen 65 per cent. between 1992 and 1998.

To the extent that plans are developed for new airports. there can be no assurance that the Group will be permitted to operate and manage these new airports, or if they are, that such airports will not negatively affect the Group's financial condition. See also "Investment Considerations".

Year 2000

KLIA utilises TAMS which applies advanced information technology. Currently, there are 42 systems which are all part of an integrated IT scheme at KLIA. The Airports (other than KLIA) utilise an integrated business management software for financial and human resources management only. The Company is reviewing its computer systems and operations in order to identify and determine the extent to which any systems may be vulnerable to potential errors and failures as a result of the Year 2000 problem.

The Year 2000 problem is the result of computer programmes being written using two digits, rather than four digits, to define the applicable year. Any computer application having time-sensitive software may recognise a date using "00" as the year 1900 rather than the Year 2000, which could result in a major system failure or miscalculations. The effects of the Year 2000 problem are exacerbated because of the interdependence of computer and telecommunications systems throughout the world. This interdependence applies for the Group, its suppliers and certain of its customers. The Company does not believe that the Year 2000 issue is critical at the Airports (other than KLIA) as most airport operations are run manually and not computerised.

A Year 2000 task force for the Group was set up on 19 August, 1998. Its objectives are to report to the Ministry of Energy, Communications and Multimedia, the national Year 2000 supervisory agency, the steering committee established by the Ministry of Transport to address Year 2000 issues and the DCA on the Group's Year 2000 project status, to raise awareness of potential year 2000 problems, to develop a plan for dealing with these potential problems, to examine the budget requirements for the implementation of such a plan, to ensure timely implementation of the plan by the Airports and to monitor progress towards this goal. The General Manager of MA Sepang is chairman of the task force. The airports have been divided into four regions; the Northern region, Southern region, East Malaysia and KLIA. Heads of each region, reporting to the chairman, have been appointed.

The Group has adopted the recommendations and guidelines of various organisations including the IATA, ICAO and Federal Aviation Authority in handling Year 2000 issues.

The Year 2000 project is a six-step process involving awareness, an assessment of computer systems, renovation of the systems that are not Year 2000 compliant, verification that the renovations are complete and successful, implementation of the renovated systems and contingency planning.

The second phase is an assessment of the effects of Year 2000 problems on the Company's systems and products. This phase includes the identification of business critical systems and products. The assessment process and a significant portion of the renovation work had been completed as of June 1999. This involved the compilation of an inventory of all the Group's computer hardware and software systems and embedded chips and software. Of the 147 systems at KLIA, 44 are not Year 2000 compliant

Simultaneously with the second phase, all suppliers and vendors of products and services have been or will be approached to ascertain whether such suppliers and vendors have determined whether or not their products and services are Year 2000 compliant and, if not, what efforts they are making in this regard. The Group will continue working on this phase through the rest of 1999.

The fourth phase involves the testing of all products and business critical systems to determine the correct remedial action required to address any Year 2000 problems which are diagnosed. This phase further includes the verification and testing of those systems to which remediation efforts have been applied (whether by way of corrections or upgrade).

A variety of testing procedures are being used to test business applications for Year 2000 compliance by the Company's operations. These include methods that first capture current processing steps and relevant data, which are run prior to remediation (baseline test) and again after remediation (regression test). Such methods are intended to identify any business rules that may have changed during the remediation effort and to confirm that only date processors have been changed. Where the regression tests are successfully completed, test software tools that perform date simulation of the system clock being rolled forward may be used to age the same date and to verify and compare results.

Where possible, systems contractors are required to make the necessary renovations to ensure the system in question is Year 2000 compliant. An independent consultant has been appointed to advise on the renovation works necessary for the other systems at KLIA.

The final phase involves the preparation of contingency plans to attempt to ameliorate those aspects of the Year 2000 problem that cannot practically be remedied. It is intended for these plans to encompass business continuity, both internally and in the external business environment. It is intended that the planning effort will include critical areas such as computing networks, suppliers and vendors, operations, personnel and business systems.

The costs of compliance are anticipated to be RM5 million for KLIA and RM2 million for the other Airports.

The Company recognises that the computer, telecommunications and other systems (the "Outside Systems") of external agencies including concessionaires, banks, airlines, ground handlers, government agencies, service providers and telecommunications providers (the "Outside Entities") play a major role in the Company's operations. In particular, air traffic control is provided by DCA and they are responsible for ensuring that the air traffic control system in Malaysia is Year 2000 compliant or that appropriate contingency plans have been made. The Company does not have control of these Outside Entities or Outside Systems. The Company has, however, implemented an ongoing process of contacting Outside Entities whose systems have, or may have, a substantial effect on the Company's ability to continue to conduct business without disruption from Year 2000 problems. The Company is attempting to assess the extent to which these Outside Systems may not be Year 2000 compliant. The Company will attempt to coordinate with these Outside Entities in an ongoing effort to obtain assurance that these Outside Systems will be Year 2000 compliant before January 1, 2000.

See "Investment Considerations".

Insurance

The Company and its subsidiaries have industrial all-risk insurance which covers material damage to real and personal property and business interruption and airport owner and operator liability insurance which covers liability arising out of operations at the Airports including premises, products and operations risk within Malaysia but excludes air traffic control liability and aeronautical, communications, flight operations, licensing, airworthiness and air cargo where related to air traffic control liability, which are the responsibility of DCA. Other insurance policies that the Group holds include, among others, airport owner and operator liability, group personal accident, directors and officers liability as well as company reimbursement liability. The Company believes that the existing insurance coverage of the Airports is in accordance with international standards.

Regulatory Framework

Regulatory Framework

Bilateral air services agreements negotiated between Malaysia and other countries and territories establish the conditions under which airlines from those countries and territories can engage in international air transport to, and through, Malaysia, including which, or how many, Malaysian airports airlines may use. Malaysia has bilateral air services agreements with 76 countries and territories and generally follows an 'open skies' policy.

KLIA is regulated in accordance with the laws and regulations pertaining to civil aviation, including environmental laws, the KLIA Concession and the KLIA licence.

The Director General of Civil Aviation (the "Director General") has various objectives specified in the Civil Aviation Act, 1969 ("the Act")including:

to exercise regulatory functions in respect of civil aviation and airport and aviation services including the establishment of standards and their enforcement;

to represent the Government in respect of civil aviation matters and to do all things necessary for this purpose;

to ensure the safe and orderly growth of civil aviation throughout Malaysia;

to encourage the development of airways, airport and air navigation facilities for civil aviation;

to promote the provision of efficient airport and aviation services by a licensed company; and

to promote the interests of users of airport and aviation services in Malaysia in respect of the prices charged for, and the quality and variety of, services provided by a licensed company.

KLIA and MASB Licences : The KLIA and MASB licences (the "Licences") were both issued pursuant to Section 24A of the Civil Aviation Act, 1969.

International obligations : Subject to any directions of the Director General and any modification or variation made by the Government, MA Sepang and MASB are required to observe the ("Chicago Convention") and all other international civil aviation conventions which the Government has ratified. The Director General is required to notify the licensees of any international civil aviation convention which has been ratified by the Government.

Chicage Convention is the convention on International Civil Aviation concluded at Chicago on 7 December, 1944. The convention discuss on international standards and recommended practices relating to aviation matter.

General obligations : Pursuant to the Licences, MA Sepang and MASB are required to manage, operate, maintain and in the case of MA Sepang, develop, the Airports and, during the prescribed operating hours, open them to public use, to any aircraft registered in a contracting state to the Chicago Convention and any other aircraft that has been given permission by the Government to use the Airports for take-off and landing.

It is a principal condition of the Licences that the Airports must, at all times when they are available for the take off and landing of the aircraft, be open to all aircraft on equal terms and conditions.

The Yang di-Pertuan Agong, may, on the occurrence of any industrial unrest, strike, lockout or any other event which gives rise to an emergency or in the interest of public safety, authorise the Minister of Transport to:

- suspend the licence of MA Sepang or MASB, as the case may be, take temporary possession of any airport and operate any airport and aviation services through the DCA or in such manner as the Minister thinks fit; or

- withdraw either partially or totally the use of any airport from any person or class of persons or from the public at large.

Where the Government takes possession of any airport as set out above adequate compensation is required to be paid to the licensee in question.

Safety : The airport licensing system is also used to ensure that the airport operator is competent to run the airport and that safety standards are maintained. The standards adopted by the DCA are based upon internationally agreed standards and practices. As part of the licensing process, airports are subject to periodic inspections by the DCA.

Fees : Each Licensee is required to pay to the Minister of Transport on the grant of license and annually thereafter a licence fee of RM100,000 for MASB's licence and RM5,000 for KLIA licence.

KLIA Concession

Overview : The provisions of the KLIA Concession and KLIA licence overlap to some extent, e.g. both require that KLIA adhere to the Chicago Convention. Pursuant to the KLIA Concession, the Government has granted MA Sepang the right :

- to construct, operate, manage, develop and maintain the airport facilities and KLIA;

- subject to the terms and conditions of the KLIA lease and the KLIA licence, to lease the KLIA land and to carry on airport services at KLIA;

- to charge airport users in relation to any services or facilities provided by MA Sepang pursuant to the KLIA Concession and the KLIA licence;

- to develop, operate, manage and maintain KLIA during the concession period in accordance with the KLIA Master Plan to meet the projected demand of airport users; and

- to oversee and monitor the construction works carried out or to be carried out in accordance with the KLIA Master Plan for the proper and timely completion of KLIA.

KLIA Land Lease

Salient features of KLIA Land Lease are as follows:-

- MA Sepang may assign or sublease the said land or any part thereof or part with any of its rights and interests but subject to approval from Director General of Civil Aviation.

- Lease rental will be paid by MA Sepang to the Government in the amount specified under "Fees" below.

During the lease period, MA Sepang is to keep in repair and maintain all buildings, runways including all the fixtures on the said land and ensure that the same complies at all times with any laws, ordinances, regulations and rules and to maintain in good condition.

Fees : Under the terms of the KLIA concession, MA Sepang is required to pay to the Government :

(a) a concession fee of RM 1,308,350,000 in the following manner :

(i) RM175,000,000 within two (2) months from the 18 October, 1999; and

(ii) the balance of RM1,133,350,000 shall be payable in five equal instalments of 226,670,000, each payment to be payable on or before 3 1 January of each year and each yearly anniversary thereof, commencing in year 2000.

For the purposes of accounting, the concession fee shall accrue on the accounts of MA Sepang effective from year 2004.

(b) an annual lease rental payment, which commences from RM60 million in 2004 and increasing by 4 per cent. in each subsequent year.

(c) 8 per cent. of MA Sepang's audited total revenues in each year, commencing in 2004.

Concession period : The concession period commences on 5 May, 1998 for 50 years subject to an extension for an unspecified further period at the discretion of the Government.

Upon the expiry or early termination of the KLIA Concession, all rights and entitlements of MA Sepang in respect of the KLIA Concession and the KLIA land revert to, vest in or remain vested in the Government without any cost to the Government and MA Sepang is obliged to hand over KLIA and the airport facilities in a well-maintained and operational condition and to make good any defects identified during the joint inspection of KLIA by duly appointed representatives of the Government and MA Sepang at its own cost and expense.

Revenue : MA Sepang has the right to charge, collect and retain from airport users the charges for the services and facilities provided by it in accordance with the charges prescribed pursuant to the Act.

Subject to the prior written consent of the Government and in accordance with the terms and conditions of the KLIA Concession, MA Sepang also has the right to collect non-aeronautical charges during the concession period.

KLIA Development : MA Sepang is obliged, at its own cost and expense to design, construct, operate, manage and maintain any future development of KLIA in accordance with the KLIA Master Plan.

MA Sepang is required to commence the planning, design and construction works in relation to each phase of the development as described in the KLIA Master Plan not later than three years from the proposed completion dates of the phase in question or at such later date as may be approved by the Government, and take the necessary steps to leave the site in a condition satisfactory to the Government.

KLIA Maintenance : MA Sepang is also obliged to maintain KLIA and its facilities in good repair and condition in accordance with the KLIA Concession, the KLIA Licence, applicable laws and sound engineering practice.

Expropriation : The Government has the power to terminate the KLIA Concession by expropriating KLIA by giving not less than three months notice to that effect to MA Sepang, if the Government, in its absolute discretion, considers that such expropriation is in the national interest or security and in such circumstances the Government may pay MA Sepang adequate, compensation, but excluding for present KLIA facilities, as determined by the Government.

Special Share: Pursuant to the KLIA Concession, MA Sepang must issue to the MoF one Special Share which allows it various special rights including the right to nominate two directors to the Board of Directors of MA Sepang and to attend, vote or veto any resolutions proposed at a general meeting or any other meeting of MA Sepang.

Various resolutions also require the written consent of the Minister of Finance including:

- any disposal, conveyance, assignment or transfer of assets which, because of its size, is required by law or by the Kuala Lumpur Stock Exchange or any exchange on which the shares of MA Sepang are listed, to be approved in a general meeting;

- any acquisition, take-over by MA Sepang, amalgamation, merger or change in the operations carried on by MA Sepang which because of its significance is required by law or the KLSE or any other exchange on which the shares of MA Sepang are listed, to be subject to approval in a general meeting; and

- any major financial commitment, restructuring and any other matters which are likely to affect the national interest, national security or any policies of the Government.

What constitutes national interest, national security and Government policy is determined by the Government.

MoF Inc. also has a Special Share in the Company. Please see section 5.1 of the Prospectus for details.

MASB : The Designated Airports were transferred to MASB from the Government as part of the privatisation of the airport management functions of the DCA. Certain rights and liabilities of the Government were vested in MASB after it was licenced to operate the Designated Airports. As such, there is no concession agreement between the Government and MASB in relation to the Designated Airports other than KLIA. The Company has been advised that the MASB licence is a sufficient legal basis for MASB to operate the Airports. In addition to the license fee of RM100,000, MASB makes annual lease payments of RM5 million to the Ministry of Transport.

Variation of Aeronautical and non-Aeronautical Charges

MA Sepang and/or MASB has the right to charge, collect and retain from airport users the charges for the services and facilities provided by it. The aeronautical charges must be approved by the Minister of Transport and prescribed pursuant to the Act.

MA Sepang and/or MASB are entitled to submit to the Minister of Transport for approval a memorandum containing proposals for any change in the existing charges and fees prescribed under the regulations. The Minister of Transport is required to consider the memorandum within six months of its submission. Where the Minister of Transport approves the memorandum, he may subject his approval to such modifications as he deems fit to the proposals in the memorandum. Where he rejects the memorandum, MA Sepang or MASB, as the case may be, may, where there is a change in circumstances relating to the proposals in the memorandum, apply to the Minister for a review provided that such application shall be made before the expiration of thirty days from the date of notice of rejection of the memorandum. The Minister is required to consider the application within three months of its submission.

Where the Minister of Transport approves the memorandum, with or without any modifications, he shall as soon as practicable make regulations in respect of the change in the existing charges and fees.

MA Sepang is required under the KLIA Concession to seek the approval of the Government for changes to certain non-aeronautical charges imposed at KLIA except where such charges are determined through competitive tender in which case MA Sepang shall notify the Government of such charges.

Air Traffic Control

The responsibility for air traffic control at the Airports lies with the DCA.

The DCA is responsible for the safe and efficient management of air traffic within Malaysian airspace. The DCA sets standards and recommends practices for air navigation, obstacle clearances, aircraft separation and flight procedures, amongst its other aviation regulation responsibilities.

Controllers in the control tower at the Airports provide apron control within the Airports and approach control within the approach control area, which extends from between four and ten nautical miles from the runway. The DCA controllers provide approach and departure radar services to aircraft arriving and departing from the Airports as well as radar service to aircraft in the control area.

The DCA charges the airlines directly for the air traffic control services it provides.

The Government has indicated that it is likely that the air traffic services currently held by DCA will be the subject of privatisation in the future such that other appropriately qualified organisations approved by the DCA will be permitted to provide air traffic services. The Group is considering seeking to provide limited strategic services or provide air traffic services on air traffic control if there is a strategic business case for doing so.

Environmental Legislation

In Malaysia, the main legislation dealing with environmental protection is the Environmental Quality Act, 1974 which was amended in 1996 to become the Environmental Quality (Amendment) Act 1996 (the "EQA"). The EQA is based on environmental policy formulated by the Government to balance the twin objectives of environmental protection and economic growth.

The EQA environmental pollution control measures are a mixture of administrative and criminal laws. The Director General of Environmental Quality is provided with wide powers to regulate pollution control activities through the issue of licences on industrial or other activities deemed to cause such pollution. In order to become a licence holder, a person must apply for a licence in accordance with the Environmental Quality (Licensing) regulations 1977. The nature of the Malaysian environmental strategy permits environmental pollution of certain types to exceed the prescribed limits if the Director General considers that such compliance would cause financial hardship, or if it is reasonably practicable and not contrary to the intent and spirit of the EQA. Criminal sanctions may also be imposed by the EQA.

An Environmental Impact Assessment dated March 1993 ("EIA Report") which was approved by the Director General contains an assessment of the impact on the environment caused by the construction of KLIA. It contains a comprehensive assessment of the impact including but not limited to, studies on air quality, noise, surface and ground water quality, land use, agriculture, traffic and transport. A environmental management plan for KLIA (the "EMP") formed part of the EIA Report and contained recommendations to ensure that environmental issues which might arise during the construction and operation stages of KLIA were properly managed, and any potential adverse environmental impact mitigated or minimised.

8. INFORMATION ON THE GROUP *(Cont'd)*

The EMP established various standards and procedures for each of the pre-construction, construction and operations stages. Under the EMP, non-compliance would require the relevant parties to take remedial measures and further recommendations might be made by the Department of Environment ("DOE").

A monitoring committee for each of the pre-construction stages was set up by the DOE. Each committee was dissolved post completion of those stages. An internal committee at MASB is currently monitoring the operational stages in accordance with the requirements of the EMP.

8.5 Subsidiaries And Associated Companies

8.5.1 MASB

(i) History And Business

MASB was incorporated in Malaysia on 11 December, 1991 as a public limited company under the Companies Act under the name Malaysia Airports Berhad. Subsequently, on 25 May, 1999, the company was converted to a private limited company and assumed its present name.

The principal activities of MASB are management, operation and maintenance of Designated Airports and provision of airport related services.

(ii) Share Capital

The present authorised share capital of MASB is RM500,000,001 comprising 500,000,000 ordinary shares of RM1 each and one special rights redeemable preference share of RM1. The issued and paid-up share capital is RM360,113,846 comprising 360,113,846 ordinary shares of RM1 each.

The changes in the issued and paid-up share capital since incorporation are as follows:

Date Of Allotment/ Redemption	No. Of Shares Allotted/ Redeemed	Par Value RM	Consideration	Issued And Paid-up Share Capital RM
Ordinary Shares				
II.12.1991	1	1	Subscriber's share	1
26.01.1995	360,113,845	1	Conversion of net asset value transferred from the DCA	360.113.846
Special Rights Redeemable Preference Shares				
11.12.1991	1	1	Subscriber's share	1
25.06.1999*	1	1	Cash	-

* *Redemption of the Special Rights Redeemable Preference Share.*

8. INFORMATION ON THE GROUP *(Cont'd)*

(iii) Profit And Dividend Record

A summary of the audited profit and loss accounts of MASB for the relevant period/years under review is as follows :

	Year ended 31 March		1 Apr, 1995 to 31 Dec,	Year ended 31 December			1 Jan, 1999 to 31 May,
	1994	1995	1995	1996	1997	1998	1999
	KM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)
Turnover	280,397	3 17,342	269,384	466,960	53 1,323	352,967	76,601
Profit before depreciation, interest and taxation	163,908	199,112	167,826	333,707	374,296	263,157	48,346
Interest expense							
Depreciation	(9,380)	(20,437)	(14,644)	(3 1,050)	(25,375)	(1 8,365)	(15,688)
Profit before taxation	154,528	178,675	153,182	302,657	348.92 1	244,792	32,658
Taxation	23,000	-	(50,620)	50,620	(1 09,650)	4 1,050	(121)
Profit after taxation	177,528	178,675	102,562	353,277	239,27 1	285,842	32,537
Weighted average number of ordinary shares in issue	2	64, 1 29,865	360,1 13,846	360,113,846	360,113,846	360,1 13,846	360,113,846
Net earnings per share (RM)	88,764,000	2.79	0.28	0.98	0.66	0.79	0.09
Dividend rate (%)		8.00	4.00	4.00	5.00	10.00	-

Notes :

(1) *There are no extraordinary items in the financial yews/period under review.*

(2) *The decrease in turnover and profit before taxation in 1998 is due to the transfer of operations from Subnng Airports to KLIA in the month of June.*

(iv) Subsidiary And Associated Companies

MASB does not have any subsidiary or associated companies.

(v) Employees

MASB has 2,625 employees as at 30 September, 1999.

8.5.2 MA Sepang

(i) History And Business

MA Sepang was incorporated in Malaysia on 20 October, 1994 as a private limited company under the Companies Act.

The principal activities of MA Sepang are management, operation, maintenance and future development of KLIA and provision of airport related services.

(ii) Share Capital

The present authorised share capital of MA Sepang is RM500,000,000 comprising 500,000,000 ordinary shares of RM1 each. The present issued and paid-up share capital of MA Sepang is RM50,000,002 comprising 50,000,002 ordinary shares of RM 1 each.

The changes in the issued and paid-up share capital since incorporation are as follows:

Date Of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Issued And Paid-up Share Capital RM
20.10.1994	2	1	Subscribers' shares	2
22.07.1995	25,000,000	1	Cash	25,000,002
18.01.1997	25,000,000	1	Cash	50,000,002

(iii) Profit And Dividend Record

A summary of the audited profit and loss accounts of MA Sepang for the relevant period/years under review is as follows :-

	I Apr, 1995 to 31 Dec, 1995 RM (thousands)	Year ended 31 December 1996 RM (thousands)	1997 RM (thousands)	1998 RM (thousands)	1 Jan, 1999 to 31 May, 1999 RM (thousands)
Turnover	-	-	-	193,528	174,539
Profit/(loss) before depreciation, interest and taxation	359	835	(4,247)	77,441	77,619
Interest expense		-			
Depreciation	-	(11)	(68)	(2,605)	(2,933)
Profit/(loss) before taxation	359	824	(4,315)	74,836	74,686
Taxation	(108)	(553)	-	(21,913)	-
Profit/(loss) after taxation	251	271	(4.3 15)	52,923	74,686
Weighted average number of ordinary shares in issue	14,818	25,000	48,836	50,000	50,000
Net earnings per share (sen)	1.7	1.1	(8.8)	105.8	149.4

Notes :

(1) There ore no extraordinary items in the financial years/period under review.

(2) No profit nnd loss account was prepared prior to financial period ended 3 I December, 1995 as MA Sepnng was incorporated on 20 October, 1994.

(3) MA Sepnng commenced operations on 30 June 1998.

(4) The profit before taxation in years 1995 nnd 1996 is as a result of interest income earned during the two financial years.

(5) The loss before taxation in 1997 is nttributnble to expenditure incurred for planning and development activities for the airport.

(6) There were no dividends paid during the period under review

(7) The decrease in profit in 1999 compared to the same period in 1998 despite the increase in turnover wns due to high operating expenses incurred as a result o/operations of KLIA.

(iv) Subsidiary And Associated Companies

MA Sepang has no subsidiary or associated companies.

(v) **Employees**

MA Sepang has, 1,527 employees as at 30 September, 1999.

8.5.3 MA Niaga

(i) History And Business

MA Niaga was incorporated in Malaysia on 11 November, 1993 as a private limited company under the Companies Act.

Its principal activities are the operation of duty free and non-duty free outlets which include MA Niaga's own outlets and franchises such as Tie Rack and Bally. and management and provision of services in respect of food and beverage outlets at the Airports.

(ii) **Share Capital**

The present authorised share capital of MA Niaga is RM 10,000,000 comprising 1 O,OOO,OOO ordinary shares of RM1 each whilst RM5,000,002 comprising 5,000,002 ordinary shares have been issued and fully paid-up.

The changes in the issued and paid-up share capital since incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Issued And Paid-up Share Capital RM
11.11.1993	2	1	Subscribers' shares	2
25.11.1993	5,000,000	1	Cash	5,000,002

(iii) **Profit And Dividend Record**

A summary of the audited profit and loss accounts of MA Niaga for the relevant period/years under review is as follows:-

	Year ended 31 December,			Year ended 31 December			
			1 Apr, 1995 to 31 Dec,				1 Jan, 1999 to 31 May,
	1994	1995	1995	1996	1997	1998	1999
	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)
Turnover	2,843	34,785	40,620	69.079	77,536	85.061	39,839

8. INFORMATION ON THE GROUP *(Cont 'd)*

	Year ended 31 December,			Year ended 31 December			
			1 Apr, 1995 to 31 Dec,				1 Jan, 1999 to 31 May,
	1994	1995	1995	1996	1997	1998	1999
	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)	RM (thousands)
(Loss)/profit before depreciation, interest and taxation	(781)	2,233	2,390	7,559	7,947	6,153	5,120
Interest expense			-		-		-
Depreciation	(14)	(117)	(187)	(554)	(315)	(977)	(722)
(Loss)/profit before taxation	(795)	2,116	2,203	7,005	7,632	5,176	4,398
Taxation		(736)	(785)	(2,128)	(2.838)	(1,275)	-
(Loss)/profit after taxation	(795)	1,380	1,418	4,877	4,794	3,901	4,398
Number of ordinary shares in issue ('000)	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Net earnings per share (sen)	(16)	28	28	98	96	78	88
Dividend rate (%)		-	-	40	25	50	-

Notes :

(1) *There nre no extraordinary items in the financial periods/years under review*

(2) *The decrease in profit before taxation in 1998 despite the incrense in turnover is due to the depreciation in RM which resulted in incrense in sales volume and but lower margins for imported goods*

(iv) Subsidiary And Associated Companies

MA Niaga has no subsidiary or associated companies.

(v) Employees

MA Niaga has 288 employees as at 30 September, 1999.

8.5.4 SIC

(i) History And Business

SIC was incorporated in Malaysia under the Companies Act on 23 January 1998.

The principal activities of the company are the management and operation of the Sepang F1 Circuit, organisation and promotion of motor racing, sporting events and other entertainment of any kind.

(ii) Share Capital

The present authorised share capital of SIC is RM50,000,000 comprising 50,000,000 ordinary shares of RM1 each, of which 10,000,000 ordinary shares have been issued and fully paid-up.

The changes in the issued and paid-up share capital since incorporation are as follows:-

Date Of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Issued And Paid-up Share Capital RM
Ordinary Shares				
23.01.1998	2	1	Subscribers' shares	2
23.02.1999	9,999,998	1.	Cash	10,000,000

(iii) Profit And Dividend Record

A summary of the audited profit and loss accounts of SIC for the relevant period under review is as follows :-

	1 Jan, 1999 to 31 May, 1999 RM(thousands)
Turnover	2,789
Loss before depreciation, interest and taxation	(9,012)
Interest expense	-
Depreciation	(12)
Loss before taxation	(9,024)
Taxation	-
Loss after taxation	(9,024)
Weighted average number of ordinary shares in issue ('000)	6,490
Net earnings per share (sen)	139.00

Notes .

(1) There were no extraordinary items in the financial period under review.

(2) Noprojt and loss account waspreparedprior to financial period ended 31 May 1999 as SIC commenced operations in February 1999

(3) There were no dividends paid during the period under review

(iv) Subsidiary And Associated Companies

SIC has no subsidiary or associated companies.

(v) Employees

SIC has 18 employees as at 30 September, 1999.

8.5.5 MAATS

(i) History And Business

MAATS was incorporated in Malaysia under the Companies Act on 7 July, 1997.

MAATS is dormant and its intended principal activity is the provision of consultancy services and air traffic management.

(ii) Share Capital

The present authorised share capital of MAATS is RM500,000,001 comprising 500,000,000 ordinary shares of RM1 each and one special rights redeemable preference share of RM 1. The issued and paid-up share capital of MAATS is RM2 comprising two ordinary shares of RM1 each allotted as follows :-

Date Of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Issued And Paid-up Share Capital RM
7.07.1997	2	1	Subscribers' shares	2

(iii) Profit And Dividend Record

No profit and loss account was prepared as MAATS is still dormant since the date of incorporation on 7 July, 1997

(iv) Subsidiary And Associated Companies

MAATS has no subsidiary or associated companies.

(v) Employees

MAATS has 2 employees as at 30 September, 1999.

8.5.6 MAMTS

(i) History And Business

MAMTS was incorporated in Malaysia on 24 January, 1996 as a private limited company under the Companies Act.

The principal activities of MAMTS are the provision of management, operation, maintenance and technical services in connection with the operation of airports, airport development and airport services.

(ii) Share Capital

The present authorised share capital of MAMTS is RM2,000,000 comprising 2,000,000 ordinary shares of RM 1 each whilst the issued and paid-up share capital is RM500,002 comprising 500,002 ordinary shares.

The changes in the issued and paid-up share capital since incorporation are as follows:

Date Of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Issued And Paid-up Share Capital RM
24.01.1996	2	1	Subscribers' shares	2
08.04.1997	500,000	1	Cash	500,002

(iii) Profit And Dividend Record

A summary of the audited profit and loss accounts of MAMTS for the relevant period/years under review is as follows :-

8. INFORMATION ON THE GROUP *(Cont 'd)*

	Year ended 31 December		
	1997 RM (thousands)	1998 RM (thousands)	1 Jan, 1999 to 31 May, 1999 RM (thousands)
Turnover	5,475	13,438	6,626
(Loss)/profit before depreciation, interest and taxation	(1,791)	531	(232)
Interest expense		-	-
Depreciation	(10)	(57)	(36)
(Loss)/profit before taxation	(1,801)	474	(268)
Taxation		(76)	-
(Loss)/profit after taxation	(1,801)	398	(268)
Weighted average number of ordinary shares in issue ('000)	367	500	500
Net (loss)/earnings per share (sen)	(491)	79.60	(53.60)

Note :

(1) There were no extraordinary items in all the financial years/period under review.

(2) No profit and loss account was prepared prior to financial year ended 3 I December 1997 as MA MTS was incorporated on 24 January I 996 and commenced operations on I January 1997

(3) There were no dividends paid during the period under review

(iv) Subsidiary And Associated Companies

MAMTS has two associated companies namely CAMS and UTW. MAMTS holds 40 per cent and 49 per cent equity interests in CAMS and UTW respectively.

(v) Employees

MAMTS has **74** employees as at 30 September, 1999.

8.5.7 MA **Properties**

(i) History And Business

MA Properties was incorporated in Malaysia under the Companies Act on 28 May, 1999 as a private limited company.

The principal activities of MA Properties are investment holding, management and operation of car parks, the **Airside** Hotel, the Free Commercial Zone and Southern Common Amenities, all at KLIA.

(ii) Share Capital

The present authorised share capital of MA Properties is RM 100,000 comprising 100,000 ordinary shares of **RM** 1 each. The issued and paid-up share capital of MA Properties is RM2 comprising two ordinary shares of **RM1** each allotted as follows.

Date Of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Issued And Paid-up Share Capital RM
28.05.1999	2	1	Subscribers' shares	2

(iii) Profit And Dividend Record

MA Properties has no audited profit and loss accounts as it has only recently commenced operations.

(iv) Subsidiary And Associated Companies

MA Properties has two subsidiaries and one associated company. Information on the subsidiaries and associated company is as follows :-

Name Of Company	Date Of Incorporation	Place Of incorporation	Issued And Paid-up Share Capital RM	Equity interest (%)	Principal Activity
MAAH	25.08.1998	Malaysia	1,000,000	100	Cultivation and selling of oil palm, rubber and other agricultural products
KLAH	16.01.1995	Malaysia	1 0,900,000	60	Owner of the hotel known as Pan Pacific KLIA
KAFS	24.07.1996	Malaysia	5,000,000	20	Development, management and operation of aviation fuelling system at KLIA

(v) Employees

MA Properties has no employee as at 30 September, 1999.

8.5.8 MAAH

(i) History And Business

MAAH was incorporated in Malaysia on 25 August, 1998 under the Companies Act.

The principal activities of MAAH are oil palm cultivation and sale of fresh fruit bunches, landscaping and other related agriculture and horticulture activities. The total hectarage of the plantation land in KLIA is 6,000 hectares consisting of 1,660 hectares mature oil palm, 1,200 hectares of immature oil palm area and 3,140 hectares to be planted by year 2000 with oil palm. The average production stands at around 27,000 tonnes per annum. One of MAAH's the major customers is Jugra Palm Oil Mill. The tenure of the land coincides and falls within the terms and conditions of the KLIA Concession.

(ii) Share Capital

The present authorised share capital of MAAH is RM10,000,000 comprising 10,000,000 ordinary shares of RM1 each, of which RM1,000,000 comprising 1,000,000 ordinary shares have been issued and fully paid-up.

8. **INFORMATION ON THE GROUP *(Cont'd)***

The changes in the issued and paid-up share capital since incorporation are as follows:

Date Of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Issued And Paid-up Share Capital RM
25.08.1998	2	1	Subscribers' shares	2
10.09.1998	999,998	1	Cash	1,000,000

(iii) **Profit And Dividend Record**

A summary of the audited profit and loss account of MAAH for the period ended 31 May, 1999 is as follows :-

	25 Aug, 1998 to 31 Dec, 1998 RM (thousands)	1 Jan, 1995 to 31 May, 1999 RM (thousands)
Turnover	673	1,444
Profit before depreciation, interest and taxation	(993)	622
Interest expense	-	(17)
Depreciation	(2)	(54)
Profit/(loss) before taxation	(995)	551
Taxation	-	-
Profit/(loss) after taxation	(995)	551
Weighted average number of ordinary shares in issue ('000)	876	1,000
Net earning/(loss) per share (RM)	(1 13.6)	55.1

Notes :

(1) There were no extraordinary items in the financial period under review.

(2) No profit and loss account was prepared prior to financial period ended 31 December 1998 as MAAH was incorporated on 25 August 1998

(3) There were no dividends paid during rhe period under review

(iv) Subsidiary And Associated Companies

MAAH has no subsidiary or associated companies.

(v) Employees

MAAH has 19 employees as at 30 September 1999.

8.5.9 **KLAH**

(i) History And Business

KLAH was incorporated in Malaysia under the Companies Act on 16 January, 1995.

The principal activity of KLAH is the ownership of a hotel known as Pan Pacific KLIA.

(ii) Share Capital

The present authorised and fully paid-up share capital of KLAH is RM 10,900,000 comprising 10,000,000 ordinary shares of RM 1 each and RM900,000 comprising 900,000 redeemable preference shares of RM 1 each.

8. INFORMATION ON THE GROUP *(Cont'd)*

The changes in the issued and paid-up share capital since incorporation are as follows:-

Date Of Allotment	No. Of Shares Allotted	Par Value RM	Consideration	Issued And Partially Paid-up Share Capital RM
Ordinary Shares				
16.01.1995	2	1	Subscribers' shares	2
22.11.1995	999,998	1	Cash	1,000,000
08.04.1996	8,000,000	1	Cash	9,000,000
20.08.1996	1,000,000	1	Cash	10,000,000
Redeemable Preference Shares				
16.09.1996	200,000	1	Cash	200,000
26.12.1996	120,000	1	Cash	320,000
30.04.1997	80,000	1	Cash	400,000
30.05.1997	120,000	1	Cash	520,000
30.09.1997	200,000	1	Cash	720,000
04.02.1998	180,000	1	Cash	900,000

(iii) Profit And Dividend Record

A summary of the audited profit and loss account of KLAH for the period from 16 January, 1995 to 31 May, 1999 is as follows :-

	Year ended 31 December			1 Jan, 1999 to 31 May, 1999
	1996 RM (thousands)	1997 RM (thousands)	1998 RM (thousands)	RM (thousands)
Turnover	-		13,553	11,745
Profit before depreciation, interest and taxation	212	385	94	813
Interest expense				(2,949)
Depreciation			(742)	(638)
Profit/(loss) before taxation	212	385	(648)	(2,774)
Taxation	(64)	(110)	-	-
Profit/(loss) after taxation	148	275	(648)	(2,774)
Weighted average number of ordinary shares in issue ('000)	3,570	10,000	10,000	10,000
Net earnings/(loss) per share (sen)	4.1	2.8	(6.5)	(27.7)

Notes :

(1) There are no extraordinary items in the financial years/period under review.

(2) No profit and loss account was prepared prior to financial year ended 31 December 1996 as KLAH was incorporated on 16 January 1995.

(3) KLAH commenced operations on 23 June 1998

8. **INFORMATION ON THE GROUP** *(Cont 'd)*

(4) The profit and loss before taxation in years 1996 and 1997 is as a result of interest income earned during the two financial years
(5) There were no dividends paid during the period under review

(iv) Subsidiary And Associated Companies

KLAH has no subsidiary or associated companies.

(v) Employees

KLAH has 3 employees as at 30 September 1999.

8.6 **Changes In Share Capital Of The Company**

(i) Authorised Share Capital

The present authorised share capital of the Company is RM2,000,000,001 comprising 2,000,000,000 ordinary shares of RM 1 each and one special rights redeemable preference share of RM 1.

(ii) **Issued And Paid-Up Share Capital**

The present issued and paid-up share capital of the Company is RM990,000,00 1 comprising 990,000,000 ordinary shares of RM1 each and one special rights redeemable preference share of RM1.

The changes in the issued and paid-up share capital of the Company since its incorporation are as follows:

Date Of Allotment	No. Of Shares Allotted	Par Value RM	Consideration	Total Issued Capital RM
Ordinary Shares				
28.06.1999	2	1	Subscribers' shares	2
23.10.1999	989,999,998	1	Consideration for the acquisition of MASB	990,000,000
Special Rights Redeemable Reference Shares				
28.06.1999	1	1	Cash	1

8. INFORMATION ON THE GROUP *(Cont 'd)*

8.7 Landed Properties

Details of the Group's properties are set out below:

Registered Owner	Location	Description And Existing Use	Approximate Age Of Buildings (Years)	Tenure	Land Area	Built Up Area (sq.m.)	Net Book Value as at 31 December, 1998 (RM)
Leased Property							
Federal Lands Commissioner	District of Sepang,' Selangor	KLIA	1	A total right of occupation for 50 years (expiry date of lease- 4 May ,2047)	24,236. acres	500,000	
Landed Properties Owned by The Group							
MASB	No. A-01 -08 Genting Permai Park & Resort, District of Bentong, Pahang	Apartment		Freehold		75	-
MASB	No. A-05-03 Genting Permai Park & Resort, District of Bentong, Pahang	Apartment		Freehold		96	-
MASB	No. A-312-10 Genting Permai Park & Resort. District of Bentong, Pahang	Apartment		Freehold		96	-
MASB	No. A-3A-02 Genting Permai Park & Resort, District of Bentong, Pahang	Apartment		Freehold		75	-
MASB	Telok Dalam , Pulau Pangkor, Mukim of Lumut, Perak	10 units of apartments	-	Freehold		744	
MASB	CL2053559593, Kg .Nagalalang Federal Territory of Labuan	Vacant land	-	Leasehold - 99 years (Expiry date 28.03.2096)	0.5		270,000 [3]
Ma Niaga	Desa Cempaka, Bandar Baru Nilai ,Mukim Nilai, District of Seremban	48 units of apartments used as staff hostel	1	Freehold	-	3,791	

Note:

1. *Pursuant to a lease agreement dated 18 October 1999 entered into by MA Sepang and the Federal Lands Commissioner, MA Sepang has been granted the right of use of the KLIA Land for a period of 50 years.*

2. *All the MASB apartments are still under construction. There has been no revaluation for all MASB and MA Niaga apartment units.*

3. *Purchase price of the land.*

9. FUTURE PROSPECTS OF THE GROUP

9.1 Air Traffic Forecasts

Please see Airport Traffic Consultant's Report in Section 15 of the Prospectus.

9.2 Aeronautical Charges At The KLIA

Please see Aeronautical Charges Consultant's Report in Section 16 of the Prospectus.

9.3 Future Plans And Strategy

The Company objective is to secure the Group's position within the top tier of consistently profitable airports in the world while providing world-class airport services to its customers.

The Group manages the Designated Airports which in aggregate generate a substantial amount of revenue each year. In addition, the Group also manages the KLIA which has state-of-the-art facilities and systems. The Company believes that, based on traffic projections, KLIA will not require major capital expenditure for at least the next five years. The Company's strategy is to capitalise on the infrastructure already in place to spearhead the growth of the Group's profitability. The Company intends to focus on the development of KLIA as a major regional hub and on the increase of passenger and cargo traffic to fully utilise the design capacity of KLIA.

The Company intends to further expand its business through the diversification of the Group's revenue base. The Company plans to achieve this through an increase in the variety of services and commercial activities targeted at passengers and other users of the airport, development of its non-aeronautical business, the enhancement of the value of the land surrounding the Airports and the sale of airport management and development know-how.

At the same time, the Company intends to continue the Group's ongoing programme of cost rationalisation with a view to increasing profitability. The Company plans to achieve this by out-sourcing of the Group's non-core business activities, the selective acquisition of strategic stakes in companies providing services to the Airports, prudent management of its cost structure and application of the principle of cross-subsidisation (see below). At the same time the Company is undertaking a Group-wide productivity drive in order to examine processes, streamline organisational structures and inculcate a culture of excellence amongst Group employees.

The following is a summary of the Group's current business development strategies.

Positioning of KLIA as a regional hub

The Company aims to position KLIA as a strategic "hub" in airlines' South East Asian route structures. KLIA's competitive factors include its geographic location close to and as an alternative, to Changi Airport in Singapore and Dong Muang Airport in Bangkok, at the crossroads of trans-Pacific air traffic and the fact that its aeronautical charges are amongst the lowest in the region. The Company believes that it has the support of the Government in this strategy and intends to work closely with Government tourism organisations and, when it is formed, the proposed new regulatory authority for civil aviation whose formation and role is being finalised by the Ministry of Transport, to spearhead its marketing efforts.

The Company recognises that the successful positioning of KLIA as a regional hub lies in (i) working closely with the airlines and, in particular, MAS; (ii) the provision of attractive airport facilities and operation to users; and (iii) the connectivity of an airport which offers passengers a high frequency of connecting services with minimum connecting times. The Company as also appointed marketing consultants to facilitate the marketing efforts in relation to KLIA. The principal components of the strategy to position KLIA as a regional hub are as follows:

Airlines

In the year ended 3 1 December, 1998, MAS handled 64 per cent. and 56 per cent. of passenger and cargo traffic respectively at KLIA. As MAS is the dominant carrier at KLIA, it is important to KLIA's success as a hub that MAS continues to enhance its reputation as a high-quality, reliable carrier, offering a wide range of destinations, convenient timetabling of its services to passengers, excellent service to its customers and that it operates consistently on schedule. The Company believes that, by working closely with MAS in joint marketing efforts such as the promotion of transfers through KLIA for leisure and business passengers and stop-over packages with free internal flights, there is potential for increased passenger and aircraft traffic at KLIA.

The Company intends to promote the use of KLIA as a regional hub to other airlines by offering a wide range of discounts and packages to airlines while adhering to the terms of the Chicago Convention, which prohibits discriminatory charging of airlines. This is intended to attract new airlines to the airport and to encourage existing operators to expand their services. For new routes, discounts may take the form of deferred payment of landing fees or a rent holiday on essential office accommodation. The Company believes that the Government intends to pursue a liberal policy towards air services agreements which would lead to the increased use of KLIA by international airlines and further enhance KLIA's potential as a regional hub. The Company intends to take part in future air talks between the Government and the authorities in other countries in order to seek to promote KLIA's advantages as a hub.

Attractive Airport Operations and Facilities

The Company believes that in order to succeed in turning KLIA into a major regional hub, ensuring that its facilities and operations are of a premium quality is essential as it enables airlines to offer an attractive product to passengers. The Company believes that to attract transfer traffic, KLIA must provide facilities and systems which permit the rapid and efficient transfer of passengers and their baggage between flights. KLIA offers modem, state-of-the-art facilities which will be able to accommodate increasing traffic growth over the next five to seven years. The Company intends to continue to uphold and improve the service standards provided to the users of KLIA. At present, the Group is in the process of implementing quality monitoring processes and is seeking IS0 9002 certification for key services such as the fire and security services. The Company believes that these and other steps are crucial to its attempt to divert transfer traffic from competing hubs in the region.

The Company also intends that the Group continue providing a wide selection of quality retail shops at KLIA which offer high quality products at competitive prices to passengers. The Group regularly compares its prices against those at major regional airports to ensure competitiveness. (See "Commercial Business Expansion").

The Company recognises the importance of data collection and market research to develop soundly based development and marketing strategies for KLIA. The Company will continue to target its marketing at airlines and the travel trade around the world, in particular, the major markets with significant interlining potential such as North Asia, Europe and Australasia. In addition, the Company may seek to develop "niche marketing" strategies. For example, the Company seeks to market KLIA as a cargo centre for the ASEAN region. This is supported by the development of a substantial cargo centre with a capacity of one million tonnes with purpose built trans-shipment facilities and an associated development of a Free Commercial Zone.

The cargo area covers a total area of 550,372 sq m. The facilities available at the cargo would include 18 parking bays for wide and narrow body freighters. It can load cargo with one hour and consignments can be cleared within 30 minutes after touchdown.

Connectivity

The Group recognises the need for a hub airport to offer a high frequency of connecting services with minimum connecting times to a maximum number of destinations. The Company plans to continue to work closely with MAS and other airlines servicing KLIA to ensure that schedules, marketing and reservation systems offer users a high level of connectivity.

At the same time, the Company plans to attract other airlines with a number of measures (see above) to provide passengers with extensive schedules with well-timed interconnections between flights, in particular, for business travellers.

Diversification of Revenue Base

Increase in Passenger and Freight Traffic

Achieving increased passenger and freight traffic is the Group's primary strategic objective, since revenues from airport fees and commercial activities are directly linked to traffic levels. The number of passengers and aircraft using KLIA is the primary driver of revenues for the Group as a whole. Any increases in aircraft and passenger movements, will in turn provide greater revenue opportunities for retail and commercial services based at KLIA. On the basis of present facilities, KLIA is operating at approximately 60 per cent. capacity and the Designated Airports at approximately 75 per cent. capacity in aggregate. To a large extent, increases in passenger and freight traffic depend on external factors like the growth in the tourism industry and the health of the Malaysian economy generally. The Company is also taking steps to turn KLIA into a regional "hub" to increase passenger and freight traffic. See "Positioning of KLIA as a regional hub" above.

Commercial Business Expansion

The Company will seek to increase Group revenue by providing world-class services to all users of the Airports with a special emphasis on KLIA. The Company believes that there is further potential for growth in the use of services which include food outlets and restaurants, duty-free and other shopping concessions and parking. The Company also intends to develop additional consumer services to meet the needs of transit passengers and visitors to KLIA in order to turn KLIA into a destination in itself.

The Company is also seeking to increase the proportion of passengers visiting retail outlets, as well as the average amount spent by each passenger, by expanding the selection of goods offered and the variety of higher value, Malaysian and international brands offered and by working with the retail outlets to organise promotions and improve the appeal of the commercial areas at the Airports. The Group regularly compares its prices against those at major regional airports to ensure competitiveness. The Company believes that the depreciation of the Ringgit since the economic crisis has enhanced the competitiveness of the goods and services offered by the retail outlets at the Airports. Further expansion of commercial activities is expected to be carried out through sub-concession agreements yielding royalty revenues to the Group and through direct management by MA Niaga of retail outlets.

For the year ended 3 1 December 1998, the ratio of the Group's aeronautical to non-aeronautical revenues is approximately 60 per cent. to 40 per cent. Over the next five to seven years, the Company intends to diversify the Group's revenue base and increase the contribution from its non-aeronautical business. The Company believes that the aggressive expansion of its non-aeronautical revenue base is the most effective means of increasing the Group's revenue as a whole which is presently driven primarily by aeronautical revenue.

9. FUTURE PROSPECTS OF THE GROUP *(Cont'd)*

Developing Airport Land

By developing the land at KLIA the Company has sought to continue the diversification of the Group's revenue base. The KLIA has a land bank of approximately 10,000 hectares earmarked for future airport development and commercial development. Any development of the airport land for commercial development requires prior written approval form the Government and the Federal Lands Commissioner.

Since opening, the Group has been successful in establishing commercial developments at KLIA either through development by the Group, eg. the car-park facilities, and the Free Commercial Zone or through development by third parties to which the Group sub-leases land, eg. the MAS and KLAS catering buildings.

The Company intends to lease the land to third parties or enter into joint ventures with third parties where it considers such a step to be beneficial to the Group in order to develop the KLIA land. Potential developments include the Gateway Park, a proposed theme park with a wide variety of facilities, a free trade zone for multi-media companies to take advantage of the KLIA's location in the Government's multi-media "corridor" with the associated benefits, eg. tax exemptions, and a golf course.

Existing development projects at the Airports (other than KLIA) are aviation support services, the provision of infrastructure and facilities for aircraft maintenance, engineering and cargo services and commercial office buildings.

At present Subang Airport caters for certain domestic flights by MAS, regional flights by Air Asia and flights by other smaller domestic airlines. However, once these operations return to KLIA it is intended that Subang Airport be redeveloped to include an aviation theme park and a general aviation centre. The Group intends to lease the land to potential developers of these facilities and charge a lease and/or royalty fee to them.

Other Potential Business

There are number of other areas where the Company is exploring possible business opportunities namely to South Africa and Pakistan.

The Group, through MAMTS, intends to expand its business through the sale of its expertise in the operation and management of airports. MAMTS operates a joint-venture with Aeroports de Paris Management SA, CAMS, which entered into an operating agreement with Society Concession de L'Aeroport, the concessionaire of the Pochentong airport in Phnom Penh, Cambodia. MAMTS is also exploring opportunities in airport management in other developing countries. The Group also intends to form strategic alliances with joint venture partners to make equity investments in airport businesses if there is a sound business case for doing so. The Company believes that the Group's experience in airport operations and management will be key skills in any such strategic alliance.

Another joint venture, UTW, provides certain maintenance and engineering services for KLIA. The Company believes that it can acquire technology and general expertise in the provision of management and technical services within the aviation industry through such joint ventures.

Various other services are currently operated by various concessionaires independent of the Group. Ground handling services at KLIA are provided by MAS and KLAS. Certain equipment used to provide the services is part of the infrastructure of the various airports and maintained by the Group. The Company is seeking to persuade the Government to allow it to collect a royalty based on throughput, as is the practice at international airports outside Malaysia, from these other concessionaires at the Airports.

The Government has indicated that it is likely that the air traffic services currently held by DCA will be the subject of privatisation in the future, such that other appropriately qualified organisations approved by the DCA will be permitted to provide air traffic services. The Group is considering seeking to provide air traffic services or to provide limited consultancy services on air traffic control if there is a sound business case for doing so.

In addition, the Group has decided on a policy not to seek any increases in aeronautical charges for a period of three years from the opening of KLIA to June 2001.

Cost Management

Rationalisation and Prudent Management of Costs

The Company intends to continue to rationalise its Group business activities with a view to increasing profitability by focusing on the development of core businesses and increasing the quality of service provided to passengers and carriers.

The primary means of rationalisation will be through the introduction of "multi-tasking" by employees to reduce the number of employees required for the operations of the Group. An example of this at various airports is the merging of the security and fire services into a single unit which reduces overall manpower requirements. The process of reducing labour costs is an ongoing one which involves redeploying surplus personnel to different departments and/or airports and not replacing non-essential retiring personnel. The Company also has a general policy of out sourcing non-core activities where the costs of doing so are less than if the Group was to perform those non-core activities itself.

Scheduled flights operating out of Subang Airport are due to be relocated to KLIA upon completion of the express rail link between Kuala Lumpur and KLIA which is presently scheduled for completion in 2002. The Company believes that this will allow for cost reductions and permit the optimisation of facilities while improving connectivity within Malaysia at KLIA.

The Company recognises the need for cost-efficiency to maximise the Group's profitability. This is especially so in light of the difficulties relating to the current economic situation in Malaysia and South East Asia. See "Investment Considerations". The Group has reviewed, and continues to review on a monthly basis, all functional activities and expense budgets, with the aim of eliminating non-essential expenditure and implementing cost savings. Where appropriate, the Group is examining productivity levels and adopting higher efficiency standards. The Group plans to continue using technology, where possible, to reduce labour costs, such as the use of its integrated business software for certain Airports (SAP/R3), TAMS, in line screening and automated baggage handling systems. The Company's continued aim is to ensure that the Group achieves continued growth and maintains quality service standards for the users of its Airports while cutting costs as far as possible.

The Company recognises that KLIA currently has excess capacity and will not require major capital outlay over the next five to seven years. Other than major renovation works presently being carried out at the airports in Penang and Kota Bharu, the Company believes that no major capital expenditure will be necessary for the Designated Airports for the next five to seven years other than approximately RM120 million to upgrade present facilities at certain Airports. The Company will consider any further development of facilities at the Airports based on the economic benefits that such expansion or improvement will bring. See "investment Considerations".

9. FUTURE PROSPECTS OF THE GROUP *(Cont'd)*

Cross Subsidisation

The Company operates the Airports as a single system applying the principle of "cross subsidisation". Although the Company's objective is to make all the Airports profitable, it believes that it is under a social and regulatory obligation, in that it is licenced to manage all the Airports, to provide airport services to communities irrespective of their profitability levels. The Company believes that the Airports will continue to be viable as a whole despite less favourable performances by a number of the smaller airports and STOLports. Of the Designated Airports, 15 made an operating profit in the year ended 31 December, 1998 of an aggregate of approximately RM318 million. For the same period, the total operating losses for the 22 loss making airports amounted to approximately RM3 million. Of those airports that did not make an operating profit in that year, 17 were STOLports. The Company is seeking to ensure that all Airports in the Group are profitable through measures such as optimisation of income from commercial activities at the smaller Airports, cost saving measures, continual review of staffing requirements and the implementation of a passenger service charge at the STOLports. The Company believes that it has successfully managed the performance of loss making airports.

Acquisition of Equity Interests

The Company also intends to selectively acquire equity interests in companies operating in the airports sector and related service businesses. It may also consider entering into joint ventures to develop the KLIA land if it believes that there is a sound business case for doing so. This investment strategy is intended to be implemented on a basis that will maintain or enhance levels of profitability and achieve operating synergies through economies of scale and enhanced negotiation leverage with suppliers. An example of this new strategy, implemented in KLIA, is the investment in GDC and KAFS which allows the Group to share in the revenue received by those companies for certain airport related services i.e. the supply of electricity and chilled water and the use of the aircraft fuelling system.

10. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

10.1 Board Of Directors

Tan Sri Dato' Haji Basir bin Ismail, aged **72,** is the Executive Chairman of the Company. He was appointed to the Board of MA Holdings on 23 October 1999. He obtained a Diploma in Agriculture from Kolej Pertanian Malaysia (now known as Universiti Putra Malaysia), a Degree in Agricultural Science from the University of Durham, United Kingdom in 1955 and Post Graduate Certificate in Agriculture from the Wye College, University of London, United Kingdom in 1956. He is a fellow of the Malaysian Institute of Bankers, Malaysian Institute of Management and Institute of Directors, London. He is also an Honorary Member of the Malaysian Society of Agricultural Engineers.

He has more than 45 years of experience in the public as well as private sectors. He started his career with the Ministry of Agriculture, holding various senior positions from 1956 to 1970. He was the Executive Director of the Johor State Economic Development Corporation ("JSEDC" now known as Johor Corporation Berhad) from 1970 to 1975 and became Deputy Director General of Agriculture from 1976 to 1977. From 1977 to 198 1, he was again appointed the Executive Director of JSEDC and became the Business Advisor to JSEDC until 1984. He was a Director of Bank Negara Malaysia from 1978 to 1984. He was appointed the Chairman of the then Lembaga Padi dan Beras Negara from 198 1 to 1985, Chairman of Cycle & Carriage Bintang Berhad from 1985 to 1993, Chairman of Cold Storage (Malaysia) Berhad and Chairman of Perusahaan Sadur Timah Malaysia Berhad ("PERSTIMA") from 1989 to 1993. He was appointed the Executive Chairman of Bank Bumiputra Malaysia Berhad from 1985 to 1990 and Chairman of Petroleum Nasional Berhad ("PETRONAS") from 1988 to 1995. He was appointed the Executive Chairman of Fima Corporation Berhad from 199 1 to 1996, Chairman of Commodities Trading Commission from 1996 to 1997 and Chairman of Ladang Perbadanan Fima Berhad from 1997 to May 1999. He was a Director of VS Industry Berhad from 1996 to 1998.

Currently, he is the Executive Chairman of Kumpulan FIMA Berhad, Chairman of United Plantations Berhad, the Board of University of Malaya and the Board of Trustees of the Malaysian Institute of Economic Research ("MIER"). He was also a Director of Beta Viet Nam Fund Limited, Guernsey, United Kingdom from 23 November 1993 to 9 September 1999, Chairman of the Board of University Hospital (appointed on 28 September 1996), Malayan Agricultural Producers (appointed on 29 January 1996), Palm Oil Research Institute Malaysia (appointed on 16 September 1996) ("PORIM") and Rubber Growers Association (appointed on 23 November 1994 and resigned on 3 1 March 1999). He was appointed the Executive Chairman of MASB since its corporatisation on 1 November 1992.

Encik Izzuddin bin Dali, aged **50,** was appointed to the Board of the Company on 23 October 1999 as a nominee director representing MoF Inc.. He graduated with a Bachelor of Econs (Hons) from the University of Malaya (1972) and Master of Arts (Economics), Western Michigan University, USA(1983). Presently he is the Director Budget Division, Treasury, since June 1999. He was appointed to the Board of MASB on 30 September 1999. He is a nominee director representing MoF Inc.

Encik Izzuddin began his career in the public service in 1972 with the Treasury where he held various positions including Assistant Secretary, Administration Division (1972-1975), Assistant Director, Budget Division (1975- 198 I), Principal Assistant Secretary, Finance Division (198 1-1982), Principal Assistant Secretary and Deputy Undersecretary, Economics Division (1983-1986) and Senior Assistant Director, Budget Division (1987-1993). From 1993- 1999, he was seconded to KL International Airport Berhad the developer of the KLIA as General Manager, Administration and Company Secretary.

10. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES (Cont'd)

Encik Mohamed bin Omar, aged 50, was appointed to the Board of the Company on 23 October 1999. He was appointed to the Board of the Company on 17 February 1998. Presently, he is the Deputy Secretary General (Operations) of the Ministry of Transport and has been in this position since November 1997. He is a nominee director representing the Ministry of Transport since 17 February 1998. Currently, he is also a Government nominee on the Boards of Penang Port Sdn. Bhd. (appointed on 25 February 1998), Keretapi Tanah Melayu Berhad (apointed on 25 February 1998) and Johor Port Berhad (appointed on 7 June 1999).

From 197 1 to 1983, he was in the Ministry of Finance holding various positions from Assistant Secretary to Assistant Director of the Budget Division, and subsequently Principal Assistant Secretary (Finance). He was promoted to Director, General Services/Foreign Aid of the Economic Planning Unit in the Prime Minister's Department in 1983 and three years later to Secretary, External Affairs Division of the Ministry of Education. In 1994, he was appointed Deputy Head of the Foreign Workers Task Force in the Ministry of Home Affairs. In 1997, he was appointed General Manager of Railway Assets Corporation.

Encik Mohamed graduated with a Bachelor of Arts (Hons) (Econs) from the University of Malaya and a Masters in Public Policy & Administration from the University of Wisconsin, USA.

Dato' Khairuddin bin Ibrahim, aged 56, is the Managing Director of the Company. He was appointed to the Board of MA Holdings on 23 October 1999. He completed his tertiary education at the University of Malaya obtaining a Bachelor of Arts (Hons) Degree (1966) , and later Masters of Public Administration from the University of Southern California, USA in 1982. He also attended Harvard Business School (Advanced Management Programme) - in 1996. Upon graduation from the University of Malaya in 1966, Dato' Khairuddin joined the Administrative and Diplomatic Service as Assistant Secretary in the Prime Minister's Department. He was transferred to the Ministry of Foreign Affairs in 1967 where he served for 13 years in various capacities. His last posting at the Foreign Affairs Ministry was as Counsellor at the Malaysian Embassy in Jakarta, Indonesia.

From 1982 until his appointment with MASB, Dato' Khairuddin was with the Prime Minister's Department where he held several key positions such as Deputy Director General of the Malaysian Administrative Modernisation & Manpower Planning Unit, Director of the Anti Narcotics Task Force, culminating with that of Secretary of the National Security Council.

Tan Sri Dato' Thong Yaw Hong, aged 69, was appointed a Director of MASB on 3 July, 1992. He was appointed to the Board of Director of MA Holdings on 23 October 1999. Currently he is the Chairman of Public Bank Berhad, Public Finance Berhad, Berjaya Land Berhad and Sports Toto Malaysia Sdn. Bhd.

Prior to joining the Board of MASB, Tan Sri Dato' Thong had an illustrious career in the Government. He was appointed as Director-General of the Economic Planning Unit in the Prime Minister's Department in 197 1 and subsequently as Secretary-General of the Ministry of Finance, in 1979. In conjunction with this appointment, he was appointed a Director of Bank Negara (Central Bank of Malaysia) from 1979 to 1986. Tan Sri Dato' Thong had also served as Chairman of the Employees Provident Fund and the Capital Issues Committee from 1984 to 1986. He was also a member of the Foreign Investment Committee, National Development Planning Committee, Council on Invisible Trade, Armed Forces Council under the Chairmanship of the Prime Minister and Minister of Defence and as a member of the Board of Malaysian Industrial Development Finance Berhad.

Tan Sri Dato' Thong sits on the Board of several public listed companies, including Kuala Lumpur Kepong Berhad, Batu Kawan Berhad, Glenealy Plantations (M) Berhad, Malaysia Mining Corporation Berhad and Chemical Company of Malaysia Berhad. He was appointed by the Government as a Director on 8 December 1992 and Executive Chairman on 14 November 1998 of Keretapi Tanah Melayu Berhad. Tan Sri Dato' Thong is a Distinguished Fellow of the Institute of Strategic and International Studies (ISIS), and a member/trustee of Asean Business Forum, The Prime Minister's Fellowship Exchange Programme, a Fellow of the Institute of

10. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES *(Cont'd)*

Bankers Malaysia, a trustee of the Tun Razak Foundation and Malaysian Institute of Economic Research as well as National Heart Foundation, is a member of the National Economic Action Council Working Group and Pro Chancellor of Universiti Putra Malaysia.

Tan Sri Dato' Thong was educated at the University of Malaya [BA Hons (Econs)] in 1954 and Harvard University (MBA specialising in Development Planning and Public Administration) in 1959 as well as the Harvard Business School (AMP), USA in 1976.

Dato' Zaki bin Tun Azmi, aged **54,** was appointed to the Board of MASB on 3 July 1992. He was appointed to the Board of Director of the Company on23 October 1999. He is a lawyer by profession and obtained his Barrister-at-Law at Lincoln's Inn, United Kingdom in 1969. Thereafter, until 1985, he served with the Malaysian Government Judicial and Legal Service. During this period he became a Magistrate, a legal officer at the Attorney-General's Chambers and finally a Senior Federal Counsel at the Ministry of Home Affairs from 1976 to 1984. He became a partner of a legal firm in 1985. Datuk Zaki is appointed to several boards of private limited companies as well as public companies many of which are listed on the KLSE. In addition to being a director of MASB, he is also director of PETRONAS (appointed on 1 October 1988), Berjaya Land Berhad (appointed on 5 December 1990), HLG Capital Berhad (appointed on 5 August 199 1), Hume Cemboard Berhad (appointed on 2 1 July 1993), Metacorp Berhad (appointed on 13 April 1994]), Projek Penyelenggaraan Lebuhraya Berhad (appointed on 18 June 1994), Raza Manufacturing Berhad (appointed on 25 November 1994), Bina Darulaman Berhad (appointed on 17 October 1995) and S P Setia Berhad (appointed on 28 November 1996) and Pharmaniaga Berhad.

Dato' Zaki is also the Chairman of the Audit Committee of PETRONAS, Bina Darulaman Berhad and Metacorp Berhad as well as a member of the Audit Committee of MASB and Projek Penyelenggaraan Lebuhraya Berhad and an Arbitrator in the Kuala Lumpur Commodity Exchange and a Committee member of Rating Agency Malaysia Berhad.

Encik Adnan bin Shamsuddin, aged **5** 1, is the Executive Director of Operations of the Company. He was appointed to the Board of Directors of the Company on 23 October 1999 He obtained a Bachelor of Arts (Hons.) (Econs) Degree from the University of Malaya in 1971 and Master of Arts (Econs) from the University of Southern California, USA in 1977. He joined MASB in 1992 and prior to his appointment in MASB, served in the Ministry of Transport from 197 1 to 1975 and the Department of Civil Aviation Malaysia since 1977. His last position being that of Deputy Director General, Department of Civil Aviation.

Encik Adnan has been involved in the transport and aviation industry for a total of 28 years, and has been widely involved in the aviation industry activities throughout his working life. He sits on the Regional Board and the World Governing Board of Airports Council International.

Encik Rosman bin Abdullah, aged **32,** is the Executive Director of Finance, Business Development and Corporate Services of the Company. He was appointed to Board of the Company on 23 October 1999. He is a member of the Malaysian Institute of Accountants and the Australian Society of Certified Practising Accountants since 1992. He graduated with a Bachelor of Commerce Degree from the Australian National University in 1988 and shortly thereafter joined a public accounting firm, Hanafiah Raslan & Mohammad, which subsequently merged with Arthur Andersen & Co. He assumed his present position in MASB in 1997 having served with Arthur Andersen & Co. for nine years in the areas of auditing, financial and corporate advisory and corporate finance, his last position being an Experienced Manager in Arthur Andersen Advisory Services Sdn Bhd.

10. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES *(Cont'd)*

10.2 Senior Management Team

Dato' Khairuddin bin Ibrahim

See Section 10.1.

Encik Adnan Shamsuddin

See Section 10.1.

Encik Rosman bin Abdullah

See Section 10.1.

Encik Muhammad Adnan bin Yahya, aged 53, is the General Manager of Malaysia Airports (Sepang) Sdn. Bhd.. He joined the Department of Civil Aviation in 1965 as an Air Traffic Controller. He was an active Air Traffic Controller for 13 years after which he moved on to supervisory and management positions in the Air Traffic Service. He was appointed the General Manager Kuala Lumpur International Airport, Subang in 198 1 and served in that capacity until 1989. He also served as the Regional Director for Sabah Region from 1990 to 1994 and later as Deputy General Manager of the Subang-Kuala Lumpur International Airport before his appointment to the present post.

Encik Razali bin Hassan, aged **53,** is the General Manager (Human Resource) of the Company. He obtained his Bachelor of Arts Degree from the University of Malaya and a Masters in Public Administration from the University of Southern California, USA. He started his career in the civil service in 197 1 as Assistant District Officer at the Seremban District Office, Negeri Sembilan before being transferred to the Public Services Department in 1974. He held various positions in the public service. He was the Director of Air Transport in the Department of Civil Aviation before he opted to join MASB. Upon the corporatisation of the Department of Civil Aviation in 1992, he was appointed the Deputy General Manager of Subang-Kuala Lumpur International Airport before being appointed to the current post.

Encik Chan See Lan, aged 50, is currently the General Manager of MAATS. He obtained a Diploma in Marketing from the Chartered Institute of Marketing, UK. He started his career as an Air Traffic Controller in 1968 with the Department of Civil Aviation. He also served in other capacities in the department namely as an Instructor and later as the Principal of the Aviation College and the Director of Airport Development. He was designated the Airport Manager Penang in 1990. In 1995, he was appointed as the General Manager (Sarawak & Sabah Region) before being appointed to the current post.

Encik Mahat bin Samah, aged **45,** is the General Manager (Airport Engineering & Airport Operation) of MASB. He obtained a Bachelor of Mechanical Engineering Degree from University Teknologi Malaysia and a Master of Science-Fire Safety Engineering from the University of Edinburgh, Scotland. He started his career with the Department of Civil Aviation as a Mechanical Engineer in 1977 and was later appointed Senior Mechanical Engineer. Prior to the corporation of the DCA, he was appointed the Principal of the Civil Aviation Training Center upon corporatisation on 1 November, 1992 he was appointed as Senior Manager, Security/Safety, Human Resource Management, MASB. Due to his vast experience in the engineering field, he was appointed the Head of Engineering, MA Sepang prior to present post.

Encik Umar bin Bustamam, aged **46,** is the Head of TAMS services at **KLIA.** He obtained his Bachelor of Science Degree in Electronic Communication Engineering **from the University** of Salford, England, United Kingdom in 1978. Since then, he has acquired substantial experience in the operation, planning, development, management and implementation of complex computer and communications systems. This was achieved during his 2 year tenure as Telecommunications Engineer; Satellite Earth Station Manager; five years as the Director of Aeronautical Communications; 3 years as Senior Manager of Finance, Corporate Affairs and Management Information System with MASB; and whilst being involved in the implementation of TAMS project at KLIA. Encik Umar joined MASB since 1 November 1992. In 15 March 1996, he was appointed as head of TAMS.

Encik Abd Hamid bin Mohd Ali, aged 43, is the General Manager of MAMTS was appointed to the position on 1 January 1998. He obtained his Bachelor of Science - Civil Engineering Degree from University of Gasgow, Scotland in 198 1 and Master of Science - Airport Planning & Management from Loughborough University of Technology United Kingdom in 1998. He began his career in the public service as a Civil Engineer with the Department of Civil Aviation in 198 1 and was subsequently appointed Senior Civil Engineer in 1986 and Director of Airport Development in 1990. Prior to the present post, he was the Senior Project Manager (Head of Privatisation Unit) at KLIA and Senior Manager (Engineering) with MASB. He was directly involved in the site selection and planning of KLIA in 1992193. He has wide experience in airport development and operations and was involved in the development of Langkawi Airport, Penang Airport, Johor Bahru Airport, Miri Airport and recently completed Formula One Circuit at Sepang.

Encik Iskandar Mizal **Mahmood** aged 33, is the Corporate Finance and Planning General Manager of the Company. He holds a Bachelor of Science Degree in Business Administration (Accounting) from Boston University. He started his career with Arthur Andersen & Co. (audit and financial advisory) before moving into the Bumiputera Merchant Bankers Berhad's Corporate Banking Department where he was primarily involved in financial advisory and raising credit facilities ranging from conventional loans to project financing. He then moved to Kuala Lumpur City Centre Berhad in 1993 to assist in the financing of the KLCC project. Subsequent to this, he joined the securities arm of the Commerce International Merchant Bankers Berhad ("CIMB") Group in March 1994, as a research analyst covering the power, property and gaming sectors. He was promoted to Vice-President of Research in 1996. He was then involved in the investment banking services of CIMB Group where his responsibilities encompass advisory, equity capital market and equity sales.

Puan Napisah binti Haji Ahmad, aged **44,** is the Senior Manager of Business Development Division of the Company. She has accumulated 19 years working experience in sales, marketing and business development in the private sectors.

She obtained her Bachelor of Science Degree in Business Management from Point Park College, USA in 1984 and subsequently obtained her Master of Business Administration in International Trade from Loredo state University, USA in 1985.

She started as an office and sales executive at Kelantan SEDC in 1976. In 1985 she was as account Manager at New Straits Times. She then move to International Computer(M) Sdn Bhd in 1990. Puan Napisah joined MASB in 1995 as Manager Business Development.

In her present job, amongst others, she is responsible in evaluating MASB's current business ventures and provides solutions/advice on improving/enhancing them, seeking and evaluating potential business ventures that are in line with the overall strategic thrust of the Company.

Encik Mohd Nasir bin Ismail, aged **43,** is the General Manager of MAAH. He obtained a Bachelor of Science Degree in Mechanical Engineering from Plymouth Polytechnic, United Kingdom in 1979. He has been in the plantations management industry for 18 years, holding several managerial posts where he has served as Assistant Manager and Senior Assistant Manager with the various Group Estates of Sime Darby Plantations since 1992, Manager of Quality Control Department of Ebor Research in 1994 and notably Group Estate Manager with PT. Sime Indo Agro, Kalimantan Barat, Indonesia in 1996. With his vast experience and knowledge in the field of agriculture, he was appointed to his present position in August, 1998.

Encik Hussin bin Mohd Ali, aged 40, is the General Manager of SIC. He obtained a Bachelor of Science Degree in Finance from the Southern Illinois University, USA in 1984 and a Master of Business Administration from Morehead State University, USA in 1985. During his 11 years of service in Standards and Industrial Research Institute of Malaysia ("SIRIM"), he has held various key positions such as Senior Research Officer, Marketing & Business Development Unit, Head of Business Development Unit, Head of Research & Development Secretariat, Head of SIRIM Corporation Secretariat and Company Secretary of SIRIM. In 1996, he joined MASB as Manager (Corporate Finance). In 1997 and 1998, he was involved in organizing the Grand Prix in Shah Alam and Pasir Gudang respectively before being seconded to his current position.

Encik Muhammad bin Arshad, aged 51, is the General Manager (Administration & Legal Services) as well as Company Secretary of the Group. He graduated with a Bachelor of Commerce &Administration degree from Victoria University, Wellington, New Zealand in 1973. Prior to joining the Company in September 1998, Encik Muhammad spent most of his working life with Cold Storage (Malaysia) Berhad ("Cold Storage"), a public listed company on the Main Board of the KLSE. He held several key positions in this food and beverage conglomerate, in the areas of sale and marketing, administration and company secretarial functions. He was appointed as the Company Secretary of Cold Storage when it went public in 1980 and remained in that position for the next 15 years. Encik Muhammad brought with him vast experience in administrative and secretarial matters, on joining the Company.

Encik Abdul Rahman bin Karim, aged 43, is the General Manager of Sarawak and Sabah region. He obtained a Bachelor of Science Degree in Electrical Engineering from Leeds University, United Kingdom in 1980. Prior to his present appointment, he served in the Department of Civil Aviation as an Electrical Engineer in 1980 to 1985. He was promoted to Senior Electrical Engineer. In 1985 and has served Public Work Department and the Department of Civil Aviation until 1992. He was appointed Senior Manager (Engineering) and served as Chief Engineer at Sultan Abdul Aziz Shah airport until 1996. He was appointed as Airport General Manager and served at Sultan Abdul Aziz Shah Airport until June 1998. With his vast experience in project contract, maintenance, management and engineering he was promoted to his current position in January 1999.

Encik Mohd Hisham bin Shahudin, aged **57,** is the General Manager (Security Safety) of the Company. Upon completion of his secondary education, he joined the police force in 1962 as a Police Inspector. He was promoted to the rank of Assistant Superitendant Police in 1971 and climbed up the ladder to the rank of Senior Assistant Commissioner 1. He served at several police districts as the Officer in charge of the respective districts namely Kuala Langat, Klang and Ipoh.

Encik Mohd. Hisham was the Deputy Police State Officer of Pahang before being seconded to MASB and assumed his current position in 1994.

Family Relationship

There is no family relationship among the Directors and senior management staff mentioned above, save for Encik Hussin bin Mohd Ali and Encik Abd. Hamid bin Mohd Ali who are brothers.

10.3 Employees

As at 30 September 1999, the Group employed a total of 4,279 employees comprising 2 19 executives and 4,060 non-executives. Currently, there are three unions representing the Company's non-executive staff in three regions, namely Peninsular of Malaysia, Sabah and Sarawak. The unions are:

(a) Kesatuan Pekerja-Pekerja Malaysia Airports Berhad Semenanjung Malaysia (MASB Peninsular Malaysia Workers Union) with 1,447 members.

(b) Kesatuan Pekerja-Pekerja Malaysia Airports Berhad Sabah (MASB Sabah Workers Union) with 120 members.

(c) Kesatuan Pekerja-Pekerja Malaysia Airports Berhad Sarawak (MASB Sarawak Workers Union) with 273 members.

MASB entered into three collective agreements with its employees on 1 November 1997. See "Material Contracts" in Section 17.5. The employees and management enjoy a cordial relationship with the union.

11. FINANCIAL INFORMATION

11.1 Profit And Dividend Record

The proforma consolidated results of Company for the five financial years ended 3 1 December 1998 and five (5) months period ended 3 1 May 1999 are as **follows:-**

	Year ended 31 March,		1 April, 1995 to31 December,[3] 1995	Year ended 31 December,			1 January 1999 to 3i May 1999
	1994 RM (thousands)	1995 RM (thousands)	RM (thousands)	1996[5] RM (thousands)	1997 RM (thousands)	1998[6] RM (thousands)	RM (thousands)
Turnover	282,801	346,483	310,003	525,271	614,334	658,586	330,363
Profit before taxation	153,770	180,754	156,692	309,659	348,630	323,553	107,021
Taxation	23,000	(737)	(51,795)	47,791	(112,248)	18,093	(121)
Profit after taxation and be fore minority interest	176,770	180,017	104,897	357,450	236,382	341,646	106,900
Minority interest			-	(59)	(110)	86	1,283
Exceptional items							
Profit after taxation and minority interest	176,770	180,017	104,897	357,391	236,272	341,732	108,183
No. of ordinary shares in issue ('000)	990,000	990,000	990,000	990,000	990,000	990,000	990,000
Gross EPS (RM)	0.16	0.18	0.16	0.31	0.35	0.33	0.11
Net EPS[4] (RM)	0.16	0.18	0.11	0.36	0.24	0.34	0.11
Gross dividend rate (%)		4	4	4	5	10	-

Notes :

1. *The Company was incorporated on 28 June 1999, as such, no audited accounts have been prepared for the Compnny. The proformn consolidated results of the Group presented are based on the audited accounts of MASB for the period under review*

2. *There were no extraordinary items for the financial years under review*

3. *In 1995, MASB changed its financial year end from 3 I March to 31 December*

4. *Net EPS is based on number of shares assumed to be in issue for the financial years under review*

5. *The increase in turnover and profit before tax in 1996 was a result of the newpricingfor PSC and (the earlier RM20 charge for international flights was increase to RM40) and improvements in pnssenger and cargo volume*

6. *The decrease in profit before tax despite the higher turnover wns as a resultant of the higher operating expenses incurred with the inclusion of the operations of KLIA from June onwards*

11. FINANCIAL INFORMATION *(Cont'd)*

11.2 Working Capital, Borrowings And Contingent Liabilities

The Directors of the Company are of the opinion that after taking into account the cashflow projections and banking facilities available, the Group will have adequate working capital for its foreseeable future requirements.

The Group did not have any bank borrowings, loan capital outstanding or created but unissued, material contingent liabilities, mortgages, charges and guarantees as at 30 September 1999, save for its associated company KAFS which has RM2,607,286 Al-Bai Bithaman Ajil Islamic debt facility.

11.3 Consolidated Profit Estimate And Forecast Together With The Assumptions Thereon

The Directors of the Company forecast that, barring unforeseen circumstances, the profit before taxation and profit after taxation of the Group for the year ending 3 1 December 1999 and 2000 will be as follows:

Financial Year Ending 31 December,	**1999** [5] **RM** **(thousands)**	**2000** **RM** **(thousands)**
Consolidated profit before taxation but after minority interest	256,301	292,093
Consolidated profit after taxation and minority interest	256,301 [4]	209,973
Gross EPS (RM)	1.47 [2]	0.27 [3]
Gross PE Multiple based on the Issue/Offer Price of RM2.50 per share (times)	1.70	9.26
Net EPS (RM)	1.47 [2]	0.19 [3]
Net PE Multiple based on the Issue/Offer Price of RM2.50 per share (times)	1.70	13.16

Notes:

1. ***The bases and assumptions upon which the above consolidated profit estimate and forecast have been prepared are set out in Section 1 1.3 of this Prospectus***

2. ***The calculation of the estimated EPS is based on the estimated consolidatedprofit after taxation and minority interest and the weighted average paid-up share capital comprising 174,166,667 ordinary shares of RM1 each***

3. ***The calculation of the forecast EPS is based on the forecast consolidated profit after taxation and minority interest and the enlarged paid-up share capital comprising 1,1 00, 000, 000 shares of RM1 each***

4. ***1999 is a tax free year***

5. ***There is no pre-acquisition profit as the acquisition of MASB is accountedfor under the merger method whilst the sale and purchase agreementfor the cash acquisition of other subsidiaries provide that all profit of this companies shall accrue to MA Holdings from I January, 1999***

11. FINANCIAL, INFORMATION *(Cont'd)*

The principal bases and assumptions upon which the profit estimate and forecast have been made out are set out as follows:

1. There will be no significant changes to the prevailing economic conditions in Malaysia and elsewhere which will adversely affect the activities or performance of the Group.

2. There will be no significant changes in the present legislation and Government regulations affecting the activities of the Group or the market in which it operates.

3. There will be no major industrial disputes, disruption in supply of materials or other abnormal factors, both domestic and overseas, which will adversely affect the operations of the Group.

   There will be no material increase in wages, cost of supplies and other operating costs.

4. **The** airport traffic, occupancy and rates charged for landing, parking, passenger service charge, other aeronautical related services and commercial activities will not significantly deviate from the forecast. The airport traffic is forecast based on the "base case estimate" contained in the latest study carried out by Cranfield University as set out in their report dated 11 August, 1999. The rates charged for landing, parking, passenger service charge, other aeronautical related services are forecast based on the existing rates.

5. There will be no alternative forms of transportation facilities or other airports, which may be introduced or developed within Malaysia or in the region, which will have an adverse effect on the Group's financial performance.

6. The Group will continue to be the sole entity to manage and operate all the airports in Malaysia.

7. The cost of maintaining, operating and leasing the airports from the Government will not significantly deviate from the forecast.

8. The revenues from the :-

   a) private sector projects and Formula 1 race will materialise as forecast and will not significantly deviate from the forecast.

   b) commercial activities managed through sub-concessions will be achieved as forecast. The basis of the fee charged is forecast in accordance with the terms stipulated in the contracts with the individual operators and there will be no material changes in these terms and conditions. All rights and obligations under the existing contracts signed by the Group and third parties will continue to be in force at the existing terms and conditions.

9. There will be no significant changes in the management and accounting policies from those 'presently adopted by the Group.

10. There will be no significant changes in the existing key personnel and management of the Group that will adversely affect the operational and marketing capability of the Group.

11. There will be no shortfall arising from the valuation of the retirement benefits when a fund is established. The appropriate **confirmations** and instructions have been received from the Government for the pension provisions set aside and there will be no material variation that will materially affect the forecasts.

12. There will be no material acquisitions or disposals of fixed assets and capital expenditure other than those taken into consideration in the forecast and there will be no major delays in the implementation of approved capital expenditure program of the Group as planned.

13. There will be no material changes in the rate and basis of taxation and duties which may affect the Company and the effective taxation rate is forecast to be 28%. The profit forecast has taken into account the waiver of tax on profit for the financial year 1999.

14. There will be no significant changes in regulations, quit rents, land assessments, other levies and interest rates from current levels.

15. There will be no material changes in the structure and present activities of the Group other than those taken into consideration in the forecast.

16. The forecast results for the acquisition of MA Sepang, MA Niaga, MAMTS, SIC, MA Properties, MAAH, MAATS and KLAH will be accounted using the acquisition method whilst the forecast results for the acquisition of MASB will be accounted for under the merger method. The forecast results for the acquisition of CAMS, KAFS and UTW will be equity accounted.

17. The proceeds from the proposed Public Retail and Institutional Issues of approximately RM26 1 ,OOO,OOO (net of listing expenses of RM 14,000,000) is expected to be received by December, 1999.

18. The following has been forecast in accordance with the Concession Agreement between the Government and MA Sepang dated 18 October, 1999 :-

    (a) Concession fee of RM 1,308,350,000 to be paid of which RM 175,000,000 will be paid in 1999 and balance to be paid in 5 equal instalments of RM226,670,000 at the end of each financial year from 3 1 December, 2000 to 31 December, 2004.

    The above instalments are to be treated as advance payments as the concession fee shall only accrue and be amortised in the profit and loss account from 1 January, 2004 onward up to the end of the 50 year concession period on 5 May, 2048.

    (b) Annual lease rental shall accrue from 1 January, 2004 onward up to the end of the 50 year concession period on 5 May, 2048.

11.4 Reporting Accountant's Letter On The Consolidated Profit Estimate And Forecast
(Prepared for inclusion in this Prospectus)

ARTHUR ANDERSEN

25 October, 1999

Arthur Andersen & Co.
Public Accountants

Level 1 – Block C (South),
Pusat Bandar Damansara, 50490 Kuala Lumpur,
P 0 Box 11040, 50734 Kuala Lumpur, Malaysia.
603-255 7000
603-255 5332 (Fax) Main
603-255 9076,255 9078 (Fax) Audit

The Board of Directors
Malaysia Airports Holdings Berhad
Head Office MAB
Sultan Abdul Aziz Shah Airport
47200 Subang
Selangor Darul Ehsan

Dear Sirs

CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE YEARS ENDING 31 DECEMBER, 1999 AND 2000

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast of Malaysia Airports Holdings Berhad and **its** subsidiaries ("Group"), for which the directors are solely responsible, for the years ending 31 December, 1999 and 2000, as set out in the Prospectus to be dated 27 October, 1999, in connection with the public issue of 110,000,000 new ordinary shares of RM1.OO each at an offer price of RM2.50 per ordinary share, the offer for sale of 88,000,000 ordinary shares and the listing of and quotation for its entire issued and paid-up share capital on the Main Board of the Kuala Lumpur Stock Exchange.

The estimate and forecast have been prepared based on a set of assumptions made by the directors which includes significant assumptions about future events and outlook that may not necessarily occur. In particular, the estimate and forecast are dependent on the achievability of the specific assumptions as set out in the accompanying statement. Future results will be materially affected should the actual events differ from these specific assumptions as well as changes in the economic and other circumstances, and for these reasons, the actual results may vary considerably from the estimate and forecast.

Subject to the foregoing, in our opinion, the estimate and forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the directors as set out in the accompanying statement and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,

Arthur Andersen

ARTHUR ANDERSEN & CO.
No. AF 0103
Public Accountants

DATO' HJ. ZAINAL ABIDIN PUTIH
No. 575/3/00(J/PH)
Partner of the Firm

11. FINANCIAL INFORMATION *(Cont'd)*

11.5 Dividend Estimate And Forecast

It is the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for the future growth of the Group.

Based on the consolidated profit estimate and forecast and on the assumption that the present basis for calculating taxation and the rates of taxation will remain unchanged, the Directors of Company anticipate that the Company will be in a position to propose a dividend of not less than 5 per cent and 8 per cent on the issued and paid-up share capital of ordinary shares of RM 1 each for the financial years ending 3 1 December, 1999 and 3 1 December, 2000 respectively.

The intended appropriation of the profit estimate and forecast for the years ending 3 1 December, 1999 and 3 1 December, 2000 respectively would be as follows:

Financial Year Ending 31 December	**1999** **RM(thousand)**	**2000** RM(thousand)
Consolidate profit before taxation after and minority interest	256,301	292,093
Taxation		(82,120)
Consolidated profit after taxation and minority interest	256,301	209,973
Proposed dividend (net)'	(55,000)	(39,600)
Retained profit	201,301	146,613
Gross dividend per share (sen)	5.0	5.0
Net dividend per share (sen)'	5.0	3.6
Gross dividend cover (times)	4.7	5.3
Net dividend cover (times)	4.7	7.4
Gross dividend yield based on Issue/Offer price of RM2.50 per share	2.0	2.0
Net dividend yield based on Issue/Offer price of RM2.50 per share	2.0	1.4

Note .

I Assuming a taxation rate of 28% in year 2000.

12. DIRECTORS' REPORT

Registered Office:

Head Office MAB
Sultan Abdul Aziz Shah Airport
47200 Subang
Selangor Darul Ehsan

25 October 1999

The Shareholders
Malaysia Airports Holdings Berhad

Dear Sir/Madam

On behalf of the Directors of Malaysia Airports Holdings Berhad, I report after due enquiry that during the period from 3 1 May, 1999 (being the date to which the last audited accounts of the Company have been made) to 25 October 1999 (being a date not earlier than fourteen days before the issue of this Prospectus):

(a) the business of the Company and its subsidiary companies has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Company and its subsidiary companies which have affected adversely the trading or the value of the assets of the Company or its subsidiary companies;

(c) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there is no contingent liabilities by reason of any guarantees given by the Company and its subsidiary companies; and

(e) save as disclosed in the Accountants' Report and proforma consolidated balance sheets in Section 13 and Section 14 respectively of this Prospectus, there has been no changes in the published reserves or any unusual factors affecting the profit of the Company and its subsidiary companies.

Yours faithfully
For and on behalf of the Board of Directors

Rosman bin Abdullah
Executive Director (Finance)

ARTHUR ANDERSEN

Arthur Andersen & Co.
Public Accountants

Level 1 – Block C (South),
Pusat Bandar Damansara, 50490 Kuala Lumpur,
P 0 Box 11040, 50734 Kuala Lumpur, Malaysia.
603-255 7000
603-255 5332 (Fax) Main
603-255 9076,255 9078 (Fax) Audit

25 October, 1999

The Board of Directors
Malaysia Airports Holdings Berhad
Head Office MAB
Sultan Abdul Aziz Shah Airport
47200 Subang
Selangor Darul Ehsan

Dear Sirs

1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus to be dated 27 October, 1999, in connection with the Public Issue of 110,000,000 new ordinary shares of RM1.OO each at an issue price of RM2.50 per share in Malaysia Airports Holdings Berhad (hereinafter referred to as "MA Holdings" or "the Company") and the Offer for Sale of 88,000,000 ordinary shares of RM1.00 each at an offer price of RM2.50 per share in MA Holdings pursuant to the privatisation and listing of the entire enlarged issued and paid-up share capital of MA Holdings on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 Background

MA Holdings **was** incorporated under the Companies Act, 1965 on 28 June, 1999 as a public limited company.

At the date of incorporation, MA Holdings' authorised share capital was RM2,000,000,001 divided into 2,000,000,000 ordinary shares and 1 special rights redeemable preference share of RM1.OO each and its issued and paid-up share capital was RM3 divided into 2 ordinary shares and 1 special rights redeemable preference share of RM1.00 each.

Presently, MA Holdings has an authorised share capital RM2,000,000,001 divided into 2,000,000,000 ordinary shares and' 1 special rights redeemable preference share of RM1.OO each. The issued and paid-up share capital is RM990,000,001 comprising 990,000,000 ordinary shares and 1 special rights redeemable preference share of RM1.OO each.

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The changes in the issued and paid-up share capital of MA Holdings since its incorporation **are as follows:**

Date of allotment	Number of shares allotted	Par value RM	Consideration	Resultant issued and paid-up share capital RM
Special Rights Redeemable Preference Share				
28.06.99	**1**	**1.00**	Cash	1
Ordinary Shares				
28.06.99	**2**	**1.00**	Subscribers' shares	2
23.10.99	989,999,998	1.00	Issued pursuant to the acquisition of MASB	990,000,000

MA Holdings' principal activity is that of investment holding.

2.2 Restructuring Scheme

As an integral part of the listing of and quotation for its entire issued and paid up ordinary shares in MA Holdings on the Main Board of the KLSE, MA Holdings undertook a restructuring exercise involving the following which were approved by the Economic Planning Unit ("EPU"), Foreign Investment Committee ("FIC"), Securities Commission ("SC") and Ministry of Finance ("MOF") on 6 October, 1999, 9 October, 1999, 15 October, 1999 and 23 October, 1999 respectively.

The restructuring exercise which was completed on 23 October, 1999 involved the following:

(a) The acquisition by MA Holdings of the entire issued and paid-up capital of Malaysia Airports Sdn. Bhd. ("MAW') for a purchase consideration of RM1,663,094,840 satisfied by the issuance of 989,999,998 new ordinary shares of RM1.OO each in MA Holdings at an issue price of RM1.68 per share ("Acquisition of MASB").

(b) Upon completion of the Acquisition of MASB, Malaysia Airports (Properties) Sdn. Bhd. ("MA Properties"), a wholly owned subsidiary of MA Holdings, acquired from MASB the following:

i) 1,000,000 ordinary shares of RM1.OO each representing the entire issued and paid-up share capital of MAB Agriculture-Horticulture Sdn. Bhd. ("MAAH") for a cash consideration of RM4,986.

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ii) 6,000,000 ordinary shares of RM1.00 each and 540,000 preference shares of RM1 each representing 60% of the issued and paid-up share capital of K.L. Airport Sdn. Bhd. ("KLAH") for a cash consideration of RM54,656,938.

iii) 254 ordinary shares of RM1,000 each and 190 preference shares of RM1,000 each representing 12.5% of the issued and paid-up share capital of Gas District Cooling (KLIA) Sdn. Bhd. ("GDC") for a cash consideration of RM7,471,444.

iv) 600 ordinary shares of RM1,000 each and 400 preference shares of RM1,000 each representing 20% of the issued and paid-up share capital of Kuala Lumpur Aviation Fuelling System Sdn. Bhd. ("KAFS") for a cash consideration of RM18,234,333.

The abovementioned acquisitions will hereafter be collectively referred to as "Acquisition of MA Properties Group".

(c) Upon completion of the Acquisition of MA Properties Group, MA Holdings acquired from MASB the following:

i) 50,000,002 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Malaysia Airports (Sepang) Sdn. Bhd. ("MA Sepang") for a cash consideration of RM97,689,523.

ii) 5,000,002 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Malaysia Airports (Niaga) Sdn. Bhd. ("MA Niaga") for a cash consideration of RM16,475,490.

iii) 500,002 ordinary shares of RM1.OO each representing the entire issued and paid-up share capital of Malaysia Airports Management & Technical Services Sdn. Bhd. ("MAMTS"), for a cash consideration of RM1.

iv) 10,000,000 ordinary shares of RM1.OO each representing the entire issued and paid-up share capital of Sepang International Circuit Sdn. Bhd. ("SIC") for a cash consideration of RM9,890,441.

v) 2 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Malaysia Airports (Air Traffic Services) ("MAATS") for a cash consideration of RM1.

The abovementioned acquisitions will hereafter be collectively referred to as "Acquisition of MASB Subsidiaries".

The purchase consideration for the acquisitions of MASB, MA Properties Group and MASB Subsidiaries were based on their respective audited net tangible assets values as at 31 December, 1998 of RM1,663,094,840, RM80,367,701 and RM124,055,456 respectively, except for GDC and KAFS which were based on the audited net tangible assets values as at 31 March, 1999 of RM7,471,444 and RM18,234,333 respectively.

(d) MA Holdings now proposes to make a Public Issue of 110,000,000 new ordinary shares of RM1.00 each at RM2.50 per ordinary share which will increase the issued and paid-up share capital of MA Holdings to 1,100,000,000 ordinary shares of RM1.OO each. The Public Issue comprises the issuance of 110,000,000 new ordinary shares in MA Holdings to Malaysian institutional investors ("Public Issue").

MA Holdings together with its subsidiaries and associated companies; namely MASB, MA Sepang, MA Niaga, MAMTS, SIC, MAATS, MA Properties, MAAH, KLAH, Cambodia Airport Management Services Ltd ("CAMS"), Urusan Teknologi Wawasan Sdn. Bhd. ("UTW") and KAFS which were acquired in the restructuring scheme described above, are hereafter referred to as the "MA Holdings Group" or "the Group".

2.3 The Subsidiaries

The information on the subsidiaries, all of which are private limited companies, is as follows:

(i) MASB

MASB was incorporated on 11 December, 1991 as Malaysia Airports Berhad and commenced operations with effect from 1 November, 1992 after certain operating assets, rights and liabilities to which the Department of Civil Aviation ("DCA") was entitled became, by virtue of the Airport and Aviation Services (Operating Company) Act, 1991, the operating assets, rights and liabilities of MASB. The assets, rights and liabilities (excluding land and buildings) transferred to MASB were as set out in a vesting order dated 1 November, 1992. MASB changed its status from a public company to a private limited company on 25 May, 1999 and consequently assumed its present name.

The authorised and issued and paid-up share capital of MASB as at the date of this report is RM500,000,001 and RM360,113,846 respectively comprising 500,000,000 ordinary shares and 1 special rights redeemable preference share and 360,113,846 ordinary shares of RM1.OO each.

Details of changes in the issued and paid-up share capital of MASB since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital RM
11.12.91	1	Subscriber's share	1
26.01.95	360,113,845	Conversion of net asset value transferred from the DCA	360,113,846

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MASB is principally engaged in the management, operation and maintenance of designated airports in Malaysia and provision of airport related services.

(ii) MA Sepang

MA Sepang was incorporated in Malaysia as a private limited company on 20 October, 1994. The authorised and issued and paid-up share capital of MA Sepang as at the date of this report are RM500,000,000 and RM50,000,002 respectively comprising 500,000,000 and 50,000,002 ordinary shares of RM1 .OO each.

Details of changes in the issued and paid-up share capital of MA Sepang since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital RM
20.10.94	2	Subscribers' shares	2
22.07.95	25,000,000	Cash	25,000,002
18.01.97	25,000,000	Cash	50,000,002

MA Sepang is principally engaged in the management, operation, maintenance, future development of the K.L. International Airport ("KLIA") and provision of airport related services.

(iii) MA Niaga

MA Niaga was incorporated in Malaysia as a private limited company on 11 November, 1993. The authorised and issued and paid-up share capital of MA Niaga as at the date of this report are RM10,000,000 and RM5,000,002 respectively comprising 10,000,000 and 5,000,002 ordinary shares of RM1.OO each.

Details of changes in the issued and paid-up share capital of MA Niaga since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital RM
11.11.93	2	Subscribers' shares	2
25.11.93	5,000,000	Cash	5,000,002

MA 'Niaga is principally, engaged in the operation of duty free, non-duty free outlets and management and provision of services in respect of food and beverage outlets at designated airports.

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(iv) MAMTS

MAMTS was incorporated in Malaysia as a private limited company on 24 January, 1996. The authorised and issued and paid-up share capital of MAMTS as at the date of this report are RM2,000,000 and RM500,002 respectively comprising 2,000,000 and 500,002 ordinary shares of RM1.00 each.

Details of changes in the issued and paid-up share capital of MAMTS since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital RM
24.01.96	2	Subscribers' shares	2
08.04.97	500,000	Cash	500,002

MAMTS is principally engaged in the provision of management, operation maintenance and technical services in connection with the operation of airports and airport services.

(v) SIC

SIC was incorporated in Malaysia as a private limited company on 23 January, 1998. The authorised and issued and paid-up share capital of SIC as at the date of this report is RM50,000,000 and RM10,000,000 respectively comprising 50,000,000 and 10,000,000 ordinary shares of RM1.00 each.

Details of changes in the issued and paid-up share capital of SIC since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital RM
23.01.98	2	Subscribers' shares	2
23.02.99	9,999,998	Cash	10,000,000

The principal activity of SIC is the management and operation of the Sepang F1 Circuit and the organisation and promotion of motor sports and entertainment events.