Unless otherwise stated, all abbreviations and defined names or expressions contained in this Abridged Prospectus are defined in the "Definitions" section of this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your Shares, you should hand this Abridged Prospectus, together with the NPA and the RSF (collectively, the "**Documents**") at once to the agent/broker through whom you effected the sale/transfer for onward transmission to the purchaser/transferee. All enquiries concerning the Rights Issue should be addressed to our Share Registrar, Securities Services (Holdings) Sdn Bhd, at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The Documents are despatched only to our shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on 26 February 2015 who have a registered address in Malaysia or who have provided our Share Registrar with an address in Malaysia in writing on or before 5.00 p.m. on 26 February 2015. The Documents are not intended to be and should not be distributed, forwarded to or transmitted in or into countries or jurisdictions where to do so might constitute a violation of the securities laws or regulations of such countries or jurisdictions. No action has been or will be taken to ensure that either the Rights Issue or the Documents comply with the laws of any country or jurisdiction other than the laws of Malaysia. Entitled Shareholders and renouncees/transferees who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/or other professional advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their Provisional Rights Shares, the application for the Excess Rights Shares, or the subscription, offer, sale, resale, pledge or other transfer of the Rights Shares would result in the contravention of any law of such countries or jurisdictions. None of MAHB, the Joint Principal Advisers, the Joint Managing Underwriters, the Joint Underwriters, and other professional advisers or any of their respective directors and officers or affiliates will accept any responsibility or liability whatsoever to any party in the event that any acceptance or renunciation (as the case may be) of the Provisional Rights Shares, the application for the Excess Rights Shares or the subscription, offer, sale, resale, pledge or other transfer of the Rights Shares made by any Entitled Shareholder and renouncee/transferee is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the said Entitled Shareholder and renouncee/transferee is a resident.

The Provisional Rights Shares and the Rights Shares have not been, and will not be, registered under the U.S. Securities Act or the laws of any state or jurisdiction of the U.S., and as such, the Provisional Rights Shares may not be accepted, and the Rights Shares may not be offered, taken up, subscribed, acquired, sold, resold, pledged, transferred or delivered, directly or indirectly, within the U.S., except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. There is no intention to register any portion of the Provisional Rights Shares or the Rights Shares in the U.S. or to conduct a public offering of securities in the U.S.

The approval from our shareholders for the Rights Issue was obtained at our EGM convened on 23 December 2014. The approval from Bursa Securities for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities was obtained vide its letters dated 28 November 2014 and 5 December 2014. However, this is not an indication that Bursa Securities recommends the Rights Issue. The listing of and quotation for the Rights Shares on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue and any investment in MAHB. The listing of and quotation for the Rights Shares will commence after, among others, receipt of confirmation from Bursa Depository that all the Rights Shares have been duly credited into the CDS Accounts of the successful Entitled Shareholders and/or their renouncees/transferees (if applicable) and notices of allotment have been despatched to them.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. Copies of each of the Documents have also been lodged with the CCM who takes no responsibility for the contents of the Documents.

Our Board has seen and approved all the documentation relating to this Rights Issue including the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statements in the Documents false or misleading.

CIMB and Maybank IB, being the Joint Principal Advisers for the Rights Issue, acknowledge that, based on all available information and to the best of their knowledge and belief, this Abridged Prospectus contains full and true disclosure of all material facts concerning the Rights Issue.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS ABRIDGED PROSPECTUS.

MALAYSIA AIRPORTS

MALAYSIA AIRPORTS HOLDINGS BERHAD

(Company Number: 487092-W)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF 275,308,267 NEW ORDINARY SHARES OF RM1.00 EACH IN MALAYSIA AIRPORTS HOLDINGS BERHAD ("SHARES") ("RIGHTS SHARES") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) EXISTING SHARES HELD AS AT 5.00 P.M. ON 26 FEBRUARY 2015, AT AN ISSUE PRICE OF RM4.78 PER RIGHTS SHARE

Joint Principal Advisers, Joint Managing Underwriters and Joint Underwriters

CIMB
CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Maybank Investment Bank
Maybank Investment Bank Berhad (15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriter

J.P.Morgan
JPMorgan Securities (Malaysia) Sdn Bhd (18146-X)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIMES		
Entitlement Date	:	Thursday, 26 February 2015 at 5.00 p.m.
Last date and time for the sale of the Provisional Rights Shares	:	Thursday, 5 March 2015 at 5.00 p.m.
Last date and time for the transfer of the Provisional Rights Shares	:	Tuesday, 10 March 2015 at 4.00 p.m.
Last date and time for acceptance of and payment for the Provisional Rights Shares	:	Friday, 13 March 2015 at 5.00 p.m.*
Last date and time for application and payment for the Excess Rights Shares	:	Friday, 13 March 2015 at 5.00 p.m.*

* *or any such later date and time as our Board and the Joint Underwriters may, at their absolute discretion, decide and announce, but not less than two (2) Market Days before such stipulated date and time.*

This Abridged Prospectus is dated 26 February 2015

ALL TERMS USED ARE AS DEFINED IN THE "DEFINITIONS" SECTION OF THIS ABRIDGED PROSPECTUS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS ISSUE AND ANY INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS AS SET OUT IN SECTION 236 OF THE CMSA (SUCH AS OUR DIRECTORS AND ADVISERS) ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION WHERE TO DO SO MIGHT CONSTITUTE A VIOLATION OF THE SECURITIES LAWS OR REGULATIONS OF SUCH COUNTRY OR JURISDICTION. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND ARE PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

THE DOCUMENTS ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE U.S., CANADA OR JAPAN. THE RIGHTS ISSUE REFERRED TO IN THE DOCUMENTS IS NOT, AND UNDER NO CIRCUMSTANCES SHALL IT BE CONSTRUED AS AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES, NOR SHALL THERE BE ANY SALE OR PURCHASE OF SECURITIES IN ANY COUNTRY OR JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH COUNTRY OR JURISDICTION.

THE PROVISIONAL RIGHTS SHARES AND THE RIGHTS SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE LAWS OF ANY STATE OR JURISDICTION OF THE U.S. AND MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE U.S. STATE SECURITIES LAWS. THE PROVISIONAL RIGHTS SHARES AND THE RIGHTS SHARES ARE BEING OFFERED AND SOLD UNDER THE U.S. SECURITIES ACT OUTSIDE THE U.S. IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S.

THE DOCUMENTS SHOULD NOT BE FORWARDED OR TRANSMITTED IN OR INTO THE U.S. BY ANY PERSON AT ANY TIME. OUR COMPANY WILL NOT ACCEPT SUBSCRIPTIONS FROM ANY PERSON, OR PERSON ACTING ON BEHALF OF ANY PERSON, WHO APPEARS TO BE, OR WHO OUR COMPANY HAS REASON TO BELIEVE IS, LOCATED IN THE U.S. AND TO WHOM AN OFFER, IF MADE, WOULD RESULT IN REQUIRING REGISTRATION OF THE DOCUMENTS, THE RIGHTS ISSUE, THE PROVISIONAL RIGHTS SHARES OR THE RIGHTS SHARES UNDER THE U.S. SECURITIES ACT OR THE LAWS OF ANY STATE OR JURISDICTION OF THE U.S.

NONE OF THE JOINT PRINCIPAL ADVISERS, THE JOINT MANAGING UNDERWRITERS, THE JOINT UNDERWRITERS AND OTHER PROFESSIONAL ADVISERS, OR ANY OF THEIR RESPECTIVE DIRECTORS AND OFFICERS OR AFFILIATES MAKE ANY REPRESENTATION, WARRANTY OR RECOMMENDATION WHATSOEVER AS TO THE MERITS OF THE RIGHTS ISSUE, OUR COMPANY OR ANY OTHER MATTER RELATED THERETO OR IN CONNECTION THEREWITH.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:

Abridged Prospectus	:	This abridged prospectus dated 26 February 2015 issued by our Company in relation to the Rights Issue
Acquisition from GMR Group	:	Acquisition of the GMR Stake by MAMSC from the GMR Group for a final cash consideration of EUR209,000,000 or equivalent to RM933,719,000 which was completed on 30 April 2014
Acquisitions	:	Acquisitions by MACities of the following: (i) 40% collective equity stake in ISG from the Limak Group; and (ii) 40% collective equity stake in LGM from the Limak Group, for a final cash consideration of EUR279,232,213.30 or equivalent to RM1,182,855,578.76 based on BNM's middle rate of EUR1.00:RM4.2361 as at 5.00 p.m. on 2 January 2015 (as adjusted in accordance with the share purchase agreement), which was completed on 2 January 2015
Act	:	The Companies Act, 1965
AirAsia	:	AirAsia Berhad (284669-W)
AirAsia X	:	AirAsia X Berhad (734161-K)
ASEAN	:	The Association of Southeast Asian Nations
BNM	:	Bank Negara Malaysia
Board	:	Our Board of Directors
Bridging Finance	:	Bridging facility of EUR285 million taken up by our Company with JPMorgan Chase Bank, N.A., Labuan Branch
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CCM	:	Companies Commission of Malaysia
CDS Account	:	A securities account established by Bursa Depository for a depositor for the recording of deposits and dealings in such securities by the depositor
CIMB	:	CIMB Investment Bank Berhad (18417-M)
Closing Date	:	13 March 2015 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Provisional Rights Shares and the Excess Rights Shares or any such later date and time as our Board and the Joint Underwriters may, at their absolute discretion, decide and announce, but not less than two (2) Market Days before such stipulated date and time
CMSA	:	Capital Markets and Services Act, 2007
DCA	:	Department of Civil Aviation of Malaysia

DEFINITIONS *(Cont'd)*

Designated Airports	:	The 38 other airports and STOLports in Malaysia operated by us, apart from KLIA
Documents	:	Collectively, this Abridged Prospectus and the accompanying NPA and the RSF
DRP	:	Dividend reinvestment plan that provides our shareholders the option to elect to reinvest their cash dividends into new Shares
EBITDA	:	Earnings before interests, taxation, depreciation and amortisation
EGM	:	Extraordinary general meeting
Entitled Shareholders	:	Our shareholders whose names appear in our Record of Depositors on the Entitlement Date, subject to Section 11.8 of this Abridged Prospectus
Entitlement Date	:	26 February 2015 at 5.00 p.m., being the date and time on which the names of our shareholders must appear in our Record of Depositors, in order to be entitled to participate in the Rights Issue
EPS	:	Earnings per share
Excess Rights Shares	:	Rights Shares which are not taken up or cannot be taken up or not validly taken up by the Entitled Shareholders and/or their renouncees/transferees (if applicable) by the Closing Date, including any fractional entitlements thereof
Foreign Addressed Shareholders	:	Entitled Shareholders who fall into the following categories: (i) persons whose addresses in our Record of Depositors on the Entitlement Date are not Malaysian addresses; or (ii) persons who failed to notify our Share Registrar of mailing addresses in Malaysia, on or before the Entitlement Date
FPE	:	Financial period ended
FRS	:	Financial reporting standards
FYE	:	Financial year(s) ended/ending, as the case may be
GDP	:	Gross domestic product
GMIAL	:	GMR Male International Airport Private Limited
GMR Group	:	Collectively, GMR Infrastructure Limited, GMR Infrastructure Overseas Limited and GMR Infrastructure (Global) Limited
GMR Stake	:	The 40% equity stake held by the GMR Group in ISG and LGM respectively prior to completion of the Acquisition from GMR Group
GOM	:	Government of Malaysia
IC 12	:	IC Interpretation 12: Service Concession Arrangements
ISG	:	İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. (656447)
Issue Price	:	The issue price of RM4.78 per Rights Share

J.P. Morgan	:	JPMorgan Securities (Malaysia) Sdn Bhd (18146-X)
Joint Principal Advisers	:	Collectively, CIMB and Maybank IB
Joint Managing Underwriters	:	Collectively, CIMB and Maybank IB
Joint Underwriters	:	Collectively, CIMB, Maybank IB and J.P. Morgan
Khazanah	:	Khazanah Nasional Berhad (275505-K)
KLIA	:	Kuala Lumpur International Airport, comprising the main terminal building and klia2
klia2	:	The new LCCT which was opened for operation on 2 May 2014
LCC	:	Low-cost carrier(s)
LCCT	:	Low-cost carrier terminal of Malaysia
LGM	:	LGM Havalimanı İşletmeleri Ticaret ve Turizm A.Ş. (689548)
Limak	:	Limak Insaat Sanayi Ve Ticaret A.Ş. (31872)
Limak Group	:	Collectively, Limak and Limak Yatirim
Limak Yatirim	:	Limak Yatirim Enerji Üretim İşletme Hizmetleri ve İnşaat A.Ş. (248593)
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	30 January 2015, being the latest practicable date prior to the date of this Abridged Prospectus
MACities	:	Malaysia Airports Cities Sdn Bhd (1114062-X), our wholly-owned subsidiary
MAHB or Company	:	Malaysia Airports Holdings Berhad (487092-W)
MAHB Group or Group	:	Collectively, our Company and our subsidiaries
MAMSC	:	Malaysia Airports MSC Sdn Bhd (516854-V), our wholly-owned subsidiary
Market Day	:	Any day on which Bursa Securities is open for trading in securities
MAS	:	Malaysian Airline System Berhad (10601-W)
MASB	:	Malaysia Airports Sdn Bhd (230646-U), our wholly-owned subsidiary
MA Sepang	:	Malaysia Airports (Sepang) Sdn Bhd (320480-D), our wholly-owned subsidiary
Maybank IB	:	Maybank Investment Bank Berhad (15938-H)
MOF	:	Ministry of Finance of Malaysia
MOF(Inc)	:	Minister of Finance (Incorporated)
MOT	:	Ministry of Transport of Malaysia
NA	:	Net assets

NPA	:	Notice of provisional allotment of Rights Shares pursuant to the Rights Issue
New Operating Agreements	:	Collectively, the operating agreements dated 12 February 2009 between: (i) the GOM, MAHB and MA Sepang in relation to the operation, management, maintenance and development of KLIA; and (ii) the GOM, MAHB and MASB in relation to the operation, management, maintenance and development of the Designated Airports
Placement Shares	:	124,050,000 new Shares issued pursuant to the Private Placement, representing 10% of the issued and paid-up share capital of MAHB prior to the Private Placement
PAT	:	Profit after tax
PBT	:	Profit before tax and zakat from continuing operations
Provisional Rights Shares	:	The Rights Shares provisionally allotted to the Entitled Shareholders
Private Placement	:	Issuance of the Placement Shares to third party investors at an issue price of RM7.90 per Share pursuant to a placement exercise which was completed on 12 March 2014
Record of Depositors	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
Rights Issue	:	Renounceable rights issue of 275,308,267 Rights Shares, on the basis of one (1) Rights Share for every five (5) existing Shares held by the Entitled Shareholders on the Entitlement Date, at the Issue Price
Rights Shares	:	New Shares to be issued pursuant to the Rights Issue
RSF	:	Rights subscription form pursuant to the Rights Issue
Rules of Bursa Depository	:	The rules of Bursa Depository as issued pursuant to the SICDA
Sabiha Airport	:	Sabiha Gökçen International Airport, Turkey
SC	:	Securities Commission Malaysia
Share Registrar	:	Securities Services (Holdings) Sdn Bhd (36869-T)
Shares	:	Ordinary shares of RM1.00 each in our Company
SICDA	:	Securities Industry (Central Depositories) Act, 1991
Special Share	:	The one (1) special rights redeemable preference share of RM1.00 in our Company currently held by and transferred only to the Special Shareholder
Special Shareholder	:	The MOF(Inc) or its successors or any Minister, representative or any person acting on behalf of the GOM
SSA	:	Sale and purchase agreement dated 28 December 2013 entered into between MAMSC and the GMR Group in relation to the Acquisition from GMR Group

DEFINITIONS *(Cont'd)*

STOLports	:	Short take-off and landing airports
TERP	:	Theoretical ex-rights price
Undertaking Letter	:	The irrevocable undertaking letter dated 5 December 2014 provided by Khazanah to subscribe for the Undertaking Shares
Undertaking Shares	:	The Rights Shares entitled to Khazanah as at the Entitlement Date to be subscribed in full, up to a full entitlement value of RM483,100,000 pursuant to the Undertaking Letter
Underwriting Agreement	:	Underwriting agreement dated 27 January 2015 entered into between our Company, the Joint Managing Underwriters and the Joint Underwriter in relation to the Rights Issue
Underwritten Shares	:	Total number of 275,308,267 Rights Shares to be allotted and issued pursuant to the Rights Issue less the Undertaking Shares which each of the Joint Underwriters has agreed to underwrite, in the manner and on the terms and conditions of the Underwriting Agreement
U.S.	:	United States of America
U.S. Securities Act	:	United States Securities Act of 1933, and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder, as amended from time to time and any re-enactment thereof
VWAP	:	Volume-weighted average market price

CURRENCIES

EUR	:	Euro
GBP	:	United Kingdom Pound Sterling
QAR	:	Qatari Riyal
RM and sen	:	Ringgit Malaysia and sen
TL	:	Turkish Lira
USD	:	United States Dollar

All references to "**our Company**" in this Abridged Prospectus mean MAHB and references to "**our Group**" or "**MAHB Group**" mean our Company and our subsidiaries. References to "**we**", "**us**", "**our**", "**ourselves**" mean our Company, or where the context otherwise requires, our Company and our subsidiaries. All references to "**you**" and "**your**" in this Abridged Prospectus mean the Entitled Shareholders, and/or should the context otherwise requires, the renouncees/transferees.

Words denoting the singular shall include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations and vice versa.

Any reference to any act, guidance or enactment in this Abridged Prospectus is a reference to that act, guidance or enactment, as for the time being amended or re-enacted.

Any discrepancies in any table included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding adjustments and translation from their respective amounts in foreign currencies to RM. Any discrepancies in the amounts and percentage figures included in this Abridged Prospectus are also due to rounding adjustments.

Any reference to time of day in this Abridged Prospectus is a reference to Malaysian time, unless otherwise stated.

The EBITDA presented in this Abridged Prospectus is a supplemental measure of performance and liquidity and is not required by, or presented in accordance with FRS and should not be considered as an alternative to PAT, operating income or any other performance measures derived in accordance with FRS or as an alternative to cash flows or as a measure of liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such term may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

We believe that the presentation of EBITDA facilitates the operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structure (affecting finance costs), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of tangible assets (affecting relative depreciation expense).

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Nationality	Profession
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah *(Chairman / Non-Independent Non-Executive Director)*	No. 3, Jalan AU5C/6 Lembah Keramat, Hulu Kelang 54200 Kuala Lumpur Wilayah Persekutuan Malaysia	Malaysian	Chairman
Datuk Mohd Badlisham bin Ghazali *(Managing Director / Non-Independent Executive Director)*	137, Jalan Athinahapan Taman Tun Dr. Ismail 60000 Kuala Lumpur Wilayah Persekutuan Malaysia	Malaysian	Managing Director
Jeremy bin Nasrulhaq *(Senior Independent Non-Executive Director)*	No. 1, Jalan BU 3/3 47800 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian	Company Director
Datuk Seri Yam Kong Choy *(Independent Non-Executive Director)*	AB-10-01, 10 Mont' Kiara 4 Jalan Kiara 1, Mont' Kiara 50480 Kuala Lumpur Wilayah Persekutuan Malaysia	Malaysian	Company Director
Datuk Zalekha binti Hassan *(Independent Non-Executive Director)*	37, Jalan SS3/53 Taman Subang 47300 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian	Company Director
Rosli bin Abdullah *(Independent Non-Executive Director)*	11A, Jalan SS4A/2 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian	Company Director
Datuk Dr. Ismail bin Hj. Bakar *(Non-Independent Non-Executive Director)*	No 48 Jalan Wangsa Siaga 1 Wangsa Melawati 53300 Kuala Lumpur	Malaysian	Secretary General of MOT
Datuk Ruhaizah bt Mohamed Rashid *(Alternate Director to Datuk Dr. Ismail bin Hj. Bakar)* *(Non-Independent Non-Executive Director)*	Lot 11393 Jalan Melor 1 Sg. Kantan Fasa III 43000 Kajang Selangor	Malaysian	Deputy Secretary General of MOT
Dato' Siti Zauyah binti Md Desa *(Non-Independent Non-Executive Director)*	27, Jalan P15 H4/2 Presint 15 62050 Putrajaya Malaysia	Malaysian	Director, National Budget Office, MOF

CORPORATE DIRECTORY *(Cont'd)*

Name	Address	Nationality	Profession
Norazura binti Tadzim *(Alternate Director to Dato' Siti Zauyah binti Md Desa)* *(Non-Independent Non-Executive Director)*	No. 35, Jalan P11 B1/6 Precint 11 62300 Putrajaya Wilayah Persekutuan Malaysia	Malaysian	Principal Assistant Secretary, Investment, MOF(Inc) and Privatisation Division, MOF
Mohd Izani bin Ghani *(Non-Independent Non-Executive Director)*	55, Jalan PP 7/5 Taman Putra Perdana 47130 Puchong Selangor Darul Ehsan Malaysia	Malaysian	Company Director
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin *(Non-Independent Non-Executive Director)*	No. 9, Jalan 14/2 Taman Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan Malaysia	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Rosli bin Abdullah	Chairman	Independent Non-Executive Director
Jeremy bin Nasrulhaq	Member	Senior Independent Non-Executive Director
Datuk Seri Yam Kong Choy	Member	Independent Non-Executive Director
Mohd Izani bin Ghani	Member	Non-Independent Non-Executive Director

COMPANY SECRETARY : Sabarina Laila binti Dato' Mohd Hashim (LS 0004324)
MR1-08-05, Sri Acappella
Jalan Lompat Tinggi 13/33
Seksyen 13, 40100 Shah Alam
Selangor Darul Ehsan
Malaysia

REGISTERED / HEAD / MANAGEMENT OFFICE : Malaysia Airports Corporate Office
Persiaran Korporat KLIA
64000 KLIA, Sepang
Selangor Darul Ehsan
Malaysia

Tel. No. : +603 8777 7000
Fax. No.: +603 8777 7512
E-mail: CARE@malaysiaairports.com.my
Website: http://www.malaysiaairports.com.my

CORPORATE DIRECTORY *(Cont'd)*

PRINCIPAL BANKERS	:	CIMB Bank Berhad 13th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia Tel. No.: +603 2261 8888 Malayan Banking Berhad 14th Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Malaysia Tel. No.: +603 2070 8833 Citibank Berhad 45th Floor, Menara Citibank 165, Jalan Ampang 50450 Kuala Lumpur Malaysia Tel. No.: +603 2383 8585
JOINT PRINCIPAL ADVISERS AND JOINT MANAGING UNDERWRITERS	:	CIMB Investment Bank Berhad 17th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia Tel. No.: +603 2261 8888 Maybank Investment Bank Berhad 32nd Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Malaysia Tel. No.: +603 2059 1888
AUDITORS AND REPORTING ACCOUNTANTS FOR THE RIGHTS ISSUE	:	Messrs Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia Tel. No.: +603 7495 8000

LEGAL ADVISERS FOR THE RIGHTS ISSUE	:	*To our Company* Zaid Ibrahim & Co Advocates & Solicitors Level 19, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia Tel. No.: +603 2780 9999 *International counsel to our Company* Clifford Chance Pte Ltd Marina Bay Financial Centre 25th Floor, Tower 3 12 Marina Boulevard Singapore 018982 Tel. No.: +65 6410 2200 *To the Joint Underwriters* Adnan Sundra and Low Level 11, Menara Olympia No. 8, Jalan Raja Chulan 50200 Kuala Lumpur Malaysia Tel. No.: +603 2070 0466 *To the Joint Underwriters as to U.S. federal law* Allen & Overy LLP 50 Collyer Quay #09-01 OUE Bayfront Singapore 049321 Tel. No.: +65 6671 6000

JOINT UNDERWRITERS	:	CIMB Investment Bank Berhad 17th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia Tel. No.: +603 2261 8888 Maybank Investment Bank Berhad 32nd Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Malaysia Tel. No.: +603 2059 1888 JPMorgan Securities (Malaysia) Sdn Bhd Level 18, Integra Tower The Intermark 348, Jalan Tun Razak 50400 Kuala Lumpur Malaysia Tel. No.: +603 2178 0500
SHARE REGISTRAR	:	Securities Services (Holdings) Sdn Bhd Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Malaysia Tel. No.: +603 2084 9000 Fax. No.: +603 2094 9940 / 2095 0292
STOCK EXCHANGE LISTED AND LISTING SOUGHT	:	Main Market of Bursa Securities

MALAYSIA AIRPORTS HOLDINGS BERHAD
(Company Number: 487092-W)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Malaysia Airports Corporate Office
Persiaran Korporat KLIA
64000 KLIA, Sepang
Selangor Darul Ehsan, Malaysia

26 February 2015

Board of Directors

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah *(Chairman / Non-Independent Non-Executive Director)*
Datuk Mohd Badlisham bin Ghazali *(Managing Director / Non-Independent Executive Director)*
Jeremy bin Nasrulhaq *(Senior Independent Non-Executive Director)*
Datuk Seri Yam Kong Choy *(Independent Non-Executive Director)*
Datuk Zalekha binti Hassan *(Independent Non-Executive Director)*
Rosli bin Abdullah *(Independent Non-Executive Director)*
Datuk Dr. Ismail bin Hj. Bakar *(Non-Independent Non-Executive Director)*
Datuk Ruhaizah bt Mohamed Rashid *(Alternate Director to Datuk Dr. Ismail bin Hj. Bakar) (Non-Independent Non-Executive Director)*
Dato' Siti Zauyah binti Md Desa *(Non-Independent Non-Executive Director)*
Norazura binti Tadzim *(Alternate Director to Dato' Siti Zauyah binti Md Desa) (Non-Independent Non-Executive Director)*
Mohd Izani bin Ghani *(Non-Independent Non-Executive Director)*
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin *(Non-Independent Non-Executive Director)*

To: The Entitled Shareholders

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF 275,308,267 RIGHTS SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) EXISTING SHARES HELD BY THE ENTITLED SHAREHOLDERS ON THE ENTITLEMENT DATE AT THE ISSUE PRICE

1. INTRODUCTION

On 23 October 2014, our wholly-owned subsidiary, MACities, exercised the right of first refusal in respect of the Acquisitions pursuant to the shareholders' agreement of ISG and shareholders' agreement of LGM for a purchase consideration EUR285,000,000, subject to downward adjustments in accordance with the terms of the share purchase agreement ("**SPA**").

On 7 November 2014, MACities entered into the SPA with Limak Group for the following:

(i) to acquire the remaining 40% equity stake in ISG from:

(a) Limak, comprising 50,800 fully paid shares in ISG representing an aggregate of 0.01% of the share capital and voting rights; and

(b) Limak Yatirim, comprising 159,126,800 fully paid shares in ISG representing an aggregate of 39.99% of the share capital and voting rights;

(ii) to acquire the remaining 40% equity stake in LGM from:

(a) Limak, comprising 5,000 fully paid shares in LGM representing an aggregate of 1.00% of the share capital and voting rights; and

(b) Limak Yatirim, comprising 195,000 fully paid shares in LGM representing an aggregate of 39.00% of the share capital and voting rights.

On 10 November 2014, the Joint Principal Advisers announced on behalf of our Board that we intend to undertake the Rights Issue to fund the Acquisitions.

On 28 November 2014 and 5 December 2014, the Joint Principal Advisers announced on behalf of our Board that Bursa Securities had, vide its letters dated 28 November 2014 and 5 December 2014, approved the listing of and quotation for the Rights Shares to be issued pursuant to the Rights Issue on the Main Market of Bursa Securities, subject to the following conditions:

No.	Conditions imposed	Status of compliance
(i)	Our Company and the Joint Principal Advisers must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue;	To be complied
(ii)	Our Company and the Joint Principal Advisers to inform Bursa Securities upon the completion of the Rights Issue;	To be complied
(iii)	Our Company to furnish to Bursa Securities with a written confirmation of our Company's compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed;	To be complied
(iv)	Our Company to furnish to Bursa Securities with a certified true copy of the relevant resolution passed by our shareholders at the EGM for approving the Rights Issue; and	Complied
(v)	If applicable, payment of additional listing fee based on the final issue price together with a copy of the details of the computation of the amount of listing fees payable.	To be complied

On 22 December 2014, the Joint Principal Advisers announced on behalf of our Board that the Foreign Exchange Administration Department of BNM had vide its letter dated 22 December 2014, approved the application by our Company in relation to the Acquisitions and the Bridging Finance, subject to the following conditions:

(i) we are required to notify BNM on the drawdown date of the Bridging Finance;

(ii) the approval will be considered as void if the Bridging Finance is used for any purpose other than for the Acquisitions and if the Bridging Finance is not drawn down within twelve (12) months from the date of BNM's approval letter;

(iii) the approval is also subject to us acquiring BNM's approval before we make repayment of the Bridging Finance and prior to any amendments of the terms of the Bridging Finance and the utilisation of the Bridging Finance;

(iv) we will acquire BNM's approval for any amendment on the financial guarantee's information including extension, assignment or termination of the guarantee period, at least seven (7) days before the amendment is made; and

(v) we will notify BNM when the financial guarantee is being called upon by completing the Form C within seven (7) working days from the date the financial guarantee is called upon. Nonetheless, payment can be made before such Form C is submitted if no changes are made to the details of the financial guarantee.

Our shareholders had approved the Rights Issue at our EGM convened on 23 December 2014. A certified true copy of the extract of the ordinary resolution pertaining to the Rights Issue which was passed at the said EGM is set out in **Appendix I** of this Abridged Prospectus.

On 23 December 2014, the SC had approved our Company's application to obtain a relief from complying with Paragraph 7.04 of Chapter 7 of the Prospectus Guidelines – Abridged Prospectus (Division 5) issued by the SC, i.e. from having to include in this Abridged Prospectus, an accountants' report on ISG and LGM. The Accountants' Report would be substituted with the following:

(i) audited consolidated financial statements of ISG and audited financial statements of LGM for the FYE 31 December 2011, 2012 and 2013; and

(ii) summary of audited consolidated statement of comprehensive income and statement of financial position for ISG and summary of audited statement of comprehensive income and statement of financial position for LGM, for the FYE 31 December 2011, 2012 and 2013, translated to RM.

On 31 December 2014, all the conditions precedent pertaining to the Acquisitions had been fulfilled or waived (other than those to be fulfilled on the closing date). Both MACities and Limak Group agreed that the SPA has become unconditional and therefore proceed to close the Acquisitions in accordance with the relevant provisions of the SPA, with an effective date of 31 December 2014.

On 5 January 2015, the Joint Principal Advisers on behalf of our Board announced that MAHB had completed the Acquisitions for a total cash consideration of EUR279,232,213.30 or equivalent to RM1,182,855,578.76, based on BNM's middle rate of EUR1.00:RM4.2361 as at 5.00 p.m. on 2 January 2015, being the completion date for the Acquisitions. The purchase consideration for the Acquisitions was satisfied in cash using funds from the Bridging Finance and consequently, the proceeds from the Rights Issue will be substantially utilised to repay the Bridging Finance.

Subsequently, on 27 January 2015, the Joint Principal Advisers announced on behalf of our Board that we had entered into the Underwriting Agreement with the Joint Underwriters. Details of the underwriting arrangement for the Rights Issue are set out in Section 3.2 of this Abridged Prospectus.

On 27 January 2015, the Joint Principal Advisers also announced on behalf of our Board that the Issue Price had been fixed at RM4.78 per Rights Share, including the basis and justification for determining the Issue Price and the justification for the discount applied of approximately 28.8% to the TERP of our Shares, as set out in Section 2.2 of this Abridged Prospectus.

The Joint Principal Advisers also announced on behalf of our Board that the Entitlement Date for the Rights Issue had been determined at 5.00 p.m. on 26 February 2015.

No person is authorised to give any information or make any representation not contained in the Documents in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by us, the Joint Principal Advisers, the Joint Managing Underwriters and the Joint Underwriters.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Details of the Rights Issue

In accordance with the terms of the Rights Issue as approved by our shareholders and subject to the terms of the Documents, we shall provisionally allot 275,308,267 Rights Shares on the basis of one (1) Rights Share for every five (5) existing Shares held on the Entitlement Date.

As at the LPD, the issued and paid-up share capital of our Company is RM1,376,541,340 comprising 1,376,541,339 Shares and one (1) Special Share.

The entitlements under the Rights Issue are renounceable in full or in part provided that any renunciation is done on or before the last day for the sale and transfer of the Provisional Rights Shares. Accordingly, the Entitled Shareholders can subscribe for and/or renounce/transfer their respective entitlements to the Rights Shares in full or in part.

The Rights Shares which are not taken up or cannot be taken up or not validly taken up by the Closing Date, including any fractional entitlements thereof, shall be made available for excess applications by the other Entitled Shareholders and/or their renouncees/transferees (if applicable), and thereafter (if applicable) shall be taken up by the Joint Underwriters. It is the intention of our Board to allot the Excess Rights Shares to other Entitled Shareholders and/or their renouncees/transferees, if any, in a fair and equitable manner, and in such manner as set out in Section 11.5 of this Abridged Prospectus.

In determining the entitlements of the Entitled Shareholders to the Rights Shares, any fractional entitlement of the Rights Shares arising from the Rights Issue shall be dealt with in such manner as our Board, at its absolute discretion, deems fit and expedient, and in the best interest of our Company (including, without limitation, to disregard such fractional entitlements, if any, and to include such fractional entitlements in the pool of the Excess Rights Shares to be made available for excess applications).

If you wish to accept the Provisional Rights Shares (in full or in part) as specified in the NPA and/or apply for the Excess Rights Shares, you may do so by completing the RSF.

2.2 Basis of and justification for determining the Issue Price

The Issue Price of RM4.78 per Rights Share represents a discount of approximately 28.8% to the TERP of our Shares of RM6.71 per Share, based on the five (5)-day VWAP of our Shares up to and including 26 January 2015, being the last trading day prior to the price-fixing date of the Rights Shares on 27 January 2015 ("**Price-Fixing Date**"), of RM7.0967.

The Issue Price was jointly determined by our Board and the Joint Managing Underwriters after taking into consideration the following:

(i) the purchase consideration for the Acquisitions;

(ii) the prevailing market price of our Shares of RM7.18 on the Price-Fixing Date;

(iii) the TERP of our Shares of RM6.71 per Share, based on the five (5)-day VWAP of our Shares up to and including 26 January 2015, being the last trading day before the Price-Fixing Date, of RM7.0967; and

(iv) the prevailing market conditions including the state of the capital markets within and outside Malaysia which was stable at the point of price fixing.

Our Board is of the opinion that the discount to the TERP is reasonably attractive to the Entitled Shareholders to subscribe for the Rights Shares. This discount to the TERP is also in line with the market discount rates of between 13.2% and 59.4% for major rights issue exercises (comprising comparable rights issues exercises with size of at least RM500 million) implemented in Malaysia over the last five (5) years. Majority of these major rights issue exercises have discount rates of between 20.0% and 34.4%.

2.3 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issuance, rank equally in all respects with our then existing Shares, except that they shall not be entitled to any dividend, right, allotment and/or other distribution which may be declared, made or paid to our shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Rights Shares.

2.4 Excess application

It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner to the Entitled Shareholders and/or their renouncees/transferees (if applicable) who have applied for the Excess Rights Shares in the following order of priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, on a pro-rata basis and in board lot to our Entitled Shareholders who have applied for the Excess Rights Shares, taking into consideration their respective shareholdings as per their CDS Accounts, in our Company as at the Entitlement Date on a board lot basis;

(iii) thirdly, on a pro-rata basis and in board lot to our Entitled Shareholders who have applied for the Excess Rights Shares, taking into consideration the quantum of their respective Excess Rights Shares applied for; and

(iv) lastly, on a pro-rata basis and in board lot to the renouncees/transferees who have applied for the Excess Rights Shares, taking into consideration the quantum of their respective Excess Rights Shares applied for.

In the event of any Excess Rights Shares balance after the above allocations are completed, the balance will be allocated in the processes set out in Section 2.4 (ii) to 2.4 (iv) above.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for in such manner as it deems fit and expedient, and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in the basis of allotment of the Excess Rights Shares in this section is achieved. Our Board also reserves the right at its absolute discretion to accept any application for the Excess Rights Shares, in full or in part, without assigning any reason therefor.

3. DETAILS OF THE UNDERTAKING AND UNDERWRITING ARRANGEMENT

3.1 Undertaking

Our Board has decided that the Rights Issue will be undertaken on a full subscription basis.

Khazanah, being one (1) of our major shareholders, has provided its irrevocable undertaking to subscribe in full of its entitlement to the Rights Shares as at the Entitlement Date up to a full entitlement value of RM483,100,000 ("**Undertaking**"), via the Undertaking Letter. The table below sets out Khazanah's shareholding in MAHB as at the LPD and the Rights Shares that Khazanah will be entitled to pursuant to the Rights Issue:

	Shareholdings as at the LPD		Rights Shares entitled to under the Rights Issue	
	No. of Shares	**%**	**No. of Shares**	**%**
Khazanah	504,560,257	36.65	100,912,051	36.65

Pursuant to the Undertaking, Khazanah is not expected to trigger any mandatory take-over offer obligations in accordance with Part III of the Malaysian Code on Take-Overs and Mergers, 2010, as it is only subscribing to its entitlement to the Rights Shares.

Khazanah has also confirmed via its Undertaking Letter that sufficient financial resources are available to enable it to subscribe and pay for the Undertaking Shares and the Joint Principal Advisers have verified to the extent possible that Khazanah has the financial resources to subscribe for its entitlements to the Rights Share as specified in the Undertaking Letter.

3.2 Underwriting arrangement

Pursuant to the Underwriting Agreement, the Joint Managing Underwriters have agreed to manage the underwriting of the Rights Issue in accordance with the terms of the Underwriting Agreement and the Joint Underwriters severally but not jointly (nor jointly and severally) agreed to subscribe and pay for and/or procure subscriptions and payment for the Underwritten Shares, which on a combined basis, is the open portion of the Rights Issue excluding the Undertaking, up to an aggregate of 174,396,216 Rights Shares, representing 63.35% of the total issue size of the Rights Issue in the following agreed proportions, subject to the terms and conditions of the Underwriting Agreement:

Name	No. of Underwritten Shares	Agreed Proportion (%)
CIMB	69,758,486	40.00
Maybank IB	69,758,486	40.00
J.P. Morgan	34,879,244	20.00
Total	**174,396,216**	**100.00**

The underwriting commission is 0.6% of the total value of the Underwritten Shares based on the Issue Price. The underwriting commission payable to the Joint Underwriters and the relevant expenses shall be fully borne by us.

Any of the Joint Underwriters ("**Terminating Underwriter**") shall be entitled to terminate the Underwriting Agreement in relation to the Terminating Underwriter by way of giving a notice in writing to us of such intention ("**Termination Notice**") if in its reasonable opinion, any of the following circumstances ("**Termination Events**") has occurred and continues to subsist and not remedied within the agreed period:

(i) any non-fulfilment of conditions or any Specified Event (as defined below) or breach (or, where not qualified by materiality, a material breach) of any of our representations, warranties or undertakings;

(ii) we have not performed or complied with any one (1) or more of its other obligations under the Underwriting Agreement and such non-performance or non-compliance would be materially prejudicial to the Joint Underwriters;

(iii) if the registration of the Abridged Prospectus with the SC, the approval of Bursa Securities required for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities is revoked or withdrawn or if any of the conditions for such registration, consents or approvals has not been fulfilled to the satisfaction of SC or Bursa Securities or waived by it;

(iv) if the obligations of the Joint Underwriters to subscribe for and/or procure subscriptions for the Underwritten Shares is or becomes prohibited by any statute, order, rule, directive or regulation amended, supplemented or introduced after 27 January 2015, being the date of the Underwriting Agreement, by any legislative, executive or regulatory body or authority of any jurisdiction;

(v) if there shall have occurred, happened or come into effect, any of the following circumstances, namely:

   (a) any change in the condition (financial or otherwise), business, management, prospects, results of operations, properties or assets of our Group as a whole (whether or not arising in the ordinary course of business);

   (b) any change in or introduction of any legislation, regulation, directive, policy, guideline or interpretation or application thereof by any court or other competent authority in any relevant jurisdiction in which any member of our Group conducts or carries on business;

   (c) any change, or any development in local, national or international monetary, financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market in Malaysia or elsewhere), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including any disruption to trading generally, on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls in any jurisdiction or any force majeure event; or

   (d) any suspension, moratorium or limitation on trading in shares or securities generally on Bursa Securities, or minimum or maximum prices for trading have been fixed, maximum ranges for prices for securities have been required by Bursa Securities or by order of any governmental authority or a general moratorium on commercial banking activities or foreign exchange rating or securities settlement or clearing services in or affecting Malaysia by the relevant authorities, which, in the opinion of the Terminating Underwriter would (i) result in a material adverse fluctuation or material adverse conditions in the securities market in Malaysia, (ii) in the reasonable opinion of the Joint Managing Underwriters, materially prejudice the success of the Rights Issue or the dealings in the Shares and/or the Rights Shares in the secondary market, (iii) be likely to have a material adverse effect on us or our Group as a whole, or (iv) be commercially impracticable for the Terminating Underwriter to proceed with the Rights Issue on the terms and in the manner contemplated in the Documents and the Underwritings Agreement;

(vi) the Undertaking Letter is amended, becomes void or unenforceable or performance of Khazanah's obligations thereunder becomes unlawful impossible or unenforceable for whatever reason or Khazanah fails to fully perform its obligations thereunder; or

(vii) if, for any reason not attributable to a breach by the Joint Underwriters, the, Trading Date (as defined below) has not occurred within ten (10) Market Days after the Closing Date or the Rights Shares not being listed on the Main Market of Bursa Securities on or before 27 March 2015; or

(viii) the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("**KLCI Index**") (i) on or after 27 January 2015, being the date of the Underwriting Agreement; and (ii) prior to the Settlement Date, is lower than 85% of the level of the FTSE Bursa Malaysia KLCI Index as at the last close of normal trading on the relevant exchange on the Market Day immediately prior to 27 January 2015, being the date of the Underwriting Agreement, and remains at or below that level for at least three (3) consecutive Market Days.

Specified Event means an event occurring after 27 January 2015, being the date of the Underwriting Agreement, and on or prior to the Settlement Date or the Trading Date, as may be relevant, which would have rendered any of our warranties untrue or incorrect in any respect;

Trading Date means the date of the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities, which date shall be no later than ten (10) Market Days after the Closing Date or such other date as we, the Joint Managing Underwriters and the Joint Underwriters may agree in writing;

Settlement Date means the date on which the Rights Shares are credited to the CDS Accounts of the Entitled Shareholders or their renouncee(s) who have accepted their Rights Shares (and of those who have applied for and have been allocated Excess Rights Shares) and/or of the Joint Underwriters (or their nominees or such persons as the Joint Underwriters may have procured), which date shall be no later than eight (8) Market Days after the Closing Date;

Each of the Joint Underwriters and their associates may engage in transactions with, and perform services for our Company in the ordinary course of business and have engaged, and may in the future engage, in commercial banking, investment banking transactions and/or other commercial transactions with our Company. In particular, the proceeds of the Rights Issue are being utilised to prepay the Bridging Finance. The lender, JPMorgan Chase Bank, N.A., Labuan Branch, is an affiliate of J.P. Morgan, one (1) of the Joint Underwriters in relation to the Rights Issue.

4. UTILISATION OF PROCEEDS

Based on the Issue Price, the Rights Issue is expected to raise gross proceeds of approximately RM1,316.0 million which are proposed to be utilised in the following manner:

Details of utilisation of proceeds	Estimated timeframe for utilisation from the listing of the Rights Shares	Rights Issue proceeds
		(RM' million)
Repayment of the Bridging Finance (1)	Within 3 months	1,182.9
General working capital (2)	Within 18 months	92.8
Estimated fees and expenses for the Acquisitions and Rights Issue (3)	Within 3 months	40.3
Total		**1,316.0**

Notes:

(1) As the Bridging Finance is a facility undertaken in EUR, the actual RM amount will depend on the then prevailing exchange rate between EUR and RM on the repayment date. For purposes of this section, the amount in RM for the Bridging Finance is shown based on BNM's middle rate of EUR1.00: RM4.2361 as at 5.00 p.m. on 2 January 2015, being the date of completion of the Acquisitions. If the actual RM amount is higher than illustrated, the deficit will be adjusted accordingly from the proceeds allocated for general working capital. In the event the actual RM amount is lower than illustrated, the surplus will then be adjusted to the proceeds allocated for general working capital.

(2) For our Group's day-to-day operations of our Group's on-going businesses. As at LPD, our Group has identified the following costs for the utilisation of the proceeds to be allocated for general working capital purposes:

	RM' million
Utilities expenses	21.4
Operation and maintenance	40.8
Other expenses	30.6
Total	**92.8**

The actual amount to be utilised by each component of general working capital may differ subject to the operating requirements of our Group at the time of utilisation.

(3) Comprising estimated professional fees and transaction costs in relation to the Acquisitions of approximately RM33.8 million and underwriting fees as well as other listing related expenses pursuant to the Rights Issue of approximately RM6.5 million. If the actual expenses are higher than budgeted, the deficit will be funded out of the proceeds allocated for meeting working capital requirements. In the event that the actual expenses are lower than budgeted, the surplus will be allocated for meeting working capital requirements.

Pending utilisation of the proceeds from the Rights Issue for the purposes as set out in this section, the proceeds may be placed in interest-bearing deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used for general working capital purposes.

5. RATIONALE FOR THE RIGHTS ISSUE

The Rights Issue is undertaken primarily to enable us to substantially repay the Bridging Finance as detailed in Sections 1 and 4 of this Abridged Prospectus.

After due consideration of the various methods of fund-raising available and our intention to maintain our AAA debt rating, our Board is of the opinion that the Rights Issue is the most appropriate means of raising funds given our capital structure, after taking into consideration the following:

(i) enable us to raise funds for the repayment of the Bridging Finance;

(ii) improve our liquidity and financial flexibility as well as optimise our Group's capital structure by strengthening our financial position; and

(iii) provide the Entitled Shareholders with an opportunity to further increase their equity participation in our Company via the subscription of the Rights Shares without diluting their respective existing equity interest, provided that such Entitled Shareholders fully subscribe for their respective entitlements to the Rights Shares.

6. RISK FACTORS

Before subscribing for the Rights Shares, you should pay particular attention to the fact that our Group, and to a large extent our operations, are governed by the legal, regulatory and business environment in Malaysia and other countries in which we operate, whether presently or in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Abridged Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future. Additional risks, whether known or unknown, may in the future have a material and adverse effect on our operations, financial condition and/or prospects, and/or on our Shares.

6.1 Risks relating to the industry in which we operate

6.1.1 Our industry is dependent on fuel prices

The airport management industry is indirectly dependent on, among others, fuel prices which represent a significant part of the operating costs of airlines. The spike in fuel price increases the operating costs of airlines and is among the factors that led to cancellations of routes, decreases in flight frequencies, and in some cases contributed to bankruptcy filings by some airlines. These in turn could reduce the air and passenger traffic in the industry and the revenue generated from our Group's airports including landing fees, aircraft parking fees and passenger charges. Thus, if the fuel prices increase significantly, our Group's business, results of operations and financial condition could be materially adversely affected.

Notwithstanding the recent fall of international prices for aviation fuel in recent months, fuel price may increase in the future as a result of factors such as growth in global fuel demand, reduction in global fuel output, voluntary or otherwise, by oil-producing countries, limitations in capacity at fuel refineries, terrorist attacks or general increase in international hostilities. There can be no assurance that future business at the airports operated by our Group will not be further affected by increased fuel prices.

6.1.2 Our industry is dependent on the air traffic levels

Our revenue is closely linked to passenger traffic volume and the number of air traffic movements at airports. These factors directly determine the revenue from aeronautical airport services, such as passenger charges and landing and parking fees, and indirectly determine the revenue from commercial and retail activities. Passenger traffic volume and air traffic movements depend predominantly on factors beyond the control of airport operators. These factors include the current global economic and financial crisis and its effect on Malaysia's economy and the world economy, military hostilities, the attractiveness of our Group's airports relative to that of other competing airports, fluctuations in international aviation fuel prices, changes in regulatory policies applicable to the aviation industry, public health crises such as those involving the Ebola virus disease, avian flu and influenza A(H1N1), natural disasters such as the volcanic ash cloud which originated in Iceland that temporarily shut down air traffic in much of Europe and the political situation in Malaysia and elsewhere in the world. Any decrease in air traffic to or from our Group's airports as a result of these and other factors could have a material adverse effect on the business, results of operations and financial condition of our Group.

6.1.3 Our industry is exposed to terrorist attacks

All airport operators are subject to the threat of terrorist attacks on their airports. The terrorist attacks on the U.S. on 11 September 2001 had a severe adverse impact on the air travel industry. In the event of a terrorist attack involving any airports, airport operations could be disrupted or suspended during the time necessary to conduct rescue operations, investigate the incident and repair or rebuild damaged or destroyed facilities, and future insurance premiums would likely increase. Security measures taken to comply with future security directives or in response to a terrorist attack or threat could reduce passenger capacity at airports due to increased passenger screening and slower security checkpoints and increased operating costs, which could have a material adverse effect on the business, results of operations and financial condition of airport operators. The airport operators may not be able to pass on any additional operating costs incurred as a result of increased security at its airports.

In addition, the insurance policies of our Group provide only very limited coverage of losses and liabilities resulting from terrorism. Therefore, any future terrorist attacks involving air travel, whether or not involving aircraft, could have a material adverse effect on the business, results of operations and financial condition of our Group.

6.1.4 Our industry is exposed to natural disasters

Natural disasters have in the past, and may in the future cause substantial reductions in passenger demand, flight cancellations or delays and disruption in airport operations or damage to airport infrastructures in cases where the natural disasters occur in areas where airports are located. From time to time, Malaysia experiences natural disasters such as wind storms, torrential rains, typhoons, flooding and landslides which could have a negative impact on the operations or cause damages to the structures or infrastructures of our airports in Malaysia. Other natural disaster risks that could affect the airport operators include the effects of volcanoes, forest fires, earthquakes and tsunamis, which could have a negative impact on our operations.

In June 2007, smoke from forest fires in Indonesia grounded flights on the Indonesian island of Sumatra and spread to affect several cities in Malaysia. The smoky haze from forest fires is an annual problem caused by factors including the burning off of farmland and forest clearance and can disrupt flights arriving to or departing from our Group's airports. In April 2010, a volcano in Eyjafjallajokull, Iceland erupted, sending a cloud of volcanic ash over much of Europe, and led to the cancellation of virtually all flights into or from much of Europe for several days. The cancellations resulting from the volcanic ash adversely affected air traffic into our Group's airports as well as many other airports in Asia and around the world.

In March 2011, earthquake and tsunami in Japan also forced the airports of the affected areas to close down for a few days. During those periods, our Group's airports experienced cancellation of a number of flights, and passengers were unable to depart for Europe and Japan. The flight cancellations due to the volcanic ash cloud, earthquake and tsunami adversely affected the business of our Group as the flow of passenger traffic decreased. If volcanic ash from an eruption or any natural disaster occurs in Southeast Asia or elsewhere in the world disrupts flights to or from our Group's airports, the business, results of operations and financial condition of our Group could be materially adversely affected.

Natural disasters may impede our Group's operations, damage infrastructure necessary for our operations or adversely affect the destinations served by our airports. Any of these events could reduce the passenger traffic volume at our Group's airports, which could have a material adverse effect on the business, results of operations and financial condition of our Group. While our Group has insured the physical facilities at our airports against damage caused by natural disasters, accidents or other similar events, there can be no assurance that any losses caused by such damages to the physical facilities will not exceed the pre-established limits on any of such insurance policies.

6.1.5 Our industry is affected by global economic and financial environment

The global economic and financial crisis has led to high volatility and a lack of liquidity in the global credit and other financial markets. The recent downturns in the U.S., Europe and global economies have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally. These conditions have also limited the availability of credit and increased financial costs for companies around the world, including in Malaysia and the foreign countries which our Group has invested in. The volatility of the credit and capital markets can significantly affect the ability of our Group to access credit to finance our future projects, therefore adversely affecting our business.

One of the principal factors affecting the results of airport operators' operations and business is the number of passengers using the airports. The number of passengers using our Group's airports (particularly our international airports) varies depending on, amongst others, the level of economic growth as well as tourism in Malaysia, which is largely beyond our Group's control. Among the factors influencing the level of tourism in Malaysia are the attractiveness, affordability and accessibility of tourist destinations in Malaysia as well as competing tourist destinations in Southeast Asia, such as Thailand, Singapore, Indonesia and the Philippines. Furthermore, the global economic crisis has affected our Group's international passenger traffic, in particular at our tourist destination airports. Our Group can provide no assurance that, moving forward, the number of passengers will match or exceed current levels, and there will be no events which could negatively affect the passenger traffic numbers at our Group's airports which may have a material adverse effect on our business, results of operations and financial condition.

Substantially all of our Group's assets are located, and the overwhelming majority of our operations are conducted in Malaysia. Accordingly, our financial conditions and results of operations are substantially dependent on economic conditions prevailing from time to time in Malaysia. Towards fortifying our Group's business expansion and growth plans, our Group has extended our airport management expertise to overseas through various investments in foreign airports.

6.2 Risks relating to our business

6.2.1 Our business strategy may not succeed

The ability of our Group to increase revenue and profitability will depend in part on our business strategy, which consists of increasing passenger traffic at our airports to increase revenue from aeronautical airport services and commercial and retail activities. To fulfil these goals, our Group has planned for capacity growth at a number of our airports by working with the GOM to develop the GOM's National Airport Master Plan, which lays out the future direction of airport development and aviation infrastructure in Malaysia until 2056.

The success of klia2 is dependent mainly on the continued growth of the LCC market and the growth of LCC at KLIA. In recent years, LCC have represented a growing proportion of the market at KLIA. The aggregate traffic movements from passengers travelling through klia2 on low-cost carriers, such as AirAsia, AirAsia X, Tiger Airways, Cebu Pacific and Mandala Airlines in 2013 and 2014 accounted for approximately 28.5% and 28.8% respectively, of the total commercial aviation passenger traffic of our Group. If these markets do not continue to grow or if these markets contract, the ability of our Group to increase our revenue and profitability may be materially and adversely affected.

The ability of our Group to increase our commercial revenue is significantly dependent upon, among other factors, increasing passenger traffic at our airports and the profitability from other business segments, such as our duty-free operations, leasing of commercial space, agriculture and horticulture activities and hotel operations. Our Group may not be successful in implementing our strategy of increasing passenger traffic or revenue from commercial activities. In addition, the passenger traffic volume in our Group's airports depend on factors beyond our control, such as the attractiveness of the commercial, industrial and tourist centres that our airports serve. Accordingly, there can be no assurance that the passenger traffic volume in our airports will increase and our Group's business strategy to increase our revenue and profitability will succeed.

6.2.2 We are highly dependent on revenue from KLIA

KLIA contributes a significant percentage of the revenue of our Group. In 2013 and 2014, activities relating to KLIA generated 79.3% and 79.2% respectively, of our Group's total revenue. Due to this high level of dependence, any negative event or condition affecting KLIA could have a material adverse effect on the business, results of operations and financial condition of our Group.

In addition, our Group's ability to expand our business is significantly influenced by the growth in passenger traffic at KLIA and in particular from low-cost carriers. In 2014, total passenger traffic at the now closed LCCT and klia2 was approximately 24.0 million passengers. Any limitation on or decrease in passenger traffic at KLIA could have a material adverse effect on the business, results of operations and financial condition of our Group.

6.2.3 We are dependent on key airline service providers in Malaysia

Our Group is largely dependent on MAS, AirAsia and their affiliates for a substantial portion of our business. Of the total aeronautical airport services revenue generated at our Group's airports in 2014, MAS and its affiliates accounted for 33.7% and AirAsia and its affiliates accounted for 32.3%. In addition, MAS and its affiliates accounted for 19.5% of our Group's passenger traffic in 2014 and AirAsia and its affiliates accounted for 26.7%. Passenger traffic is critical to generating commercial airport operations revenue. Our Group expects that these airlines will continue to account for a significant percentage of our revenue in the future. Our arrangements with MAS, AirAsia and their affiliates do not obligate them to continue to use our Group's airports, and our Group can offer no assurance that, if these key service provider carriers reduced or discontinued their use of our airports, our Group would be able to derive revenue and passenger traffic from other airlines to offset the loss of revenue and passenger traffic from these key airline service providers.

In addition, as a result of this reliance, the growth of our Group's revenue is effectively constrained by the number of flights operated by MAS, AirAsia and their affiliates, the number of passengers they service at our airports and the size of the aircraft used by these airlines. If any of MAS, AirAsia or their affiliates decreases the number of flights into and out of any of our Group's airports or there is a significant reduction in the number of passengers using these airlines or the size of the aircraft that the airlines use, the results of our Group's operations could be adversely affected. Our Group cannot assure that our revenue generated from MAS, AirAsia or their affiliates will reach or exceed historical levels in any future period. Loss or cancellation of business from, or decrease in the rates our Group charges for our services to MAS, AirAsia or their affiliates could materially affect our Group financially.

6.2.4 We are dependent on key management team and key personnel

Our Group believes that the continued growth of our business and the successful implementation of our strategy depend on our senior management team and key personnel. Our Group cannot give any assurance that it will be able to retain the members of our senior management team and key personnel who possess certain functional expertise. If one or more of these personnel are unable or unwilling to continue in their present positions, or if they join a competitor, our Group may not be able to replace them in a timely manner. There can be no assurance that our Group will be able to retain or attract the relevant personnel that it has or will need to achieve our business objectives. If our Group is unable to retain any members of our senior management team or any other key personnel, our business, results of operations and financial condition could be materially adversely affected.

6.2.5 We are exposed to risks in relation to our investments in foreign airports

Towards fortifying our Group's business expansion and growth plans, our Group's business plan includes strategic investments and extending our airport management expertise to airports overseas. Investments in airports overseas will be subjected to the economic, regulatory, financial and political risks in the relevant countries. The various political, economic and regulatory conditions could range from changes in political leadership, introduction of new regulations, war, economic downturn, changes in interest rates, methods of taxation and foreign exchange regulations.

In addition, our operations in Sabiha Airport via ISG and LGM, is currently loss-making and there is no guarantee that Sabiha Airport's operations will become profitable. We may also take much longer time than expected to generate sufficient returns from our investment in ISG and LGM to offset the costs of its investment. This may be due to factors including business risks inherent in the aviation industry, the ongoing crisis in the Eurozone and a more general lagging economic recovery.

The operating and reporting currency for our overseas investments are denominated in foreign currencies. As our financial results are reported in RM, any fluctuation of these foreign currencies against the RM may impact our profits and/or our financial position. Accordingly, there can be no assurance that fluctuations in foreign exchange rates will not have a material and adverse effect on our financial performance.

6.2.6 We are highly dependent on third party services

The operation of our Group's airports is largely dependent on the services of third parties, such as air traffic control authorities, airlines and ground transportation providers. Our Group also depends upon the GOM, governmental entities and private sector entities for the provision of services, such as electricity, supply of fuel to aircraft and immigration and customs services for our international passengers. Rail, bus and taxi services at most of our airports are also provided by third-party ground transportation providers. Our Group is not responsible for and cannot control the services provided by these third parties. Any disruption in, or adverse consequence resulting from, their services including a work stoppage or other similar event, could have a material adverse effect on the operation of our Group's airports and on our results of operations and financial condition.

In addition, our Group depends on third-party providers for certain essential services such as catering and baggage handling. For example, KL Airport Services Sdn. Bhd. ("**KLAS**"), a subsidiary of DRB-Hicom Berhad, provides certain ground and cargo handling, catering and aircraft maintenance services to airlines at KLIA and other airports. If any service providers, including KLAS, were to halt operations at any of our Group's airports, our Group would be required to seek a new provider of these services or provide these services themselves, either of which could result in increased costs and have a material adverse effect on our business, results of operations and financial condition.

6.2.7 Our insurance policies coverage may not be sufficient

While our Group seeks to insure against all reasonable risks, our insurance policies may not cover all of our liabilities in the event of an accident, natural disaster, terrorist attack or other incidents causing damage to our facilities or interruption to our business. The markets for airport insurance and construction insurance are limited, and a change in coverage policy by the insurance companies involved could reduce our Group's ability to obtain and maintain adequate or cost-effective coverage. Should losses occur, there can be no assurance that such losses will not exceed the pre-established limits on any of our Group's insurance policies. Moreover, a certain number of our assets cannot, by their nature, be covered by property insurance (notably aircraft movement areas, and certain civil engineering works and infrastructure).

6.2.8 We are exposed to labour force risks

Although our Group believes that we currently maintain good relations with our labour force, if any conflicts with our employees were to arise, including with our unionised employees (which accounted for 81.3% of our total employees as at the LPD), resulting in events such as organised strikes or other work stoppages, it could have a material adverse effect on our business, results of operations and financial condition.

6.2.9 Competition from other airport operators

Although our Group currently does not face significant competition from other airport operators in Malaysia, our airports, in particular KLIA, faces competition from other airports in the region, including Singapore's Changi Airport, Thailand's Bangkok International Suvarnabhumi Airport, Indonesia's Jakarta Soekarno-Hatta International Airport and the Hong Kong International Airport. Any attempts our Group makes to develop KLIA into a hub for international airlines will be in direct competition with these airports. Although KLIA's aeronautical charges, including landing, parking and passenger charges, are among the lowest in the region, KLIA's status as a hub is more dependent on other factors including connectivity (that is, the number of connecting flights there are for arriving airlines) and the relative attractiveness of the airlines using our Group's airports as a hub and passenger satisfaction levels.

The Malaysian airport industry is monopolistic in nature, with government regulation dictating the number and locations of airports. Our Group holds the licenses to operate all commercial airports in Malaysia except for the Senai International Airport in Johor Bahru. The Senai International Airport is one of the three (3) Malaysian hubs for AirAsia. While this airport does not currently represent significant competition for our Group within Malaysia, if it were to significantly expand its routes, airlines and passenger traffic or if the GOM were to issue additional licenses to operate other airports in Malaysia to other operators, this could have a material adverse effect on the business, results of operations and financial condition of our Group.

The airports operated by our Group also face competition, especially in relation to domestic services, from improving road and rail systems. The completion of other road or rail systems may further affect domestic passenger traffic and international passenger traffic on certain routes. Competition from other airports or alternative forms of transportation in the region could have a material adverse effect on our Group's business, results of operations and financial condition.

6.2.10 We are exposed to risks relating to the operation of our airports

Our Group is obligated to protect the public and to manage the risk of accidents at our airports. For example, we must implement measures for the protection of the public, such as fire safety measures and maintaining access routes to meet road safety rules. Our Group is also obligated to take certain measures related to our aviation activities, such as maintenance, management and supervision of aviation facilities, rescue and fire-fighting services for aircraft, measurement of runway friction coefficients, flood control measures and measures to control the threat from birds and other wildlife on our airport sites. These obligations may require our Group to incur additional costs and could increase our exposure to liability to third parties for personal injury or property damage resulting from our operations, which could have a material adverse effect on our business, results of operations and financial condition.

Several of our airports, including the Kota Kinabalu International Airport and the Penang International Airport, have only one (1) runway. While our Group seeks to keep our runways in good working order and to conduct scheduled maintenance during off peak hours, we cannot guarantee that the operation of our runways will not be disrupted due to required maintenance or repairs. In addition, our runways may require unscheduled repair or maintenance due to natural disasters, aircraft accidents and other factors that are beyond our control. The closure of any runway for a significant period of time could have a material adverse effect on our business, results of operations and financial condition.

The business of our Group is also exposed to operational risks such as fraud or unauthorised access by employees or outsiders, unauthorised transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. Further, our Group's risk management strategies may prove to be inadequate, especially if there are any unanticipated circumstances or risks, in which case our Group may incur substantial, unexpected losses. Any losses suffered as a result of these and other factors could have a material adverse effect on our business, results of operations and financial condition.

6.2.11 We are exposed to credit risks

The concentration of credit risk in the form of outstanding balances was mainly from International Air Transport Association ("IATA"), the Royal Malaysian Customs Department and AirAsia. These three (3) service providers accounted for approximately 81.0% of our Group's total net trade receivables during the FYE 31 December 2014.

In addition, our Group's revenue from passenger charges and other fees collected from airlines is not secured. In the event of the insolvency of any of these airlines, our Group would not be assured of collecting any amounts invoiced to the affected airline in respect of passenger or other charges.

6.2.12 We run the risk of incurring higher costs for collection of passenger charges

Passenger charges, which include passenger service charges and passenger security charges, are collected by the respective airlines and then paid to us on the basis of arrangements with each airline service provider operating at our airports. Our Group cannot guarantee that all the airlines will continue collecting the passenger charges on our behalf. If one (1) or more airlines stop collecting passenger charges on our behalf, our Group would have to collect these charges directly, which would result in higher costs. The incurrence of higher costs in connection with the collection of passenger charges could have an adverse effect on our business, results of operations and financial condition.

6.2.13 We are exposed to risks in relation to our information technology ("IT") systems

As an airport operator, our Group's success depends in part on the efficient and uninterrupted operation of our IT systems as well as our computer and communications hardware systems. Our Group relies on these systems for the management and operation of our airports including our safety management, operation of our check-in process, operation of our baggage tracking and management of passenger data. These systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, computer viruses, physical or electronic break-ins, and similar events or disruptions. Any of these events could cause system interruption, delays, and loss of critical data, and could impair or even halt some or all of our Group's operations. In addition, our Group's computer systems may be vulnerable to computer viruses, physical or electronic break-ins and other similar disturbances, which could lead to interruptions, delays, loss of data or the inability to operate our facilities.

Our Group's risk management strategies may not be adequate against all possible operational and systems risk we face. While we currently maintain insurance coverage for losses due to business interruption, our Group cannot assure that this coverage would be sufficient to cover all potential losses. If any of these operational or systems failures were to occur, it could damage the reputation of our Group, be expensive to remedy and could have a material adverse effect on our business, results of operations and financial condition.

6.2.14 We are exposed to risks relating to our income from the rental of real property and commercial space

Our Group is exposed to risks generally associated with the rental of properties or commercial space to third parties, such as a decline in market demand, a decline in occupancy rates or rent levels, delay or non-payment by tenants and a weakening of the rental market. Our Group's real estate assets are located on or adjacent to our airports and serve a particular sector of the rental market, thus exposing our Group to fluctuations in this specific market. In addition, rental and royalty payments from the rental of commercial space for retail and food and beverage sales are a significant source of our revenue, and such rental and royalty payments are dependent on factors that are largely outside of the control of our Group, such as variations in the demand for retail space.

Any of these risks could adversely affect the profitability of our Group's rental activities and, consequently, could have a material adverse effect on the operation of our business and financial condition. In 2013 and 2014, revenue from our rental and royalties business represented 16.4% and 17.6%, respectively, of our total revenue.

6.2.15 We are operating in a highly regulated industry which is subject to a wide range of laws and regulations governing our operations

The business of our Group is subject to extensive and evolving Malaysian law and regulation, adopted in some cases in response to regulatory policy and directives pursuant to the international conventions to which Malaysia is a party, including the Convention on International Civil Aviation. The DCA currently functions as the GOM's principal regulator for the air transport sector and our Group's companies are required to obtain the GOM's or the DCA's approval with respect to a variety of matters directly affecting our Group's operations and financial results. The level of the components of aeronautical airport services revenue including landing fees, aircraft parking fees, passenger charges and other aeronautical charges are regulated by the DCA.

On 12 February 2009, two (2) operating agreements were executed among the GOM, MAHB and (i) MA Sepang in respect of KLIA; and (ii) MASB in respect of the Designated Airports. Pursuant to the New Operating Agreements, our Group and the GOM agreed to restate the rights and commitments with respect to the operation, management, maintenance and development of KLIA and the Designated Airports, and to terminate all prior rights and commitments between our Group and the GOM, other than the rights and commitments expressly preserved by the New Operating Agreements.

There can be no guarantee that the rights granted to our Group may not be revoked by the GOM for certain prescribed reasons. If our Group were to lose our rights, or any portion of them, under the New Operating Agreements as a result of these and other factors such as these, the loss could have a material adverse effect on our business, results of operations and financial condition. While the New Operating Agreements provide mechanisms under which the GOM will compensate our Group with marginal cost support sum for marginal losses we incur as a result of the maximum rates imposed on our aeronautical airport charges, there is no guarantee that the GOM will agree with our Group's assessment of the aeronautical charges to be imposed or that the reimbursements actually paid by the GOM will be sufficient to ensure our profitability.

Additionally, the New Operating Agreements pursuant to which the rates applicable to our Group's aeronautical airport services are established do not guarantee that the consolidated results of operations, or that the results of operations of any of our Group's airport in Malaysia, will be profitable. Moreover, seeking the GOM's authorisations for changes in permitted service charges or obtaining compensation from the GOM may be a costly and time-consuming process.

In addition, our Group operates all of our airports in Malaysia pursuant to the concessions granted to it under the New Operating Agreements with the GOM, and all of the land on which our airport operations take place is leased from the GOM. Under various circumstances, some of which are beyond our Group's control, the GOM may terminate the concessions rights, including the right to lease such land, by expropriating KLIA or any of the Designated Airports.

Furthermore, our Group operates in a highly regulated industry and is subject to a wide range of laws and regulations governing our operations that are subject to various interpretations and methods of implementation. In addition, new laws or regulations could be implemented that could have a direct or indirect effect on our operations. Our Group may encounter difficulties in complying with the New Operating Agreements and any present or future laws and regulations. There can be no assurance that the laws and regulations currently governing our business, including the rate-setting process applicable to aeronautical airport charges, will not change in the future or be applied or interpreted in a way that could have a material adverse effect on our business, results of operations and financial condition.

6.2.16 We are required to operate STOLports which may not be economically viable

Consistent with the social goals assigned to us by the GOM, our Group operates a number of secondary airports at either a break-even or on a loss basis and expects to continue to operate these airports that are not profitable. Some airports have never been economically viable, and require considerable investment and commitment to set up and to maintain, but are operated as a contribution to Malaysia and its population, by providing air travel to remote areas, many of which lack proper road access.

Although the New Operating Agreements are intended to align the GOM's and our roles in the national aviation business, and enable costs at the smaller airports to be cross-subsidised by revenues from the larger airports, there can be no certainty that these intended cross-subsidies will continue to cover the costs of operating the smaller airports or that it will continue to be viable as a whole.

6.2.17 We are exposed to the risk of non-compliance with the environmental laws and other regulations

Our Group and the airline operators using our airports are subject to a variety of laws and regulations relating to, among other things, airports, aircraft, noise limitations and the use, discharge and disposal of waste materials produced by aircraft and in-flight catering operations using our airports. Our Group believes that we are in compliance with currently applicable environmental laws and regulations. However, environmental claims or the failure to comply with present or future regulations could subject us to future liabilities including the assessment of damages, fines and orders to cease or modify certain construction projects. In addition, new laws or regulations could require our Group to modify airport operations or incur other expenses that could have a material adverse effect on our business, results of operations and financial condition.

Our Group maintains limited insurance policies to guard against losses resulting from environmental harm caused by us. While our Group believes that our insurance coverage is adequate, our Group cannot assure that it would be sufficient to cover all of our potential losses.

The expansion and improvement of our Group's airports and the building of new airports also depend on the receipt of environmental approvals as well as planning, zoning, and other approvals granted by municipal, regional and other Malaysian public authorities. Our Group expects to receive such permits and approvals necessary to complete the expansion and development contemplated in the plans laid out in the GOM's National Airport Master Plan. There can be no assurance, however, that the necessary approvals and authorisations will be available or would be granted in the event it seeks to expand the infrastructure of any airport or build new airports.

6.2.18 We are indirectly controlled by our Special Shareholder

Khazanah is our single largest shareholder with 36.65% shareholdings as at the LPD. The ultimate holding company of Khazanah is the MOF(Inc), a corporate body that was incorporated under the Minister of Finance (Incorporation) Act, 1957. Furthermore, our Group's airports in Malaysia are operated pursuant to licenses granted by the MOT and the New Operating Agreements that govern the terms of their concessions.

The GOM, through the MOF(Inc), has a Special Share in our Company, which requires us to obtain the approval of the GOM before undertaking certain transactions or effecting any significant changes in our operations. The Special Share allows the GOM to ensure that certain major decisions affecting our operations are consistent with the policies of the GOM. The Special Shareholder is entitled to receive notices of general meetings of our shareholders, as well as attend and speak at the general meetings but is not entitled to vote at these meetings. The Special Shareholder has the right to appoint up to six (6) directors in our Company. In addition, the GOM, through MOF(Inc), has certain rights over the operation of MA Sepang and MASB through the New Operating Agreements.

Our stakeholder management committee, led by our Managing Director and Chief Financial Officer and including, where appropriate, other members of our senior management, will regularly hold meetings with Khazanah and our other major stakeholders such as the MOF, the MOT and airline operators to, among others, discuss our strategy, financial performance and specific major investment activities. As such, the GOM has the power to intervene directly or indirectly in our Group's commercial and operational affairs. In addition, the GOM's indirect interest in our Company could potentially affect our Group's operations, including our expansion plans into other countries or markets. For example, our ability to operate and expand successfully in markets outside of Malaysia could be adversely affected if the target joint venture partners or service providers, particularly national air carriers or governments, believe that the GOM's control over us will prevent us from providing our services in a manner consistent with that service provider's or that foreign country's interests.

Although the relationship with the GOM to date has generally been commercially oriented, there can be no assurance that the GOM will not intervene in our Group's commercial affairs in a manner that would have a material adverse effect on it. If the GOM were to intervene in such a manner, our Group's business, results of operations and financial condition could be materially adversely affected.

6.3 Risks relating to the Rights Issue

6.3.1 There could be a delay in or cancellation of the Rights Issue

There is a risk that the Rights Issue may be delayed or cancelled in the event a material adverse change of events or circumstances, which is beyond the control of our Company, the Joint Principal Advisers and the Joint Underwriters, arises prior to the completion of the Rights Issue.

As disclosed in Section 3.1 of this Abridged Prospectus, Khazanah has provided the Undertaking Letter, to subscribe for the Undertaking Shares. The remaining Rights Shares that are not covered under the Undertaking Letter are fully underwritten by the Joint Underwriters. The successful implementation of the Rights Issue is dependent upon the fulfilment by Khazanah and the Joint Underwriters of their obligations under the Undertaking Letter and Underwriting Agreement, respectively.

In addition, the Underwriting Agreement allows the Joint Underwriters to terminate their commitments under certain circumstances. The termination events of the Underwriting Agreement are set out in Section 3.2 of this Abridged Prospectus.

There can be no assurance that the abovementioned factors or events will not cause a delay in or cancellation of the Rights Issue. In the event that the Rights Issue is cancelled, we will repay in full, without interest, all monies received by us in respect of any application for subscription of the Rights Shares (including the Excess Rights Shares), or, with interest, if the monies are not refunded within 14 days after our Company becomes liable to repay the same pursuant to Section 243(2) of the CMSA.

In the event that the Rights Issue is cancelled and the Rights Shares have been validly allotted to the Entitled Shareholders and/or their renouncees/transferees (if applicable), a return of monies to the Entitled Shareholders and/or their renouncees/transferees (if applicable) can only be achieved by way of cancellation of our share capital as provided under the Act. Such cancellation requires the approval of our shareholders by way of a special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya. There can be no assurance that such monies can be recovered within a short period of time or at all under such circumstances.

6.3.2 There could be potential dilution to the Entitled Shareholders who do not subscribe to the Provisional Rights Shares

Entitled Shareholders who do not or are unable to accept their Provisional Rights Shares will have their proportionate ownership and voting interests in our Company reduced, and the percentage of our enlarged issued and paid-up share capital represented by their shareholdings as per their CDS Accounts in our Company will also be reduced accordingly.

6.4 Risks relating to our Shares

6.4.1 Our Share price and trading volume may be volatile

The market price of our Shares is influenced by, among others, changes in the liquidity of the market for our Shares, the prevailing market sentiments, the demand and supply of our Shares for trading purposes, the volatility of the equity markets, changes in analysts' recommendations or projections, movements in interest rates, our financial performance, changes in regulatory requirements or economic and market conditions and announcements of developments relating to our business.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that have affected the share price of many companies. Share prices of many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. There can be no assurance that the price and trading of our Shares will not be subject to such fluctuations in the future.

In view of the foregoing, there can be no assurance that the Rights Shares will trade at or above the TERP after completion of the Rights Issue.

6.4.2 We may not be able to pay dividends or realise dividends from our subsidiaries

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

6.4.3 Future issues or sales of Shares could adversely affect our Share price

Any future issue or sale of Shares can have a downward pressure on the market price of our Shares. The sale of a substantial number of Shares on Bursa Securities or the perception that such sales may occur, could materially and/or adversely affect the market price of our Shares. To the extent further new Shares are issued, there may be dilution to existing shareholders' shareholdings. These factors may also affect our ability to undertake future equity fund-raising.

It is also possible that substantial shareholders of our Company may dispose some or all of their Shares pursuant to their own investment objectives. The market price of our Shares could be materially and/or adversely affected by any sale of a substantial amount of our Shares by any substantial shareholder.

6.5 Other risks

6.5.1 Forward-looking statements are subject to uncertainties and contingencies

Certain statements in this Abridged Prospectus are based on historical data, which may not be reflective of our future results. Other statements, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, which are forward-looking in nature, are subject to uncertainties and contingencies. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will subsequently materialise. Their inclusion in this Abridged Prospectus should not be regarded as a representation or warranty by our Company, the Joint Principal Advisers and the Joint Underwriters or any other professional advisers that the plans and objectives of our Group will be achieved.

7. INDUSTRY OVERVIEW AND PROSPECTS

7.1 Overview and prospects of the global economy

Global economic activity continued to expand at a moderate pace in the fourth quarter of 2014. Nevertheless, the growth has remained uneven across economies. While the U.S. economy continued to show broader signs of improvement, economic activity in the euro area and Japan remained subdued. In Asia, growth has been driven by domestic demand and exports. Lower inflation was recorded in most economies with the decline in energy prices reinforcing this trend.

Financial markets continued to experience considerable volatility during the quarter, amid concerns over the growth prospects of the euro area and Japan, uncertainty around the magnitude and persistence of lower energy prices, and increasing concerns on the growth prospects of several emerging economies given the decline in energy prices. Nevertheless, most major and regional equity markets ended the quarter higher, with investor confidence lifted by the stronger-than-expected economic data in the U.S., and the additional monetary stimulus undertaken by the Bank of Japan ("**BoJ**"). In Asia, further targeted policy measures by the Chinese Government and the unexpected policy rate cut by the People's Bank of China (PBoC) also raised market sentiments.

The monetary policy stance in the advanced economies remained highly accommodative in the fourth quarter, despite continued divergence in monetary policy direction across economies. In the U.S., the Federal Reserve ("**Fed**") ended the asset purchase programme in October 2014 amid lower labour market underutilisation. Nevertheless, following the declining energy prices, the Fed lowered its median inflation forecast for 2015 to 1.1% - 1.2% in December 2014 (September 2014 forecast: 1.7% - 1.8%), and suggested that "it can be patient in beginning to normalise the stance of monetary policy". In contrast, the European Central Bank (ECB) introduced new purchase programmes for asset-backed securities and covered bonds in October 2014, to support economic growth and reduce the risk of deflation in the euro area. In January 2015, the asset purchase programme was expanded to EUR60 billion (approximately USD70.9 billion) per month between March 2015 until at least September 2016, to include the purchase of bonds issued by euro area central governments, agencies and European institutions. In Japan, the BoJ increased its annual asset purchases to Japanese Yen ("**JPY**") 80 trillion (approximately USD669.8 billion) (previous target range: JPY60 - 70 trillion (approximately USD502.3 - 586.1 billion)), amid continued concerns on disinflation.

Headline inflation moderated in most Asian economies, reflecting mainly lower fuel prices and its pass-through to lower food and transportation costs. However, inflation increased in Indonesia following the implementation of fuel subsidy rationalisation in November 2014.

Moving forward, the global economy is expected to remain on a moderate growth path, but with increasing divergence in the growth momentum among the major economies. The decline in energy prices is expected to provide some additional support to overall global growth, as higher disposable income and lower inflation will support consumer spending. Nevertheless, there remain considerable downside risks to global economic activity. This includes a prolonged weakness in demand and low inflation or the possibility of deflation in several major economies, uncertainty over monetary policy adjustments in key advanced economies, and rising concerns on the growth prospects of several net commodity-exporting emerging economies amid declining energy prices.

(Source: BNM's Economic and Financial Developments in Malaysia in the Fourth Quarter of 2014)

7.2 Overview of the air travel industry in Malaysia and Turkey

During the first five (5) months of 2014, the number of tourist arrivals rose 10.1% to 11.5 million (January – May 2013: 10.9%; 10.5 million), despite some drop in tourists from China following the unfortunate MH370 incident in March 2014. The top three (3) tourist arrivals were from Singapore (5.8 million), Indonesia (1.1 million) and China (0.7 million). Meanwhile, Malaysia remains a favourite holiday destination among Muslim tourists, with arrivals increasing 9.4% to 2.2 million during the first five months of 2014 (January – May 2013: 9.3%; 2 million). In this regard, Malaysia's ranking as the world's top halal-friendly holiday destination and the world's second halal-friendly shopping destination has helped draw in Muslim tourists.

During the first half of 2014, the air transport segment expanded 4.9% (January – June 2013: 3.8%) supported by higher tourist arrivals and domestic passengers amid continuous promotion of travel packages with competitive fares by airlines. The air passenger segment continued to record positive growth with total passenger traffic at airports nationwide increasing 10.3% to 49 million during the first seven (7) months of 2014 (January – July 2013: 14.1%; 44.4 million). Likewise, the total number of passengers on domestic carriers increased 11.3% to 25.6 million passengers (January – July 2013: 13.6%; 23 million). Meanwhile, total air cargo handled at airports nationwide rose 5.6% to 567,303 tonnes (January – July 2013: 4.1%; 537, 777 tonnes) on account of higher growth in exports, especially electrical and electronics products. The air passenger segment continues to remain buoyant supported by capacity expansion in airport facilities, coupled with enhanced connectivity, increased flight frequencies, competitive air fares and new destination launches which are anticipated to spur growth in transport receipts.

The aviation industry in Malaysia has potential to grow significantly as reflected in the increasing number of passengers and cargo handled in airports nationwide for the past few years. To promote the Malaysian aviation industry, the GOM is formulating a National Aviation Policy to outline a comprehensive strategic plan and initiatives to accelerate the development of the industry. In addition, the GOM allocated RM493.9 million to upgrade airports in Sabah and Sarawak to improve operational efficiency and cater for increased passenger traffic.

(Source: The MOF's Economic Report 2014/2015)

The Turkish tourism industry has grown more than the global travel and tourism industry. Turkey improved both its air transport and tourism infrastructure from 2011 to 2013 where nine (9) airports were built during that period and increased the total number of airports to more than 50.

Istanbul is Turkey's most populous city as well as its cultural and financial centre with a population of over 14 million people. The number of international visitors coming to Istanbul continues to grow but hotel supply has not kept up with tourist demand. Each year the gap grows wider. More investments, especially in the accommodation sector, are needed to meet this demand. Special focus has been given to Istanbul as a tourist destination and presents opportunities for the investors to close this gap between demand and supply.

As a bridge between Asia and Europe, at the crossroad of civilisations, Turkey has excelled in establishing itself as a mainstream destination for many European nations because of its rich culture, history and natural beauty. The industry's share in total GDP is around 4%, while its total contribution was USD32.3 billion in 2012.

In 2023, the direct contribution of the travel and tourism industry to the economy is expected to exceed USD60 billion which will be approximately 3.4% of Turkey's economy.

(Source: Travel & Tourism report – The Republic of Turkey Prime Ministry Investment Support and Promotion Agency (ISPAT))

All the macro fundamentals suggest that the outlook for the Turkish aviation industry is bright. Turkey has a large population of some 77 million (76 million as at end-2012), with 18% of the population based in Istanbul. Further, the population is very young, with 50% of the population under 29 years old and only 7% of the people aged more than 65 years.

Turkey's aviation penetration per head of population is also relatively low, at just 1.2 passengers for every Turkish person, vs. 3.6 passengers for every Spanish person, in 2011. Turkey's total passenger per population has risen to 1.45 in 2013, but this is still low.

In part, this is explained by Turkey's low real GDP per capita of 15,353 International Dollars in 2013, vs. Spain's 29,851 International Dollars. The growth of Turkey's aviation market will depend in part on the growth of the country's real GDP. While the International Monetary Fund expects Turkey's real GDP growth to slow down from 4.3% in 2013 to just 2.3% in 2014, it expects the growth to rise gradually in 3.1% in 2015 and 3.5% in 2016.

Turkey's air passenger traffic growth has in the past demonstrated a very high leverage to real GDP growth. Over the past ten (10) years (2003-2013), the multiplier was 2.9x. This was in part driven by the explosion in domestic air travel in 2004-06, as the Turkish government abolished price controls on air fares in 2001, and then proceeded to abolish the consumption tax on air tickets in 2003 (but VAT remains).

Over the past three (3) years (2010-2013), Turkey's total passenger traffic grew at a very healthy CAGR of 12.8%, with domestic passenger traffic rising a particularly impressive 17.7% year-on-year in 2013, as Turkish Airlines ("**THY**") and Pegasus Airlines ("**Pegasus**") competed heavily at the Istanbul Sabiha Gokcen ("**SAW**") airport, and passenger volumes responded positively to the fall in average ticket prices. With real GDP rising at a healthy CAGR of 4.9%, over the past three (3) years, the air traffic multiplier was a strong 2.6x.

(Source: CIMB's research report dated 4 July 2014 – Aviation – Overall: Why Turkey is an aviation gem)

7.3 Outlook of the air travel industry

Malaysia's strengthening growth outlook, rising income levels and better purchasing power should augur well for outbound tourism as Malaysians are known to have a healthy appetite for holidays and travelling. Higher income levels, combined with a growing number of medium and long-haul flights, especially by LCCs, will likely boost travel affordability and outbound travel growth. Furthermore, with a weaker domestic currency against the major currencies, we think that Malaysians will continue to prefer regional destinations, especially the younger travellers. Independent sources have projected that the number of annual outbound travellers will reach 13.5 million in 2018, up from 10.2 million in 2013, representing a five (5)-year CAGR of 5.8%, assuming just 4% annual real GDP growth. Given that we are projecting economic growth of over 5% for 2014 and 2015, there is potential upside for these numbers. The outbound travel market is dominated by Malaysia's neighbours in the region, with Thailand, Indonesia and China receiving the most visitors.

Malaysia was the largest recipient of regional tourist flows, garnering 47.2% of intra-ASEAN's tourist arrivals and 28.1% of overall foreign visitors to the region. Malaysia was way ahead among the ASEAN countries in intra-ASEAN visitor arrivals, attracting close to 20 million such tourists in 2012, while Thailand and Singapore received 6.5 million and 5.7 million, respectively. In 2012, Malaysia was the most visited country in the ASEAN space, followed by Thailand and Singapore.

Malaysia's inbound tourist arrivals increased at a five (5)-year CAGR rate of 3.1% p.a. (2009-2013), while tourist receipts rose 5.7% p.a. to 6.6% of GDP in 2013. That is just direct contribution alone and when combined with the indirect contributions, the total contribution of travel and tourism to GDP according to the World Travel and Tourism Council was RM158.2 billion or 16.1% of GDP in 2013. It is forecast to rise by 4.5% p.a. to RM262.5 billion (17.3% of GDP) in 2024. The Malaysian government has stated that it aims to attract 36 million visitors per year by 2020.

It is expected that the Asia Pacific region to continue dominating inbound arrivals but also expect to see an increase in arrivals from all other regions, thanks to: 1) extensive Visit Malaysia Year (VMY) promotion programmes, 2) expansion and modernisation of Malaysia's transportation network, 3) improved public and private facilities including hotels, local transportation, entertainment and shopping precincts / outlets, eco-nature resorts, 4) competitive retail shopping with the abolishment of import duties, 5) better connective to priority countries, and 6) proximity to Singapore, which is a prominent travel hub as a gateway to Southeast Asia. Malaysia has also made inroads as a business tourism and medical tourism destination.

(Source: CIMB's research report dated 27 June 2014 – Asia Pacific Travel & Leisure: Booming Asian travel demand)

It is believed that the Turkish aviation industry will grow strongly over the next decade for the following reasons:

(i) Low aviation penetration; positive GDP expansion.

Turkey is a young developing country with a relatively low aviation penetration per head of its population. This is because of its low GDP per capita relative to other states in Europe. Because of the low penetration rate, over the past three years, Turkey's passenger traffic has grown 2.6x faster than its real GDP growth. As the International Monetary Fund is forecasting Turkey's real GDP to grow at a CAGR of 3% over the next three (3) years, this will be one of the drivers of even more growth for the Turkish aviation sector ahead.

(ii) Ambitious home airlines with an orderbook to match.

Both THY and Pegasus have large aircraft orderbooks that will underwrite their capacity growth in the years ahead. Both airlines are determined to grow their business and thicken their domestic networks, as well as to further build their capacity to short-haul narrowbody destinations in Europe, Central Asia, Russia, Middle East, North Africa. For THY specifically, it is also targeting widebody expansion to the Americas, West & South Africa, the Indian Subcontinent and the Far East.

(iii) LCC connectivity has more room to increase.

Pegasus is particularly keen to build LCC connectivity from Turkey to Central Asia, North Africa and the Middle East, where the LCC penetration rates are still low relative to capacity between Turkey and Western, Eastern and Central Europe. Often, bilateral air traffic rights are restricted, and THY usually dominates what is available. However, the trend has been for gradual liberalisation, and when liberalisation eventually does happen, Pegasus will be in a very strong position to stimulate the market with its low fares.

(iv) The Turkish government is committed to airport infrastructure development.

The availability of airport infrastructure is the precondition for healthy aviation growth, and Turkey has demonstrated its willingness to take the necessary action. Over the past two decades, the government has privatised the operations of major Turkish airport terminals, including Istanbul Ataturk (IST) and SAW, which has resulted in an infusion of private capital into major airport infrastructure projects. Going forward, the government is also committed to build the massive third Istanbul airport to replace the congested IST, and also to build SAW's second runway.

(v) Turkish air carriers have superior cost structures.

Relative to their European and Middle Eastern counterparts in the full service carriers and LCC space, THY and Pegasus both have some of the most efficient cost structures. This is important because both airlines are pursuing network strategies, whereby transit/transfer traffic is specifically targeted. Lower cost structures relative to their competitors mean that these two (2) Turkish air carriers can price sufficiently low to attract the typically price-sensitive transfer/transit traffic into their Turkish air hubs.

(Source: CIMB's research report dated 4 July 2014 – Aviation – Overall: Why Turkey is an aviation gem)

8. PROSPECTS OF OUR GROUP

Our Group's future plans and prospects are as set out below:

(i) Continuously supporting all our stakeholders particularly the airlines' business growth

Our Group is well positioned to cater to the changing requirements of airlines and business partners. Our Group is always anticipating future needs of the stakeholders in terms of capacity and capability planning, and is cognisant of the evolution of airline business models, passenger experience and public expectations.

Moving forward our Group anticipates that the LCC will continue to evolve to capture corporate/higher yielding passengers and will be exploring value added services such as interlining and longer haul routes. As for the full service carriers, our Group expects that they will be repositioning their competitive edge through consolidation, route rationalisation, alliances, and having LCC subsidiaries.

Despite the tragedies surrounding the Malaysia aviation landscape, passenger traffic is expected to continue to grow. It is critical that all stakeholders work closely together to provide the right level of services, facilities and capacity to cater to the volatile yet dynamic aviation industry. There are already some improvements in the Chinese and European traffic of late and we are hopeful that such trends will continue into 2015.

It is imperative that all the players in the aviation industry be it airlines, the government authorities and the airport and its partner network, remain supportive of each other in order to weather the challenges and strengthen the aviation industry.

Air travel is a function of GDP, consumer and business sentiments, and overall macroeconomic factors. The current lower fuel price will stimulate air travel demand in 2015 as reduction in airline operating costs will improve profitability for airlines which in turn, encourage more capacity offerings and lower fares by the airline operators.

The positive outlook will continue to be supported by MAS' inclusion into the oneworld alliance in February 2013, which naturally extends connectivity from Malaysia by many folds. The ASEAN Open Skies policy would help improve intra-ASEAN travel further. Another event to look forward to in 2015 is the commencement of British Airways operations at KLIA. British Airways will commence its services to Kuala Lumpur on 27 May 2015 on a daily basis utilising the Boeing 777-200 airplane with a four-class cabin configuration. British Airways last operated to Kuala Lumpur in 2001 and the return of British Airways to Malaysia could not have arrived at a better time for Malaysia's aviation landscape. With Malaysia's special and unique relationship with the United Kingdom, British Airways' return to Malaysia will bring about profound impact to the existing good bilateral ties between the two (2) countries and many more opportunities will be generated through this air service, be it in the economic, political, social and cultural dimensions.

(ii) Development of KLIA Aeropolis

Our Group will also be focusing on KLIA Aeropolis development in 2015 onwards as part of our strategic business direction. KLIA Aeropolis is our airport city master plan which spans across 6,750 acres of land surrounding KLIA. KLIA Aeropolis is envisaged to be a diversified and integrated city with comprehensive facilities for retail, exhibitions, leisure and tourism activities. The Mitsui Outlet Park KLIA is expected to open to public in mid-2015. Being the first outlet mall in Klang Valley, is a catalyst project for KLIA Aeropolis and is expected to be the largest outlet mall in Southeast Asia. We also envision for KLIA to be positioned as Southeast Asia's number one (1) e-commerce distribution hub. In line with this vision, there are plans to develop a cargo and logistics park to support the boom of e-commerce in Southeast Asia. E-commerce market is expected to grow five (5) times, from USD7 billion to over USD35 billion in 2018, but hubs have yet to be established in this region. KLIA has some competitive advantages in this segment as it is strategically located in the middle of Southeast Asia, with good provisions of air and ground network and labour talents. KLIA also possesses vastly available land bank with ready infrastructure, where 100 acres are available both on landside and airside.

(iii) Strengthening overseas ventures

On the international front, our Group will continue to strengthen our overseas ventures. Our Group had on 23 December 2014 received our shareholders' approval on the Acquisitions which was subsequently completed on 2 January 2015. The Acquisitions are expected to strengthen our presence on the international front and solidify our strategic position as a Malaysian-based global airport operator.

Our Group will also continue to explore management and investment opportunities at airports in different parts of the world. Our Group is targeting overseas airports with long-term and high traffic growth where we will have the opportunity to cross sell other suite of services such as facility management, car park management, hotel management, duty free and food and beverages to the airports. As at the LPD, our Group is actively involved in airport development and management consortiums involving airports in Delhi and Hyderabad in India, and the Sabiha Airport.

(iv) Next phase of growth – Development of Malaysia Airports Business Plan 2015 – 2020

Our Group will be launching its new business plan (2015-2020) in 2015 where the key strategic themes for growth are centred around delighting our customers, building successful partnerships, providing total transport and digital connectivity, accelerating and diversifying non-aero base as well as sustaining the environment and community.

In deploying these strategies, we will continue to sustain the aeronautical growth, as traffic growth will continue to be the key driver of our performance. We will continue to work closely with the Ministry of Tourism and to carry out promotional/marketing activities to encourage airlines to operate at our airports. In accelerating and diversifying non-aeronautical growth, we will undertake initiatives which includes continuously enhancing passenger experience, making our airports an attractive destination in their own right, attracting not only passengers but also non- passengers to use the facilities provided by us such as the shopping mall and transport hub at gateway@klia2, and working with the right partners to realise our vision of an airport city such as the soon to be opened Mitsui Outlet Park KLIA as a leisure destination. Other developments earmarked for KLIA Aeropolis include a cargo and logistics hub, meetings, incentives, conferences, and exhibitions (MICE) facilities, and leisure and recreational facilities such as a golf course, hotels, and theme parks.

Our Group aims to implement our vision of becoming a world-class airport business by exceeding the expectations of our airline service providers, customers and other stakeholders by targeting traffic growth, commercial development and service excellence. Our Group also expects to continue expanding our overseas airport business to capitalise on our almost two (2) decades of airport management experience.

In achieving the prospects of our Group, we aim to undertake the following business strategies:

(i) Traffic growth strategies

(a) Develop KLIA and other international gateway airports as "next generation" hubs

As part of our initiatives to attract passengers, our Group aims to develop KLIA and our other international gateway airports into world class, next generation hubs, which will provide seamless connectivity and transfers for passengers travelling between full-service and LCC, on both domestic and international connections. Our Group is working with the GOM and our leading service-provider carriers, including MAS and AirAsia, to increase air traffic by taking advantage of the geographic gateway positions of KLIA and our other international airports to and from international and domestic destinations. Our Group is implementing a range of initiatives to promote our next generation hub strategy, including major facilities upgrades, targeted commercial and retail services developments and enhancements, focused branding and marketing and, where appropriate, offering pricing flexibility and other incentives to encourage leading air carriers to use our international airports.

KLIA in particular is well positioned to be a key hub for the Southeast Asian region and our Group's long-term strategy to strengthen KLIA as a domestic, regional and international hub is aligned with the GOM's objectives to expand tourism, increase transport connectivity and promote economic development in Malaysia. For 2013, our Group recorded a total of 47.5 million passengers travelling through KLIA and 48.9 million for 2014. With the completion of klia2, our Group believes the airport will be favourably positioned to take advantage of our regional and domestic gateway geographic location and anticipated passenger traffic growth especially across the ASEAN region, particularly in the LCC segment.

(b) *Increase traffic by expanding capacity*

Our Group anticipates that air traffic passenger growth at Malaysia's airports will increase demand for our services generally – in particular at KLIA, the four (4) other international gateway airports and, to a lesser extent, the smaller airports which our Group manages in the more remote areas of peninsular Malaysia, Sabah and Sarawak. In order to be able to take advantage of the anticipated growth in demand, our Group is implementing a strategy of selectively upgrading the terminals and other facilities at some of our airports. With the opening of klia2 on 2 May 2014, KLIA's capacity has increased from 40 million passengers per annum ("**mppa**") to 70 mppa. Our Group is also working with the GOM to selectively upgrade our other airports to address expectations of increasing air traffic, such as the RM250 million expansion of Penang International Airport (completed in June 2013) under the GOM's fiscal stimulus package which began in June 2010.

Our Group believes our focus on offering modern, world-class airport services at competitive rates to increasing numbers of passengers travelling through KLIA and our other airports will support growth in our revenue based on higher revenue from passenger service charges and higher revenue from other aeronautical and non-aeronautical airport services and offerings. Under the terms of the New Operating Agreements with the GOM, our Group has the flexibility to finance capital expenditures at our airports with the potential to generate enhanced overall results and margins based on investment returns.

(c) *Capitalise on high growth LCC segment*

Our Group believes that by expanding our capacity for LCC traffic at KLIA, we will be well positioned to take advantage of the continuing growth in demand for low-cost air travel in Malaysia and the Asian region.

The existing LCC operations at KLIA have benefited from the continuous growth in passengers travelling with LCC. Our Group believes the demand for low-cost air travel in Malaysia and the Asian region will continue to grow and our Group believes our strategy of building klia2 to capture increased passenger traffic from continuing growth in the low-cost air travel segment will improve our financial performance. klia2 is purpose-built according to our own design to better accommodate the needs of LCC, including improved connectivity for passengers travelling between low and full-service airlines, which can cater up to 45 mppa.

klia2 is designed to offer targeted commercial and retail offerings attractive to LCC passengers. It is expected that the development of klia2 will enhance our strategy of increasing the proportion of our revenue from sources other than aeronautical airport services.

(ii) Commercial development strategies

(a) *Expand commercial development and increase focus on non-aeronautical revenue from airport operations*

The New Operating Agreements clarify the GOM's and our Group's roles in making capital expenditures, providing our Group with more flexibility in selecting capital expenditure projects to self-fund and to have greater control in developing commercial space in self-funded projects. Our Group is focusing on increasing the percentage contribution from commercial airport operations to the overall operating revenue derived from our airport operations businesses. In 2013, commercial airport operations revenue comprised 47.9% of our Group overall airport operations revenue and further increased to 46.6% in 2014. We target to maintain this level of contribution even as our Group seeks to expand our airport facilities. Our Group expects to focus on this objective through a range of initiatives, including:

(1) Create stronger commercial focus

Our Group is in the process of optimising our retail and other service offerings at many of our existing airports. In connection with these initiatives, we are seeking to reorganise, reposition and diversify our retail and commercial offerings to maximise customer traffic and visibility and minimise the distance and processing times from retail or other shops to boarding gates. Our Group is also seeking to better differentiate and diversify our offerings in order to target the contrasting needs of full-service and LCC passengers and widen our overall product and services ranges to enhance passenger experience at our airports. In line with this, our Group has developed an airport commercial model, which classifies our airports into four (4) types which are lifestyles, leisure, community and corporate responsibility. With this classification, our Group aims to better address the customer profile at each of our airports, improve the retail customer shopping experience and achieve higher sales per passenger.

(2) Enhance "Eraman" retail operations

Our Group operates a wide range, duty-free products business under the "Eraman" brand at KLIA, Penang International Airport, Kuching International Airport, Kota Kinabalu International Airport (Terminal 2), Langkawi International Airport and Labuan Airport. We are seeking to enhance the revenue contribution from these duty-free retail operations by means of targeted marketing, better brand promotion and optimisation of the business in anticipation of higher passenger traffic levels at our airports.

Eraman recorded revenue of RM610.0 million in 2013 and RM614.7 million in 2014.

(3) Generate revenue from land development

The New Operating Agreements contemplate a phased development of large areas of land surrounding our Group airports, including approximately 6,750 acres of land area near KLIA which have been identified for the use of commercial developments that include a business district, leisure and recreational facilities and agro-tourism. Although there are restrictions on land development projects which our Group may choose to pursue in areas adjacent to our airports, our Group believes that over time we will have significant opportunities to enter into lease agreements, engage in joint ventures and explore other projects to develop office parks, retail and commercial centers, additional hotels and parking to support the growth of KLIA and our other airports and contribute to our commercial revenue.

(4) Enhance our business capabilities

Our Group seeks to expand commercial airport operations by supporting better business decision-making methodologies through the improvement of our business intelligence analytics, business relationship management and customer relationship management systems. Our Group believes that enhancing our business management capabilities will allow it to leverage on the expansion of our commercial operations infrastructure into compounding business growth.

(iii) Service excellence strategies

(a) Improve operational efficiency

Although our Group believes our operating costs are competitive relative to other leading airport operators in the region, we plan to continue to focus on controlling our operating costs and identifying opportunities to take better advantage of economies of scale and other efficiencies. By focusing on these objectives over time, we intend to be able to offer more flexible or competitive pricing or other features, take advantage of anticipated higher passenger levels and enhance our overall margins. In general, due to the high fixed costs typically associated with development of airport and terminal facilities, the ability to achieve high passenger airport utilisation rates and effective management of operating costs are very important objectives for successful airport operators.

(b) Enhance service levels and passenger satisfaction

As part of our Group's effort to improve service levels and overall passenger satisfaction, we aim to harness the benefit of technology to reduce passenger-processing time. Initiatives in new technologies include installation of a common-use self-service system and bar-coded boarding passes to improve passenger self-check-in experience. These are expected to reduce waiting time, increase available space for retail activities and reduce our operating costs. Other initiatives to enhance service levels include establishing minimum passenger service level standards for all of our airlines service providers. Our Group also continues to implement initiatives to develop and train our human capital to ensure that we have the capabilities to deliver the highest service standards.

In addition, our Group is continually seeking to align our airport infrastructure planning with the expected growth in passenger levels, as well as the changing needs and expectations of passengers at our airports. For example, at KLIA, we maintain a broad range of terminal facilities to efficiently accommodate various types of modern aircraft ranging from smaller aircraft typically used by LCC to new and larger aircraft such as the Airbus A380.

(iv) Overseas airport business strategies

Our Group has more than 23 years of experience managing and operating a broad range of airport facilities in Malaysia. During this period, our Group has also selectively pursued opportunities, usually involving joint venture or consortium groups, to participate in the development, management or operation of major airport facilities in certain overseas markets. The risk in overseas airport investment is carefully and thoroughly deliberated prior to decision-making, with long-term returns being our priority.

Although we expect our primary focus will remain on operating airports in Malaysia, we believe our airport management experience can be valuable in other markets and may provide opportunities to diversify and enhance our Group's revenue. We believe that our Group's participation in overseas airport consortia also creates important training and advancement opportunities for our Group's employees and is a means for our Group to further develop our Group's expertise and reputation. Accordingly, our Group intends to continue to selectively expand our Group's overseas airport business when we are able to identify attractive opportunities to do so.

9. EFFECTS OF THE RIGHTS ISSUE

9.1 Issued and paid-up share capital

The pro forma effects of the Rights Issue on our issued and paid-up share capital are as follows:

	No. of Shares
As at the LPD	1,376,541,340 [(1)]
To be issued pursuant to the Rights Issue	275,308,267
Enlarged issued and paid-up share capital	**1,651,849,607**

Note:

(1) Comprising 1,376,541,339 Shares and one (1) Special Share.

9.2 NA per Share and gearing

Based on our latest audited consolidated statement of financial position as at 31 December 2013, the pro forma effects of the Rights Issue on the NA per Share and gearing ratio of our Group before and after the Rights Issue are as follows:

		(I)	(II)	
	Audited as at 31 December 2013	**After the completed transactions [1]**	**After (I) and the Acquisitions**	**After (II) and the Rights Issue [3]**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Share capital	1,232,444	1,376,541	1,376,541	1,651,849
Share premium	1,409,376	2,385,063	2,385,063	3,419,228
Retained earnings	2,037,431	2,212,209	2,701,680 [2]	2,701,680
Perpetual Subordinated Sukuk	-	998,000	998,000	998,000
Fair value adjustment reserve	(553)	(553)	(3,268)	(3,268)
Foreign exchange reserve	(2,941)	(2,941)	(2,941)	(2,941)
Other reserve	2,546	2,546	2,546	2,546
Equity / NA attributable to owners of our Company	**4,678,303**	**6,970,865**	**7,457,621**	**8,767,094**
Non-controlling interests	64	64	64	64
Total equity / NA	**4,678,367**	**6,970,929**	**7,457,685**	**8,767,158**
Number of Shares in issue ('000)	1,232,444	1,376,541	1,376,541	1,651,849
NA per Share [4] (RM)	3.80	5.06	5.42	5.31
Total borrowings	3,800,000	3,800,000	7,008,814 [5]	5,749,422
Gearing [6] (times)	0.81	0.55	0.94	0.66

Notes:

(1) The completed transactions comprises of the following:

(a) issuance of 8,102,473 new Shares pursuant to the DRP in relation to electable portion (for those shareholders electing for the re-investment) of the single-tier interim dividend of 6.00% for the FYE 31 December 2013, which was completed on 4 February 2014;

(b) the Private Placement;

(c) issuance of 9,553,502 new Shares pursuant to the DRP in relation to electable portion (for those shareholders electing for the re-investment) of the single-tier final dividend of 5.78% for the FYE 31 December 2013, which was completed on 2 May 2014; and

(d) adjustment for unrecognised losses for the 20% equity stake held in ISG for the FYE 31 December 2013 and related expenses following the Acquisition from GMR Group which was completed on 30 April 2014. Pursuant to MAHB's 20% equity stake held in ISG for the FYE 31 December 2013, MAHB had absorbed a maximum loss of RM14.42 million, which is equivalent to MAHB's 20% equity interest and contingent liability in ISG. Upon completion of the Acquisition from GMR Group, the unrecognised losses of RM35.26 million for MAHB's 20% equity stake have been recognised in the second quarter of 2014, as MAHB increased its equity stake in ISG to 60%.

(e) issuance of 2,391,485 new Shares pursuant to the DRP in relation to electable portion (for those shareholders electing for the re-investment) of the single-tier interim dividend of two (2) sen per Share for the FYE 31 December 2014, which was completed on 23 January 2015.

(f) Issuance of RM1.0 billion Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The transaction cost of RM2.0 million was accounted for as a deduction from the equity amount.

(2) After taking into account the recognition of the changes in the fair value of our equity interest in ISG and LGM in prior reporting periods from other comprehensive income to retained earnings amounting to approximately RM2.7 million, re-measurement gain of approximately RM593.2 million pursuant to the re-measurement of our previously held equity interest in ISG and LGM to the acquisition date fair value, goodwill on acquisition of approximately RM208.7 million which was impaired at the date of acquisition, gain on bargain purchase of approximately RM136.1 million and transaction costs of approximately RM33.8 million pursuant to the Acquisitions.

(3) After taking into account the issuance of 275,308,267 new Shares at the Issue Price, the repayment of the Bridging Finance and the estimated expenses of RM6.5 million pursuant to the Rights Issue.

(4) NA per Share is calculated by dividing NA attributable to owners of our Company with the number of Shares in issue.

(5) After consolidating the total borrowings of ISG and LGM which were previously accounted for using the equity method and the Bridging Finance.

(6) Gearing is calculated by dividing total borrowings with shareholders' funds.

The foreign exchange rate used in the above pro forma effects of the Rights Issue on the NA per Share and the gearing ratio of our Group are consistent with the rates used in preparing the audited financial statements of our Group as at 31 December 2013 whereby USD1: RM3.2755, EUR1:RM4.5102 and GBP1:RM5.4234.

9.3 Earnings and EPS

Upon completion of the Rights Issue, the EPS of our Group will be immediately diluted proportionately as a result of the increase in the number of Shares in issue, assuming that the earnings of our Group remain unchanged.

Moving forward, the Rights Issue is expected to contribute positively to the earnings of our Group for the ensuing financial years, when the benefits from the Acquisitions are realised.

10. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

10.1 Working capital

Our Board is of the opinion that, after taking into consideration the funds generated from our operations, the banking facilities available to our Group, as well as the proceeds to be raised from the Rights Issue, our Group will have sufficient working capital available for a period of twelve (12) months from the date of this Abridged Prospectus.

10.2 Borrowings

As at 31 December 2014, the total outstanding borrowings of our Group (all of which are interest-bearing) are set out below:

		Currency		Total
	Interest rate terms	**EUR'000**	**RM'000 (1)**	**RM'000**
Malaysia Operations				
Short-term borrowings				
• Islamic Revolving Credit Facility	Islamic Cost of Fund plus 0.30% p.a.	-	250,000	250,000
Long-term borrowings				
• Islamic Medium Term Notes Programme	4.55% p.a. fixed rate	-	1,000,000	1,000,000
• Islamic Medium Term Notes Programme	4.68% p.a. fixed rate	-	1,500,000	1,500,000
• Islamic Medium Term Notes Programme	4.15% p.a. fixed rate	-	600,000	600,000
• Senior Sukuk and Perpetual Subordinated Sukuk Programme	3.85% p.a. fixed rate	-	250,000	250,000
• Senior Sukuk and Perpetual Subordinated Sukuk Programme	4.15% p,a. fixed rate	-	250,000	250,000
Overseas Operations				
Short-term borrowings				
• YKB Subordinated Loan	7.95% p.a	87,000	370,900	370,900
• LGM Short Term Loan	Euribor plus 5.50% p.a	6,072	25,722	25,722
Long-term borrowings				
• Senior Term Loan	Euribor plus 2.75% p.a	500,000	2,118,050	2,118,050
Total borrowings				**6,364,672**

Note:

(1) Converted at BNM's middle rate of EUR1.00:RM4.2361 as at 5.00 p.m. on 31 December 2014.

In addition to the loans and borrowings disclosed in this section, there are unsecured debentures amounting to USD57.7 million which were issued by our wholly-owned subsidiary, Malaysia Airports (Mauritius) Private Limited ("**MAM**"), comprising 57,700,000 fully paid debenture units of USD1.00 each. MAM issued USD4.6 million unsecured debentures in 2006 and another USD53.8 million unsecured debentures in 2008, while redeeming USD0.7 million of the said debentures in 2010. The interest on the debentures are payable upon the realisation of dividends from our investment in Delhi International Airport Private Limited ("**DIAL**") held via MAM. These debentures have a ten (10)-year period from their issuance and the debenture holders have the rights to redeem the debentures at the nominal value. The debentures may also be converted into ordinary shares to be issued by MAM. As at the LPD, no dividends have been paid by DIAL.

Our Group has not defaulted on payments of either interest and/or principal sums on any of our borrowings for the FYE 31 December 2014 and the subsequent financial period up to the LPD.

10.3 Contingent liabilities

Save as disclosed below, there are no other contingent liabilities incurred or known to be incurred by our Group as at 31 December 2014 which, upon becoming enforceable, may have a material effect on our Group's financial position:

(i) As at 31 December 2014 for ISG, there were six (6) letters of guarantee totalling EUR114.9 million which is equivalent to RM486.7 million based on BNM's middle rate of EUR1.00:RM4.2361 as at 5.00 p.m. on 31 December 2014 were provided to Undersecretariat of Defence / Turkey ("**UDT**") (representing 6% of total amount payable to the UDT for the right to operate the facility as set out in the Concession Agreement); and

(ii) On 11 September 2013, our wholly-owned subsidiary, Malaysia Airports Consultancy Services Sdn Bhd ("**MACS**") provided a corporate guarantee to the Government of the State of Qatar represented by the New Doha International Airport Steering Committee to guarantee the performance of obligations and liabilities of Malaysia Airports Consultancy Services Middle East LLC under Contract for Facility Management Services for Airport Operational Facilities and Ancillary Buildings ("**Doha Contract**"). The value of the Doha Contract is QAR100.6 million. The corporate guarantee is a performance bond to ensure MACS fulfils its obligations in relation to the Doha Contract, and this corporate guarantee amount has not been fixed.

Our Group had assessed the financial guarantee contracts and concluded that the guarantees are unlikely to be called upon and accordingly not recognised as financial liability as at the 31 December 2014.

10.4 Material commitments

Save as disclosed below, our Group does not have any other material commitments as at 31 December 2014 which may have a material effect on our Group's financial position:

Capital commitments	**Due year 2015**	**Due year 2016 to 2019**	**Due year 2020 to 2066**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Approved and contracted for:				
Lease rental payable to the GOM other than within the New Operating Agreements	-	-	66,063	66,063
Approved and not contracted for:				
Capital expenditure:				
Intangible Assets	246,854	-	-	246,854
Property, Plant and Equipment	214,984	-	-	214,984
Plantation Development Expenditure	13,968	-	-	13,968
Other investment:				
Investment in ISG	-	130,256	-	130,256
Investment in MFMA Development Sdn Bhd		45,734		45,734
	475,806	**175,990**	**66,063**	**717,859**

The above capital expenditure and commitments are expected to be funded by the existing cash balances, contractual down payments, internally-generated funds and/or borrowings.

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11. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION

As an Entitled Shareholder, your CDS Account will be duly credited with the number of the Provisional Rights Shares which you are entitled to subscribe for, in full or in part, in accordance with the terms and conditions of the Rights Issue. You will find enclosed with this Abridged Prospectus, a NPA notifying you of the crediting of such Provisional Rights Shares into your CDS Account and a RSF to enable you to subscribe for such Provisional Rights Shares allotted to you, as well as to apply for the Excess Rights Shares, if you choose to do so.

The following procedures are applicable to Entitled Shareholders in Malaysia. For Entitled Shareholders located outside Malaysia, additional procedures and restrictions apply. Please refer to **Appendix III** of this Abridged Prospectus entitled "**Offering, Selling and Transfer Restrictions**".

Full instructions for the acceptance of and payment for the Provisional Rights Shares, application for the Excess Rights Shares and the procedures to be followed should you and/or your renouncees/transferees (if applicable) wish to sell or transfer all or any part of your/their entitlement are set out in this Abridged Prospectus and the accompanying RSF. You and/or your renouncees/transferees (if applicable) are advised to read this Abridged Prospectus, the RSF and the notes and instructions contained in the RSF carefully. In accordance with the CMSA, the RSF must not be circulated unless accompanied by this Abridged Prospectus.

You may obtain additional copies of this Abridged Prospectus and the RSF from your stockbroker, our Share Registrar or Bursa Securities' website at http://www.bursamalaysia.com.

11.1 NPA

The Provisional Rights Shares are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in such Provisional Rights Shares will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renouncees/tranferees (if applicable) are required to have valid and subsisting CDS Accounts when making the applications to subscribe for the Rights Shares.

11.2 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Rights Shares must be made in accordance with the RSF enclosed with this Abridged Prospectus. The RSF must be completed strictly in accordance with the notes and instructions contained in the RSF. Acceptances and/or payments which do not conform strictly to the terms of this Abridged Prospectus, the RSF and the notes and instructions contained in the RSF or which are illegible may not be accepted at the absolute discretion of our Board. Our Share Registrar will not contact you and/or your renouncees/transferees (if applicable) for acceptances which do not strictly conform to the terms and conditions of this Abridged Prospectus or the RSF or the notes and instructions contained in these documents, or which are illegible.

If you wish to accept the Provisional Rights Shares, either in full or in part, please complete **Parts I and III** of the RSF strictly in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched **BY ORDINARY POST, COURIER or DELIVERED BY HAND** (at your own risk) to our Share Registrar at the following address and arrived **by the Closing Date**:

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia

Tel. No.: +603 2084 9000
Fax. No.: +603 2094 9940 / 2095 0292

One (1) RSF must be used for acceptance of the Provisional Rights Shares standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of the Provisional Rights Shares standing to the credit of more than one (1) CDS Account. The Rights Shares accepted by you in accordance with the notes and instructions contained in the RSF will be credited into the respective CDS Accounts where the Provisional Rights Shares have been credited, in accordance with the procedures as set out in the RSF.

The minimum number of Rights Shares that can be accepted is one (1) Rights Share. However, you should take note that a trading board lot comprises 100 Shares. Fractions of a Rights Share will be dealt with in such manner as our Board, at its absolute discretion, deems fit and expedient, and in the best interest of our Company.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

Each completed RSF must be accompanied by the appropriate remittance in RM for the **FULL** and **EXACT** amount payable for the Rights Shares accepted, in the form of **Banker's Draft or Cashier's Order or Money Order or Postal Order** drawn on a bank or post office in Malaysia and made payable to "**MAHB RIGHTS ISSUE ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name, address and CDS Account number in block letters to be received by our Share Registrar **by the Closing Date**. The payment must be made for the **FULL** and **EXACT** amount payable for the Rights Shares accepted. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other modes of payment not prescribed herein are not acceptable. **Details of the remittances must be filled in the appropriate boxes provided in the RSF.**

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbroker, our Share Registrar or Bursa Securities' website at http://www.bursamalaysia.com.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR THE APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS SHARES. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, YOU WILL BE ALLOTTED WITH YOUR RIGHTS SHARES, AND A NOTICE OF ALLOTMENT WILL BE ISSUED AND DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS (AT YOUR OWN RISK) WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED OR ALLOWED BY BURSA SECURITIES.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT AT ITS ABSOLUTE DISCRETION NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREFOR.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY SUCCESSFUL APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS (AT YOUR OWN RISK) WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

ALL RIGHTS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEES/TRANSFEREES (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES WILL BE ISSUED.

If the acceptance of and payment for the Provisional Rights Shares allotted to you (whether in full or in part) are not received by our Share Registrar by the Closing Date, the Provisional Rights Shares to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

Our Board will then have the right to allot such Rights Shares not taken up or cannot be taken up or not validly taken up to applicants applying for the Excess Rights Shares in the manner as set out in Section 11.5 of this Abridged Prospectus.

11.3 Procedures for part acceptance

You are always entitled to accept part of your entitlement to the Provisional Rights Shares PROVIDED ALWAYS that:

(i) the minimum number of Rights Shares that may be accepted is one (1) Rights Share; and

(ii) any part acceptances shall be in the multiple of one (1) Rights Share.

You must complete both **Part I** of the RSF by specifying the number of Provisional Rights Shares which you are accepting (in the stipulated multiples) and **Part III** of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the same manner as set out in Section 11.2 of this Abridged Prospectus.

YOU ARE ADVISED TO READ AND ADHERE STRICTLY TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

11.4 Procedures for the sale or transfer of the Provisional Rights Shares

Subject to the restrictions on the offering, selling and transfer applicable to the Provisional Rights Shares and the Rights Shares as set out in **Appendix III** of this Abridged Prospectus, as well as the provisions of Section 11.8 of this Abridged Prospectus, as the Provisional Rights Shares are prescribed securities, should you wish to sell or transfer, all or part of your entitlement to the Provisional Rights Shares to one (1) or more persons, you may do so through your stockbroker for the period up to the last date and time for the sale or transfer of the Provisional Rights Shares (in accordance with the Rules of Bursa Depository) without first having to request for a split of the Provisional Rights Shares standing to the credit of your CDS Account. You may sell such entitlement on Bursa Securities for the period up to the last date and time for the sale of the Provisional Rights Shares (in accordance with the Rules of Bursa Depository) or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository for the period up to the last date and time for the transfer of the Provisional Rights Shares (in accordance with the Rules of Bursa Depository).

YOU ARE ADVISED TO READ AND ADHERE STRICTLY TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL RIGHTS SHARES, YOU ARE NOT REQUIRED TO DELIVER ANY DOCUMENT, INCLUDING THE RSF, TO ANY STOCKBROKER. YOU ARE HOWEVER ADVISED TO ENSURE THAT YOU HAVE SUFFICIENT NUMBER OF PROVISIONAL RIGHTS SHARES STANDING TO THE CREDIT OF YOUR CDS ACCOUNT BEFORE SELLING OR TRANSFERRING.

If you have sold or transferred only part of the Provisional Rights Shares, you may still accept the balance of the Provisional Rights Shares not sold or transferred by completing **Parts I and III** of the RSF and forwarding the RSF together with the appropriate remittance in RM for the **FULL** and **EXACT** amount payable for the balance of the Provisional Rights Shares accepted, to our Share Registrar in accordance with the instructions as set out in Section 11.2 of this Abridged Prospectus.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

11.5 Procedures for application for the Excess Rights Shares

If you are an Entitled Shareholder, you and/or your renouncees/transferees (if applicable) may apply for the Excess Rights Shares in addition to your Provisional Rights Shares. If you wish to do so, please complete **Part II** of the RSF (in addition to **Parts I and III**) and forward it (together with a **separate remittance** made in RM for the **FULL** and **EXACT** amount payable in respect of the Excess Rights Shares applied for) using the envelope provided (at your own risk) to our Share Registrar at the address as set out in Section 11.2 of this Abridged Prospectus, so as to arrive **by the Closing Date**.

Payment for the Excess Rights Shares applied for should be made in the same manner described in Section 11.2 of this Abridged Prospectus, except that the **Banker's Draft or Cashier's Order or Money Order or Postal Order** drawn on a bank or post office in Malaysia be made payable to "**MAHB EXCESS RIGHTS SHARES ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name, address and CDS Account number in block letters to be received by our Share Registrar **by the Closing Date**. The payment must be made for the **FULL** and **EXACT** amount payable for the Excess Rights Shares applied for. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other modes of payment not prescribed herein are not acceptable. **Details of the remittances must be filled in the appropriate boxes provided in the RSF.**

It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner to the Entitled Shareholders and/or their renouncees/transferees (if applicable) who have applied for the Excess Rights Shares in the following order of priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, on a pro-rata basis and in board lot to our Entitled Shareholders who have applied for the Excess Rights Shares, taking into consideration their respective shareholdings as per their CDS Accounts in our Company as at the Entitlement Date on a board lot basis;

(iii) thirdly, on a pro-rata basis and in board lot to our Entitled Shareholders who have applied for the Excess Rights Shares, taking into consideration the quantum of their respective Excess Rights Shares applied for; and

(iv) lastly, on a pro-rata basis and in board lot to the renouncees/transferees who have applied for the Excess Rights Shares, taking into consideration the quantum of their respective Excess Rights Shares applied for.

In the event of any Excess Rights Shares balance after the above allocations are completed, the balance will be allocated in the processes set out in Section 11.5 (ii) to 11.5 (iv) above.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for in such manner as it deems fit and expedient, and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in the basis of allotment of the Excess Rights Shares in this section is achieved. Our Board also reserves the right at its absolute discretion to accept any application for the Excess Rights Shares, in full or in part, without assigning any reason therefor.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR THE APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, YOU WILL BE ALLOTTED WITH THE EXCESS RIGHTS SHARES, AND A NOTICE OF ALLOTMENT WILL BE ISSUED AND DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS (AT YOUR OWN RISK) WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED OR ALLOWED BY BURSA SECURITIES.

APPLICATIONS FOR THE EXCESS RIGHTS SHARES SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT AT ITS ABSOLUTE DISCRETION NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREFOR.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY SUCCESSFUL APPLICATIONS FOR THE EXCESS RIGHTS SHARES, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS (AT THE APPLICANT'S OWN RISK) WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

11.6 Procedures for acceptance by renouncees/transferees

The procedures applicable to renouncees/transferees for acceptance, selling and/or transferring of the Provisional Rights Shares, applying for the Excess Rights Shares, payment and/or CDS Account are the same as those which are applicable to the Entitled Shareholders as described in Sections 11.2, 11.3, 11.4, 11.5 and 11.7 of this Abridged Prospectus and in the RSF. Please refer to the relevant sections for the procedures to be followed.

If you wish to obtain a copy of this Abridged Prospectus and/or accompanying RSF, you may obtain for the same from your stockbroker, our Share Registrar or Bursa Securities' website at http://www.bursamalaysia.com.

RENOUNCEES/TRANSFEREES ARE ADVISED TO READ AND ADHERE STRICTLY TO THIS ABRIDGED PROSPECTUS AND THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

11.7 CDS Account

Bursa Securities has already prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares are prescribed securities and as such, all dealings in the Rights Shares will be by book entry through a CDS Account and shall be governed by the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares. Failure to comply with these specific instructions for application or inaccuracy in the CDS Account number may result in your application being rejected.

Your subscription for the Rights Shares shall constitute consent to receive such Rights Shares as prescribed securities which will be credited directly into your CDS Account. No physical share certificates will be issued to you.

Any person who intends to subscribe for the Rights Shares as a renouncee/transferee by purchasing the Provisional Rights Shares from an Entitled Shareholder will have his Rights Shares credited directly as prescribed securities into his/her CDS Account.

All Excess Rights Shares, if allotted to the successful applicants who apply for the Excess Rights Shares, will be credited directly into the CDS Accounts of the successful applicants.

If you have multiple CDS Accounts into which the Provisional Rights Shares have been credited, you cannot use a single RSF to apply for all these Provisional Rights Shares. Separate RSFs must be used for separate CDS Accounts. If successful, the Rights Shares that you applied for will be credited into the respective CDS Accounts into which the Provisional Rights Shares have been credited.

11.8 Procedures for acceptance and application by the Foreign Addressed Shareholders, shareholders and renouncees/transferees who are subject to the laws of foreign countries or jurisdictions

The Documents have not been, and will not be made to, comply with the laws of any country or jurisdiction other than Malaysia, and have not been, and will not be, lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country or jurisdiction other than Malaysia.

The Documents are not intended to be, and will not be, issued, circulated or distributed, and the Rights Issue will not be made or offered or deemed made or offered, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which this Abridged Prospectus relates is only available to persons receiving the Documents within Malaysia.

As a result, the Documents have not been, and will not be, sent to our Foreign Addressed Shareholders. However, the Foreign Addressed Shareholders may collect the Documents from our Share Registrar in Malaysia, Securities Services (Holdings) Sdn Bhd, at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia, who is entitled to request such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the Documents.

Our Company will not make or be bound to make any enquiry as to whether you have an address or address for service in Malaysia other than as stated in our Record of Depositors on the Entitlement Date or other than as stated in the RSF, and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. We will assume that the Rights Issue and the acceptance by the Entitled Shareholders thereof would not be in breach of the laws of any jurisdiction. We will further assume that the Entitled Shareholders have accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

To the extent you accept your Provisional Rights Shares and/or apply for the Excess Rights Shares, your acceptance of the terms thereof will be deemed to be in compliance with the Rights Issue and not in breach of the laws of any country or jurisdiction. To the extent you accept your Provisional Rights Shares and/or apply for the Excess Rights Shares, you will be deemed to have accepted the Rights Issue in Malaysia and be subject to the laws of Malaysia with respect thereto.

All Entitled Shareholders and/or their renouncees/transferees (if applicable) shall be solely responsible to seek advice from their legal and/or professional advisers as to the laws of the countries or jurisdictions to which they are or might be subject. Our Company shall not accept any responsibility or liability whatsoever in the event any acceptance or renunciation made by any Entitled Shareholder and/or his renouncees/transferees (if applicable) is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction. Such Entitled Shareholders and/or their renouncees/transferees (if applicable) will also have no claims whatsoever against us in respect of their entitlements or to any proceeds thereof.

We reserve the right, at our absolute discretion, to treat any acceptance as invalid, if we believe or have reason to believe that such acceptance may violate applicable legal or regulatory requirements in any country or jurisdiction outside Malaysia. The Provisional Rights Shares relating to any acceptance which is treated as invalid will be included in the pool of the Excess Rights Shares available for excess application by other Entitled Shareholders and/or their renouncees/transferees (if applicable). Shareholders outside Malaysia are also advised to take note of the "**Offering, Selling and Transfer Restrictions**" as set out in **Appendix III** of this Abridged Prospectus for further information.

No shareholder or person acting for the account or benefit of any such person, or any other person, shall have any claims whatsoever against any of the parties.

In addition, each person, by accepting the delivery of the Documents, accepting any Provisional Rights Shares by signing any of the forms accompanying this Abridged Prospectus, or subscribing for or acquiring the Rights Shares, will be deemed to have represented, warranted, acknowledged and agreed in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the parties as follows:

(i) the parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any country or jurisdiction to which the Entitled Shareholder and/or his renouncees/transferees (if applicable) are or may be subject;

(ii) that person has complied with the laws to which he and/or his renouncees/transferees (if applicable) is or may be subject to in connection with the acceptance or renunciation;

(iii) that person is not a nominee or agent of a person in respect of whom the parties would, by acting on the acceptance or renunciation, be in breach of the laws of any country or jurisdiction to which that person is or may be subject to;

(iv) that person is aware that his Provisional Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) that person has obtained a copy of this Abridged Prospectus and understands the contents of this Abridged Prospectus, and had relied on his own evaluation to assess the merits and risks of the investment; and

(vi) that person has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Rights Shares, and is and will be able, and is prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

The Provisional Rights Shares and the Rights Shares have not been and will not be registered under the U.S. Securities Act or the laws of any state or other jurisdiction of the U.S. and may not be offered or sold within the U.S. except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, within the U.S., the Provisional Rights Shares may only be accepted, and the Rights Shares may only be offered, taken up, subscribed, acquired, sold, resold, pledged, transferred or delivered, directly or indirectly, in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

NOTWITHSTANDING THE FOREGOING, THE RIGHT ISSUE IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES, NOR SHALL THERE BE ANY SALE OR PURCHASE OF SECURITIES IN ANY COUNTRY OR JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH COUNTRY OR JURISDICTION.NOTWITHSTANDING ANYTHING HEREIN, THE SHAREHOLDERS OUTSIDE MALAYSIA AND ANY OTHER PERSON HAVING POSSESSION OF THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE THERETO. NO PERSON IN ANY COUNTRY OR JURISDICTION OUTSIDE OF MALAYSIA RECEIVING THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY RIGHTS SHARES UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS IN SUCH COUNTRY OR JURISDICTION.

12. OTHER CORPORATE EXERCISES APPROVED BUT PENDING COMPLETION

Save for the Rights Issue, there are no other corporate exercises which have been approved by regulatory authorities but are pending completion as at the LPD.

13. TERMS AND CONDITIONS

The issuance of the Rights Shares pursuant to the Rights Issue is governed by the terms and conditions as set out in the Documents.

14. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully
for and on behalf of the Board of
MALAYSIA AIRPORTS HOLDINGS BERHAD

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah
Chairman

CERTIFIED TRUE COPY OF THE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT OUR EGM CONVENED ON 23 DECEMBER 2014

MALAYSIA AIRPORTS HOLDINGS BERHAD
(Company No. 487092-W)
(Incorporated in Malaysia)

MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF MALAYSIA AIRPORTS HOLDINGS BERHAD ("THE COMPANY" OR "MAHB") HELD AT THE GATEWAY BALLROOM, LEVEL 1, SAMA-SAMA HOTEL, KUALA LUMPUR INTERNATIONAL AIRPORT, JALAN CTA 4B, 64000 KLIA, SEPANG, SELANGOR DARUL EHSAN ON TUESDAY, 23 DECEMBER 2014 AT 10.30 A.M.

The Meeting unanimously **resolved** that the following ordinary resolution be hereby **approved:-**

Ordinary Resolution 2

Proposed Renounceable Rights Issue of Up to 275,777,660 New Ordinary Shares of RM1.00 Each in MAHB ("MAHB Shares") ("Rights Shares") on the Basis of One (1) Rights Share for Every Five (5) Existing MAHB Shares Held on an Entitlement Date to be Determined and Announced Later ("Proposed Rights Issue")

"THAT subject to the Ordinary Resolution 1 being passed, and subject to approvals of the relevant regulatory authorities and/or relevant parties being obtained for the Proposed Rights Issue, approval be and is given to the Board to allot (whether provisionally or otherwise) and issue by way of a renounceable rights issue of up to 275,777,660 Rights Shares to the Entitled Shareholders (as defined in the Circular) and/or their renouncees, on the basis of one (1) Rights Share for every five (5) existing MAHB Shares held at an issue price to be determined later;

THAT any fractional entitlements derived from the Proposed Rights Issue shall be dealt with in such manner as the Board, in its absolute discretion thinks fit and expedient, and in the best interest of the Company (including, without limitation, to disregard such fraction entitlement, if any, and to include such fractional entitlements in the pool of excess Rights Shares to be made available for excess applications);

THAT the Rights Shares shall, upon allotment and issue, rank equally in all respects with the existing MAHB Shares, except that they shall not be entitled to any dividend, right, allotment and/or other distributions, which may be declared, made or paid to the shareholders of MAHB, the entitlement date of which precedes the date of allotment and issue of the Rights Shares;

THAT any Rights Shares, which are not validly taken up shall be made available for excess applications, in such manner, as the Board shall determine in a fair and equitable manner;

THAT approval be and is hereby given to the Board to utilise the proceeds of the Proposed Rights Issue for the purposes as set out in Section 6.5 of the Circular, and that the Board be authorised with full powers to vary the manner and/or purpose of the utilisation of such proceeds in such manner as the Board may deem fit, and for the best interest of the Company, subject to the approval of the relevant authorities being obtained (if required);

MALAYSIA AIRPORTS HOLDINGS BERHAD
(Company No. 487092-W)
(Incorporated in Malaysia)

(Extract of Minutes of the Extraordinary General Meeting of MAHB held on 23 December 2014 - cont'd)

THAT in order to implement, complete and give full effect to the Proposed Rights Issue, approval be and is hereby given to the Board to do or to procure to be done all acts, deeds and things and to execute, sign and deliver on behalf of the Company, all such documents as it may deem necessary, expedient and/or appropriate to implement, give full effect to and complete the Proposed Rights Issue and with full powers to assent to any condition, modification, variation and/or amendment thereto in any manner as the Board may deem fit and/or may be imposed by any relevant regulatory authorities and/or parties in connection with the Proposed Rights Issue;

AND THAT no offer documents pertaining to the Proposed Rights Issue shall be issued or sent to the shareholders of the Company having registered addresses outside Malaysia or who have not provided an address in Malaysia at which such documents may be delivered to prior to the entitlement date for the Proposed Rights Issue."

CERTIFIED TRUE COPY

DIRECTOR **TAN SRI DATO' SRI DR. WAN ABDUL AZIZ BIN WAN ABDULLAH**	**SECRETARY** **SABARINA LAILA BINTI DATO' MOHD HASHIM**

Dated: 23 December, 2014

INFORMATION ON OUR COMPANY

1. HISTORY OF OUR BUSINESS AND PRINCIPAL ACTIVITIES

In 1991, the Malaysian Parliament passed a bill to separate the DCA into two (2) entities with different spheres of responsibilities. DCA remains as the regulatory body for the airports and aviation industry in Malaysia whilst the newly created entity, Malaysia Airports Sdn Bhd (formerly known as Malaysia Airports Berhad), was established to focus on the operations, management and maintenance of airports.

Our Company was incorporated on 28 June 1999 as a public company limited by shares under the Act and was listed on 25 November 1999 on the then Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities).

Our principal activity is investment holding while the principal activities of our subsidiaries are described in Section 5 of Appendix II of this Abridged Prospectus.

We are a global airport company, operating five (5) international airports, sixteen (16) domestic airports and eighteen (18) STOLports that serves the rural and remote areas in Malaysia, and one (1) international airport in Turkey, as well as investments in two (2) overseas airports in India as at the LPD.

2. SHARE CAPITAL

2.1 Authorised and issued and paid-up share capital

The authorised and issued and paid-up share capital of our Company as at the LPD is as follows:

	No. of shares	Par value	Total
		RM	RM
Authorised share capital			
Shares	2,000,000,000	1.00	2,000,000,000
Special Share	1	1.00	1
			2,000,000,001
Issued and paid-up share capital			
Shares	1,376,541,339	1.00	1,376,541,339
Special Share	1	1.00	1
			1,376,541,340

2.2 Changes in authorised and issued and paid-up share capital

There is no change in the authorised share capital of our Company since incorporation.

The changes in the issued and paid-up share capital of our Company for the past three (3) years preceding the LPD are as follows:

Date of allotment	No. of Shares allotted	Par value	Consideration / Type of issue	Cumulative issued and paid-up share capital [(1)]
		RM		RM
19 March 2012	110,000,000	1.00	Cash pursuant to private placement at an issue price of RM5.60 per Share	1,210,000,001
18 January 2013	7,088,046	1.00	DRP at an issue price of RM4.73 per Share	1,217,088,047
13 May 2013	15,355,833	1.00	DRP at an issue price of RM5.14 per Share	1,232,443,880
30 January 2014	8,102,473	1.00	DRP at an issue price of RM8.06 per Share	1,240,546,353
10 March 2014	124,050,000	1.00	Cash pursuant to the Private Placement	1,364,596,353
30 April 2014	9,553,502	1.00	DRP at an issue price of RM7.23 per Share	1,374,149,855
22 January 2015	2,391,485	1.00	DRP at an issue price of RM6.13 per Share	1,376,541,340

Note:

(1) Comprising all issue and paid-up Shares and one (1) Special Share

3. SUBSTANTIAL SHAREHOLDERS

For illustrative purposes, the pro forma effects of the Rights Issue (assuming that all the Entitled Shareholders subscribe in full for their respective entitlements to the Rights Shares) on the shareholdings of our substantial shareholders based on Register of Substantial Shareholders as at the LPD are as follows:

	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	% (1)	No. of Shares	% (1)	No. of Shares	%	No. of Shares	%
Khazanah	504,560,257	36.65	-	-	605,472,308	36.65	-	-
Employee Provident Fund Board	179,007,987	13.00	-	-	214,809,584	13.00	-	-
AmanahRaya Trustee Berhad - Skim Amanah Saham Bumiputera	158,162,438	11.49	-	-	189,794,925	11.49	-	-

Note:

(1) Based on the issued and paid-up share capital as at the LPD of 1,376,541,340 Shares.

4. DIRECTORS

4.1 Particulars of our Directors

The details of our Directors as at the 23 February 2015 are as follows:

Name	Address	Age	Nationality	Profession
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah *(Chairman / Non-Independent Non-Executive Director)*	No. 3, Jalan AU5C/6 Lembah Keramat Hulu Kelang 54200 Kuala Lumpur Wilayah Persekutuan Malaysia	63	Malaysian	Chairman
Datuk Mohd Badlisham bin Ghazali *(Managing Director / Non-Independent Executive Director)*	137, Jalan Athinahapan Taman Tun Dr. Ismail 60000 Kuala Lumpur Wilayah Persekutuan Malaysia	52	Malaysian	Managing Director
Jeremy bin Nasrulhaq *(Senior Independent Non-Executive Director)*	No. 1, Jalan BU 3/3 47800 Petaling Jaya Selangor Darul Ehsan Malaysia	62	Malaysian	Company Director
Datuk Seri Yam Kong Choy *(Independent Non-Executive Director)*	AB-10-01, 10 Mont' Kiara 4 Jalan Kiara 1, Mont' Kiara 50480 Kuala Lumpur Wilayah Persekutuan Malaysia	62	Malaysian	Company Director
Datuk Zalekha binti Hassan *(Independent Non-Executive Director)*	37, Jalan SS3/53 Taman Subang 47300 Petaling Jaya Selangor Darul Ehsan Malaysia	62	Malaysian	Company Director
Rosli bin Abdullah *(Independent Non-Executive Director)*	11A, Jalan SS4A/2 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan Malaysia	62	Malaysian	Company Director
Datuk Dr. Ismail bin Hj. Bakar *(Non-Independent Non-Executive Director)*	No 48 Jalan Wangsa Siaga 1 Wangsa Melawati 53300 Kuala Lumpur	55	Malaysian	Secretary General of MOT
Datuk Ruhaizah bt Mohamed Rashid *(Alternate Director to Datuk Dr. Ismail bin Hj. Bakar) (Non-Independent Non-Executive Director)*	Lot 11393 Jalan Melor 1 Sg. Kantan Fasa III 43000 Kajang Selangor	58	Malaysian	Deputy Secretary General of MOT
Dato' Siti Zauyah Binti Md Desa *(Non-Independent Non-Executive Director)*	No. 27, Jalan P 15 H4/2 Presint 15 62050 Putrajaya Malaysia	56	Malaysian	Director, National Budget Office, MOF

Name	Address	Age	Nationality	Profession
Norazura binti Tadzim *(Alternate Director to Dato' Siti Zauyah binti Md Desa) (Non-Independent Non-Executive Director)*	No. 35, Jalan P11 B1/6 Precint 11 62300 Putrajaya Wilayah Persekutuan Malaysia	37	Malaysian	Principal Assistant Secretary, Investment, MOF(Inc) and Privatisation Division, MOF
Mohd Izani bin Ghani *(Non-Independent Non-Executive Director)*	55, Jalan PP 7/5 Taman Putra Perdana 47130 Puchong Selangor Darul Ehsan Malaysia	47	Malaysian	Company Director
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin *(Non-Independent Non-Executive Director)*	No. 9, Jalan 14/2 Taman Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan Malaysia	57	Malaysian	Company Director

4.2 Directors' shareholdings

None of our Directors hold any shares in MAHB as at the LPD.

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5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Our subsidiaries, associated companies and joint venture as at the LPD are as follows:

Name	Date and country of incorporation	Issued and paid-up share capital	Our effective interest %	Principal activities
Our subsidiaries				
MASB	11 December 1991 Malaysia	RM360,113,847	100.00	Management, operations and maintenance of designated airports and provision of airport related services in Malaysia other than KLIA
MA Sepang	20 October 1994 Malaysia	RM50,000,003	100.00	Management, operations and maintenance and future development of KLIA and klia2 and provision of airport related services
Malaysia Airports Consultancy Services Sdn Bhd	24 January 1996 Malaysia	RM500,002	100.00	Provision of maintenance and technical services in connection with the airport industry
Urusan Teknologi Wawasan Sdn Bhd	25 March 1998 Malaysia	RM750,000	100.00	Provision of mechanical, electrical and civil engineering services at KLIA
Malaysia International Aerospace Centre Sdn Bhd	7 July 1997 Malaysia	RM2	100.00	Planning, management and marketing for the development of Malaysia International Aerospace Centre at Sultan Abdul Aziz Shah Airport and other airports in Malaysia
Malaysia Airports (Niaga) Sdn Bhd	11 November 1993 Malaysia	RM5,000,002	100.00	Operating duty free, non-duty free outlets and providing management services in respect of food and beverages outlets at airports
Eraman (Malaysia) Sdn Bhd	23 November 1994 Malaysia	RM2	100.00	Dormant. Principal activity intended for this dormant company is general trading.
Malaysia Airports (Properties) Sdn Bhd	28 May 1999 Malaysia	RM2	100.00	Provision of non-passenger related services which involves property management and establishing fixed asset requirements
K.L. Airport Hotel Sdn Bhd	16 January 1995 Malaysia	RM10,000,000 RM900,000 (redeemable preference shares)	100.00	Owner of the hotel known as Sama-Sama Hotel, KLIA
MAB Agriculture-Horticulture Sdn Bhd	25 August 1998 Malaysia	RM10,000,000	100.00	Cultivation and selling of oil palm and other agriculture products and engaging in horticulture activities

INFORMATION ON OUR COMPANY *(Cont'd)*

Name	Date and country of incorporation	Issued and paid-up share capital	Our effective interest	Principal activities
			%	
Airport Ventures Sdn Bhd	25 April 2000 Malaysia	RM2	100.00	Investment holding
Malaysia Airports Technologies Sdn Bhd	22 April 2000 Malaysia	RM1,150,002	100.00	Operations and maintenance services of information and communication technology business ventures
Malaysia Airports MSC Sdn Bhd	14 June 2000 Malaysia	RM500,000	100.00	Investment holding
Malaysia Airports Capital Berhad	2 July 2010 Malaysia	RM2	100.00	Investment holding management
MACities	20 October 2014 Malaysia	RM3,000	100.00	Investment holding
Malaysia Airports (Mauritius) Private Limited	14 October 2005 Mauritius	USD1,000	100.00	Investment holding
MAHB (Mauritius) Private Limited	21 August 2006 Mauritius	USD2	100.00	Investment holding
Malaysia Airports Capital (Labuan) Limited	7 June 2010 Malaysia (Labuan)	USD2	100.00	Investment holding
Malaysia Airports (Labuan) Private Limited	7 April 2006 Malaysia (Labuan)	USD1,000	100.00	Investment holding
MA Construction (Labuan) Private Limited	21 July 2011 Malaysia (Labuan)	USD1,000	100.00	Investment holding
ISG	20 February 2008 Turkey	TL397,944,000	100.00	Operation, management and development and provision of airport related services
LGM	30 January 2009 Turkey	TL500,000	100.00	Provision of management services in respect of transportation, parking, food and beverages, cleaning at the airport and construction of hotel and car park within the airport
Sama-Sama Hospitality Management Sdn Bhd	2 January 2013 Malaysia	RM100	51.00	Provision of hospitality services in hotel management planning, development, operation, marketing and branding of hotels, food and beverage and other related services

INFORMATION ON OUR COMPANY *(Cont'd)*

Name	Date and country of incorporation	Issued and paid-up share capital	Our effective interest	Principal activities
			%	
Malaysia Airports Consultancy Services Middle East LLC	28 October 2013 Qatar	Qatar Riyal 200,000	49.00	Facilities maintenance services at airports
Our associated companies				
MFMA Development Sdn Bhd	5 July 2013 Malaysia	RM2,800,000	30.00	Dormant. Principal activity intended for this dormant company is to undertake the development operation and maintenance of a Factory Outlet Centre and its complementary components known as "Mitsui Outlet Park at KLIA"
GMIAL	9 August 2010 Maldives	USD30,050,094	23.00	Operation, maintenance, expansion, rehabilitation and modernisation of the Malé International Airport
Kuala Lumpur Aviation Fuelling System Sdn Bhd	24 July 1996 Malaysia	RM3,000,000	20.00	Development, management and operations of aviation fuelling system at KLIA, Sepang
Our joint-venture companies				
Segi Astana Sdn Bhd	1 October 2010 Malaysia	RM106,060,000	30.00	Development, management and operations of the klia2 Integrated Complex
Airport Cooling Energy Supply Sdn Bhd	24 November 2010 Malaysia	RM19,040,000 RM761,600 (redeemable preference shares)	23.00	Development, management and operations of chilled water plant and producing, distributing, applying, dealing and selling of chilled water

6. PROFIT AND DIVIDEND RECORD

Our profit and dividend records based on our audited consolidated financial statements for the FYE 31 December 2011, the FYE 31 December 2012 and the FYE 31 December 2013, and our unaudited condensed consolidated financial statements for the FYE 31 December 2014 are as follows:

	Audited FYE 31 December			Unaudited FYE 31 December
	2011	2012	2013	2014
	RM'000	RM'000	RM'000	RM'000
Revenue	2,754,812	3,548,062	4,098,759	3,343,722
Cost of inventories sold	(243,171)	(281,927)	(325,287)	(330,710)
Other income	131,559	124,955	135,083	166,672
Employee benefits expense	(426,807)	(471,403)	(569,917)	(619,335)
Construction costs	(782,259)	(1,321,744)	(1,563,883)	(633,880)
Depreciation and amortisation	(174,444)	(221,277)	(277,862)	(405,399)
Other expenses	(607,602)	(668,203)	(875,231)	(1,111,115)
Finance costs	(18,809)	(19,035)	(28,375)	(151,337)
Impairment of investment in associate company	-	(68,916)	(3,742)	(24,011)
Gain arising from remeasurement of fair value of investment	-	-	-	502,511
Gain on bargain purchase	-	-	-	379,105
Impairment of goodwill	-	-	-	(229,429)
Share of results of associates	(59,764)	(17,505)	(39,385)	113
Share of results of jointly controlled entities	677	(251)	3,008	(52,736)
PBT	574,192	602,756	553,168	834,171
Taxation and zakat	(172,975)	(208,485)	(175,481)	(85,622)
Profit from continuing operations, net of tax	401,217	394,271	377,687	748,549
Discontinued operation				
(Loss) / Profit from discontinued operation, net of tax	(54)	189	(140)	(58)
Profit for the financial year / period	401,163	394,460	377,547	748,491
Attributable to :				
Owners of our Company	401,115	394,460	377,483	748,520
Non-controlling interests	48	-	64	(29)
	401,163	394,460	377,547	748,491
EBITDA				
With IC 12	826,532	929,740	899,524	889,956
Without IC 12	788,289	866,435	827,543	861,430

	Audited FYE 31 December			Unaudited FYE 31 December
	2011	2012	2013	2014
Weighted average number of Shares in issue (000)				
- basic	1,100,000	1,186,257	1,226,441	1,346,049
- diluted	1,100,000	1,186,857	1,227,617	1,352,319
EPS (sen)				
- basic	36.47	33.26	30.79	55.42
- diluted	36.47	33.22	30.77	55.17
Profit from continuing operations, net of tax, after non-controlling interest (with IC 12) margin ("**Profit Margin**") (%)	14.56	11.11	9.21	22.39
Profit from continuing operations, net of tax, after non-controlling interest (without IC 12) margin (%)	18.76	15.30	12.41	26.85
EBITDA (with IC 12) margin (%)	30.00	26.20	21.95	26.62
EBITDA (without IC 12) margin (%)	40.75	40.06	33.60	32.13
Gross dividend per share (sen)	21.15	13.63	11.78	2.00 [1]

Note:

(1) Comprises a single tier interim dividend of 2.0 sen per Share announced on 25 November 2014.

Commentaries on financial performance

FYE 31 December 2011 ("FY2011")

Our Group recorded revenue of RM2,754.8 million for the FY2011 , representing a growth of 11.6% compared to the RM2,468.0 million recorded in the FYE 31 December 2010 ("**FY2010**"). EBITDA grew 7.8% to RM826.5 million, from RM766.6 million in FY2010. PBT stood at RM574.2 million, representing an increase of 20.9% compared to the RM475.0 million registered in FY2010. Consequently, PAT increased by 26.4% to RM401.2 million in FY2011, compared to RM317.5 million recorded in FY2010.

In line with the adoption of IC 12 effective 1 January 2011, MAHB recognised the construction revenue and costs in accordance with Financial Reporting Standards ("**FRS**") 111: *Construction Contracts* ("**Adoption of IC 12 and FRS 111 Recognition**") by reference to the stage of completion of the construction works of klia2 and Penang International Airport, which are public sector infrastructure assets and services currently being undertaken by MAHB. In FY2011, we recognised the construction revenue and costs in relation to the aforesaid projects amounting to RM820.5 million and RM782.3 million respectively. Stripping out the effects of IC 12, our Group's revenue for FY2011 was RM1,934.3 million, which was 6.7% higher than the RM1,812.9 million registered in FY2010. PBT for FY2011 was RM535.9 million, which was 20.3% higher than the RM446.5 million registered in FY2010.

The increase in our Group's operating revenue for FY2011 was attributed to stronger results from the airport operations segment, driven by strong air travel demand. We recorded double digit passenger growth of 10.7% in FY2011, with a total of 64.0 million passengers having passed through our 39 airports in Malaysia. Both international and domestic passenger movements registered strong growth at 10.3% and 11.1% respectively. The total passenger movements in KLIA improved by 10.6%, whereby both KLIA's main terminal building ("**KLIA-MTB**") and LCCT recorded positive growth of 7.6% and 14.3% respectively. The Designated Airports recorded an aggregate growth in total passenger movements of 10.8%.

Total aircraft movements grew by 9.3% to 632,136 aircrafts, with the international sector recording a higher growth of 10.2% compared to the domestic sector, which registered a 8.9% growth.

Excluding the IC 12 effects, revenue generated by airport operations segment improved by 6.7%, to RM1,786.7 million. Aeronautical revenue which improved by 2.3% on the back of stronger passenger numbers, was however, impacted by the accrual of airline incentives in FY2011 amounting to RM103.7 million as compared to RM31.1 million accrued in FY2010. The airline incentives were granted to eligible airlines under the Airlines Recovery Program ("**ARP**") announced on 18 November 2009 and effective for a period of three (3) years ending 31 December 2011. Under the ARP, in order to support our airline partners through the recovery period, new airlines flying to airports operated by our Group are entitled to receive incentive payment per inbound passenger for the first twelve (12) months of their operations, waiver in landing fees for three (3) years for each new service operated and free office rental for six (6) months while existing airlines are entitled to tiered incentive payment per passenger based on their respective passenger growth.

Non-aeronautical revenue recorded growth of 11.3% to RM897.8 million on the back of improved performance in the retail and rental businesses. Our own retail business grew by 14.9%, ahead of overall passenger traffic growth of 10.7%, to RM473.3 million in FY2011. This was due to an increase in passenger volume and higher retail spending per passenger. Revenue from rental of space, advertising and other commercial segments also grew by 7.2%, to RM423.2 million, contributed mainly by the addition of new tenants and upward revision of rental charged to some retail tenants effective December 2010, higher tenant occupancy rate in 2011 and increased car park revenue due to higher passenger movements and larger number of airport visitors.

The non-airport operations segment recorded revenue of RM147.6 million in FY2011, representing a growth of 7.3% from RM137.6 million recorded in FY2010, due to higher revenue recorded in a hotel segment and agriculture and horticulture segment. The hotel segment grew 17.3% to RM73.8 million, mainly attributed to higher revenue from rooms, in line with the higher average room rate and beverages income. Despite lower production volume, the agriculture and horticulture segment registered revenue of RM55.4 million in FY2011, which was 18.6% higher than the RM46.7 million registered in FY2010, due to higher fresh fruit bunch price (2011: RM681 per metric tonnes ("**MT**") / 79,681MT vs. 2010: RM543 per MT / 83,370MT). The reduction in the total crop harvested was due to the 1,721 hectares of land surrendered for the construction of klia2 and other land development initiatives to date. The project and repair maintenance segment recorded a decline of 34.3% to RM18.4 million, mainly due to reversal of management fees. The reversal of management fees was due to amendment of the fees charged for operation and management contract whereby a total of RM3.4 million management fees were revised.

PBT grew 20.9% for FY2011 to RM574.2 million from RM475.0 million in FY2010 as a result of the factors discussed above as well as lower interest on borrowings due to the settlement of short term borrowings at the end of 2010, higher dividend received from investment in unquoted shares, lower share of associate losses, as well as our Group's cost saving initiatives resulting in lower professional fees, utilities and communications. Excluding the effects of IC12, our PBT for FY2011 is RM535.9 million.

Meanwhile, the Profit Margin improved to 14.6% for the FY2011 as compared to 12.9% in FY2010. This is mainly due to lower financing cost and lower share of associates' loss.

FYE 31 December 2012 ("FY2012")

Our Group recorded revenue of RM3,548.1 million for the FY2012, representing a growth of 28.8% compared to RM2,754.8 million in FY2011. EBITDA grew 12.5% to RM929.7 million from RM826.5 million in FY2011 while PBT stood at RM602.8 million, representing an increase of 5.0% compared to the RM574.2 million registered in FY2011. Net profit from continued operations however, fell marginally by 1.7% to RM394.3 million in FY2012, compared to RM401.2 million recorded in FY2011.

With the Adoption of IC 12 and FRS 111 Recognition, we recognised the construction revenue and costs by reference to the stage of completion of the construction works of klia2 and Penang International Airport. In FY2012, we recognised the construction revenue and costs in relation to the aforesaid projects amounting to RM1,385.0 million and RM1,321.7 million respectively. Excluding the effects of IC 12, our Group's revenue for FY2012 was RM2,163.0 million, which was 11.8% higher than the RM1,934.3 million registered in FY2011. PBT for FY2012 stood at RM539.5 million which increased marginally by 0.7% compared to RM535.9 million registered in FY2011.

The increase in operating revenue was attributed to stronger results from the airport operations segment, driven by robust air travel demand. Our overall passenger traffic grew 5.0% in 2012, with a total of 67.2 million passengers having passed through our 39 airports in Malaysia. Domestic passenger traffic movements registered a moderate growth of 3.9% and were outperformed by international passenger growth of 6.1%. The total passenger movements in KLIA improved by 5.8%, as LCCT reported a strong growth of 9.9% while KLIA-MTB grew by 2.3%. The Designated Airports recorded an aggregate growth in total passenger movements of 3.8%. Total aircraft movements grew by 2.2% to 646,183 aircrafts, with the international sector recording a higher growth of 6.1% compared to the domestic sector, which remained flat with a mere 0.03% growth.

Excluding the IC 12 effects, revenue generated by airport operations segment improved by 13.2% to RM2,022.1 million. Aeronautical revenue improved by 16.6% on the back of increased passenger numbers and implementation of new rates. The increase in revenue was also attributed to lower airline incentives accrued in FY2012, amounting to RM65.0 million, which was 37.3% lower compared to the RM103.7 million accrued in FY2011. This was due to the change to a new Airline Incentive Programme effective 2012, from the airline recovery programme previously.

Our Group's non-aeronautical revenue recorded a growth of 9.8% to RM985.4 million on the back of improved performance in the retail and rental businesses. Our own retail business grew by 13.3% to RM536.5 million in FY2012, ahead of overall passenger traffic growth of 5.0%. This was due to an increase in passenger volume and higher retail spending per passenger. Revenue from rental of space, advertising and other commercial segments grew by 5.8% to RM448.9 million, contributed mainly by higher rental royalty resulting from the stronger sales at KLIA and increased car park revenue due to higher number of air passengers and airport visitors.

The non-airport operations segment recorded revenue of RM140.9 million in FY2012, representing a decrease of 4.5% from RM147.6 million recorded in FY2011 mainly due to lower revenue recorded in the agriculture and horticulture segment. The agriculture and horticulture segment registered a revenue of RM45.6 million in FY2012 which was 17.7% lower than the RM55.4 million registered in FY2012 due to lower price attained for fresh fruit bunches (2012: RM572 per MT / 78,285MT vs. 2011: RM681 per MT / 79,681MT). The decrease in production was in line with the industry outlook due to the occurrence of El Nino in recent years which have a direct effect on oil palm yield. However, this was offset by the growth in the project and repair maintenance and hotel segment of 10.0% and 1.7% respectively. Finally, contribution from the project and repair maintenance segment growth was due to the higher revenue generated from new project wins secured during the year.

In spite of the revenue growth, the growth of PBT for FY2012 (excluding IC 12 effects) was negated by the impairment of investment in Maldives, namely GMIAL, to RM539.5 million in FY2012. We had provided for the impairment of the investment on the cost of investment and total share of profit recognised for GMIAL from FY2010 to FY2012, totalling to RM68.9 million due to the termination of concession agreement between Government of Maldives and GMIAL in December 2012.

The Profit Margin declined to 11.1% for the financial year ended FY2012 as compared to 14.6% in FY2011. This is mainly due to increase in construction cost which is in line with the stage of progress of the klia2 construction and development work in FY2012 and the impairment of the investment in Maldives.

FYE 31 December 2013 ("FY2013")

With construction revenue and cost, we recorded revenue of RM4,098.8 million for the FY2013, representing a growth of 15.5% compared to RM3,548.1 million in the corresponding period in FY2012. However, EBITDA declined by 3.2% to RM899.5 million, from RM929.7 million in FY2012. Consequently, PAT declined by 4.2% to RM377.7 million in FY2013, compared to RM394.3 million recorded in FY2012.

Subsequent to the Adoption of IC 12 and FRS 111 Recognition, we recognised the construction revenue and costs by reference to the stage of completion of the construction works of klia2 and Penang International Airport. In FY2013, we recognised the construction revenue and costs in relation to the aforesaid projects amounting to RM1,635.9 million and RM1,563.9 million respectively. Excluding the effects of IC 12, revenue for FY2013 was RM2,462.9 million, which was 13.9% higher than the RM2,163.0 million registered in FY2012. PAT for FY2013 was RM305.7 million, which was 7.6% lower than the RM331.0 million registered in FY2012.

The increase in operating revenue was attributed to stronger results from the airport operations segment, driven by robust air travel demand especially in the Asia Pacific region. We recorded passenger growth of 18.4% in FY2013 with a record number of 79.6 million passengers having passed through our 39 airports in Malaysia. Both international and domestic passenger movements recorded strong growth at 17.0% and 20.0% respectively. The total passenger movements in KLIA increased by 19.1% in FY2013, whereby both KLIA-MTB and LCCT recorded positive growth rates of 24.6% and 13.2% respectively. The Designated Airports recorded an aggregate growth in total passenger movements of 17.3%. Total aircraft movements grew 14.2% to 737,856, with the domestic sector recording a higher growth of 15.1% compared to the international sector, which recorded a 12.6% growth.

The revenue generated by airport operations segment improved by 15.0% to RM2,325.1 million, mainly driven by aeronautical revenue which had improved by 16.8% on the back of strong increase in passenger and aircraft numbers. The increase in revenue was also attributed to the implementation of the new landing and parking charges with the increase of 9% and 18% respectively (compounded annually effective 1 January 2012, 1 January 2013 and 1 January 2014).

The non-aeronautical revenue recorded a growth of 13.1% to RM1,114.1 million on the back of improved performance in the retail and rental businesses. Our own retail business grew 13.7%, driven by increase in passenger volume and higher retail spending by passengers. Revenue from rental of space, advertising and other commercial segments grew 12.3% to RM504.1 million, contributed mainly by higher rental royalty resulting from the higher sales at KLIA and increased car park revenue due to higher number of air passengers and airport visitors.

The non-airport operations segment recorded revenue of RM137.8 million in FY2013, representing a decrease of 2.2% from RM140.9 million recorded in FY2012 mainly due to lower revenue recorded in agriculture and horticulture segment as well as the hotel segment. The agriculture and horticulture segment registered lower revenue of RM30.9 million in FY2013 which was 32.2% lower than the RM45.6 million registered in FY2012 due to lower price attained for fresh fruit bunches per tonne coupled with a lower production volume for the period (2013: RM471 per MT / 64,819MT vs. 2012: RM579 per MT / 78,285MT). Similarly, the hotel segment revenue dropped by 11.8% to RM66.2 million, mainly due to lower food and beverages revenue. However, the decline was offset by contribution from the project, repair and maintenance segment which recorded a higher revenue of RM40.7 million in FY2013 which was mainly contributed by the revenue from the provision of facilities and maintenance services at Doha International Airport which the contract was awarded to MACS on 17 June 2013.

Our PBT decreased by approximately 8.2% or RM49.6 million, from RM602.8 million in FY2012 to RM553.2 million. The decrease was mainly due to the increase in user fee payable to GOM by more than 100% from RM99.2 million to RM235.3 million, offsetting the increase in our revenue as discussed above. The user fee is equal to a specified percentage of our revenue derived from activities carried out at KLIA and other airports. Until the balance residual payment in accordance with the New Operating Agreements ("**Balance Residual Payment**") has been settled, the GOM shall be entitled to receive half of the user fee whereby another half is paid to the GOM to reduce the Balance Residual Payment. Excluding the effects of IC12, our PBT for FY2013 is RM481.2 million.

The Profit Margin margin declined to 9.2% for FY2013 as compared to 11.1% in FY2012. This is mainly due to increase in construction cost which is in line with the stage of progress of the klia2 construction and development work in FY2013 as well as higher staff cost as MAHB prepares for the opening of klia2 in May 2014.

Unaudited FYE 31 December 2014 ("FY2014")

Our Group had recorded revenue of RM3,343.7 million for FY2014 or approximately 18.4% lower compared to RM4,098.8 million in FY2013. Our EBITDA for FY2014 decreased slightly by RM9.5 million or approximately 1.1% to RM890.0 million from RM899.5 million in FY2013. Our PBT grew approximately 50.8% to RM834.2 million, from RM553.2 million in FY 2013. On the back of this, our PAT grew approximately 98.1% to RM748.5 million in FY2014, compared to RM377.7 million in the previous year.

As highlighted in the earlier commentaries, we recognised the construction revenue and costs by reference to the stage of completion of the construction works of klia2 and Penang International Airport with the Adoption of IC 12 and FRS 111 Recognition. For FY2014, we recognised construction revenue and costs of RM662.4 million and RM633.9 million respectively upon the completion of klia2. There were no construction revenue and costs recognised for Penang International Airport in FY2014 as the project was completed in FY2013. Excluding the effects of IC 12, MAHB registered revenue of RM2,681.3 million for FY2014 which was approximately 8.9% higher than the RM2,462.9 million registered in FY2013. PBT also increased by approximately 67.4% to RM805.6 million while PAT had also increased by 135.6% to RM720.0 million from RM305.6 million in FY2013.

The higher operating revenues were attributable to improved results from the airport operations segment which grew by 7.9% to RM2,509.8 million from RM2,325.1 million in FY2013. This is driven by passenger growth of 4.7% in 2014 to 83.3 million passenger movements, total aircraft movements grew 7.3% to 791,577 aircrafts while cargo movements grew by 8.0%, registering a volume of 1,011,904 metric tonnes. With the increase in passenger and aircraft movements, aeronautical revenue improved by approximately 10.7% to RM1,341.1 million from RM1,211.0 million in FY2013. The improvement in aeronautical revenue was also attributed to the recognition of Marginal Cost Support for Passenger Service Charge as the Passenger Service Charge rates are lower than the benchmark rate as stipulated in the New Operating Agreements signed with GOM and the rise in landing and parking charges which became effective from 1 January 2012 and increased 9% and 18% respectively (compounded annually) until 1 January 2014.

Revenue in non-airport operations segments grew by approximately 24.5% to RM171.6 million, up RM33.8 million from RM137.8 million in FY2013, mainly due to higher revenue in all segments. Revenue for our project, repair and maintenance segment grew by approximately 62.6% to RM66.1 million from RM40.7 million in FY2013 due to new facility management work won including for the provision of facility maintenance and IT services at the new Doha International Airport. Our hotel segment revenue increased by 12.0% from RM66.2 million in FY2013 to RM74.1 million, contributed mainly by higher occupancy rate and higher average room rates. Our agriculture and horticulture segment registered higher revenue of RM31.3 million, approximately 1.2% higher than FY2013 due to higher FFB prices against lower production volume (FY2014: RM497.07 per MT / 63,458MT vs. FY2013: RM471.68 per MT / 64,819MT).

Our Group's non-aeronautical revenue for FY2014 recorded a growth of 4.9% from RM985.4 million in FY2013 to RM1,168.7 million on the back of improved performance in the rental businesses. Revenue from rental of space, advertising and other commercial segments grew 9.9% to RM554.0 million, contributed by higher occupancy rate of the commercial lots in our airports and higher rental charges resulting from increase in rental space at klia2. MAHB's own retail business registered a marginal growth of 0.8%.

The increase in PBT and PAT were attributable to gains arising from the Acquisitions. We recognised gain on bargain purchase of RM379.1 million arising from the acquisition of ISG and impairment of goodwill of RM229.4 million arising from the acquisition of LGM. We also recognised gain from re-measurement of fair value in our investments in ISG and LGM amounting to RM502.5 million, being the difference between the carrying amount of previously held equity interest in ISG and LGM, and the acquisition date fair value of the net assets of ISG and LGM upon both entities becoming our wholly-owned subsidiaries effective 31 December 2014.

Nonetheless, the increase in PBT and PAT were offset by impairment of goodwill in relation to the acquisition of LGM of RM229.4 million being the difference between the acquisition cost and fair value of net assets of LGM. PBT and PAT also were offset by impairment of investment in our associate, GMIAL, of RM9.0 million due to additional equity injection to cover our share on the legal cost of the ongoing arbitration in relation to the termination of concession agreement between Government of Maldives and GMIAL in December 2012 and impairment of unquoted shares of RM15.0 million in relation to our investment in Alam Teknokrat Sdn Bhd as our Board had decided that the investment cost is unlikely to be recovered. Excluding the effects of IC12, we would have recorded a PBT of RM153.5 million for FY2014.

The Profit Margin increased to 22.4% for the FY2014 as compared to 9.2% in the corresponding period in FY2013. This is mainly due to the one-off gain on bargain purchase and gain arising from the remeasurement of investment fair value in relation to the Acquisitions. Excluding the one-off gains and the goodwill impairment in relation to the Acquisitions, the Profit Margin declined to 2.9% mainly due to the impairment of LCCT assets amounting to RM50.3 million as the terminal has been closed after we shifted our LCCT operations to klia2 as well as higher operating cost, financial and amortisation expense in relation to the completion of klia2 in May 2014.

7. HISTORICAL SHARE PRICES

The monthly high and low prices of our Shares as traded on the Main Market of Bursa Securities for the past twelve (12) months from February 2014 up to January 2015 are as follows:

Month	High (RM)	Low (RM)
2014		
February	8.52	7.87
March	8.49	7.77
April	8.18	7.90
May	8.12	7.18
June	8.05	7.48
July	8.65	7.50
August	7.96	7.25
September	7.89	7.28
October	7.49	6.40
November	7.28	6.39
December	6.97	6.35
2015		
January	7.48	6.30

	RM
The closing market price on 7 November 2014, being the last trading day immediately before the announcement of the Rights Issue on 10 November 2014	7.08
The closing market price on the LPD	7.16
The closing market price on 23 February 2015, being the last trading day before the ex-date for the Rights Issue of 24 February 2015	7.07

(Source: Bloomberg)

OFFERING, SELLING AND TRANSFER RESTRICTIONS

No action has been taken or will be taken to permit a public offering of the Provisional Rights Shares and the Rights Shares in any country or jurisdiction, or the possession, circulation or distribution of the Documents or any other material relating to our Company, the Rights Issue, the Provisional Rights Shares, or the Rights Shares in any country or jurisdiction where action for such purpose is required, except that this Abridged Prospectus has been registered with the SC and lodged with the CCM.

Accordingly, the Provisional Rights Shares may not be accepted, and the Rights Shares may not be offered, taken up, subscribed, acquired, sold, resold, pledged, transferred or delivered, directly or indirectly, and the Documents or any offering materials or advertisements in connection with the Rights Issue, the Provisional Rights Shares or the Rights Shares may not be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of such country or jurisdiction.

Entitled Shareholders and/or their renouncees (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/or other professional advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their Provisional Rights Shares, the application for the Excess Rights Shares, or the subscription, offer, sale, resale, pledge or other transfer of the Rights Shares would result in the contravention of any law of such countries or jurisdictions.

All Entitled Shareholders and other persons will comply with all applicable laws and regulations relating to the offer, sale or delivery of the Rights Shares in each country or jurisdictions in which it accepts the Provisional Rights Shares, or offers, takes up, subscribes, acquires, sells, resells, pledges, transfers or delivers the Rights Shares, or has in its possession or distributes this Abridged Prospectus or any related offering material, in all cases at its own expense.

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REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION INCLUDED IN THE ABRIDGED PROSPECTUS

(Prepared for inclusion in the Abridged Prospectus dated 26 February 2015 "Abridged Prospectus"))

The Board of Directors
Malaysia Airports Holdings Berhad
Malaysia Airports Corporate Office
Persiaran Korporat KLIA
64000 KLIA, Sepang
Selangor Darul Ehsan

Dear Sirs

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION IN RELATION TO THE RIGHTS ISSUE OF 275,308,267 NEW ORDINARY SHARES OF RM1.00 EACH IN MALAYSIA AIRPORTS HOLDINGS BERHAD ("MAHB" OR "THE COMPANY") ("RIGHTS SHARES") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD BY THE ENTITLED SHAREHOLDERS OF MAHB ("RIGHTS ISSUE")

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of MAHB and its subsidiaries (collectively known as the "Group") as at 31 December 2013 ("Pro Forma Consolidated Statements of Financial Position") prepared by the Directors of the Company ("Directors"). The applicable criteria on the basis of which Directors have compiled the Pro Forma Consolidated Statements of Financial Position are as described in Note 1 of Appendix I to this letter.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors to illustrate the impact of the event or transaction in respect of the Completed Transactions, the Acquisitions and Rights Issue, as set out in Note 1 of Appendix 1 to this letter, on the Group's financial position as at 31 December 2013.

As part of this process, information about MAHB's consolidated financial position has been extracted by the Directors from the financial statements for the year ended 31 December 2013, on which an audit report has been published.

The Director's Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis of the applicable criteria.

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Our Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines issued by the Securities Commission Malaysia, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis of the applicable criteria.

We conducted our engagement in accordance with the Malaysian Approved Standards on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis of the applicable criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Abridged Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of Pro Forma Consolidated Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been complied, in all material respects, on the basis of the applicable criteria.

Other Matters

This letter is issued for the sole purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia in connection with the Rights Issue. Our work has been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Rights Issue described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Rights Issue.

Yours faithfully

Ernst & Young	Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
AF: 0039	No. 1759/02/16(J)
Chartered Accountants	Chartered Accountant
16 February 2015	

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER *(Cont'd)*

Malaysia Airports Holdings Berhad

Ernst & Young (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

Appendix I

Pro Forma Consolidated Statements Of Financial Position as at 31 December 2013

The Pro Forma Consolidated Statements of Financial Position of MAHB as at 31 December 2013 ("Pro Forma Consolidated Statements of Financial Position") set out below have been prepared for illustrative purposes only and to show the effects of the events and transactions referred to in the notes to the Pro Forma Consolidated Statements of Financial Position.

	Audited as at 31.12.2013 RM'000	Adjustments for Completed Transactions RM'000	Pro forma I After adjustments for Completed Transactions RM'000	Adjustments for the Acquisitions RM'000	Pro forma II After Pro Forma I and after adjustments for the Acquisitions RM'000	Adjustments for the Rights Issue RM'000	Pro forma III Pro Forma II and after adjustments for the Rights Issue RM'000
Assets							
Non-current assets							
Property, plant and equipment	326,335	-	326,335	19,091	345,426	-	345,426
Plantation development expenditure	52,822	-	52,822	-	52,822	-	52,822
Land use rights	7,518	-	7,518	-	7,518	-	7,518
Intangible assets	8,259,114	-	8,259,114	9,716,021	17,975,135	-	17,975,135
Goodwill	-	-	-	-	-	-	-
Investments in associates	24,779	(1,458)	23,321	-	23,321	-	23,321
Investment in jointly controlled entities	57,152	1,186,910	1,244,062	(1,186,910)	57,152	-	57,152
Available-for-sale investments	349,450	-	349,450	-	349,450	-	349,450
Trade and other receivables	364,572	-	364,572	116,702	481,274	-	481,274
Staff loans	37,083	-	37,083	-	37,083	-	37,083
Deferred tax assets	6,236	-	6,236	226,417	232,653	-	232,653
	9,485,061		10,670,513		19,561,834		19,561,834
Current assets							
Inventories	122,317	-	122,317	14,478	136,795	-	136,795
Trade and other receivables	570,436	-	570,436	(9,799)	560,637	-	560,637
Cash and cash equivalents	345,413	1,007,890	1,353,303	422,395	1,775,698	50,081	1,825,779
	1,038,166		2,046,056		2,473,130		2,523,211
Assets of disposal group classified as held for disposal	104	-	104	-	104	-	104
	1,038,270		2,046,160		2,473,234		2,523,315
Total assets	10,523,331		12,716,673		22,035,068		22,085,149

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER *(Cont'd)*

Malaysia Airports Holdings Berhad

Ernst & Young (AF: 0039) Chartered Accountants, Kuala Lumpur For identification purposes only

Appendix I

Pro Forma Consolidated Statements Of Financial Position as at 31 December 2013 (Contd.)

	Audited as at 31.12.2013 RM'000	Adjustments for Completed Transactions RM'000	Pro forma I After adjustments for Completed Transactions RM'000	Adjustments for the Acquisitions RM'000	Pro forma II After Pro Forma I and after adjustments for the Acquisitions RM'000	Adjustments for the Rights Issue RM'000	Pro forma III Pro Forma II and after adjustments for the Rights Issue RM'000
Equity and liabilities							
Equity attributable to owners of the parent							
Share capital	1,232,444	144,097	1,376,541	-	1,376,541	275,308	1,651,849
Share premium	1,409,376	975,687	2,385,063	-	2,385,063	1,034,165	3,419,228
Retained earnings	2,037,431	174,778	2,212,209	489,471	2,701,680	-	2,701,680
Perpetual Subordinated Sukuk	-	998,000	998,000	-	998,000	-	998,000
Fair value adjustment reserve	(553)	-	(553)	(2,715)	(3,268)	-	(3,268)
Other reserve	2,546	-	2,546	-	2,546	-	2,546
Foreign exchange reserve	(2,941)	-	(2,941)	-	(2,941)	-	(2,941)
	4,678,303		6,970,865		7,457,621		8,767,094
Non-controlling interests	64	-	64	-	64	-	64
Total equity	4,678,367		6,970,929		7,457,685		8,767,158
Non-current liabilities							
Other financial liability	189,256	-	189,256	-	189,256	-	189,256
Derivative financial instruments	-	-	-	85,631	85,631	-	85,631
Loans and borrowings	3,600,000	-	3,600,000	1,824,155	5,424,155	-	5,424,155
Trade and other payables	750,099	(99,220)	650,879	4,236,932	4,887,811	-	4,887,811
Deferred tax liabilities	135,149	-	135,149	875,752	1,010,901	-	1,010,901
	4,674,504		4,575,284		11,597,754		11,597,754

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER *(Cont'd)*

Ernst & Young (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

Appendix I

Malaysia Airports Holdings Berhad

Pro Forma Consolidated Statements Of Financial Position as at 31 December 2013 (Contd.)

	Audited as at 31.12.2013 RM'000	Adjustments for Completed Transactions RM'000	Pro forma I After adjustments for Completed Transactions RM'000	Adjustments for the Acquisitions RM'000	Pro forma II After Pro Forma I and after adjustments for the Acquisitions RM'000	Adjustments for the Rights Issue RM'000	Pro forma III Pro Forma II and after adjustments for the Rights Issue RM'000
Current liabilities							
Loans and borrowings	200,000	-	200,000	1,384,659	1,584,659	(1,259,392)	325,267
Derivative financial instruments	-	-	-	49,364	49,364	-	49,364
Trade and other payables	917,295	-	917,295	375,146	1,292,441	-	1,292,441
Income tax payable	53,122	-	53,122	-	53,122	-	53,122
	1,170,417		1,170,417		2,979,586		1,720,194
Liabilities of disposal group classified as held for disposal	43	-	43	-	43	-	43
	1,170,460		1,170,460		2,979,629		1,720,237
Total liabilities	5,844,964		5,745,744		14,577,383		13,317,991
Total equity and liabilities	10,523,331		12,716,673		22,035,068		22,085,149
Number of ordinary shares ('000 units)	1,232,444		1,376,541		1,376,541		1,651,849
Net assets per ordinary share (RM) attributtable to ordinary shareholders of MAHB	3.80		5.06		5.42		5.31

Notes to the Pro Forma Consolidated Statements Of Financial Position as at 31 December 2013

1. Basis of preparation

The Pro Forma Consolidated Statement of Financial Position of Malaysia Airports Holdings Berhad ("MAHB" or "the Company") and its subsidiaries (collectively known as the "Group") as at 31 December 2013 ("Pro Forma Consolidated Statements of Financial Position") have been prepared for illustrative purposes only, to show the effects of the private placement, dividend reinvestment, acquisitions of additional 40% equity interest in Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatrim Yapim Ve Isletme A.S ("ISG") and LGM Havalimani Isletmeleri Ticaret Ve Turizm A.S. ("LGM") from GMR Infrastructure Limited, GMR Infrastucture Overseas Limited and GMR Infrastructure (Global) Limited (collectively known as "GMR") , issuance of perpetual subordinated sukuk ("collectively referred to as Completed Transactions"), acquisitions of remaining 40% investment in each of ISG and LGM from Limak Inssat Ve San. Tic. A.S. ("Limak") and Limak Yatirim Enerji Uretim Isletme Hizmetleri Ve Insaat A.S. ("Limak Yatrim") ("the Acquisitions") and the Rights Issue, had these transactions been completed on that date.

The Pro Forma Consolidated Statement of Financial Position, for which the Directors of MAHB is solely responsible, have been properly prepared in accordance the Prospectus Guidelines issued by the Securities Commission Malaysia and Malaysian Approved Standards on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Malaysian Institute of Accountants and in a manner consistent with both the financial statements and the accounting policies adopted by MAHB, after incorporating adjustments that are appropriate for the preparation of the Pro Forma Consolidated Statement of Financial Position.

The Pro Forma Consolidated Statement of Financial Position, because of their nature, may not be reflective of the actual financial position of the Group. Furthermore, such information does not purport to predict the future financial position of the Group.

The foreign exchange rates used in this Pro Forma Consolidated Statement of Financial Position are consistent with the rates used in preparing the audited financial statements of the Group as at 31 December 2013.

	RM
United States Dollar (USD)	3.2755
Euro (EUR)	4.5102
Great Britain Pound Sterling (GBP)	5.4234

The Pro Forma Consolidated Statements of Financial Position are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

Ernst & Young (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

2. Effects on the pro forma consolidated statements of financial position

(a) Pro forma I - Completed Transactions

Pro forma I includes the effects of the following transactions, which were completed for the period subsequent to the financial year ended 31 December 2013.

(i) Private placement

On 12 March 2014, the Company increased its issued and paid-up share capital to RM1,364,596,353 via issuance of 124,050,000 new ordinary shares of RM1.00 each at an issue price of RM7.90 through a private placement at a total premium of RM855,945,000, less RM8,168,000 as share issuance expenses.

(ii) Dividend Reinvestment Plan ("DRP")

DRP provides MAHB shareholders the option to elect to reinvest their cash dividends into new MAHB shares in lieu of receiving cash.

On 4 February 2014, the Company increased its issued and paid-up share capital to RM1,240,546,353 by the issuance of 8,102,473 ordinary shares of RM1 each, at a total premium of RM57,203,000 arising from the DRP relating to electable portion (for those shareholders electing for the re-investment) of the interim dividend of 6.0% for the financial year ended 31 December 2013.

On 2 May 2014, the Company has further increased its issued and paid-up share capital to RM1,374,149,855 via the issuance of 9,553,502 new ordinary shares of RM1.00 each at a total premium of RM58,793,000 arising from the DRP relating to electable portion (for those shareholders electing for the re-investment) of the single-tier final dividend of 5.78% for the financial year ended 31 December 2013.

On 22 January 2015, the Company has further increased its issued and paid-up share capital to RM1,376,541,340 via the issuance of 2,391,485 new ordinary shares of RM1.00 each at a total premium of RM11,914,000 arising from the DRP relating to electable portion (for those shareholders electing for the re-investment) of the single-tier interim dividend of 2.00% for the financial year ended 31 December 2014.

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2. Effects on the pro forma consolidated statements of financial position (contd.)

(a) Pro forma I - Completed Transactions (contd.)

(iii) Acquisitions of 40% interest in ISG and LGM from GMR

On 30 April 2014, MAHB had completed the acquisitions of additional 40% equity interest in ISG and LGM from GMR for a total cash consideration of EUR209,000,000 (or the equivalent of approximately RM942,632,000) through a wholly-owned indirect subsidiary of MAHB called Malaysia Airports MSC Sdn Bhd.

Upon completion of such acquisitions, MAHB's effective equity interest in ISG and LGM increased from 20% to 60%. Thus, effective 1 May 2014, ISG and LGM were regarded as Jointly Controlled Entities ("JCE") owing to certain terms in the shareholders agreement.

As MAHB continues to equity account the share of results of ISG and LGM by virtue of having joint control as described above, the previously unrecognised share of losses in ISG of approximately RM35,261,000 as at 31 December 2013, was recognised and net off against the additional investment in JCE and the previously held investment in LGM as an associate amounting to RM1,458,000 was then being reclassified to investment in JCE.

In the previous financial years, MAHB has recognised additional share of losses of ISG up to RM99,220,000 as provision by virtue of MAHB's legal and constructive obligations pursuant to the shareholders' agreement. As a result of additional investment made as described above, the previous provision has been reclassified from trade and other payables to net off against cost of investment in JCE.

Acquisition-related costs are costs pertaining to the acquisitions of the first 40% of equity interest in ISG and LGM which amounted to RM19,305,000 and are deemed incurred and paid in cash as at 31 December 2013. These costs are being capitalised into the cost of investments in JCE.

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2. Effects on the pro forma consolidated statements of financial position (contd.)

(a) Pro forma I - Completed Transactions (contd.)

(iii) Acquisitions of 40% interest in ISG and LGM from GMR (contd.)

Calculation of goodwill/gain on bargain purchase as follows:-

	ISG RM'000	LGM RM'000
Purchase consideration of 40% interest from GMR	657,498	304,439
Less: Provisional fair value of net identifiable assets	1,015,494	171,261
(Gain on bargain purchase)/goodwill on acquisition	(357,996)	133,178

Provisional fair value of net identifiable assets were derived based on provisional purchase price allocation which may be subject to change on the same basis as described in Note 2(b).

The (gain on bargain purchase)/goodwill is derived at pursuant to the FRS 128 Investments in associates and joint ventures. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and any excess of the investor's share of the net fair value of the investee's identifiable assets and liabilities over the consideration transferred is recognised as a gain in profit or loss on the date of acquisition.

(iv) Issuance of Perpetual Subordinated Sukuk

On 15 December 2014, MAHB completed the issuance of RM1 billion Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The Perpetual Subordinated Sukuk was classified as an equity. The transaction cost of RM2,000,000 was accounted for as a deduction from the equity amount.

(b) Pro forma II - Adjustments for acquisitions of ISG and LGM

Pro Forma II includes the effects of the transactions in Pro Forma I and the effects of the acquisitions of the remaining 40% equity interest in each of ISG and LGM from Limak and Limak Yatirim for a total cash consideration of EUR279,232,000 (or the equivalent of approximately RM1,259,392,000) ("the Acquisitions").

The Acquisitions are satisfied in cash using funds from the bridging facilities secured by MAHB ("Bridging Finance") amounting to EUR279,232,000 (or the equivalent of approximately RM1,259,392,000) less transaction cost amounting to RM166,000. The proceeds from the Rights Issue will be substantially utilised to repay the Bridging Finance.

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2. Effects on the pro forma consolidated statements of financial position (contd.)

(b) <u>Pro forma II - Adjustments for acquisitions of ISG and LGM (contd.)</u>

The Acquisitions are regarded as business combination achieved in stages, also referred as a step acquisition in accordance with FRS 3 Business Combination. In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the acquirer may have recognised changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognised in other comprehensive income shall be recognised on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

In prior reporting periods, MAHB had recognised changes in the value of its equity interest in ISG and LGM in other comprehensive income amounted to RM2,715,000 which has now been reclassified to retained earnings.

Acquisition-related costs are costs pertaining to the Acquisitions of the remaining 40% of equity interest in ISG and LGM which amounted to RM33,830,000 and are deemed incurred and paid in cash as at 31 December 2013 and charged as expenses in the period in which the costs are incurred and the services are received.

Below are the provisional computation of re-measurement gain and the resulting gain on bargain purchase and goodwill:

	ISG RM'000	LGM RM'000	Total RM'000
(i) Calculation of re-measurement (gain)/loss			
Carrying amount of previously held interest in ISG and LGM	881,013	305,897	1,186,910
Fair value of previously held interest in ISG and LGM	1,523,241	256,892	1,780,133
Re-measurement (gain)/loss	(642,228)	49,005	(593,223)

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2. Effects on the pro forma consolidated statements of financial position (contd.)

(b) Pro forma II - Adjustments for acquisitions of ISG and LGM (contd.)

Fair value of previously held interest in ISG and LGM were derived based on the proportionate share of provisional fair value of net identifiable assets, which may be subject to change as described below.

	ISG EUR'000	LGM EUR'000
(ii) Calculation of goodwill		
Fair value of previously held interest in ISG and LGM	337,732	56,958
Purchase consideration of 40% interest	194,982	84,250
	532,714	141,208
Less: Provisional fair value of net identifiable assets	562,887	94,930
(Gain on bargain purchase)/goodwill on acquisition	(30,173)	46,278

	ISG RM'000	LGM RM'000
(Gain on bargain purchase)/goodwill on acquisition translated at rate RM4.5102 per EUR1.00 as at 31.12.2013	(136,086)	208,723

Gain on bargain purchase is recognised in profit or loss on the acquisition date. Goodwill on acquisition is fully impaired on acquisition date on the basis of the carrying amount of cash generating unit including goodwill exceeding the recoverable amount at the date of acquisition.

The net identifiable assets acquired and goodwill computed above were based on preliminary purchase price allocation which may be subject to change. The final determination of purchase price allocation will be based on the final determination of the fair value of the net identifiable assets acquired, including the fair value of identifiable intangible assets, liabilities assumed as of 31 December 2014, pursuant to FRS 3 Business Combinations. The excess of purchase price over the fair value of net assets acquired is allocated to goodwill, or vice versa be reflected as the gain on bargain purchase. Accordingly, the final determinaton of the purchase price, fair values and the resulting goodwill/gain on bargain purchase may differ significantly from what is reflected in this Pro Forma Consolidated Statement of Financial Position.

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2. Effects on the pro forma consolidated statements of financial position (contd.)

(c) <u>Pro forma III - Adjustments for Rights Issue</u>

Pro forma III includes the effects of the transactions in Pro forma II and the effects of the full subscription of the Rights Issue.

The Rights Issue of 275,308,267 new ordinary shares of RM1.00 each is on the basis of one (1) Right Share for every five (5) existing ordinary shares held by the entitled shareholders of the Company at an issue price of RM4.78 per Rights Share.

The Rights Issue would raise cash proceeds of approximately RM1,315,974,000. This will result in an increase in share capital by RM275,308,000 and creation of a share premium of RM1,040,665,000.

The total estimated expenses for the Rights Issue is approximately RM6,500,000 and will be written off against the share premium account pursuant to Section 60 of the Companies Act, 1965 and deemed paid as of 31 December 2013.

The cash proceeds of approximately RM1,309,474,000 net of estimated expenses for the Rights Issue, will be utilised for repayment of the Bridging Finance described in Pro forma II above. The balance of the proceeds will be used for working capital purposes.

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MALAYSIA AIRPORTS HOLDINGS BERHAD
(487092-W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2013

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Contents	**Pages**

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Information in respect of the Group's Operating Agreements with the Government of Malaysia ("GoM"), including both the Group's obligations and operations are disclosed in Note 1.2 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit from continuing operations, net of tax	377,687	112,665
Loss from discontinued operation, net of tax	(140)	-
Profit net of tax	377,547	112,665
Profit attributable to:		
Owners of the parent	377,483	112,665

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Share capital

On 21 January 2013, the Company increased its paid up share capital to RM1,217,088,046 by the issuance of 7,088,046 new ordinary shares of RM1 each, at a total premium of RM26,438,000 less RM740,000 share issuance expense arising from the Dividend Reinvestment Plan ("DRP") relating to electable portion (for those shareholders electing for the re-investment) of the single-tier interim dividend of 6.0%, on 1,210,000,000 ordinary shares for the financial year ended 31 December 2012, as disclosed in Note 27.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Share capital (contd.)

On 14 May 2013, the Company further increased its paid up share capital to RM1,232,443,879 by the issuance of 15,355,833 new ordinary shares of RM1 each, at a total premium of RM63,574,000 less RM310,000 share issuance expense arising from the DRP relating to electable portion (for those shareholders electing for the re-investment) of the single-tier final dividend of 7.63%, on 1,217,088,046 ordinary shares for the financial year ended 31 December 2012, as disclosed in Note 27.

Dividends

The amount of dividends declared or paid by the Company since 31 December 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012 as reported in the directors' report of that year:	
Single-tier final dividend of 7.63%, on 1,217,088,046 ordinary shares, declared on 28 March 2013 and paid on 13 May 2013 and partially reinvested on 14 May 2013	92,864
In respect of the financial year ended 31 December 2013:	
Single-tier interim dividend of 6.00%, on 1,232,443,879 ordinary shares, declared on 8 November 2013 and paid on 30 January 2014 and partially reinvested on 4 February 2014	73,946
	166,810

At the forthcoming Annual General Meeting, a final dividend in respect of the final year ended 31 December 2013, of up to 6.35% on 1,240,546,352 ordinary shares on single-tier basis, with a total quantum of RM78,775,000, will be proposed for shareholders' approval ("Proposed Final Dividend"). On 23 December 2013, the Company has announced the proposed private placement of up to 10% of the total issued and paid-up share capital of the Company, to investor(s) to be identified at an issue price to be determined and announced later ("Proposed Private Placement"). Bursa Malaysia Securities Berhad had vide its letter dated 5 February 2014, approved the application for the listing of and quotation for up to 124,054,635 new MAHB shares to be issued pursuant to the Proposed Private Placement ("Placement Shares"). In the event none of the Placement Shares are issued by the books closure date ("BCD") for the Proposed Final Dividend, the final dividend would be 6.35 sen per ordinary share. In the event all the Placement Shares have been issued by the BCD for the Proposed Final Dividend, the final dividend would be 5.78 sen per ordinary share. The actual amount of final dividend per ordinary share would be dependent on the actual number of Placement Shares issued by the Company by the BCD for the Proposed Final Dividend.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Dividends (contd.)

The proposed final dividend may consist of an electable portion which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 27 to the financial statements, subject to the relevant regulatory approvals as well as shareholders' approval of (i) the final dividend and (ii) the renewal of authority for the issuance and allotment of new ordinary shares of RM1.00 each in the Company for the purpose of the DRP at the forthcoming Annual General Meeting. The Board on the 13 February 2014 has approved that the DRP shall apply to the proposed final dividend and that the entire proposed final dividend can be elected to be reinvested in new shares. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

Directors

The directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah
Tan Sri Bashir Ahmad bin Abdul Majid
Datuk Siti Maslamah binti Osman (resigned on 31 December 2013)
Datuk Alias bin Haji Ahmad (resigned on 31 December 2013)
Jeremy bin Nasrulhaq
Datuk Seri Yam Kong Choy (appointed on 1 December 2013)
Datuk Zalekha binti Hassan (appointed on 1 January 2014)
Rosli bin Abdullah (appointed on 1 January 2014)
Datuk Seri Long See Wool
Chua Kok Ching [alternate director to Datuk Seri Long See Wool]
Mohd Izani bin Ghani
Eshah binti Meor Suleiman
Norazura binti Tadzim [alternate director to Eshah binti Meor Suleiman]
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Dato' Syed Faisal Albar bin Syed A.R. Albar (resigned on 31 December 2013)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Directors' interests

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 8 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Other statutory information (contd.)

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Significant events during the year

Significant events during the year are disclosed in Note 38 to the financial statements.

Subsequent event

Subsequent event is disclosed in Note 39 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 February 2014.

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah

Tan Sri Bashir Ahmad bin Abdul Majid

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah and Tan Sri Bashir Ahmad bin Abdul Majid, being two of the directors of Malaysia Airports Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 141 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 43 on page 142 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 February 2014.

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah   Tan Sri Bashir Ahmad bin Abdul Majid

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Faizal Sham bin Abu Mansor (MIA Number: 27407), being the officer primarily responsible for the financial management of Malaysia Airports Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 142 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Faizal Sham bin Abu Mansor at Kuala Lumpur in the Federal Territory on 13 February 2014.   Faizal Sham bin Abu Mansor

PESURUHJAYA SUMPAH
No: W 602
Name: KAPT (B) AFFANDI BIN AHMAD
MALAYSIA

Before me,

No. 86, Tingkat Bawah
Jalan Putra
50350 Kuala Lumpur

Independent auditors' report to the members of
Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Malaysia Airports Holdings Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2013, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 141.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of the financial statement that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent auditors' report to the members of
Malaysia Airports Holdings Berhad (contd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements, being financial statements that have been included in the consolidated financial statement.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

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Independent auditors' report to the members of Malaysia Airports Holdings Berhad (contd.) (Incorporated in Malaysia)

Other reporting responsibilities

The supplementary information set out in Note 43 on page 142 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 1759/02/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
13 February 2014

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Statements of profit or loss
for the financial year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Continuing operations					
Revenue	3	4,098,759	3,548,062	1,695,000	1,365,209
Cost of inventories sold		(325,287)	(281,927)	-	-
Other income	4	135,083	124,955	148,023	115,224
Employee benefits expense	5	(569,917)	(471,403)	(111,947)	(98,934)
Construction costs		(1,563,883)	(1,321,744)	(1,510,316)	(1,194,191)
Depreciation and amortisation		(277,862)	(221,277)	(16,675)	(17,145)
Other expenses		(875,231)	(668,203)	(62,064)	(78,966)
Finance costs	6	(28,375)	(19,035)	(25)	-
Impairment of investment in associate company	18	(3,742)	(68,916)	-	-
Share of results of associates	18	(39,385)	(17,505)	-	-
Share of results of jointly controlled entities	19	3,008	(251)	-	-
Profit before tax and zakat from continuing operations	7	553,168	602,756	141,996	91,197
Taxation and zakat	9	(175,481)	(208,485)	(29,331)	(28,307)
Profit from continuing operations, net of tax		377,687	394,271	112,665	62,890
Discontinued operation					
(Loss)/Profit from discontinued operation, net of tax	10	(140)	189	-	-
Profit net of tax		377,547	394,460	112,665	62,890
Profit attributable to:					
Owners of the parent		377,483	394,460	112,665	62,890
Non-controlling interests		64	-	-	-
		377,547	394,460	112,665	62,890
Earnings per share attributable to owners of the parent					
(sen per share)					
- basic, for profit from continuing operations	11	30.80	33.24		
- basic, for (loss)/profit from discontinued operation		(0.01)	0.02		
- basic, for profit for the year		30.79	33.26		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
for the financial year ended 31 December 2013

		Group		Company	
	Note	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Profit net of tax		377,547	394,460	112,665	62,890
Other comprehensive income:					
Available-for-sale financial assets					
- (Loss)/gain on fair value changes		(3,747)	(333)	(2,841)	314
Foreign currency translation		2,633	(1,173)	-	-
Share of other comprehensive income of associates	18	(1,942)	4,657	-	-
Other comprehensive income for the year, net of tax		(3,056)	3,151	(2,841)	314
Total comprehensive income for the year		374,491	397,611	109,824	63,204
Total comprehensive income attributable to:					
Owners of the parent		374,427	397,611	109,824	63,204
Non-controlling interests		64	-	-	-
		374,491	397,611	109,824	63,204

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Consolidated statement of financial position
as at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000
Assets			
Non-current assets			
Property, plant and equipment	13	326,335	290,829
Plantation development expenditure	14	52,822	50,336
Land use rights	15	7,518	7,639
Intangible assets	16	8,259,114	6,198,000
Investments in associates	18	24,779	20,378
Investment in jointly controlled entities	19	57,152	43,326
Available-for-sale investments	20	349,450	303,179
Trade and other receivables	22	364,572	354,998
Staff loans	23	37,083	35,330
Deferred tax assets	24	6,236	22,216
		9,485,061	7,326,231
Current assets			
Inventories	25	122,317	99,097
Trade and other receivables	22	570,436	640,240
Cash and cash equivalents	26	345,413	774,166
		1,038,166	1,513,503
Assets of disposal group classified as held for disposal	10	104	63
		1,038,270	1,513,566
Total assets		10,523,331	8,839,797

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Consolidated statement of financial position
as at 31 December 2013 (contd.)

	Note	Group 2013 RM'000	Group 2012 RM'000
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	27	1,232,444	1,210,000
Share premium		1,409,376	1,320,414
Retained earnings	28	2,037,431	1,826,758
Fair value adjustment reserve	29	(553)	5,136
Other reserve	30	2,546	2,546
Foreign exchange reserve	30	(2,941)	(5,574)
		4,678,303	4,359,280
Non-controlling interests		64	-
Total equity		4,678,367	4,359,280
Non-current liabilities			
Other financial liability	31	189,256	176,562
Loans and borrowings	32	3,600,000	3,100,000
Trade and other payables	33	750,099	250,895
Deferred tax liabilities	24	135,149	119,449
		4,674,504	3,646,906
Current liabilities			
Loans and borrowings	32	200,000	-
Trade and other payables	33	917,295	802,395
Income tax payable		53,122	31,156
		1,170,417	833,551
Liabilities of disposal group classified as held for disposal	10	43	60
		1,170,460	833,611
Total liabilities		5,844,964	4,480,517
Total equity and liabilities		10,523,331	8,839,797

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Statement of financial position
as at 31 December 2013

		Company	
	Note	**2013**	**2012**
		RM'000	**RM'000**
Assets			
Non-current assets			
Property, plant and equipment	13	87,740	88,888
Intangible assets	16	4,583,712	2,855,420
Investments in subsidiaries	17	1,777,266	1,777,266
Investments in associates	18	166,418	161,582
Investment in jointly controlled entities	19	53,718	42,900
Available-for-sale investments	20	80,969	37,910
Trade and other receivables	22	49,204	49,204
		6,799,027	5,013,170
Current assets			
Inventories	25	13	40
Trade and other receivables	22	176,161	585,463
Cash and cash equivalents	26	95,989	489,959
		272,163	1,075,462
Total assets		7,071,190	6,088,632

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Statement of financial position
as at 31 December 2013 (contd.)

	Note	Company 2013 RM'000	Company 2012 RM'000
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	27	1,232,444	1,210,000
Share premium		1,409,376	1,320,414
Retained earnings	28	84,624	138,769
Fair value adjustment reserve		(2,527)	314
Total equity		2,723,917	2,669,497
Non-current liabilities			
Loans and borrowings	32	3,600,000	3,100,000
Deferred tax liabilities	24	52,684	35,158
Other payable	33	98,300	-
		3,750,984	3,135,158
Current liabilities			
Loans and borrowings	32	200,000	-
Trade and other payables	33	396,289	283,977
		596,289	283,977
Total liabilities		4,347,273	3,419,135
Total equity and liabilities		7,071,190	6,088,632

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON *(Cont'd)*

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Statement of changes in equity
for the financial year ended 31 December 2013

		Attributable to owners of the parent								
			Non-distributable							
Group	Note	Share capital RM'000 (Note 27)	Share premium RM'000	Fair value adjustment reserve RM'000	Foreign exchange reserve RM'000	Other reserve RM'000	Distributable retained earnings RM'000 (Note 28)	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012		1,100,000	822,744	812	(4,401)	2,546	1,625,168	3,546,869	-	3,546,869
Total comprehensive income		-	-	4,324	(1,173)	-	394,460	397,611	-	397,611
Issuance of new shares via private placement	27	110,000	497,670	-	-	-	-	607,670	-	607,670
Transactions with owners										
Dividends	12	-	-	-	-	-	(192,870)	(192,870)	-	(192,870)
Total transactions with owners		-	-	-	-	-	(192,870)	(192,870)	-	(192,870)
At 31 December 2012		1,210,000	1,320,414	5,136	(5,574)	2,546	1,828,758	4,359,280	-	4,359,280
At 1 January 2013		1,210,000	1,320,414	5,136	(5,574)	2,546	1,828,758	4,359,280	-	4,359,280
Total comprehensive income		-	-	(5,689)	2,633	-	377,483	374,427	64	374,491
Transactions with owners										
Shares Issued persuant to Dividend Reinvestment Plan	27	22,444	88,962	-	-	-	-	111,406	-	111,406
Dividends	12	-	-	-	-	-	(166,810)	(166,810)	-	(166,810)
Total transactions with owners		22,444	88,962	-	-	-	(166,810)	(55,404)	-	(55,404)
At 31 December 2013		1,232,444	1,409,376	(553)	(2,941)	2,546	2,037,431	4,678,303	64	4,678,367

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Statement of changes in equity
for the financial year ended 31 December 2013

	Note	Share capital RM'000 (Note 27)	|---Non-distributable---| Share premium RM'000	Fair value adjustment reserve RM'000	Distributable retained earnings RM'000 (Note 28)	Total equity RM'000
Company						
At 1 January 2012		1,100,000	822,744	-	268,749	2,191,493
Total comprehensive income		-	-	314	62,890	63,204
Issuance of new shares via private placement	27	110,000	497,670	-	-	607,670
Transactions with owners						
Dividends	12	-	-	-	(192,870)	(192,870)
At 31 December 2012		1,210,000	1,320,414	314	138,769	2,669,497
At 1 January 2013		1,210,000	1,320,414	314	138,769	2,669,497
Total comprehensive income		-	-	(2,841)	112,665	109,824
Issuance of new shares pursuant to Dividend Reinvestment Plan ("DRP")	27	22,444	88,962	-	-	111,406
Transactions with owners						
Dividends	12	-	-	-	(166,810)	(166,810)
At 31 December 2013		1,232,444	1,409,376	(2,527)	84,624	2,723,917

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the financial year ended 31 December 2013

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit/(loss) before tax and zakat from				
-continuing operations	553,168	602,756	141,996	91,197
-discontinued operation	(140)	189	-	-
Adjustments for:				
Interest income	(16,368)	(18,511)	(592)	(1,097)
Dividend income	-	-	(116,720)	(117,279)
Interest from late payments	(4,553)	(4,478)	-	-
Excess fund from liquidation	-	(381)	-	(381)
Interest expense	28,375	19,035	25	-
Provision for liabilities (Note 33)	4,461	5,980	839	1,623
Writeback of provision for liabilities	(42)	(271)	-	-
Amortisation of:				
- intangible assets	228,434	185,198	-	-
- plantation development expenditure	2,745	2,647	-	-
- land use rights	121	121	-	-
Depreciation of property, plant and equipment:				
-continuing operations	46,562	33,311	16,675	17,145
-discontinued operation	-	1	-	-
Amortisation of premium on investments	29	55	-	-
Impairment of investment in associate	3,742	68,916	-	-
Net (write-back)/allowance for doubtful debts:				
-continuing operations	(1,188)	(1,876)	6,243	23,297
-discontinued operation	-	(1)	-	-
Net bad debt written off:				
-continuing operations	7,203	9,267	3,756	6,573
-discontinued operation	-	51	-	-
(Gain)/loss on disposal of:				
- property, plant and equipment	343	5,858	-	-
- intangible assets	-	112	-	-
- other investment	(188)	(85)	-	-
- bonds and medium term notes	(363)	(640)	-	-
Property, plant and equipment written off:				
-continuing operations	1,927	1,531	20	-
-discontinued operation	-	13	-	-
Intangible assets written off	110	1,662	-	-
Balance carried forward	854,378	910,460	52,242	21,078

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the financial year ended 31 December 2013 (contd.)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Balance brought forward	854,378	910,460	52,242	21,078
Inventories written off:				
-continuing operations	1,079	3,292	-	-
-discontinued operation	-	40	-	-
Investment income	(14,834)	(15,471)	(1,730)	(9,397)
Profit from construction contract	(71,981)	(63,305)	(67,964)	(53,739)
Share of results of:				
- Jointly controlled entities	(3,008)	251	-	-
- Associates	39,385	17,505	-	-
Operating profit/(loss) before working capital changes	805,019	852,772	(17,452)	(42,058)
(Increase)/decrease in inventories	(24,299)	(23,906)	27	-
Decrease/(increase) in receivables	71,551	136,229	46,300	(79,896)
Increase/(decrease) in payables	191,346	(133,624)	32,766	39,200
Decrease in concession liabilities	(27,021)	(15,234)	-	-
Increase/(decrease) in provisions for liabilities	1,150	(3,060)	-	(14)
Changes in related company balances	-	-	520,854	199,241
Cash generated from operations	1,017,746	813,177	582,495	116,473
Taxes and zakat paid	(126,341)	(165,488)	(15,889)	(6,605)
Retirement benefits paid	-	(1,145)	-	(60)
Net cash generated from operating activities	891,405	646,544	566,606	109,808
Cash flows from investing activities				
Purchase of:				
- property, plant and equipment	(77,628)	(70,336)	(15,547)	(13,069)
- intangible assets	(1,836,074)	(1,595,315)	(1,660,328)	(1,306,517)
- quoted shares	(45,612)	(70,712)	-	-
- other investment	-	(221)	(45,900)	(35,600)
- plantation development expenditure	(5,231)	(1,121)	-	-
Proceeds from disposals of:				
- property, plant and equipment	81	197	-	-
- intangible assets	-	8	-	47,294
- other investments	5,991	3,784	-	-
Balance carried forward	(1,958,473)	(1,733,716)	(1,721,775)	(1,307,892)

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the financial year ended 31 December 2013 (contd.)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Balance brought forward	(1,958,473)	(1,733,716)	(1,721,775)	(1,307,892)
Advances to associate	(8,579)	(27,924)	(4,836)	(27,924)
Acquisition of an associate	(840)	-	-	-
Redemption of bonds	5,459	5,909	-	-
Investment income received	14,834	15,471	1,730	9,397
Excess fund from liquidation	-	381	-	381
Interest received	5,807	8,669	592	1,097
Dividend received from:				
- an associate	1,800	2,400	-	-
- subsidiaries	-	-	116,720	117,279
Net cash used in investing activities	(1,939,992)	(1,728,810)	(1,607,569)	(1,207,662)
Cash flows from financing activities				
Share issuance expenses	-	(8,346)	-	(8,346)
Proceed from issuance of shares	-	110,000	-	110,000
Proceed from issuance of share premium	-	506,016	-	506,016
Drawdown of loans and borrowings	700,000	600,000	700,000	600,000
Interest paid	(27,642)	(9,088)	-	-
Dividends paid to shareholders of the Company	(53,007)	(120,410)	(53,007)	(120,410)
Net cash generated from financing activities	619,351	1,078,172	646,993	1,087,260
Net decrease in cash and cash equivalents	(429,236)	(4,094)	(393,970)	(10,594)
Effects of foreign currency translation	524	(20)	-	-
Cash and cash equivalents at beginning of year	774,229	778,343	489,959	500,553
Cash and cash equivalents at end of year (Note 26)	345,517	774,229	95,989	489,959

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Notes to the financial statements
31 December 2013

1. Corporate information and Operating Agreements

1.1 Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Malaysia Airports Corporate Office, Persiaran Korporat KLIA, 64000 KLIA, Sepang, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 17. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 February 2014.

1.2 Operating Agreements

On 12 February 2009, the Group signed the following Operating Agreements between the Company with Malaysia Airports (Sepang) Sdn. Bhd. ("MA (Sepang)") and the Government of Malaysia ("GoM") ("Operating Agreement for KLIA") and between the Company with Malaysia Airports Sdn. Bhd. ("MASB") and the GoM ("Operating Agreement for Designated Airports").

The Operating Agreements include the following salient information:

(a) To restate the Group's respective rights and commitments with respect to the operation, management, maintenance and development of KLIA and the Designated Airports, and to terminate all prior rights and commitments arising from the concession agreement and lease agreement for KLIA entered into earlier between the GoM and MA (Sepang) save for rights and commitments expressly excluded in the Operating Agreements for KLIA and the Designated Airports;

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

1. Corporate information and Operating Agreements (contd.)

1.2 Operating Agreements (contd.)

(b) The settlement of Residual Payment owing by MA (Sepang) to the GoM in a manner that could not significantly deplete the cash reserves of the Group, and that would take into consideration the Group's financial resources and business plans; and

(c) The GoM shall procure the Federal Lands Commissioner ("FLC") as the registered owner of the Airport Lands ("Lands"), to lease to the Operator these Lands by procuring the execution by FLC of the New Lease Agreement (substantially in the form annexed of the Operating Agreements). The period of the lease under the New Lease Agreement shall be co-terminous with the operating period to the extent that if the Operating Rights are extended pursuant to the terms and conditions of the Operating Agreements or otherwise, the period of such lease shall be accordingly extended on such terms and conditions to be determined by the GoM, the FLC and the Operator for the relevant period.

(d) In consideration of the GoM entering into the Operating Agreements for KLIA and Designated Airports, MA (Sepang) and MASB agree to pay the GoM the User Fee. User Fee is equal to a specified percentage of revenue the Group derive from activities carried out at KLIA and other airports. Until the Balance Residual Payment has been settled, the GoM shall be entitled to receive half of the User Fee whereby another half is paid to the GoM to reduce the Balance of Residual Payment. During the year, the Balance Residual Payment had been fully settled. The accounting policy for User Fee is described in Note 2.4(v).

(e) Under the Operating Agreement, the GoM shall assist Malaysia Airports Holdings Berhad ("MAHB") in bearing its socio-economic obligations by compensating MA (Sepang) and MASB with a marginal cost support sum ("MARCS") as disclosed in Note 2.4(w)(iv) for marginal losses suffered, arising from the undertaking of socio-economic activities and GoM policies.

(f) The Operating Rights are granted by the GoM to further define and augment the rights of MA (Sepang) as a licensed airport operator and manager of KLIA, and MASB as a licensed airport operator and manager of the Designated Airports, and the Operating Rights shall run for a period of twenty five (25) years from 12 February 2009 and may be renewed by the GoM.

Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

1. Corporate information and Operating Agreements (contd.)

1.2 Operating Agreements (contd.)

(g) Under the Operating Agreements, these rights may be revoked by the GoM for certain prescribed reasons, including any default on the MAHB Group's obligations, any order being made, or a resolution being passed, for the winding-up, liquidation, or receivership of MAHB or its principal subsidiaries, MA (Sepang) or MASB, the execution of any judgement against a substantial portion of the assets of MAHB or MA (Sepang) or MASB, if MAHB, MA (Sepang) or MASB were to make an assignment or enter into an arrangement or composition with its creditors or the licenses held by MA (Sepang) or MASB to operate airports being revoked or suspended by the GoM. The New Operating Agreements permit the GoM to expropriate the rights with three months' written notice if they determine, in their sole discretion, that it is in the national interest or in the interest of national security. Upon the GoM exercising its rights of termination, the GoM shall pay an amount to be determined by an independent valuer appointed by the GoM and the Group.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2012 as described fully in Note 2.2.

The financial statements of the Group and of the Company have also been prepared on a historical basis, unless otherwise indicated in the summary of significant accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

As at 31 December 2013, the Company and Group are in a net current liabilities position of RM324,126,000 and RM132,190,000 respectively arising mainly from the short term loan amounting to RM200,000,000 drawndown during the year for short-term working capital requirements, which offered a lower short-term interest costs. However, the Group can utilise the available Sukuk from its RM2.5billion Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme which have longer tenure to refinance the short term loan. The Group is currently assessing the timing of the Sukuk issuance and the prevailing conditions of the capital market to ensure that the Group is able to meet all its obligations within the next 12 months.

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2013, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Effective for financial periods beginning on or after 1 July 2012

Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013

Amendments to FRS 101 Presentation of Financial Statements (Improvements to FRSs (2012))
FRS 10 Consolidated Financial Statements
FRS 11 Joint Arrangements
FRS 12 Disclosure of interests in Other Entities
FRS 13 Fair Value Measurement
FRS 119 Employee Benefits
FRS 127 Separate Financial Statements
FRS 128 Investment in Associate and Joint Ventures
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012))
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Amendments to FRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Improvements to FRSs (2012))
Amendments to FRS116 Property, Plant and Equipment (Improvements to FRSs (2012))
Amendments to FRS 132 Financial Instruments: Presentation (Improvements to FRSs (2012))
Amendments to FRS 134 Interim Financial Reporting (Improvements to FRSs (2012))
Amendments to FRS 10 Consolidated Financial Statements: Transition Guidance
Amendments to FRS 11 Joint Arrangements: Transition Guidance
Amendments to FRS 12 Disclosure of Interests in Other Entities: Transition Guidance

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application. The nature of changes in accounting policy are described below:

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

FRS 10 Consolidated Financial Statements
FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation - Special Purpose Entities.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

FRS 11 Joint Arrangements
FRS 11 replaces FRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities - Non-monetary Contributions by Venturers.

The classification of joint arrangements under FRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under FRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with FRSs applicable to the particular assets, liabilities, revenues and expenses.

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

FRS 12 Disclosures of Interests in Other Entities
FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

FRS 127 Separate Financial Statements
As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

FRS 128 Investment in Associate and Joint Ventures
As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 Investment in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

Amendments to FRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
The amendments to FRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for financial periods beginning on or after 1 January 2014

Amendments to FRS 132 Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 10, FRS 12 and FRS 127 Investment Entities
Amendments to FRS 136 Impairment of Assets- Recoverable Amount Disclosure for Non-Financial Assets'

2. Significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

Effective for financial periods beginning on or after 1 January 2015

FRS 9 Financial Instruments Activities

FRS 9 Financial Instruments: Classification and Measurement
FRS 9 reflects the first phase of the work on the replacement of FRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is a fully IFRS-compliant framework which is applicable for all non-private entities for annual periods beginning on or after 1 January 2012, other than Transitioning Entities (TEs), which may defer adoption in view of potential changes on the horizon which may change current accounting treatments.

TEs are non-private entities within the scope of MFRS 141 - Agriculture and IC Interpretation 15 - Agreements for the Construction of Real Estate, including their parent, significant investor and venturer. The Group being a TE, will adopt the MFRS Framework with effect from 1 January 2015.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2015.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee, and

- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee

- Rights arising from other contractual arrangements

- The Group's voting rights and potential voting rights

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(a) Subsidiaries and basis of consolidation (contd.)

(ii) Basis of consolidation (contd.)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss

Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(a) Subsidiaries and basis of consolidation (contd.)

(iii) Transactions with non-controlling interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

(b) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of FRS 139, it is measured in accordance with the appropriate FRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(b) Business combination and goodwill (contd.)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(c) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(c) Investment in associates and joint ventures (contd.)

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2 Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on usage based method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

(i) Concession rights

As disclosed in Note 1.2, the Group signed Operating Agreements on 12 February 2009 for a period of 25 years ending 2034 and the consideration paid to the GoM is classified as concession rights.

The Group's amortisation policy in respect of the Operating Agreements is determined on the method reflecting the asset's usage based on passengers volume and usage of airport activities over the concession period. The current amortisation used shall reflect the pattern in which the concession's future economic benefits are expected to be consumed by the Group and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits.

(ii) Infrastructure and construction assets

Infrastructure and construction assets comprised assets which are constructed by the Group in exchange for the right of the Group to charge users of the public service infrastructure that it has constructed or upgraded and are stated at the fair value of construction services delivered including certain mark-up on the actual costs incurred and are amortised over the respective economic useful lives on a straight line amortisation. The capital work in progress relating to these assets is not amortised until the assets are fully completed and brought to use.

Capital improvements relate to the upgrading and resurfacing of runway.

The amortisation policy of these classes of assets is over the concession period.

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2 Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(e) Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 21.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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2 Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(e) Fair value measurement (contd.)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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2 Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(e) Fair value measurement (contd.)

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the valuation committee and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(f) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(f) Property, plant and equipment and depreciation (contd.)

Capital work-in-progress comprises the construction of buildings, renovation in-progress and other assets which have not been commissioned. Capital work-in-progress is not depreciated.

Capital work-in-progress is capitalised in accordance with FRS 116 Property, Plant and Equipment and is recognised as an asset when:

(i) it is probable that future economic benefits associated with the asset will flow to the enterprise; and

(ii) the cost of the asset to the enterprise can be measured reliably.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold land	Not depreciated
Leasehold land	Over lease period
Buildings and building renovation	4% - 10%
Hotel property	4%
Infrastructure, safety equipment and motor vehicles	4% - 50%
Office, communications and electronic equipment	10% - 50%
Furniture and fittings	10% - 20%
Plant and machinery	10% - 20%
Crockery, glassware, cutlery and linen	20%

All property, plant and equipment located on Government leasehold land are depreciated over the estimated useful life or the remaining concession period which ever is earlier.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(f) Property, plant and equipment and depreciation (contd.)

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

In prior year, upon the adoption of IC 12 Service Concession Arrangements, certain classes of property and equipment were reclassified as infrastructure and construction assets within intangibles.

(g) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(g) Impairment of non-financial assets (contd.)

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(h) Inventories

Inventories relating to merchandise goods and food and beverages are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost of inventories comprises cost of purchase of goods. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. Other inventories not to be resold and for consumption purposes are classified as spares and consumables.

(i) Plantation development expenditure

New planting expenditure incurred on land clearing and upkeep of trees to maturity are capitalised under plantations.

Amortisation of plantation development expenditure is at a rate of 4% per annum.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(j) Replanting expenditure

Replanting expenditure incurred during the year is recognised in the profit or loss. Replanting expenditure represents the total cost incurred from land clearing to the point of harvesting.

(k) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(k) Financial assets (contd.)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

The Group and the Company do not have any financial assets designated as financial assets at fair value through profit or loss nor held to maturity investments.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(l) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(l) Impairment of financial assets (contd.)

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.
If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(m) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits at call which have an insignificant risk of changes in value.

(n) Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(o) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(p) Income tax and zakat

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(p) Income tax and zakat (contd.)

(ii) Deferred tax (contd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(p) Income tax and zakat (contd.)

(iii) Zakat

Zakat payable by the Group and the Company is a form of contribution according to the principles of Syariah.

(q) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

(r) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(r) Financial liabilities (contd.)

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(s) Concession liabilities

Concession liabilities are in respect of concession contracts and are recognised for the following arrangements:

(i) Annual charges and land usage charges payable to GoM.

(ii) Airport Facilities Agreements relating to chilled water utilities pursuant to the Operating Agreements payable to a service provider at KLIA.

(iii) Privatisation of the Development of a Generation Plant at klia2.

(t) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(t) Employee benefits (contd.)

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(u) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(u) Foreign currencies (contd.)

(ii) Foreign currency transactions (contd.)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statements of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each profit or loss are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(u) Foreign currencies (contd.)

(iii) Foreign operations (contd.)

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates used for every unit of foreign currency ruling at the reporting date are as follows:

	2013 RM	2012 RM
United States Dollar (USD)	3.28	3.06
Great Britain Pound (GBP)	5.42	4.95
Singapore Dollar (SGD)	2.59	2.50
Euro (EUR)	4.51	4.04
Switzerland Swiss Franc (CHF)	3.68	3.35
China Renminbi (RMB)	0.54	0.49
Hong Kong Dollar (HKD)	0.42	0.39
Qatar Riyal (QAR)	0.93	0.84
South African (ZAR)	0.30	0.36

(v) User Fee

User Fee is payable to the GoM and equal to a specified percentage of all revenue the Group derive from activities at KLIA and other airports that involves the use of airport infrastructure, assets provided by or financed by the GoM or land belonging to the GoM. The User Fee increases over time by approximately 0.25% per annum and is payable on quarterly basis and increases further depending on the capital expenditure borne by the GoM based on the criteria set out in the Operating Agreements. The revenue base used in calculating the User Fee does not include any construction revenue, reimbursements, interest income, recovery of bad debt or inter-company transactions. The amount recognised in the profit or loss represents half of the total User Fee payable to the GoM. The balance is paid to reduce the amount due to GoM as disclosed in Note 33(c). During the year, the amount has been fully settled and subsequently the User Fee has been fully recognised directly in the profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(w) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(ii) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(iii) Revenue from services

Revenue from airport management and horticulture service rendered are recognised net of service taxes and discounts as and when the services are performed.

Revenue from contracts are recognised by reference to the stage of completion at the reporting date. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(w) Revenue recognition (contd.)

(iv) Marginal Cost Support Sum ("MARCS")

Under the Operating Agreements, the GoM shall assist the Group in bearing its socio-economic obligations by compensating the Group with a marginal cost support sum ("MARCS") for marginal losses suffered, arising from the undertaking of socio-economic activities and GoM policies.

The MARCS support is recognised in the financial statements throughout the concession year as revenue when recovery is probable and the amount that is recoverable can be measured reliably. Further details are disclosed in Notes 1.2 and 3. There were no MARCS PSC recognised since 2012 as the Group is no longer entitled to claim for MARCS PSC since the Government has approved the revised Passenger Service Charge ("PSC") rates with effect from November 2011. The amount recorded in Note 3 is in relation to MARCS Express Rail Link ("MARCS ERL").

(v) Revenue from hotel operations

Revenue from rental of hotel rooms, sale of food and beverages and other related income are recognised when the services are performed.

(vi) Construction revenue

Construction revenue is recognised by reference to the stage of completion of the construction activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where the outcome of the Construction cannot be estimated reliably, revenue is recognised to the extent of Construction costs incurred if it is probable that they will be recoverable. Construction costs are recognised as expenses in the year in which they are incurred.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(w) Revenue recognition (contd.)

(vii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(x) Disposal groups classified as held for sale and discontinued operations

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

(y) Concession contracts

A substantial portion of the Group's assets are used within the framework of concession contracts/Operating Agreements granted by the GoM ("the grantor"). The characteristics of the Operating Agreements generally provide, directly or indirectly, for customer involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract.

In order to fall within the scope of concession contract, a contract must satisfy the following two criteria:

- the grantor controls or regulates what services the operator must provide with the infrastructure/assets, to whom it must provide them, and at what price; and

- the grantor controls the significant residual interest in the infrastructure/assets at the end of the term of the arrangement.

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2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(y) Concession contracts (contd.)

Such assets are not recognised by the Group as property, plant and equipment but as intangible assets as described in Note 2.4(d)(ii). The intangible asset model applies where the operator is paid by the users or where the concession grantor has not provided a contractual guarantee in respect of the amount recoverable. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service.

Intangible assets resulting from the application of this policy are recorded in the statement of financial position under the heading 'Intangible assets' and are amortised on the method reflecting the asset's usage based on passengers volume and usage of airports activities over the concession period. Under the intangible asset model, revenue includes revenue from the construction of the infrastructure/assets and operating revenue of the infrastructure.

(z) IC Interpretation 12 Service Concession Arrangements

IC Interpretation 12 - Service Concession Arrangements ("IC 12") adopted by the Group applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Depending on the contractual terms, this interpretation requires the operator to recognise a financial asset if it has an unconditional contractual right to receive cash or an intangible asset if it receives a right (license) to charge users of the public service. Some contractual terms may give rise to both a financial asset and an intangible asset.

The IC 12 considered the nature of the rights conveyed to the operator in a service concession arrangement. It first examined whether the infrastructure used to provide public services could be classified as property, plant and equipment of the operator under FRS 116. It started from the principle that infrastructure used to provide public services should be recognised as property, plant and equipment of the party that controls its use. This principle determines which party should recognise the property, plant and equipment as its own.

The interpretation also concluded that treatment of infrastructure that the operator constructs or acquires or to which the grantor gives the operator access for the purpose of the service arrangement should be determined by whether the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor control through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(z) IC Interpretation 12 Service Concession Arrangements (contd.)

Under IC 12, the operator may provide construction services to the grantor in exchange for an intangible asset, i.e. a right to collect revenue in accordance with the Operating Agreements. In accordance with FRS 138 Intangible Assets, the operator recognises the intangible asset at its fair value. The fair value of the intangible asset is calculated by including a certain mark-up on the actual cost incurred, estimated to reflect a margin consistent where possible with other similar construction works.

In addition, pursuant to the Airport Facilities Arrangement ("AFA") where the agreement is dependent on a specified asset, the Group recognised an asset and a liability at an amount equal to the value of the underlying asset as determined in the AFA and subsequently the liability shall be reduced as payments are made and an imputed finance charge on the liability recognised using the purchaser's incremental borrowing rate of interest.

(aa) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.5 Significant accounting judgements and estimates

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(a) Critical judgements made in applying accounting policies (contd.)

(i) Amortisation of concession rights

The carrying amount of the concession asset is amortised over the concession period determined by the method where the amortisation method used shall reflect the pattern which the concession's future economic benefits are expected to be consumed by the Group based on the expected number of passengers and the utilisation of the airports over the concession period. The variable factors in determining the estimated amortisation includes projected total number of passengers for subsequent years to year 2034. The assumptions to arrive at the passenger volume projections and usage of airports also take into consideration the growth rate based on current market and economic conditions. Changes in the expected passenger volume and usage of airports could impact future amortisation charges.

(ii) Amount due from GoM

Management assessed the amount claimable from the GoM together with the future obligations of the Group in respect of User Fee payable to the GoM.

Profit projections are used in determining the future obligations in respect of future User Fee payable for any potential set-off against the amount claimable from GoM as at reporting date. The profit projections by the management are based on various assumptions, amongst others including passenger volume, usage of airports, amortisation of concession asset and projected growth rate.

Further management's key assumptions and judgement on arriving at the initial recognition and the fair value of the amount receivable from the GoM relating to the option of the racing circuit which was recognised as receivables in prior years are as follows:

- The present value of the consideration of the racing circuit option is calculated on the assumption that the amount expected to be received by the Group at the end of the option period in April 2019.

- The consideration of the racing circuit is based on the book value of the circuit as at 31 December 2010 and subsequent to the present value of the amount classified as long-term debts (receivable from the GoM).

2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(a) Critical judgements made in applying accounting policies (contd.)

(ii) Amount due from GoM (contd.)

- The discounted rate used of 4.55% which approximated the prevailing market rates at the date of inception and subsequent changes to the accretion of the present value is accounted for as interest income relating to loans and receivables in future years.

Details of amounts due from and to GoM are disclosed in Notes 22 and 33.

(iii) Revenue recognition

Significant judgement is applied to determine the accrued revenue for aeronautical and commercial debtors based on passenger movements, the number of airlines and timing of billings.

As at reporting date, the amount of accrued revenue for aeronautical and commercial debtors as disclosed in Note 22 comprised approximately 4% (2012: 3%) of the total revenue.

(iv) Land use rights

The Group has assessed that the previous amount paid was in relation to the rights to occupy the land leased by the Federal Land Commissioner, and accordingly pursuant to Amendments to FRS 117, prepaid land lease payments is classified as land use rights.

2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Deferred taxation

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 24.

(iii) Airline incentives

The management determined that the Group's obligation to provide the airlines incentives should be recognised and measured by allocating some of the consideration received or receivable from the sales transactions to award credits and deferring the recognition of revenue.

2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(b) Key sources of estimation uncertainty (contd.)

(iii) Airline incentives (contd.)

In deferring the recognition of revenue, management estimated and made certain assumptions on the probability of each airline to have met the conditions imposed by the Group in order to qualify under the incentive programme such as the achievement of the growth rate of the inbound passengers and landing managed by the respective airlines, the probability of non-disputing of billings and settlement of outstanding debts; and the likelihood of the existence of the airlines within the next twelve months from the date of the airlines' incentive entitlement.

Further information on airline incentives are disclosed in Note 33(d).

(iv) Impairment of investments in associates

Investments in associates are for long term basis and the Company determines whether the carrying amounts of its investments in associates are impaired at least on an annual basis at reporting date. This requires an estimation of the value in use of the cash-generating units ("CGU") which is attributable to those investments. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

In respect of the investment in Sabiha Gokcen International Airport ("ISG"), the recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a period of 17 years projection. The key assumptions used for each of the CGU's value-in-use calculations are as follows:

(a) Gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for market and economic conditions and internal resource efficiency. The average gross margin expected in the projection is approximately 50% (2012: 46%).

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2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(b) Key sources of estimation uncertainty (contd.)

(iv) Impairment of investments in associates (contd.)

(b) Growth rate

The average growth rate used is based on the annual growth rate of 6.6% (2012: 6.6%).

(c) Discount rate

The average discount rate used is 5.8% (2012:7.8%) which approximates the CGU's average cost of funds in ISG.

(d) Sensitivity to changes in the assumptions

Management believes that no reasonably possible changes to the above key assumptions, would cause the carrying amount of investment to materially exceed it's recoverable amount.

(v) Concession contract and percentage of completion

The Group provides construction services in exchange for the right to operate the airport in accordance with the Operating Agreements. As described in Note 2.4(z) IC 12 Service Concession Arrangement, the Group recognises the revenues and costs in accordance to FRS 111 Construction Contracts by reference to the stage of completion of the construction activity. The date of completion is measured by reference to the Construction costs incurred for work performed to date bear to the estimated total costs for the contract.

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2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(b) Key sources of estimation uncertainty (contd.)

(vi) Mark-up rate for the construction

The airport operations right in exchange for the construction services provided is recognised at the fair value of the consideration receivable for the construction services delivered. The fair value of the consideration receivable for the construction services delivered is calculated by including certain mark-up, estimated to reflect a margin consistent with other similar construction work where possible, on the actual costs incurred. Mark-up rate used in calculating the fair value of the consideration receivable estimated by the Group on the current construction projects is 4.5% and 7.5% depending on the nature of work involved as disclosed in Note 16.

(vii) Concession liabilities

As disclosed in Note 2.4(s) & (y), the Group recognised an asset and a liability at an amount equal to the fair value of the underlying asset as determined in the agreement and subsequently the liability shall be reduced when payments are made. The imputed finance charges estimated are as follows:

(i) Annual charges and land usage charges payable to GoM

4.55% per annum over the period of 25 years ending 2034 . Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM417,000 and lower by RM409,000 respectively.

(ii) Airport Facilities Agreement relating to chilled water utilities at KLIA pursuant to the Operating Agreement payable to service provider

5.5% per annum over the period of 20 years ending 2018 . Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM632,000 and lower by RM602,000 respectively.

(iii) Privatisation of the Development of a Generation Plant at klia2

5.5% per annum over the period of 20 years ending 2033 . Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM1,985,000 and lower by RM1,976,000 respectively.

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3. Revenue

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Airport operations:				
- Airport services:				
- Aeronautical	1,286,950	1,101,729	-	-
Less: airline incentives	(75,910)	(65,019)	-	-
	1,211,040	1,036,710	-	-
- Non-aeronautical	504,106	448,943	-	-
- Construction revenue*	1,635,864	1,385,049	1,578,280	1,247,930
- Duty free and non-dutiable goods	609,960	536,455	-	-
Non-airport operations:				
- Agriculture and horticulture	30,924	45,594	-	-
- Hotel operations	66,198	75,051	-	-
- Project and repair maintenance	40,667	20,260	-	-
Dividend income from subsidiaries	-	-	116,720	117,279
	4,098,759	3,548,062	1,695,000	1,365,209

Included in aeronautical revenue is marginal cost support sum income of RM62,017,000 (2012: RM57,252,000) as disclosed in Note 2.4(w)(iv).

* Construction revenue relates to revenue recognised as required under IC 12 and in accordance with FRS111 in respect of the construction of klia2 and development of Penang International Airport.

4. Other income

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Interest income:				
- Unquoted investment and staff loan	4,908	6,987	592	1,097
- Other loans and receivables	11,132	10,974	-	-
- Available-for-sale financial assets	328	550	-	-
Investment income from:				
Available-for-sale financial assets on equity instruments				
- quoted in Malaysia	5,104	12,701	1,730	8,281
- unquoted in Malaysia	8,983	225	-	-
Unquoted short term investment	747	2,545	-	1,116
Balance carried forward	31,202	33,982	2,322	10,494

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4. Other income (contd.)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Balance brought forward	31,202	33,982	2,322	10,494
Rental income:				
- Minimum lease payments	9,311	9,120	-	-
Gain on disposal of bonds and medium-term notes	551	725	-	-
Net realised foreign exchange gain	3,891	3,785	2,049	196
Management fee charged to subsidiaries	-	-	141,519	100,888
Excess fund from liquidation	-	381	-	381
Interest from late payments	4,553	4,478	-	-
Recoupment of expenses	70,047	61,907	67	199
Miscellaneous	15,528	10,577	2,066	3,066
	135,083	124,955	148,023	115,224

5. Employee benefits expense

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Wages and salaries	297,511	268,451	57,674	50,380
Bonus	112,284	64,200	21,926	16,676
Contributions to defined contribution plans	72,081	60,226	14,187	10,522
Social security contributions	4,265	3,901	537	498
Short-term accumulating compensated absences	2,681	2,220	839	1,609
Other employee benefits	81,095	72,405	16,784	19,249
	569,917	471,403	111,947	98,934

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,847,000 (2012: RM1,462,000) and RM1,847,000 (2012: RM1,462,000) respectively as further disclosed in Note 8.

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6. Finance costs

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest expense:				
- concession payables and borrowings	174,468	120,016	146,826	110,928
- financial liabilities	733	9,947	25	-
Less: Interest expense capitalised in intangible assets (Note 16)*	(146,826)	(110,928)	(146,826)	(110,928)
Total finance costs	28,375	19,035	25	-

* The amount is arrived at after netting off interest income of RM3,534,000 (2012: RM5,362,000).

7. Profit before tax and zakat from continuing operations

The following items have been included in arriving at profit before tax and zakat:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Non-executive directors' remuneration excluding benefits-in-kind (Note 8)	2,069	807	2,042	796
Auditors' remuneration:				
- statutory	550	529	94	82
- other services	458	1,013	458	1,013
User Fee expenses	237,832	99,183	-	-
Rental expense	16,837	16,000	5,232	6,069
Depreciation of property, plant and equipment (Note 13)	46,562	33,311	16,675	17,145
Amortisation of:				
- plantation development expenditure (Note 14)	2,745	2,647	-	-
- land use rights (Note 15)	121	121	-	-
- intangibles (Note 16)	228,434	185,198	-	-
Amortisation of premium on investments	29	55	-	-
Property, plant and equipment written off	1,927	1,531	20	-
Intangible assets written off	110	1,662	-	-
Loss on disposal of intangible assets	-	112	-	-

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7. Profit before tax and zakat from continuing operations (contd.)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loss on disposal of property, plant and equipment	343	5,858	-	-
Net (writeback of)/allowance for doubtful debts	(1,188)	(1,876)	6,243	23,297
Inventories written off	1,079	3,292	-	-
Bad debts written off	7,203	9,267	3,756	6,573
Utility charges	207,429	198,416	1,257	1,940
Repair and maintenance costs	178,196	169,247	5,132	6,429
Management fee paid to hotel operator	293	2,725	-	-
Legal and other professional fees	33,278	16,865	10,337	5,929

User Fee amounting to RM237,832,000 (2012: RM99,183,000) relates to license and operating rights payable to the GoM which ranges from 9.76% to 10.04% (2012: 9.38% to 9.66%) of gross revenues by the Group from activities carried out at KLIA and other airports excluding construction revenue, reimbursements, interest income, recovery of bad debt or inter-company transactions.

Construction cost is in respect of cost recognised relating to the construction of klia2 and development of Penang International Airport by reference to the stage of completion. Construction cost also includes employee cost of RM18,251,000 (2012: RM10,083,000).

8. Directors' remuneration

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Executive director's remuneration (Note 5):				
- Other emoluments	1,847	1,462	1,847	1,462
Non-executive directors' remuneration (Note 7):				
- Fees	900	388	900	388
- Other emoluments	1,169	419	1,142	408
	2,069	807	2,042	796

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8. Directors' remuneration (contd.)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Total directors' remuneration	3,916	2,269	3,889	2,258
Estimated money value of benefits-in-kind	141	211	141	211
Total directors' remuneration including benefits-in-kind	4,057	2,480	4,030	2,469

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Executive:				
- Salaries and other emoluments	1,175	957	1,175	957
- Bonus	403	293	403	293
- Defined contribution plans	269	212	269	212
- Estimated money value of benefits-in-kind	20	17	20	17
	1,867	1,479	1,867	1,479
Non-executive:				
- Fees	900	388	900	388
- Allowances	1,169	419	1,142	408
- Estimated money value of benefits-in-kind	121	194	121	194
	4,057	2,480	4,030	2,469

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8. Directors' remuneration (contd.)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2013	**2012**
Executive director:		
RM1,400,001 - RM1,450,000	-	-
RM1,450,001 - RM1,500,000	-	1
RM1,500,001 - RM1,550,000	-	-
RM1,550,001 - RM1,600,000	-	-
RM1,600,001 – RM1,650,000	-	-
RM1,650,001 – RM1,700,000	-	-
RM1,700,001 – RM1,750,000	-	-
RM1,750,001 – RM1,800,000	-	-
RM1,800,001 – RM1,850,000	-	-
RM1,850,001 – RM1,900,000	1	-

	Number of directors	
	2013	**2012**
Non-executive directors:		
Less than RM50,000	3	2
RM50,001 – RM100,000	-	8
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	5	-
RM200,001 – RM250,000	3	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	1
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	-	-
RM500,001 – RM550,000	1	-

9. Income tax and zakat

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian income tax and zakat:				
Current income tax	148,453	154,819	13,952	14,052
(Over)/under provision in prior years	(8,168)	3,658	(2,626)	1,025
	140,285	158,477	11,326	15,077

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9. Income tax and zakat (contd.)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	20,840	32,960	16,536	10,915
Under/(over)provision of deferred tax liabilities in prior years	10,840	7,250	990	(76)
	31,680	40,210	17,526	10,839
	171,965	198,687	28,852	25,916
Income tax expenses	171,965	198,687	28,852	25,916
Zakat	3,516	9,798	479	2,391
Total income tax expense and zakat	175,481	208,485	29,331	28,307

Reconciliation between tax expense and accounting profit

The reconciliations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	2013 RM'000	2012 RM'000
Group		
Profit/(loss) before tax and zakat from:		
Continuing operations	553,168	602,756
Discontinued operation (Note 10)	(140)	189
	553,028	602,945
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	138,257	150,736
Tax effects of share of results of associate and jointly controlled entities	9,094	4,440
Income not subject to tax	(2,635)	(1,128)
Expenses not deductible for tax purposes	26,952	33,695
Utilisation of previously unrecognised unabsorbed capital allowances	(378)	(8)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	-	44
Deferred tax assets recognised in respect of previous year's tax losses and unabsorbed capital allowances	(1,997)	-
(Over)/under provision of income tax in prior years	(8,168)	3,658
Under provision of deferred tax in prior years	10,840	7,250
Income tax expense for the year	171,965	198,687

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9. Income tax and zakat (contd.)

	2013 RM'000	2012 RM'000
Company		
Profit before tax and zakat	141,996	91,197
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	35,499	22,799
Expenses not deductible for tax purposes	9,402	13,310
Income not subject to tax	(14,413)	(11,142)
(Over)/under provision of income tax in prior years	(2,626)	1,025
Under/(over) provision of deferred tax in prior years	990	(76)
Income tax expense for the year	28,852	25,916

Current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

10. Discontinued operation and disposal group classified as held for disposal

On 16 January 2013, Airport Automotive Workshop Sdn. Bhd. ("AAW") commenced Members' Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. Subsequently, on 16 August 2013, AAW had been fully dissolved.

On 3 September 2013, KLAH issued a notice of termination of the Hotel Management Agreement ("HMA") to SSHM due to the non-participation and withdrawal of a key individual in the management and operations of the JV Company. On 18 September 2013, pursuant to the terms of the Joint Venture Agreement ("JVA"), KLAH issued a written notice of termination to ATOZ Hospitality Services Sdn Bhd ("ATOZ"), to terminate the JVA.

Thus, as at 31 December 2013, the assets and liabilities of SSHM have been presented on the consolidated statement of financial position as assets and liabilities held for disposal and results from SSHM is presented separately on the statement of comprehensive income as discontinued operation.

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10. Discontinued operation and disposal group classified as held for disposal (contd.)

An analysis of the result of the discontinued operation is as follows:

	2013 RM'000
Revenue	-
Other income	-
Expenses	(140)
Loss for the year from discontinued operation	(140)

The classes of assets and liabilities classified as held for disposal on the consolidated statement of financial position are as follows:

	2013 RM'000
Asset	
Cash and cash equivalents	104
Assets of disposal group classified as held for disposal	104
Liability	
Trade and other payables	43
Liabilities of disposal group classified as held for disposal	43

Prior year assets and liabilities held for disposal were in respect of AAW which completed the liquidation during the year.

11. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group 2013 RM'000	2012 RM'000
Profit from continuing operations attributable to ordinary equity holders of the Company	377,687	394,271
(Loss)/profit from discontinued operation attributable to ordinary equity holders of the Company	(140)	189
Profit attributable to ordinary equity holders of the Company	377,547	394,460

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11. Earnings per share (contd.)

(a) Basic (contd.)

	Group 2013	Group 2012
Weighted average number of ordinary shares in issue ('000)	1,226,441	1,186,257

	Group 2013 sen	Group 2012 sen
Basic earnings per share for:		
Profit from continuing operations	30.80	33.24
(Loss)/profit from discontinued operation	(0.01)	0.02
Profit for the year	30.79	33.26

On 4 February 2014, the Company further increased its paid up share capital to RM1,240,546,352 by the issuance of 8,102,473 ordinary shares of RM1 each, at a total premium of RM57,203,000 arising from the Dividend Reinvestment Plan relating to electable portion (for those shareholders electing for the re-investment) of the interim dividend of 6.0%, on 1,232,443,879 ordinary shares, declared on 8 November 2013 for the financial year ended 31 December 2013 as disclosed in Note 38. Had this ordinary shares been issued as at 31 December 2013, the diluted earnings per share would be 30.77 sen.

Other than the above, there were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighing factor. The time-weighing factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

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12. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Recognised during the year:				
Interim dividend for 2013:				
on 1,232,443,879 ordinary shares				
- 6.00% on single-tier				
(6.00 sen net per ordinary share)	73,946	-	73,946	-
Final dividend for 2012:				
on 1,217,088,046 ordinary shares				
- 7.63% on single-tier				
(7.63 sen net per ordinary share)	-	92,864	92,864	-
Interim dividend for 2012:				
on 1,210,000,000 ordinary shares				
- 6.00% on single-tier				
(6.00 sen net per ordinary share)	-	72,600	-	72,600
Final dividend for 2011:				
on 1,210,000,000 ordinary shares				
- 12.85% less 25% taxation,				
(9.64 sen net per ordinary share)	-	-	-	116,640
- 0.30% on single-tier				
(0.30 sen net per ordinary share)	-	-	-	3,630
Proposed for approval at forthcoming Annual General Meeting (not recognised as liability as at 31 December 2013):				
Final dividend for 2013:				
on 1,240,546,352 ordinary shares				
up to 6.35% on single-tier				
(6.35 sen net per ordinary share)	78,775	-	-	-
	152,721	165,464	166,810	192,870

Proposed final dividend

At the forthcoming Annual General Meeting, a final dividend in respect of the final year ended 31 December 2013, of up to 6.35% on 1,240,546,352 ordinary shares on single-tier basis, with a total quantum of RM78,775,000, will be proposed for shareholders' approval ("Proposed Final Dividend"). On 23 December 2013, the Company had announced the proposed private placement of up to 10% of the total issued and paid-up share capital of the Company, to investor(s) to be identified at an issue price to be determined and announced later ("Proposed Private Placement").

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12. Dividends (contd.)

Proposed final dividend (contd.)

Bursa Malaysia Securities Berhad had vide its letter dated 5 February 2014, approved the application for the listing of and quotation for up to 124,054,635 new MAHB shares to be issued pursuant to the Proposed Private Placement ("Placement Shares"). In the event none of the Placement Shares are issued by the books closure date ("BCD") for the Proposed Final Dividend, the final dividend would be 6.35 sen per ordinary share. In the event all the Placement Shares have been issued by the BCD for the Proposed Final Dividend, the final dividend would be 5.78 sen per ordinary share. The actual amount of final dividend per ordinary share would be dependent on the actual number of Placement Shares issued by the Company by the BCD for the Proposed Final Dividend.

Dividend Reinvestment Plan ("DRP")

The Dividend Reinvestment Plan ("DRP") was approved by the Shareholders at the Extraordinary General Meeting held on 30 November 2012. The DRP provides Shareholders an option to elect to reinvest their cash dividend(s) declared by the Company (whether interim, final, special or any other cash dividend) ("Dividend(s)") in new ordinary shares of RM1.00 each in MAHB ("MAHB Shares").

Details of the DRP are disclosed in Note 27.

Dividend paid during financial year

A single-tier interim dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2012 was declared on 23 October 2012. The interim dividend amounting to RM72,600,000 of which RM39,074,000 was paid on 18 January 2013 and the remaining was reinvested on 21 January 2013.

The reinvestment rate subsequent to the completion of the dividend payment was 46.2%.

A single-tier final dividend of 7.63 sen per ordinary share in respect of the financial year ended 31 December 2012 was approved by the Shareholders at its Annual General Meeting held on 28 March 2013. The final dividend amounting to RM92,864,000 of which RM13,935,000 was paid on 13 May 2013 and the remaining was reinvested on 14 May 2013.

The reinvestment rate subsequent to the completion of the dividend payment was 85.0%.

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13. Property, plant and equipment

	Property and buildings RM'000	Hotel property RM'000	Safety equipment and motor vehicles RM'000	Office, communication and electronic equipment, furniture and fittings RM'000	Plant and machinery, crockery, glassware, cutlery and linen RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
At 31 December 2013							
Cost							
At 1 January 2013	77,215	109,736	5,400	186,316	22,297	97,121	498,085
Additions	-	35	575	10,842	9	66,167	77,628
Disposals	-	(643)	-	-	-	-	(643)
Written off	-	(2,871)	(201)	(131)	-	-	(3,203)
Transfers	41,106	12,916	139	47,637	2,533	(104,331)	-
Reclassified from intangible assets	-	-	-	7,385	-	-	7,385
At 31 December 2013	118,321	119,173	5,913	252,049	24,839	58,957	579,252
Accumulated depreciation and impairment							
At 1 January 2013	17,630	45,812	503	126,726	14,089	2,496	207,256
Charge for the year (Note 7)	2,868	3,821	224	36,503	3,146	-	46,562
Disposals	-	(219)	-	-	-	-	(219)
Written off	-	(965)	(201)	(110)	-	-	(1,276)
Reclassified from intangible assets	-	-	40	554	-	-	594
At 31 December 2013	20,498	48,449	566	163,673	17,235	2,496	252,917
Net carrying amount	97,823	70,724	5,347	88,376	7,604	56,461	326,335

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13. Property, plant and equipment (contd.)

	Property and buildings RM'000	Hotel property RM'000	Safety equipment and motor vehicles RM'000	Office, communication and electronic equipment, furniture and fittings RM'000	Plant and machinery, crockery, glassware, cutlery and linen RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
At 31 December 2012							
Cost							
At 1 January 2012	77,955	120,809	2,855	179,540	22,358	45,357	448,874
Additions	106	-	254	3,583	103	66,290	70,336
Disposals	-	(8,825)	-	(8,038)	-	-	(16,863)
Written off	-	(2,248)	-	(3,678)	(612)	-	(6,538)
Transfers	(846)	-	-	14,924	448	(14,526)	-
Reclassified from intangible assets	-	-	2,291	-	-	-	2,291
Assets held for disposal written off	-	-	-	(15)	-	-	(15)
At 31 December 2012	77,215	109,736	5,400	186,316	22,297	97,121	498,085
Accumulated depreciation and impairment							
At 1 January 2012	14,702	45,704	2,672	111,259	11,507	2,496	188,340
Charge for the year							
- Continuing operations (Note 7)	2,928	3,712	87	24,002	2,582	-	33,311
- Discontinued operation (Note 10)	-	-	-	1	-	-	1
Disposals	-	(2,883)	-	(7,925)	-	-	(10,808)
Written off	-	(721)	(3,677)	(609)	-	-	(5,007)
Reclassified from intangible assets	-	-	1,421	-	-	-	1,421
Assets held for disposal written off	-	-	-	(2)	-	-	(2)
At 31 December 2012	17,630	45,812	503	126,726	14,089	2,496	207,256
Net carrying amount	59,585	63,924	4,897	59,590	8,208	94,625	290,829

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13. Property, plant and equipment (contd.)

	Building RM'000	Motor vehicles RM'000	Office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company					
At 31 December 2013					
Cost					
At 1 January 2013	32,414	2,194	66,818	27,471	128,897
Additions	-	-	5,540	10,007	15,547
Transfers	443	-	8,084	(8,527)	-
Written off	-	-	(113)	-	(113)
At 31 December 2013	32,857	2,194	80,329	28,951	144,331
Accumulated depreciation					
At 1 January 2013	4,451	1,118	34,440	-	40,009
Charge for the year (Note 7)	1,516	137	15,022	-	16,675
Written off	-	-	(93)	-	(93)
At 31 December 2013	5,967	1,255	49,369	-	56,591
Net carrying amount	26,890	939	30,960	28,951	87,740
At 31 December 2012					
Cost					
At 1 January 2012	33,167	1,070	58,186	23,405	115,828
Additions	106	1,124	502	11,337	13,069
Transfers	(859)	-	8,130	(7,271)	-
At 31 December 2012	32,414	2,194	66,818	27,471	128,897
Accumulated depreciation					
At 1 January 2012	3,118	1,060	18,686	-	22,864
Charge for the year (Note 7)	1,333	58	15,754	-	17,145
At 31 December 2012	4,451	1,118	34,440	-	40,009
Net carrying amount	27,963	1,076	32,378	27,471	88,888

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13. Property, plant and equipment (contd.)

Included in the cost of property, plant and equipment of the Group and of the Company are cost of fully depreciated assets which are still in use amounting to RM122,016,000 (2012: RM101,374,000) and RM31,539,000 (2012: RM14,279,000) respectively.

14. Plantation development expenditure

	Group 2013 RM'000	Group 2012 RM'000
Cost		
At 1 January	73,933	72,812
Additions	5,231	1,121
At 31 December	79,164	73,933
Accumulated amortisation		
At 1 January	23,597	20,950
Charge for the year (Note 7)	2,745	2,647
At 31 December	26,342	23,597
Net carrying amount	52,822	50,336

15. Land use rights

	Group 2013 RM'000	Group 2012 RM'000
Net carrying amount		
At 1 January	7,639	7,760
Amortisation during the year (Note 7)	(121)	(121)
At 31 December	7,518	7,639
Analysed as:		
Short term land use rights	1,667	1,716
Long term land use rights	5,851	5,923
	7,518	7,639

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16. Intangible assets

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Capital work-in-progress RM'000	Total RM'000
Group				
At 31 December 2013				
Cost				
At 1 January 2013	1,982,138	2,328,663	3,171,290	7,482,091
Additions	-	401,580	1,894,869	2,296,449
Written off	-	(3,186)	(15)	(3,201)
Transfers	-	226,980	(226,980)	-
Reclassified to property, plant and equipment	-	(7,385)	-	(7,385)
At 31 December 2013	1,982,138	2,946,652	4,839,164	9,767,954
Accumulated amortisation and impairment				
At 1 January 2013	307,026	977,065	-	1,284,091
Charge for the year (Note 7)	50,444	177,990	-	228,434
Written off	-	(3,091)	-	(3,091)
Reclassified to property, plant and equipment	-	(594)	-	(594)
At 31 December 2013	357,470	1,151,370	-	1,508,840
Net carrying amount	1,624,668	1,795,282	4,839,164	8,259,114

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16. Intangible assets (contd.)

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 December 2012				
Cost				
At 1 January 2012	1,982,138	2,040,451	1,811,047	5,833,636
Additions	-	57,535	1,601,085	1,658,620
Disposals	-	(683)	-	(683)
Written off	-	(6,876)	(315)	(7,191)
Transfers	-	240,527	(240,527)	-
Reclassified to property, plant and equipment	-	(2,291)	-	(2,291)
At 31 December 2012	1,982,138	2,328,663	3,171,290	7,482,091
Accumulated amortisation and impairment				
At 1 January 2012	263,483	842,923	-	1,106,406
Charge for the year (Note 7)	43,543	141,655	-	185,198
Disposals	-	(563)	-	(563)
Written off	-	(5,529)	-	(5,529)
Reclassified to property, plant and equipment	-	(1,421)	-	(1,421)
At 31 December 2012	307,026	977,065	-	1,284,091
Net carrying amount	1,675,112	1,351,598	3,171,290	6,198,000

16. Intangible assets (contd.)

	Capital work-in-progress RM'000
Company	
At 31 December 2013	
Cost	
At 1 January 2013	2,855,420
Addition	1,728,292
At 31 December 2013	4,583,712
Net carrying amount	4,583,712
At 31 December 2012	
Cost	
At 1 January 2012	1,542,458
Addition	1,360,256
Disposal	(47,294)
At 31 December 2012	2,855,420
Net carrying amount	2,855,420

The Group's capital work-in-progress comprises fair value of the consideration receivable for the construction service delivered during the stage of construction, including an average of 4.5% mark-up and 7.5% mark-up on the cost incurred for klia2 and expansion to Penang International Airport, respectively.

Excluding 4.5% mark-up and borrowing cost capitalised, the Company's intangible assets represent capital work-in-progress which include costs incurred to date in respect of the construction of klia2 amounting to RM3,494,020,000 (2012: RM2,125,000,000) and other development cost amounting to RM526,031,000 (2012: RM381,842,000) which are not depreciated.

The Company's intangible assets also include 4.5% mark-up on the cost incurred as at reporting date for klia2 which amounted to RM180,759,000 (2012: RM112,795,000) and borrowing costs arising from the borrowings under the Sukuk Program specifically for the purpose of the construction of klia2. Details of borrowings and securities are disclosed in Note 32. The net borrowing costs capitalised to date in capital work-in-progress amounted to RM382,902,000 (2012: RM236,076,000).

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16. Intangible assets (contd.)

The additions in intangible assets were acquired by way of:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash	1,836,074	1,595,315	1,660,328	1,306,517
Concession asset *	388,394	-	-	-
Profit from construction contracts	71,981	63,305	67,964	53,739
Total additions	2,296,449	1,658,620	1,728,292	1,360,256

* Concession asset is in respect of privatisation of the Development of a Generation Plant at klia2.

17. Investments in subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares at cost	1,777,266	1,777,266

Name of Company	Issued and Paid-up Capital RM	Effective Interest Held 2013 %	Effective Interest Held 2012 %	Principal Activities
Malaysia Airports Sdn. Bhd. (230646-U)	360,113,847	100	100	Management, operations and maintenance of designated airports and provision of airport related services in Malaysia other than K. L. International Airport ("KLIA").
Malaysia Airports (Sepang) Sdn. Bhd. (320480-D)	50,000,002	100	100	Management, operations, maintenance and future development of KLIA and Low Cost Carrier Terminal ("LCCT") in Sepang and provision of airport related services.

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17. Investments in subsidiaries (contd.)

Name of Company	Issued and Paid-up Capital RM	Effective Interest Held 2013 %	2012 %	Principal Activities
Malaysia Airports (Niaga) Sdn. Bhd. (281310-V)	5,000,002	100	100	Operating duty free, non-duty free outlets and providing management services in respect of food and beverage outlets at airports.
Malaysia Airports Consultancy Services Sdn. Bhd. (375245-X)	500,002	100	100	Provision of maintenance and technical services in connection with the airport industry.
Malaysia Airports (Properties) Sdn. Bhd. (484656-H)	2	100	100	Provision of non-passenger related services which involves property management and establishing fixed asset requirements.
MAB Agriculture-Horticulture Sdn. Bhd. (467902-D)	10,000,000	100	100	Cultivation and selling of oil palm and other agricultural products, and engaging in horticulture activities.
K.L. Airport Hotel Sdn. Bhd. (330863-D)	10,000,000	100	100	Owner of the hotel known as Sama-Sama Hotel K.L. International Airport.
- preference shares	900,000			
Malaysia Airports Technologies Sdn. Bhd. (512262-H)	1,150,002	100	100	Operations and maintenance services and undertaking Information and Communication Technology business ventures.

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17. Investments in subsidiaries (contd.)

Name of Company	Issued and Paid-up Capital RM	Effective Interest Held 2013 %	2012 %	Principal Activities
Malaysia Airports @ (Mauritius) Pte Ltd	USD1,000	100	100	Investment holding.
MAHB (Mauritius) @ Pte Ltd	USD2	100	100	Investment holding management.
Eraman (Malaysia) Sdn. Bhd. (324329-K)	2	100	100	Dormant. Intended principal activity is general trading.
Malaysia International Aerospace Centre Sdn. Bhd. (438244-H)	2	100	100	Planning, management and marketing for the development of Malaysia International Aerospace Centre at Sultan Abdul Aziz Shah Airport and other airports in Malaysia.
Airport Ventures Sdn. Bhd. (512527-U)	2	100	100	Investment holding.
Malaysia Airports MSC Sdn. Bhd. (516854-V)	500,000	100	100	To acquire and carry on business of airport and related services and activities including navigation and air traffic control, in connection therewith to act as agents of, or in connection with other companies or persons engaged in similar businesses.

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17. Investments in subsidiaries (contd.)

Name of Company	Issued and Paid-up Capital RM	Effective Interest Held 2013 %	2012 %	Principal Activities
Malaysia Airports (Labuan) Pte Ltd (LL05298)	USD1,000	100	100	Investment holding management.
Urusan Teknologi Wawasan Sdn. Bhd. (459878-D)	750,000	100	100	Provision of mechanical, electrical and civil engineering services at KLIA in Sepang.
Airport Automotive Workshop Sdn. Bhd. (808167-P)	200,000	-	51 *	Liquidated during the year.
Malaysia Airports Capital Berhad (906593-U)	2	100	100	Investment holding management.
Malaysia Airports Capital Labuan Ltd (LL07679)	USD2	100	100	Investment holding management.
M A Construction (Labuan) Private Limited (LL08348)	USD1,000	100	100	Investment holding management.

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17. Investments in subsidiaries (contd.)

Name of Company	Issued and Paid-up Capital RM	Effective Interest Held 2013 %	Effective Interest Held 2012 %	Principal Activities
Malaysia Airports Consultancy Services Gulf LLC (57465)	Qatari Riyal 200,000	-	49	Dissolved.
Malaysia Airports Consultancy Services Middle East LLC (62645)	Qatari Riyal 200,000	49	-	Facilities Maintenance Services at airports. Incorporated during the year.
Sama-Sama Hospitality Management Sdn. Bhd. (SSHM) (1029991-A)	RM100	51	-	Operating and managing airport hotels. Incorporated and ceased operation during the year.

@ Audited by a member firm of Ernst & Young Global
* 51% shareholding held through Urusan Teknologi Wawasan Sdn. Bhd. (459878-D)

Acquisition of subsidiaries:

(a) On 18 December 2013, Malaysia Airport Consultancy Services Sdn. Bhd. ("MACS"), a wholly-owned subsidiary of the Group entered into a Shareholders Agreement with Watad Group Enterprises LLC ("Watad") to form a joint venture company incorporated in Doha, Qatar under the name of MACS Middle East LLC ("MME") for the purpose of undertaking activities in the areas of facilities maintenance services at airports, including the new Doha International Airport and any other activities. The issued share capital of MME is amounting to Qatari Riyal 200,000 (or the equivalent of approximately RM177,000), in which 49% is held by MACS and 51% by Watad.

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17. Investments in subsidiaries (contd.)

Acquisition of subsidiaries (contd.):

(a) (contd.)

MME is considered as a subsidiary as it meets the definition of a subsidiary under FRS127 para 3 as follows:-

Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power of an entity when there is:

(i) power over more than half of the voting rights by virtue of an agreement with other investors;

(ii) power to govern the financial and operating policies of the entity under a statute or an agreement;

(iii) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or

(iv) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

(b) On 2 January 2013, K.L. Airport Hotel Sdn. Bhd. ("KLAH"), a wholly-owned subsidiary of the Group and ATOZ Hospitality Services Sdn. Bhd. ("ATOZ"), had incorporated a private limited Joint Venture Company under the name of Sama-Sama Hospitality Management Sdn. Bhd. ("SSHM") for the purpose of operating and managing a new airport hotels brand known as "Sama-Sama Hospitality Group" which comprised two sub-brands namely, "Sama-Sama Hotel" and "Sama-Sama Express". The consideration in respect of this investment was RM51.

On 3 September 2013, KLAH issued a notice of termination of the Hotel Management Agreement ("HMA") to SSHM due to the non-participation and withdrawal of a key individual in the management and operations of the JV Company.

On 18 September 2013, pursuant to the terms of the Joint Venture Agreement ("JVA"), KLAH issued a written notice of termination to ATOZ, to terminate the JVA.

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18. Investments in associates

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Unquoted shares at cost:				
- outside Malaysia	191,675	183,096	166,418	161,582
- in Malaysia	1,440	600	-	-
	193,115	183,696	166,418	161,582
Share of post-acquisition reserve	(95,678)	(94,402)	-	-
Impairment of investment	(72,658)	(68,916)	-	-
	24,779	20,378	166,418	161,582
Analysed as:				
Unquoted shares at cost:				
At 1 January	183,696	155,772	161,582	133,658
Acquisition during the year	840	-	-	-
Additional contribution	8,579	27,924	4,836	27,924
At 31 December	193,115	183,696	166,418	161,582
Share of post-acquisition reserve:				
At 1 January	(151,771)	(136,523)	-	-
Share of results	(39,385)	(17,505)	-	-
Share of other comprehensive income of associates	(1,942)	4,657	-	-
Dividend received	(1,800)	(2,400)	-	-
Share of post-acquisition reserve at 31 December	(194,898)	(151,771)	-	-
Additional investment (Note 33)	99,220	57,369	-	-
	(95,678)	(94,402)	-	-

Investments in LGM, ISG and GMR Male with carrying amounts of RM189,000 (2012: RM169,000),RM161,225,000 (2012: RM118,647,000) and RM11,562,000 (2012:RM10,786,000) respectively are pledged to financial institutions for credit facilities granted to the associates.

Additional contribution is in respect of advances provided to a foreign associate as required under the funding arrangement with the shareholders of the associate and the lenders and may be converted as equity funding.

On 27 November 2012, the Maldivian government declared the concession agreement with GMR Male International Airport Limited ("GMR Male") which was awarded in 2010, as void. GMR Male was to operate, maintain, expand, rehabilitate and modernise the Ibrahim Nasir International Airport ("INIA") for a period of 25 years which the Group has 23% interest. Investment in GMR Male has been provided for impairment loss in the financial statements.

18. Investments in associates (contd.)

Further to the arbitration proceedings filed by the respective parties against the others, GMR Male seeks inter alia, damages for repudiatory breach of the concession agreement. Pending the decision by the arbitration tribunal, the directors are of the opinion that provision for impairment on this investment ought to be made in the previous reporting date.

The Group has not recognised further losses relating to GMR Male and ISG where their share of losses exceeded the Group's interest and the extent of the Group's legal and constructive obligations in its investment in GMR Male and ISG. The Group's current year end cumulative share of unrecognised losses in the financial year was RM105,600,000 (2012: RM88,200,000). The share of unrecognised losses excluded any potential claims from the Maldivian government by GMR Male which are subject to and pending the arbitration tribunal. The Group has no further obligation in respect of these losses and until such time where the associates are in a profitable position, the Group shall recognise the share of profits only after its share of the profits equals the share of losses not recognised.

On 21 August 2013, MAHB has entered into a Joint Venture Agreement with MA Sepang, Mitsui Fudosan Co. Ltd. ("MF") and Retail Investment One Pte. Ltd. ("RI One"), to participate in a joint venture company under the name of MFMA Development Sdn. Bhd. ("MFMA") for the development operation and maintenance of a Factory Outlet Centre and its complementary components known as "Mitsui Outlet Park KLIA". MFMA was incorporated on 26 February 2013. The issued share capital of MFMA amounting to RM2,800,000 in which 30% is held by MA Sepang and 70% for RI One.

As disclosed in Note 38, on 28 December 2013, MAHB had entered into an agreement to purchase an additional 40% stake in ISG and LGM from GMR Infrastructure Limited ,GMR Infrastructure Overseas Limited and GMR Infrastructure (Global) Limited for total cash consideration of EUR225,000,000 (or the equivalent of approximately RM1,008,180,000). Other than EUR8,000,000 (RM36,252,000) paid as deposits as disclosed in Note 22(e), there are no other amounts effected the financial statements at reporting date.

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18. Investments in associates (contd.)

Details of the associates are as follows:

Name of Associate	Country of Incorporation	Issued and Paid-up Capital	Effective Interest Held 2013 %	Effective Interest Held 2012 %	Financial Year End	Principal Activities
Held by the Company:						
Istanbul Sabiha Gokcen International Airport Investment Development and Operation Inc. ("ISG")	Turkey	€ 178,741,000	20	20	31 December	Operation, management and development and provision of airport related services.
LGM Airport Operations Trade and Tourism Inc. ("LGM")	Turkey	€ 209,037	20	20	31 December	Provision of management services in respect of transportation, parking, food and beverages, cleaning at the airport and construction of hotel and car park within the airport.

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18. Investments in associates (contd.)

Name of Associate	Country of Incorporation	Issued and Paid-up Capital	Interest Held 2013 %	Interest Held 2012 %	Financial Year End	Principal Activities
Held through a subsidiary:						
GMR Male International Airport Private Limited ("GMR Male")	Republic of Maldives	USD 30,050,094	23	23	31 December	Operation, management and development and provision of airport related services. Currently ceased operations.
Kuala Lumpur Aviation Fuelling System Sdn. Bhd. ("KAF")*	Malaysia	RM3,000,000	20	20	31 March	Development, management and operations of aviation fuelling system at KLIA.
MFMA Development Sdn. Bhd. ("MFMA")	Malaysia	RM2,800,000	30	-	31 December	Development operation and maintenance of a Factory Outlet Centre and its complementary components known as "Mitsui Outlet Park KLIA".

* KAF has a financial year end of 31 March 2013 to conform with its holding company's financial year end. The financial statements of the associate for the 9 months interim period ended 31 December 2013 have been used for the purpose of applying the equity method of accounting.

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18. Investments in associates (contd.)

The summarised financial statements of the associates are as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Assets and liabilities		
Current assets	786,230	802,450
Non-current assets	5,935,983	5,449,749
Total assets	6,722,213	6,252,199
Current liabilities	1,296,952	1,237,624
Non-current liabilities	6,496,654	5,797,747
Total liabilities	7,793,606	7,035,371
Results		
Revenue	1,111,750	1,959,078
Loss for the year	(291,389)	(826,505)

19. Investment in jointly controlled entities

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares at cost:				
- in Malaysia	53,718	42,900	53,718	42,900
Share of post-acquisition reserve	3,434	426	-	-
	57,152	43,326	53,718	42,900
Analysed as:				
Unquoted shares at cost:				
At 1 January	42,900	21,900	42,900	21,900
Acquisition during the year	10,818	21,000	10,818	21,000
At 31 December	53,718	42,900	53,718	42,900
Share of post-acquisition reserve:				
At 1 January	426	677	-	-
Share of results	3,008	(251)	-	-
At 31 December	3,434	426	-	-

19. Investment in jointly controlled entities (contd.)

Details of the jointly controlled entities are as follows:

Name of Entity	Country of Incorporation	Issued and Paid-up Capital	Effective Interest Held 2013 %	Effective Interest Held 2012 %	Financial Year End	Principal Activities
Held by the Company:						
Segi Astana Sdn. Bhd. (SASB)*	Malaysia	RM 106,060,000	30	30	31 December	Development, management and operations of property.
Airport Cooling Energy Supply Sdn. Bhd. (ACES)**	Malaysia	RM 19,040,000	23	23	31 August	Development, management and operations of chilled water plant.
- Redeemable Preference Shares		RM 76,160,000				

* On 22 September 2011, the Company had entered into a Joint Venture Agreement with WCT Land Sdn. Bhd. to provide ancillary and complementary support services and facilities to the klia2 Terminal Building. The consideration in respect of this investment was RM21,000,300 out of which RM21,000,000 was acquired in the previous financial year.

** On 27 October 2011, the Company had entered into a Joint Venture Agreement with TNB Engineering Corporation Berhad and incorporated ACES for the operation and maintenance of a generation plant for the supply of Chilled Water and power at the klia2. The consideration in respect of this investment was RM21,900,000.

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19. Investment in jointly controlled entities (contd.)

The summarised financial statements of the jointly controlled entities are as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Assets and liabilities		
Current assets	443,820	102,524
Non-current assets	627,012	850,455
Total assets	1,070,832	952,979
Current liabilities	74,304	109,972
Non-current liabilities	778,969	674,356
Total liabilities	853,273	784,328
Results		
Revenue	28,051	-
Profit/(loss) for the year	14,238	(692)

ACES has a financial year end of 31 August 2013. The financial statements of ACES for the 4 months interim period ended 31 December 2013 have been used for the purpose of applying the equity method of accounting.

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20. Available-for-sale investments ("AFS")

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bonds and medium term notes in Malaysia at fair value	-	5,523	-	-
Quoted unit trust in Malaysia	113,488	74,276	80,969	37,910
AFS at fair value	113,488	79,799	80,969	37,910
* Unquoted shares at cost:				
- in Malaysia	15,254	17,475	-	-
- outside Malaysia	220,708	205,905	-	-
AFS at cost	235,962	223,380	-	-
Total other investments	349,450	303,179	80,969	37,910

Movement in available-for-sale investments are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	303,179	249,679	37,910	1,996
Additions	45,612	70,933	45,900	35,600
Fair value adjustment	(3,747)	(333)	(2,841)	314
Amortisation of premium on investments	(29)	(55)	-	-
Disposals	(10,899)	(8,968)	-	-
Foreign currency translation	15,334	(8,077)	-	-
At 31 December	349,450	303,179	80,969	37,910

* The fair value information has not been disclosed for these financial instruments as their fair value cannot be measured reliably due to the lack of quoted market price in an active market and assumption required for valuing these financial instruments.

Unquoted shares of RM34,975,000 (2012: RM32,629,000) for the Group are pledged as security in respect of certain agreement entered into by the Group.

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21. Fair value measurement

Fair value measurement hierarchy for assets:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RM'000	RM'000	RM'000	RM'000
As at 31 December 2013				
Available-for-sale financial investment (Note: 20)				
Quoted equity shares	113,488	113,488	-	-
Unquoted equity shares	235,962	-	220,708	15,254
	349,450	113,488	220,708	15,254
As at 31 December 2012				
Available-for-sale financial investment (Note: 20)				
Quoted equity shares	74,276	74,276	-	-
Unquoted equity shares	223,380	-	205,905	17,475
Bond	5,523	5,523	-	-
	303,179	79,799	205,905	17,475

Level 1: The fair value of available-for-sale financial assets is derived from quoted prices in active markets.

Level 2: The fair values of available-for-sale assets cannot be measured based on quoted prices in active markets. Their fair values are measured using valuation techniques from observable markets which was based on analyst reports and there were significant variance in the valuations. Thus, FRS 139 exception rule applied and book values were used.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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22. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current				
Trade receivables				
Third parties	348,092	274,394	-	-
Due from GoM	40,587	244,015	-	-
Accrued revenue	102,553	56,964	-	-
	491,232	575,373	-	-
Less: Allowance for doubtful debts				
Third parties	(48,909)	(50,679)	-	-
Trade receivables, net	442,323	524,694	-	-
Other receivables				
Amounts due from subsidiaries	-	-	151,986	509,073
Staff loans (Note 23)	7,326	3,525	-	-
Deposits	41,145	7,499	47	987
Tax recoverable	11,520	7,014	8,595	4,511
Prepayments	26,696	65,545	13,889	59,932
Sundry receivables	53,496	43,451	9,678	12,751
	140,183	127,034	184,195	587,254
Less: Allowance for doubtful debts	(12,070)	(11,488)	(8,034)	(1,791)
Other receivables, net	128,113	115,546	176,161	585,463
	570,436	640,240	176,161	585,463
Non-current				
Trade receivables				
Third parties	-	1,250	-	-
Other receivables				
Due from GoM	364,572	353,748	49,204	49,204
	364,572	354,998	49,204	49,204
Total trade and other receivables (current and non-current)	935,008	995,238	225,365	634,667
Add: Cash and bank balances (Note 26)	345,413	774,166	95,989	489,959
Less: Tax recoverable and prepayments	(38,216)	(72,559)	(22,484)	(64,443)
Total loans and receivables	1,242,205	1,696,845	298,870	1,060,183

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22. Trade and other receivables (contd.)

Ageing analysis of trade receivables

The ageing analysis of the Group's total trade receivables (current and non-current), but excluding accrued revenue is as follows:

	Group 2013 RM'000	Group 2012 RM'000
Neither past due nor impaired	140,472	342,257
1 to 30 days past due not impaired	92,186	66,984
31 to 60 days past due not impaired	31,661	8,495
61 to 90 days past due not impaired	14,770	14,145
91 to 120 days past due not impaired	10,287	4,372
More than 121 days past due not impaired	27,463	11,496
	176,367	105,492
Impaired	71,840	71,910
	388,679	519,659

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 96% (2012: 82%) of the Group's trade receivables arise from customers with more than 5 years of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance for doubtful debts used to record the doubtful debts are as follows:

	Individually impaired 2013 RM'000	Individually impaired 2012 RM'000
Group		
Trade receivables		
- nominal amounts	71,840	71,910
Less: Allowance for doubtful debts	(48,909)	(50,679)
	22,931	21,231

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22. Trade and other receivables (contd.)

Receivables that are impaired (contd.)

(a) Receivables amounting to RM19,329,000 (2012: RM16,847,000) are in respect of certain debtors who have the obligations to repay their debts but are prolonged as settlement of the outstanding balances are pending approvals. Historically, the nature for these type of debts will eventually be settled, including the possible set off against any future liabilities of the Group with the same debtors. Accordingly, no further allowance for doubtful debt is necessary.

(b) Receivables amounting to RM3,602,000 (2012: RM4,544,000) are expected to be settled by installment arrangement plan.

Movement in allowance for doubtful debts:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade				
At 1 January	50,679	54,570	-	-
Net writeback of doubtful debts	(1,770)	(3,891)	-	-
At 31 December	48,909	50,679	-	-
Other receivables				
At 1 January	11,488	9,473	1,791	8
Net allowance for doubtful debts	582	2,015	6,243	1,783
At 31 December	12,070	11,488	8,034	1,791

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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22. Trade and other receivables (contd.)

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and bears interest at 1% per month on overdue balances. As at reporting date, the concentration of credit risk in the form of outstanding balances is mainly due to four (2012: four) customers representing approximately 54% (2012: 55%) of the total trade receivables.

(b) Amounts due from subsidiaries (Current)

Amounts due from subsidiaries are non-interest bearing and are repayable on demand. All related parties receivables are unsecured and are to be settled in cash. Included in amounts due from subsidiaries was RMNil (2012: RM42,390,000) paid by the Company to GoM on behalf of its subsidiary in prior years.

(c) Trade receivables (Non-current)

The Group had previously negotiated with several debtors to extend the settlement of outstanding debts by entering into debts settlement agreements. The non-current amounts consist of overdue balances of these debtors with the term of settlements ranging from 1 to 6 years (2012: 1 to 6 years). The amounts due are non-interest bearing, unsecured and are to be repaid by cash settlement. The amount had been fully settled during the financial year.

(d) Other receivables (Non-current)

Amount due from GoM is further discussed in Note 22(g).

(e) Deposits

Included in deposits is EUR8,000,000 (RM36,252,000) in respect of deposit paid for the proposed acquisition of additional 40% stake in ISG, as disclosed in Note 38(i).

(f) Prepayments

Prepayments amounting to RM3,563,000 (2012: RM59,699,000) are in respect of contractual advanced payments to supplier as required in the various contracts relating to klia2. It also includes an amount of RM11,658,000 (2012: RMNil) in respect of leasing equipment for klia2.

22. Trade and other receivables (contd.)

(g) Due from GoM

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current				
Trade receivables				
MARCS (Note 2.4(w)(iv))	12,787	117,166	-	-
Landing rebates	27,800	126,849	-	-
	40,587	244,015	-	-
Non-current				
Other receivables				
Debts assumed from former subsidiary	121,200	121,200	49,204	49,204
Receivable on call option (Note 2.5(a)(ii))	243,372	232,548	-	-
	364,572	353,748	49,204	49,204
Total amount due from GoM	405,159	597,763	49,204	49,204

Other information on financial risks of other receivables are disclosed in Note 40.

23. Staff loans

	Group	
	2013	2012
	RM'000	RM'000
Staff loans	44,409	38,855
Less: Current (Note 22)	(7,326)	(3,525)
Non-current portion	37,083	35,330
Analysed as:		
Current	7,326	3,525
Non-current:		
Later than 1 year but not later than 2 years	3,091	3,288
Later than 2 years but not later than 5 years	7,821	8,369
Later than 5 years	26,171	23,673
	37,083	35,330
	44,409	38,855

The staff loans attract interest rate at 4% (2012: 4%) per annum.

The Group has assessed the non-current portion and considered that the fair value amounts to approximate the carrying amounts.

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24. Deferred tax (assets)/liabilities

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At 1 January	97,233	57,023	35,158	24,319
Recognised in statements of profit or loss (Note 9)	31,680	40,210	17,526	10,839
At 31 December	128,913	97,233	52,684	35,158
Presented in the statements of financial position as follows:				
Deferred tax assets	(6,236)	(22,216)	-	-
Deferred tax liabilities	135,149	119,449	52,684	35,158
	128,913	97,233	52,684	35,158

The component and movement of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment and intangibles RM'000
At 1 January 2013	160,211
Recognised in the statements of profit or loss	40,463
At 31 December 2013	200,674
Less: Offset against deferred tax assets	(65,525)
	135,149
At 1 January 2012	122,049
Recognised in the statements of profit or loss	38,162
At 31 December 2012	160,211
Less: Offset against deferred tax assets	(40,762)
	119,449

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24. Deferred tax (assets)/liabilities (contd.)

Deferred tax assets of the Group:

	Unutilised tax losses and unabsorbed capital allowances RM'000	Receivables RM'000	Retirement benefits RM'000	Payables RM'000	Total RM'000
At 1 January 2013	(3,866)	(32,786)	2,555	(28,881)	(62,978)
Recognised in the statement of profit or loss	(3,011)	929	(2,577)	(4,124)	(8,783)
At 31 December 2013	(6,877)	(31,857)	(22)	(33,005)	(71,761)
Less: Offset against deferred tax liabilities					65,525
					(6,236)
At 1 January 2012	(10)	(35,114)	(1,641)	(28,261)	(65,026)
Recognised in the statement of profit or loss	(3,856)	2,328	4,196	(620)	2,048
At 31 December 2012	(3,866)	(32,786)	2,555	(28,881)	(62,978)
Less: Offset against deferred tax liabilities					40,762
					(22,216)

Deferred tax liabilities of the Company:

	Property, plant and equipment and intangibles RM'000
At 1 January 2013	44,306
Recognised in the statement of profit or loss	22,578
At 31 December 2013	66,884
At 1 January 2012	27,134
Recognised in the statement of profit or loss	17,172
At 31 December 2012	44,306

24. Deferred tax (assets)/liabilities (contd.)

Deferred tax assets of the Company:

	Retirement benefits RM'000	Payables RM'000	Total RM'000
At 1 January 2013	-	(9,148)	(9,148)
Recognised in the statement of profit or loss	-	(5,052)	(5,052)
At 31 December 2013	-	(14,200)	(14,200)
At 1 January 2012	(756)	(2,059)	(2,815)
Recognised in the statement of profit or loss	756	(7,089)	(6,333)
At 31 December 2012	-	(9,148)	(9,148)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unutilised tax losses	-	3,424	-	-
Unabsorbed capital allowances	-	-	-	-
Other deductible temporary differences	-	6,077	-	-
	-	9,501	-	-

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries of the Group are subject to no substantial changes in shareholdings of those subsidiaries under Section 44(5A) and (5B) of Income Tax Act, 1967.

Deferred tax assets have not been recognised where it is not probable that future taxable profits will be available against which the company or subsidiaries can utilise the benefits.

25. Inventories

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cost				
Spares and consumables	20,650	17,088	13	40
Merchandise goods	100,849	81,342	-	-
Food and beverages	818	667	-	-
	122,317	99,097	13	40

The cost of inventories relating to merchandise goods, food and beverages recognised as an expense during the financial year amounted to RM325,287,000 (2012: RM281,927,000).

26. Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	102,314	150,562	12,147	56,193
Deposits with licensed banks	196,584	36,506	66,052	401
Money on call with licensed banks	46,515	587,098	17,790	433,365
Cash and bank balances	345,413	774,166	95,989	489,959

Other information on financial risks of cash and cash equivalents are disclosed in Note 40.

For the purpose of consolidated statement of cash flow, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances:				
-Continuing operations	345,413	774,166	95,989	489,959
-Discontinued operation (Note 10)	104	63	-	-
Cash and cash equivalents	345,517	774,229	95,989	489,959

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27. Share capital

	Number of shares of RM1 each 2013	2012	Amount 2013 RM	2012 RM
Authorised:				
Special Rights Redeemable Preference Share of RM1 each	1	1	1	1
Ordinary shares of RM1 each	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
	2,000,000,001	2,000,000,001	2,000,000,001	2,000,000,001

Issued and fully paid:

	Number of shares of RM1 each	Amount RM
At 1 January 2012		
Special Rights Redeemable Preference Share of RM1 each	1	1
Ordinary shares of RM1 each	1,100,000,000	1,100,000,000
Issuance of new shares via private placement	110,000,000	110,000,000
At 31 December 2012	1,210,000,001	1,210,000,001
Dividend Reinvestment Plan ("DRP") Issued on:		
21 January 2013	7,088,046	7,088,046
14 May 2013	15,355,833	15,355,833
At 31 December 2013	1,232,443,880	1,232,443,880

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

27. Share capital (contd.)

Increased in issued and paid-up capital

On 21 January 2013, the Company has increased the shares issued and paid-up share capital of the Company to 1,217,088,046 via the issuance of 7,088,046 new ordinary shares of RM1.00 each pursuant to DRP relating to electable portion of the single-tier interim dividend of 6.00% for the financial year ended 31 December 2012.

On 14 May 2013, the Company has further increased the share issued and paid-up share capital of the Company to 1,232,443,879 via issuance of 15,355,833 new ordinary shares of RM1.00 each pursuant to DRP relating to electable portion of the single-tier final dividend of 7.63% for the financial year ended 31 December 2012.

Dividend Reinvestment Plan ("DRP")

The Dividend Reinvestment Plan ("DRP") was approved by the Shareholders at the Extraordinary General Meeting held on 30 November 2012. The DRP provides Shareholders an option to elect to reinvest their cash dividend(s) declared by the Company (whether interim, final, special or any other cash dividend) ("Dividend(s)") in new ordinary shares of RM1.00 each in MAHB ("MAHB Shares").

The DRP provides Shareholders with an opportunity to reinvest their Dividends in new MAHB Shares ("New Shares") in lieu of receiving cash. Shareholders are expected to benefit from their participation in the DRP as the New Shares may be issued at a discount and their subscription of such New Shares will be free from any brokerage fees and other related transaction costs. In addition, the DRP also provides the Shareholders with greater flexibility to meet their investment objectives as they would have the choice of receiving Dividends in cash or reinvesting into the Company through the subscription of additional Shares.

The DRP has capital management benefits to MAHB as the reinvestment of Dividends by Shareholders in New Shares will enlarge MAHB's share capital base and strengthen MAHB's capital position. Under the DRP, any cash so retained within MAHB, that would otherwise be made payable by way of dividend, will be preserved to fund the Group's continuing growth and expansion plan, and/or for the Group's working capital (including payment for general corporate activities and to defray expenses incurred in the course of day-to-day business operations). The issue of New Shares under the DRP is also expected to improve the liquidity of MAHB Shares currently listed on the Main Market of Bursa Securities.

27. Share capital (contd.)

Dividend Reinvestment Plan ("DRP") (contd.)

In relation to Dividends declared, the Board may, at its absolute discretion, determine whether to offer Shareholders an option to reinvest such Dividend in New Shares ("Reinvestment Option") and where applicable, the size of the portion of such Dividend to which the Reinvestment Option applies ("Electable Portion").

Shareholders will have the following options in respect of a Reinvestment Option:

(a) elect to participate and thereby reinvest the entire Electable Portion (or a part thereof) at the Issue Price (as defined below) for New Shares and to receive wholly in cash:

(i) the portion of the Dividend to which the Reinvestment Option does not apply, as determined by the Board ("Non-Electable Portion"); and

(ii) the remaining portion of the Electable Portion not reinvested (if any) ("Remaining Portion"); or

(b) elect not to participate in the Reinvestment Option and thereby receive the entire Dividend wholly in cash.

The issue price of such New Shares shall be the higher of the following ("Issue Price"):

(a) the adjusted volume-weighted average market price ("VWAP") of MAHB Shares for the five market days immediately before the price fixing date (i.e. a date on which the Issue Price will be determined) after applying a discount of not more than 10%. The VWAP shall be adjusted for Dividends before applying the aforementioned discount in fixing the Issue Price; or

(b) the par value of MAHB Shares at the material time.

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27. Share capital (contd.)

Special Rights Redeemable Preference Share

(a) The Special Rights Redeemable Preference Share ("Special Share") of RM1 enables the GoM, through the Minister of Finance, to ensure that certain major decisions affecting the operations of the Company are consistent with GoM policies. The Special Shareholder, which may only be the GoM or any representative or person acting on its behalf, is entitled to receive notices of meetings but not entitled to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

The Special Shareholder has the right to appoint any person, but not more than six at any time, to be directors.

(b) The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate.

(c) The Special Shareholder shall be entitled to repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member.

(d) The Special Shareholder does not have any right to participate in the capital or profits of the Company.

(e) Certain matters which vary the rights attached to the Special Share can only be effective with the written consent of the Special Shareholder, in particular matters relating to the creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, merger and takeover.

28. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders and such dividends will be exempted from tax in the hands of the shareholders ("single-tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance of Malaysian Income Tax Act, 1967 (Section 108 balance) and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company has not elected for the irrevocable option to disregard the Section 108 balance. The Company has fully utilised the credit in Section 108 in previous year and can distribute its entire retained earnings under the single-tier system without any restrictions.

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29. Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

30. Other reserve and foreign currency translation reserves

Other reserve represents the discount on acquisition of minority interest.

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

31. Other financial liability

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	176,562	183,486
Foreign currency translation	12,694	(6,924)
At 31 December	189,256	176,562

Other financial liability is in respect of unsecured debentures issued by a foreign subsidiary comprising 57,700,000 (2012: 57,700,000) fully paid debenture units of USD1 each. Interest on the debentures are payable upon the realisation of dividends from other investment held by the foreign subsidiary. The debentures have a 10-year period and the debenture holders have the rights to redeem the debentures at the nominal value and the debentures may be converted to ordinary shares issued by the foreign subsidiary.

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32. Loans and borrowings

	Maturity	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current					
Unsecured:					
Murabahah Tawarruq Revolving Credit Facility	2014	200,000	-	200,000	-
Non-Current					
Unsecured:					
Revolving loan					
4.55% p.a. fixed rate RM note	2020	1,000,000	1,000,000	1,000,000	1,000,000
4.68% p.a. fixed rate RM note	2022	1,500,000	1,500,000	1,500,000	1,500,000
4.15% p.a. fixed rate RM note	2024	600,000	600,000	600,000	600,000
3.85% p.a. fixed rate RM Senior Sukuk	2016	250,000	-	250,000	-
4.15% p.a. fixed rate RM Senior Sukuk	2018	250,000	-	250,000	-
		3,600,000	3,100,000	3,600,000	3,100,000
Total loans and borrowings					
4.55% p.a. fixed rate RM note		1,000,000	1,000,000	1,000,000	1,000,000
4.68% p.a. fixed rate RM note		1,500,000	1,500,000	1,500,000	1,500,000
4.15% p.a. fixed rate RM note		600,000	600,000	600,000	600,000
Revolving credit		200,000	-	200,000	-
3.85% p.a. fixed rate RM Senior Sukuk		250,000	-	250,000	-
4.15% p.a. fixed rate RM Senior Sukuk		250,000	-	250,000	-
		3,800,000	3,100,000	3,800,000	3,100,000

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32. Loans and borrowings (contd.)

The remaining maturities of the loans and borrowings as at 31 December 2013 are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
On demand or within one year	200,000	-	200,000	-
More than 1 year and less than 2 years	-	-	-	-
More than 2 years and less than 5 years	500,000	-	500,000	-
5 years or more	3,100,000	3,100,000	3,100,000	3,100,000
	3,800,000	3,100,000	3,800,000	3,100,000

These notes with total face value of RM3,100,000 are unsecured. Details of the notes are as follows:

Coupon rate	Issue size (RM'000)	Issue date	Maturity date
4.55%	1,000,000	30.08.2010	28.08.2020
4.68%	1,500,000	17.12.2010	16.12.2022
4.15%	600,000	28.12.2012	27.12.2024

These Senior Sukuk with total face value of RM500,000 are unsecured. Details of the Senior Sukuk are as follows:

Coupon rate	Issue size (RM'000)	Issue date	Maturity date
3.85%	250,000	06.09.2013	06.09.2016
4.15%	250,000	06.09.2013	06.09.2018

Malaysia Airports Capital Berhad ("MACB" or the "Issuer"), a wholly owned subsidiary of MAHB as disclosed in Note 17, is a special purpose vehicle and its principal activity is to undertake the issuance of Ringgit-denominated Islamic Commercial Papers ("ICPs") and Islamic Medium Term Notes ("IMTNs") pursuant to an Islamic Commercial Paper Programme ("ICP Programme") and an Islamic Medium Term Notes Programme ("IMTN Programme"), respectively in accordance with Shariah principles (collectively referred to as the "Sukuk Programmes").

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32. Loans and borrowings (contd.)

The Sukuk Programmes have a combined aggregate nominal value of up to RM3.1 billion (with a sub-limit of RM1.0 billion in nominal value for the ICP Programme).

The Company also undertook a Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme with a combined aggregate limit of up to RM2.5 billion under the Shariah principle of Musharakah (collectively referred to as "the Sukuk Musharakah Programmes"). MAHB is the issuer for the Sukuk Musharakah Programmes.

The proceeds from the Sukuk Musharakah Programmes issuance shall be utilized for the working capital requirements, general investments and/or refinance any borrowings/financing of MAHB and/or its subsidiaries, which are Shariah-compliant.

Proceeds raised from the Sukuk Programmes were utilised by MAHB to part finance the construction of a new terminal ("klia2") and/or to refinance MAHB's existing borrowings/financing which were utilised for Shariah-compliant purposes and/or for MAHB's Shariah-compliant general corporate purposes.

The Sukuk Programmes and the Senior Sukuk Programme have been accorded a short-term rating of P1 and long-term rating of AAA (with stable outlook) respectively by RAM Rating Services Berhad. While the Perpetual Subordinated Sukuk Programme have been accorded with long-term rating of AA2 (with stable outlook). The Sukuk Programmes are issued under the Shariah Principle of Ijarah and Murabahah utilising Commodity ("Commodity Murabahah") while the Senior Sukuk Programme is under the Shariah Principle of Musharakah.

On 30 August 2010, MACB completed the issuance of the first tranche comprising RM1.0 billion nominal value IMTNs under the Shariah principle of Ijarah pursuant to the IMTN Programme. The IMTNs issued under the first tranche have a tenure of ten (10) years from the date of issuance with a periodic distribution (coupon) rate of 4.55% per annum.

On 17 December 2010, MACB completed the issuance of the second tranche comprising RM1.5 billion nominal value IMTNs pursuant to the IMTN Programme based on the Shariah Principle of Commodity Murabahah. The IMTNs issued under the second tranche have a tenure of twelve (12) years from the date of issuance with a periodic distribution (coupon) rate of 4.68% per annum.

On 28 December 2012, MACB completed the issuance of the final tranche comprising RM0.6 billion nominal value IMTNs pursuant to the IMTN Programme based on the Shariah Principle of Commodity Murabahah. The IMTNs issued under the final tranche have a tenure of twelve (12) years from the date of issuance with a periodic distribution (coupon) rate of 4.15% per annum.

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32. Loans and borrowings (contd.)

On 6 September 2013, MAHB has completed the issuance of RM0.5 billion Senior Sukuk (Sukuk Musharakah) via a dual tranche offering pursuant to the Senior Sukuk Programme. The Senior Sukuk offering comprises a three (3) years, RM0.25 billion tranche a five (5) year, RM0.25 billion tranche with a periodic distribution rate (per annum, payable semi-annually) of 3.85% and 4.15% respectively.

The terms of the Sukuk Programmes contain various covenants including the following:

MAHB shall maintain a Debt to Equity Ratio ("D:E Ratio") not exceeding 1.25 times throughout the tenure of the Sukuk Programmes. The D:E Ratio is the ratio of indebtedness of the Group represented by:

(i) the aggregate face value of all outstanding ICPs, and all outstanding principal amount payable under the IMTNs; and

(ii) all other indebtedness of the Company for borrowed monies (be it actual or contingent) for principal only, hire purchase obligations, finance lease obligations, fair value of financial derivatives in connection with borrowed monies recognised by the Company in its audited consolidated financial statements and other contingent liabilities of the Company calculated in accordance with the applicable accounting standards; but excluding any inter-company loans which are subordinated to the Sukuk,

to the equity of the Group including, if any, preference equity, subordinated shareholders' advances/loans and retained earnings or accumulated losses less goodwill (if any).

The D:E Ratio shall be calculated on a yearly and half yearly basis and as and when such calculations are required to be made under the terms of the transaction documents during the tenor of the Sukuk Programmes. In the case of D:E Ratio calculated on a yearly basis, such calculations shall be based on the latest audited consolidated financial statements of the Company and in the case of D:E Ratio calculated at any other times, the calculations shall be based on the latest consolidated management accounts of the Company.

Other information on financial risks of borrowings are disclosed in Note 40.

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33. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	231,676	142,847	-	-
Other payables				
Amounts due to subsidiaries	-	-	187,904	13,319
Accruals	144,743	143,038	42,333	81,993
Provisions for liabilities	22,738	21,588	4,581	3,742
Sundry payables	261,174	261,054	65,283	90,098
Due to GoM	-	26,743	-	-
Deferred income	75,758	61,177	-	-
Dividend payable	73,998	72,651	73,998	72,651
Deposits	81,703	58,570	22,190	22,174
Concession liabilities (Note 33(f))	25,505	14,727	-	-
	685,619	659,548	396,289	283,977
	917,295	802,395	396,289	283,977
Non-current				
Other payables				
Third Party (Note 33(e))	98,300	-	98,300	-
Deferred income	47,078	38,621	-	-
Provision for additional investment relating to an associate (Note 18)	99,220	57,369	-	-
Concession liabilities (Note 33(f))	505,501	154,905	-	-
	750,099	250,895	98,300	-
Total trade and other payables (current and non-current)	1,667,394	1,053,290	494,589	283,977
Add: Loans and borrowings (Note 32)	3,800,000	3,100,000	3,800,000	3,100,000
Less: - Provisions for liabilities	(22,738)	(21,588)	(4,581)	(3,742)
- Deferred income	(122,836)	(99,798)	-	-
- Provision for additional investment relating to an associate	(99,220)	(57,369)	-	-
Total financial liabilities carried at amortised cost	5,222,600	3,974,535	4,290,008	3,380,235

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33. Trade and other payables (contd.)

Movement of provisions for liabilities during the year is as follows:

	Short term accumulating compensated absences RM'000	Assessment fees RM'000	Total RM'000
Group			
At 31 December 2013			
At 1 January 2013	13,644	7,944	21,588
Additional provision during the year	2,723	1,738	4,461
Writeback of provision	(42)	-	(42)
Utilised during the year	-	(3,269)	(3,269)
At 31 December 2013	16,325	6,413	22,738
At 31 December 2012			
At 1 January 2012	11,424	7,515	18,939
Additional provision during the year	2,505	3,475	5,980
Writeback of provision	(271)	-	(271)
Utilised during the year	(14)	(3,046)	(3,060)
At 31 December 2012	13,644	7,944	21,588

	Short term accumulating compensated absences RM'000
Company	
At 31 December 2013	
At 1 January 2013	3,742
Provision during the year	839
Utilised during the year	-
At 31 December 2013	4,581
At 31 December 2012	
At 1 January 2012	2,133
Provision during the year	1,623
Utilised during the year	(14)
At 31 December 2012	3,742

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33. Trade and other payables (contd.)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2012: 30 to 90) days.

(b) Amounts due to subsidiaries

Amounts due to all related parties are non-interest bearing and are repayable on demand. The amounts are unsecured and are to be settled in cash. The subsidiaries will not recall the amounts to the extent that it would adversely affect the ability of the company to meet all its obligations when they fall due.

(c) Due to GoM

Prior year amount due to GoM is in respect of User Fee payable to the GoM and is unsecured and non-interest bearing. The Group pays the GoM on a quarterly basis amount equal to half the total amount calculated as the User Fee based on revenue generated from activities carried out at KLIA and other airports until the amount is fully settled. During the year, the amount had been fully settled.

(d) Deferred income

Deferred income is analysed as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Analysed as:		
Current	75,758	61,177
Non-current:		
Later than 1 year but not later than 2 years	2,361	2,346
Later than 2 years but not later than 5 years	7,083	7,039
Later than 5 years	37,634	29,236
	47,078	38,621
	122,836	99,798

Deferred income is in respect of customer loyalty programme on airline incentives and deferred lease rental from commercial activities.

(e) Other payables

Non-current other payable amounting to RM98,300,000 is in respect of liabilities for the development and construction of the infrastructure in integrated complex where settlement is scheduled on the fifth year from the date of completion. The amount is unsecured and attract interest of 5% per annum.

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33. Trade and other payables (contd.)

(f) Concession liabilities

Concession liabilities are in respect of the followings:

(i) lease rental payable to the GoM for all airports managed by the Group
(ii) Airport Facility Agreement for Generation Plant at KLIA
(iii) Privatisation of the Development of a Generation Plant at klia2

(ii) and (iii) above are collectively referred as Airport Facility Arrangements as disclosed in Note 2.4 (z) where the arrangement with service providers in supplying chilled water utility contains a lease arrangement and the fulfillment of the arrangement is dependent on a specified asset pursuant to an Operating Agreement upon the adoption of IC 12.

Concession liabilities are analysed as follows:

	Group			
	Lease rental payable to GoM		Airport Facility Arrangements ("AFA")	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Analysed as:				
Current	-	1,506	25,505	13,221
Non-current:				
Later than 1 year but not later than 2 years	2,361	2,258	26,944	13,967
Later than 2 years but not later than 5 years	7,748	7,410	90,300	46,807
Later than 5 years	64,370	67,068	313,778	17,395
Total minimum lease payment	74,479	76,736	431,022	78,169
	74,479	78,242	456,527	91,390

	Group	
	2013 RM'000	2012 RM'000
Current	25,505	14,727
Non-current	505,501	154,905
Total concession liabilities	531,006	169,632

The AFA obligation is arrived at after discounting the future estimated finance charge of RM244,882,000 (2012: RM16,115,000).

Other information on financial risks of other payables are disclosed in Note 40.

34. Lease arrangements

Operating lease

The Group has entered into non-cancellable operating lease agreements for the use of certain plant and equipment. These leases have an average life of between 3 and 10 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give a period of between one to three months notice for the termination of those agreements.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Future minimum rental payments:				
Not later than 1 year	34,870	12,946	29,901	7,474
Later than 1 year and not later than 5 years	116,783	22,702	108,517	12,206
Later than 5 years	83,889	-	83,889	-
	235,542	35,648	222,307	19,680

35. Commitments

	Due year 2014 RM'000	Due year 2015 to 2018 RM'000	Due year 2019 to 2066 RM'000	Total RM'000
31 December 2013				
Group				
(i) Approved and contracted for:				
Lease rental payable to GoM other than within the operating agreements [a]	-	-	66,063	66,063
Capital expenditure	448,955	149,998	-	598,953
	448,955	149,998	66,063	665,016

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35. Commitments (contd.)

	Due year 2014 RM'000	Due year 2015 to 2018 RM'000	Due year 2019 to 2066 RM'000	Total RM'000
31 December 2013 (contd.)				
Group (contd.)				
(ii) Approved but not contracted for:				
Capital expenditure	679,238	-	-	679,238
(iii) Other Investments				
Investment in Istanbul Sabiha Gokcen International Airport [b]	36,080	75,317	-	111,397
Investment in Istanbul Sabiha Gokcen International Airport acquisition of additional 40% stake[b]	978,670	-	-	978,670
Investment in MFMA Development Sdn. Bhd.[d]	13,650	-	-	13,650
	1,028,400	75,317	-	1,103,717
	2,156,593	225,315	66,063	2,447,971

	Due year 2013 RM'000	Due year 2014 to 2017 RM'000	Due year 2018 to 2066 RM'000	Total RM'000
31 December 2012				
Group				
(i) Approved and contracted for:				
Lease rental payable to GoM other than within the operating agreements [a]	-	-	66,063	66,063
Capital expenditure	1,476,269	-	-	1,476,269
	1,476,269	-	66,063	1,542,332
(ii) Approved but not contracted for:				
Capital expenditure	837,917	206,485	-	1,044,402

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35. Commitments (contd.)

	Due year 2013 RM'000	Due year 2014 to 2017 RM'000	Due year 2018 to 2066 RM'000	Total RM'000
31 December 2012 (contd.)				
Group (contd.)				
(iii) Other Investments				
Investment in Istanbul Sabiha Gokcen International Airport [b]	-	116,433	-	116,433
Investment in Segi Astana Sdn. Bhd. [c]	10,818	-	-	10,818
	10,818	116,433	-	127,251
	2,325,004	322,918	66,063	2,713,985

	Due year 2014 RM'000	Due year 2015 to 2018 RM'000	Due year 2019 to 2066 RM'000	Total RM'000
31 December 2013				
Company				
(i) Approved and contracted for:				
Capital expenditure	448,955	149,998	-	598,953
(ii) Approved but not contracted for:				
Capital expenditure	313,064	-	-	313,064
(iii) Other Investments				
Investment in Istanbul Sabiha Gokcen International Airport [b]	36,080	75,317	-	111,397
Investment in Istanbul Sabiha Gokcen International Airport acquisition of additional 40% stake [b]	978,670	-	-	978,670
	1,014,750	75,317	-	1,090,067
	1,776,769	225,315	-	2,002,084

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35. Commitments (contd.)

	Due year 2013 RM'000	Due year 2014 to 2017 RM'000	Due year 2018 to 2066 RM'000	Total RM'000
31 December 2012				
Company				
(i) Approved and contracted for:				
Capital expenditure	1,447,269	-	-	1,447,269
(ii) Approved but not contracted for:				
Capital expenditure	292,613	-	-	292,613
(iii) Other Investments				
Investment in Istanbul Sabiha Gokcen International Airport [(b)]	-	116,433	-	116,433
Investment in Segi Astana Sdn. Bhd. [(c)]	10,818	-	-	10,818
	10,818	116,433	-	127,251
	1,750,700	116,433	-	1,867,133

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Analysed as:				
Not later than 1 year	2,156,593	2,325,004	1,776,769	1,750,700
Later than 1 year and not later than 5 years	225,315	322,918	225,315	116,433
Later than 5 years	66,063	66,063	-	-
	2,447,971	2,713,985	2,002,084	1,867,133

(a) Lease payable to the Federal Lands Commissioner under the Lease Agreement not within the Operating Agreements.

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35. Commitments (contd.)

(b) A Shareholder Support Agreement dated 6 June 2008 and amended and restated on 3 October 2011 ("Agreement") was entered between the Company, together with GMR Infrastructure Limited, GMR Infrastructure Overseas S.L.U., Limak Insaat Sanayi Ve Ticaret A.S. and Limak Yatirim Isletme Hizmetleri Ve Insaat A.S. (collectively referred to as "Shareholders"), and, amongst others, Istanbul Sabiha Gokcen International Airport Investment Development and Operation Inc. ("ISG") to facilitate the loan financing arrangements by ISG to fund the development of the Sabiha Gokcen International Airport ("SGIA") in Istanbul, Turkey for amounts up to RM111,390,000 (2012: RM116,400,000). Pursuant to the Agreement, each Shareholder had agreed to provide further equity funding to ISG under certain prescribed circumstances, which include additional investment as may be requested by the Authority pursuant to its Implementation Agreement and to ensure ISG has sufficient funds to meet certain loan covenants and obligations as stipulated therein. The Company's obligation to provide further equity funding is expected to be based on its proportionate shareholding in ISG and the Company is not obliged to cover any shortfall of any other Shareholder. As disclosed in Note 38, there is further commitment to purchase an additional 40% stake in ISG and LGM from GMR Infrastructure Limited, GMR Infrastructure Overseas Limited and GMR Infrastructure (Global) Limited for EUR225,000,000 (or the equivalent of approximately RM1,008,180,000). As at 31 December 2013, other than those disclosed above, there are no further approved commitments relating to the equity funding for the additional investment in ISG.

(c) Prior year commitments in respect of investment in Segi Astana Sdn. Bhd. are in accordance with the shareholders' agreement where the Company had fully subscribed the shares issued by Segi Astana Sdn Bhd as stipulated in the Share Subscription Schedule amounting to RM31,818,000 out of which RM10,818,000 was subscribed during the year.

(d) The commitments in respect of investment in MFMA Development Sdn Bhd ("MFMA") are in accordance with the Joint Venture Agreement where MA (Sepang) will be subscribing the new shares issued by MFMA progressively as stipulated in the Share Subscription Schedule in 2014 amounting to RM14,490,000. On 26 August 2013, MA (Sepang) had subscribed RM840,000 shares.

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36. Financial guarantees and contingencies

(a) As at 31 December 2013, the Company provided corporate guarantees as follows:

(i) RM72,160,000 (2012: RM32,320,000) for the purpose of guarantee to a financial institution for credit facilities granted to Istanbul Sabiha Gokcen International Airport Investment Development and Operation Inc ("ISG").

(ii) RM8,570,000 (2012: RM13,736,000) for the purpose of guarantee to a financial institution for credit facilities granted to LGM Airport Operations Trade and Tourism Inc, a related company of ISG.

(iii) RM27,060,000 (2012: RM24,240,000) for advance payment guarantee to a Duty Free Operator at ISG.

The Company has assessed the financial guarantee contracts and concluded that the guarantees are more likely not to be called upon by the banks and accordingly not recognised as financial liability as at 31 December 2013.

(b) XY Base Technologies Sdn Bhd ("Plaintiff") had filed an application against the Group ("Defendants") in the High Court (Suit No. 22-87-2022) for the following claims:

(i) The sum of RM6,467,000 against MA (Sepang) for software support ("Software Support");

(ii) General damages for unlawful interference with the Plaintiff's employees against all the Defendants;

(iii) General damages for breach of memorandum of understanding/joint venture with the Plaintiff against all the Defendants; and

(iv) General damages for breach and unlawful use of confidential information/business plan with Plaintiff against all the Defendants.

The High Court had, on 23 September 2011 allowed the Plaintiff's claim against MA (Sepang) in respect of items (a) and (b) above respectively and the judgment sum of RM6,467,000 for Software Support has been paid accordingly by MA Sepang. Subsequently, the High Court fixed the matter for Mediation to assess the damages in respect of the Defendants' liabilities as to the poaching of the Plaintiff's employees. The High Court of Malaya at Shah Alam had, on 29 July 2013, recorded an amicable settlement between the parties whereby the Defendant had paid RM1,000,000 to the Plaintiff as full and final settlement being damages towards the High Court's order dated 23 September 2011 that the Defendants were liable for in respect of the unlawful interference of the Plaintiff's employees.

36. Financial guarantees and contingencies (contd.)

(c) On 13 December 2011, the Court of Appeal ("COA") reversed the judgment made by the High Court in respect of the legal suit by Federal Express Brokerage Sdn Bhd, United Parcel Service (M) Sdn Bhd and UPS SCS (Malaysia) Services Sdn Bhd (collectively referred to as "the Appellants") against Malaysia Airports (Sepang) Sdn Bhd ("MA (Sepang)").

Based on advice from the Group's legal counsel, MA (Sepang) filed an application for leave to appeal on 22 December 2011 and such other relevant application against the COA's decision to the Federal Court.

On 31 May 2012, the Group announced that in response to Notices under Section 218(1)(e) of the Companies Act served on MA Sepang on 1 February 2012 by the Appellants, MA (Sepang) had filed an application for Fortuna Injunction in the High Court to refrain the Appellants from presenting any winding up petitions against MA (Sepang). The High Court had on 29 May 2012 allowed the said application with costs of RM15,000 to be paid by the Appellants jointly within one month from the date of the said order.

On 18 September 2012, the Federal Court granted MA (Sepang)'s application for leave to appeal and the Attorney General's application to intervene and the matter was set for hearing on 25 February 2013. The Federal Court unanimously allowed MA (Sepang)'s appeal on 24 September 2013 and accordingly had set aside the decision and order of the Court of Appeal made on 13 November 2011 and restored the decision and judgment of the High Court given on 15 October 2010.

Based on the above Federal Court decision, the imposition of the Free Commercial Zone ("FCZ") charges against the freight forwarders operating at FCZ area are lawful and MA (Sepang) is entitled as the authority to collect such FCZ charges. Following the aforesaid decision, the Appellant has paid to MA (Sepang) the amount of RM7,273,025 together with interest of 8% per annum from 7 April 2008. In addition to the aforesaid amount, the Appellants have also paid RM50,000 to MA (Sepang) as costs of the proceedings.

(d) On 11 September 2013, a wholly-owned subsidiary of the Group, MACS has provided a Corporate Guarantee to the Government of the State of Qatar represented by the New Doha International Airport Steering Committee to guarantee the performance of obligations and liabilities of MACS ME under Contract for Facility Management Services for Airport Operational Facilities and Ancillary Buildings.

(e) Current ongoing major capital expenditure of the Group is the construction of klia2, where the completion has been delayed. In view of the delay, there could possibly be additional variation orders ("VOs") that might be claimed by the contractors. On 29 May 2013, the Company also announced that they may impose Liquidated Ascertained Damages ("LAD") based on the extension of time to complete on the respective contractors under the respective contracts for the delay.

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37. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2013 RM'000	2012 RM'000
Related Party Balances:		
Amount owing by associated companies	5,280	5,057
Amount owing to jointly controlled entities	13,818	-
Amount owing to other related party	1,816	27,459
Related Party Transactions:		
Revenue:		
Associates:		
Rental		
- KL Aviation Fuelling System Sdn. Bhd.	5,868	5,781
Management fee		
- Istanbul Sabiha Gokcen International Airport	2,262	4,464
- LGM Airport Operations Trade and Tourism Inc.	1,941	(249)
- GMR Male International Airport	-	1,210
Jointly Controlled Entities:		
Lease rental		
- Segi Astana Sdn. Bhd.	1,273	1,273
- Airport Cooling Energy Supply Sdn. Bhd.	874	715
Other Transactions:		
Associate:		
Bad debts written off		
- GMR Male International Airport	-	9,342
Jointly Controlled Entities:		
Construction cost		
- Airport Cooling Energy Supply Sdn. Bhd.	58,837	-
Other related party		
Construction cost		
- UEMC-Bina Puri J.V	268,399	509,381

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37. Related party disclosures (contd.)

	Company 2013 RM'000	Company 2012 RM'000
Related Party Transactions:		
Other transactions:		
Subsidiaries:		
Utilities charges		
- Malaysia Airports (Sepang) Sdn. Bhd.	1,205	995
Landscape services		
- MAB Agriculture-Horticulture Sdn. Bhd.	348	275
Training and consultancy services		
- Malaysia Airports Consultancy Services Sdn. Bhd.	55	56
Catering services		
- Malaysia Airports (Niaga) Sdn. Bhd.	615	475
Event Management		
- K.L Airport Hotel Sdn. Bhd.	593	856
Repair and maintenance of building		
- Urusan Teknologi Wawasan Sdn. Bhd.	734	678
Jointly Controlled Entities:		
Construction cost		
- Airport Cooling Energy Supply Sdn. Bhd.	58,837	-
Other Related Party:		
Construction cost		
- UEMC-Bina Puri J.V	268,399	509,381

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37. Related party disclosures (contd.)

Compensation of key management personnel

The remuneration of other members of key management during the year was as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	13,580	11,667	10,626	8,759
Post-employment benefit:				
Defined contribution plans	2,153	1,845	1,697	1,402
	15,733	13,512	12,323	10,161

Remuneration of directors is as disclosed in Note 8.

38. Significant events

On 23 December 2013, MAHB had announced the following proposals:

(i) Pursuant to the shareholders agreement in relation to ISG dated 19 March 2008 (the "ISG Shareholders Agreement") and the shareholders agreement in relation to LGM dated 4 January 2010 (the "LGM Shareholders Agreement") , MAHB is to exercise its rights of first refusal (the "RoFR") in respect of the proposed acquisition of a 40% equity stake in each of ISG and LGM. As permitted under the ISG Shareholders Agreement and the LGM Shareholders Agreement, MAHB exercised its RoFR through an indirectly wholly-owned subsidiary of MAHB called Malaysia Airports MSC Sdn Bhd ("MAMSC").

Subsequently, on 28 December 2013, MAHB had entered into an agreement to purchase an additional 40% stake in ISG and LGM from GMR Infrastructure Limited ,GMR Infrastructure Overseas Limited and GMR Infrastructure (Global) Limited for total cash consideration of EUR225,000,000 (or the equivalent of approximately RM1,008,180,000). Upon the completion of the acquisition, ISG and LGM will be regarded as a Jointly Controlled Entity ("JCE"). The proposed acquisition will be financed via a combination of proceeds from the Proposed Private Placement and internally generated funds.

MAHB has paid EUR8,000,000 (RM36,252,000) deposit into an escrow account on 30 December 2013 based on the condition stated in the Sales and Purchase Agreement ("SPA") dated 28 December 2013. If the sale fails to complete by virtue of failure of a condition precedent or termination of the SPA then the deposit will, subject to the Break Fee arrangements be released to MAHB. The amount paid is as disclosed in Note 22(e).

38. Significant events (contd.)

On 23 December 2013, MAHB had announced the proposals: (contd.)

(i) (Contd.)

Break Fee shall apply if MAHB fails to comply with its obligations to proceed to closing under the SPA for any "frivolous" reason then it will forfeit EUR3,000,000 of its deposit to GMR, but will recover the balance of the deposit from the escrow agent. Based on the advice of MAHB legal counsel, the agreement does not describe what is meant by "frivolous". Presumably though, provided MAHB complies with its obligations under the SPA, it will not be regarded as acting in a "frivolous" manner if closing does not occur.

As stipulated in the SPA, all of the conditions precedent of the SPA need to be satisfied or waived by the date falling 180 days after the date on which the SPA is signed. This date can be extended by the Parties by mutual agreement, but may not be extended beyond 1 September 2014.

(ii) To undertake an issuance of new ordinary shares of RM1.00 each in MAHB ("MAHB Shares"), representing up to 10% of the issued and paid-up share capital of MAHB to third (3rd) party investor(s) to be identified and at an issue price to be determined later ("Proposed Private Placement"). The details of the investors, the actual number of MAHB Shares to be allocated and the issue price for the MAHB Shares can only be determined upon completion of the book – building exercise. Barring any unforeseen circumstances, the Company expects to complete the Proposed Private Placement in the first (1st) half of 2014. As at 31 December 2013, the total issued and paid-up share capital of MAHB stood at RM1,232,443,879 comprising 1,232,443,879 MAHB ordinary shares.

39. Subsequent event

On 4 February 2014, the Company further increased its paid up share capital to RM1,240,546,352 by issuance of 8,102,473 ordinary shares of RM1 each, at a total premium of RM57,203,000 arising from the Dividend Reinvestment Plan relating to electable portion (for those shareholders electing for the re-investment) of the interim dividend on 1,232,443,879 ordinary shares, declared on 8 November 2013 for the financial year ended 31 December 2013, as disclosed in Note 27.

On 5 February 2014, Bursa Malaysia Securities Berhad approved the application for the listing of and quotation for up to 124,054,635 new MAHB shares to be issued pursuant to the Proposed Private Placement ("Placement Shares").

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40. Financial instruments

(a) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer and Head of Treasury. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

The Group has minimal exposure to interest rate risk at the reporting date. The following table sets out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

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40. Financial instruments (contd.)

(b) Interest rate risk (contd.)

	Note	WAEIR %	Within 1 Year RM'000	1-2 Years RM'000	2-5 Years RM'000	Over 5 Years RM'000	Total RM'000
At 31 December 2013							
Group							
Fixed rate term loan	32	4.43	200,000	-	500,000	3,100,000	3,800,000
Floating rate							
Cash and cash equivalents	26	3.11	243,099	-	-	-	243,099
Company							
Fixed rate term loan	32	4.43	200,000	-	500,000	3,100,000	3,800,000
Floating rate							
Cash and cash equivalents	26	3.07	83,842	-	-	-	83,842
At 31 December 2012							
Group							
Fixed rate term loan	32	4.54	-	-	-	3,100,000	3,100,000
Floating rate							
Cash and cash equivalents	26	2.79	622,928	-	-	-	622,928
Company							
Fixed rate term loan	32	4.54	-	-	-	3,100,000	3,100,000
Floating rate							
Cash and cash equivalents	26	2.78	435,450	-	-	-	435,450

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40. Financial Instruments (contd.)

(b) Interest rate risk (contd.)

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 38 days (2012: 6 days). Interest on financial instruments are fixed at fixed rate until the maturity of the instrument. The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.

(c) Foreign currency risk

Other than the Group's investments in foreign associates and foreign subsidiaries, the Group does not operate internationally but is mainly exposed to the United States Dollar, Great Britain Pound, Euro, Singapore Dollar, China RMB and Hong Kong Dollar. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to a manageable level and short-term imbalances are addressed by buying and selling foreign currencies at spot rate.

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows:

Group	**Net Financial Assets/(Liabilities) Held In Non-Functional Currencies**						
Functional Currency of Group Companies	**United States Dollar RM'000**	**Great Britain Pound RM'000**	**Euro RM'000**	**Singapore Dollar RM'000**	**China RMB/CNY RM'000**	**Hong Kong HKD RM'000**	**Total RM'000**
At 31 December 2013							
Ringgit Malaysia	(1,283)	(73)	5,089	(406)	-	(128)	3,199
At 31 December 2012							
Ringgit Malaysia	(9,790)	(288)	(20,866)	1,670	2,712	(120)	(26,682)
Company							
At 31 December 2013							
Ringgit Malaysia	(1,109)	(73)	3,147	274	-	(128)	2,111
At 31 December 2012							
Ringgit Malaysia	(676)	(223)	(22,181)	-	-	(120)	(23,200)

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40. Financial instruments (contd.)

(c) Foreign currency risk (contd.)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, GBP, EUR, SGD and HKD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group 2013 RM'000 Profit net of tax	Company 2013 RM'000 Profit net of tax
USD/RM	- strengthened 5%	64	55
	- weakened 5%	(64)	(55)
GBP/RM	- strengthened 5%	4	4
	- weakened 5%	(4)	(4)
EUR/RM	- strengthened 5%	(254)	(157)
	- weakened 5%	254	157
SGD/RM	- strengthened 5%	20	(14)
	- weakened 5%	(20)	14
HKD/RM	- strengthened 5%	6	6
	- weakened 5%	(6)	(6)

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

At the reporting date, the entire trade and other payable will mature on demand or within a year.

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40. Financial instruments (contd.)

(d) Liquidity risk (contd.)

Analysis of financial instrument by remaining contractual maturities

The below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date on contractual undiscounted repayment obligations.

	On demand within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
31 December 2013				
Financial liabilities:				
Trade and other payables	816,032	197,520	-	1,013,552
Loans and borrowings	360,600	1,257,449	3,462,699	5,080,748
Total undiscounted financial liabilities	1,176,632	1,454,969	3,462,699	6,094,300
31 December 2012				
Financial liabilities:				
Trade and other payables	822,481	-	-	822,481
Loans and borrowings	115,700	578,500	3,453,967	4,148,167
Total undiscounted financial liabilities	938,181	578,500	3,453,967	4,970,648
Company				
31 December 2013				
Financial liabilities:				
Trade and other payables	396,289	98,300	-	494,589
Loans and borrowings	360,600	1,257,449	3,462,699	5,080,748
Total undiscounted financial liabilities	756,889	1,355,749	3,462,699	5,575,337
31 December 2012				
Financial liabilities:				
Trade and other payables	283,977	-	-	283,977
Loans and borrowings	115,700	578,500	3,453,967	4,148,167
Total undiscounted financial liabilities	399,677	578,500	3,453,967	4,432,144

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40. Financial instruments (contd.)

(e) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Exposure to credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. Majority of trade receivables are due from airport tenants, airline companies and representative firms. The customer portfolio of the Group is diversified, with Malaysia Airlines and Air Asia Group, being the main customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group obtains bank guarantee from its major customer other than airlines.

Investments are acquired after assessing the quality of the relevant investments. Cash and cash equivalent is placed with reliable financial institution.

The credit risk of the trade and other receivables are disclosed in Note 22. The Group's other financial assets, which comprise investments and cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets as disclosed in Notes 22 and 26.

Credit risk concentration profile

At the reporting date, approximately 55% (2012: 54%) of the Group's trade receivables were due from four (2012: four) major customers who are reputable and located in Malaysia.

In addition, the Group's concentration of risk also includes the amount receivable from the GoM as disclosed in Note 22 and the Group minimise its credit risk by regular communication with the GoM.

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40. Financial instruments (contd.)

(e) Credit risk (contd.)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

(f) Fair values

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	22
Trade and other payables	33

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

(i) Other receivables (non-current), loans and borrowings and other payables (non-current)

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of lending and borrowings.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Unit trusts, bonds and medium term notes

The fair value of unit trusts, bonds and medium notes is based on market price.

41. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group actively manages its capital structure and makes adjustments to it in light of changes in, amongst others, its operating environment and economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

Gearing ratio is not a standardised term under the Financial Reporting Standards and its determination may vary from other companies. The gearing ratio is included in management's analysis because it is used as a financial measure of potential capacity of the Group to incur and service its debt coverage and determined as aggregate indebtedness over the equity of the Group. The Group's policy is to keep its gearing ratio manageable so as to maintain its strong credit ratings and in any event not exceeding 125% as provided in the Covenants under its Sukuk Programmes. The Group includes loans, borrowings and certain financial guarantee and contingent liabilities within the aggregate indebtedness, but excludes inter-company loans which are subordinated to the Sukuk Programmes. Equity of the Group includes, if any, preference equity, subordinated shareholders' advances or loans and retained earnings or accumulated losses less goodwill.

	Note	Group 2013 RM'000	Group 2012 RM'000
Loans and borrowings	32	3,800,000	3,100,000
Financial guarantee and contingent liabilities	36	107,790	70,296
Other financial liability	31	189,256	176,562
Aggregate indebtedness		4,097,046	3,346,858
Equity attributable to the owners of the parent		4,678,303	4,359,280
Total equity		4,678,303	4,359,280
Gearing ratio		88%	77%

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42. Segment information

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) Business segments

For management purposes, the Group is organised into business units and has the following reportable operating segments:-

(i) Duty free and non-dutiable goods
To operate duty free, non duty free outlets and provide management service in respect of food and beverage outlets at designated airports.

(ii) Airport services
To manage, operate and maintain designated airports in Malaysia and to provide airport related services.

(iii) Agriculture and horticulture
To cultivate and sell oil palm and other agricultural products and to carry out horticulture activities.

(iv) Hotel
To manage and operate a hotel, known as The Pan Pacific Hotel KLIA which was rebranded to Sama-Sama Hotel K.L. International Airport on 1 January 2013 and Sama-Sama Express.

(v) Project and repair maintenance
To provide consultancy, operations and maintenance of Information and Communication Technology business ventures and provision of mechanical and electrical engineering.

Other business segments include investment holding and other activities, none of which are of a sufficient size to be reported separately.

(c) Geographical segments

No segmental information is provided on a geographical basis as the results of the overseas subsidiaries are considered insignificant to the Group.

(d) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

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42. Segment Information (contd.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Continuing operations: Airport operations: Duty free and non-dutiable goods RM'000	Airport operations: Airport services RM'000	Non-airport operations: Agriculture and horticulture RM'000	Non-airport operations: Hotel RM'000	Non-airport operations: Project and repair maintenance RM'000	Non-airport operations: Others RM'000	Eliminations RM'000	Notes	Total RM'000	Discontinued operation RM'000	Total operation RM'000
31 December 2013											
Revenue											
External sales											
Airport operations:											
Aeronautical	-	1,211,040	-	-	-	-	-		1,211,040	-	1,211,040
Non-aeronautical:											
Retail	609,960	-	-	-	-	-	-		609,960	-	609,960
Others	1,354	502,752	-	-	-	-	-		504,106	-	504,106
Construction	-	1,835,864	-	-	-	-	-		1,835,864	-	1,835,864
Non-airport operations	-	-	30,924	66,198	40,667	-	-		137,789	-	137,789
Inter-segment sales	2,041	163,597	3,154	1,358	31,116	-	(201,266)	A	-	-	-
Inter-segment dividends	-	-	-	-	-	116,720	(116,720)	A	-	-	-
Total revenue	613,355	3,513,253	34,078	67,556	71,785	116,720	(317,986)		4,098,759	-	4,098,759
Results											
Segment results	44,537	876,603	2,626	6,775	9,668	103,237	(143,921)	B	899,525	(140)	899,385
Depreciation and amortisation	(6,585)	(229,955)	(3,599)	(20,713)	(305)	(16,705)	-		(277,862)	-	(277,862)
Finance costs	-	(26,349)	(1)	-	-	(25)	-		(26,375)	-	(26,375)
Impairment of investment of associate company	-	-	-	-	-	(3,743)	-		(3,743)	-	(3,743)
Share of results of associates	-	4,130	-	-	-	(43,515)	-		(39,385)	-	(39,385)
Share of results of jointly controlled entities	-	-	-	-	-	3,008	-		3,008	-	3,008
Profit/(loss) before tax	37,952	622,429	(974)	(13,938)	9,363	42,257	(143,921)		553,168	(140)	553,028
Income tax expense	(9,504)	(149,860)	(1,300)	(1,793)	897	(13,921)	-	C	(175,481)	-	(175,481)
Profit/(loss) for the year	28,448	472,569	(2,274)	(15,731)	10,260	28,336	(143,921)		377,687	(140)	377,547
Assets											
Segment assets	252,293	5,499,778	89,013	115,631	106,340	6,607,753	(4,551,668)	D	8,119,140	104	8,119,244
Additions to non-current assets	6,991	566,156	5,681	46,358	593	1,749,529	-	E	2,379,308	-	2,379,308
Investment in associates	-	23,321	-	-	-	1,458	-		24,779	-	24,779
Total assets	261,284	6,091,255	94,694	161,989	106,933	8,358,740	(4,551,668)		10,523,227	104	10,523,331
Liabilities											
Segment liabilities representing total liabilities	152,981	2,339,008	23,986	76,200	24,043	5,855,804	(2,427,101)	F	5,844,921	43	5,844,964

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42. Segment information (contd.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Continuing operations									Discontinued operation	
	Airport operations		Non-airport operations								
	Duty free and non-dutiable goods RM'000	Airport services RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Project and repair maintenance RM'000	Others RM'000	Eliminations RM'000	Notes	Total RM'000	RM'000	Total operation RM'000
31 December 2012											
Revenue											
External sales											
Airport operations:											
Aeronautical	-	1,036,710	-	-	-	-	-		1,036,710	-	1,036,710
Non-aeronautical:											
Retail	538,455	-	-	-	-	-	-		536,455	-	536,455
Others	1,057	447,886	-	-	-	-	-		448,943	-	448,943
Construction	-	1,385,049	-	-	-	-	-		1,385,049	-	1,385,049
Non-airport operations	-	-	45,594	75,051	20,260	-	-		140,905	8	140,913
Inter-segment sales	2,337	153,962	2,926	1,331	27,241	-	(187,797)	A	-	-	-
Inter-segment dividends	-	-	-	-	-	117,279	(117,279)	A	-	-	-
Total revenue	539,849	3,023,607	48,520	76,382	47,501	117,279	(305,076)		3,548,062	8	3,548,070
Results											
Segment results	42,857	908,919	20,737	9,787	1,329	53,629	(105,518)	B	929,740	189	929,929
Depreciation and amortisation	(5,558)	(187,009)	(3,498)	(7,888)	(148)	(17,176)	-		(221,277)	-	(221,277)
Finance costs	-	(19,029)	(1)	-	(1)	(4)	-		(19,035)	-	(19,035)
Impairment of investment of associate company	-	-	-	-	-	(68,918)	-		(68,916)	-	(68,916)
Share of results of associates	-	3,760	-	-	-	(21,265)	-		(17,505)	-	(17,505)
Share of results of jointly controlled entities	-	-	-	-	-	(251)	-		(251)	-	(251)
Profit/(loss) before tax	37,299	704,641	17,238	1,899	1,180	(53,983)	(105,518)		602,758	189	602,945
Income tax expense	(10,268)	(181,157)	(2,903)	(1,798)	(2,486)	(28,601)	18,726	C	(208,485)	-	(208,485)
Profit/(loss) for the year	27,033	523,484	14,335	101	(1,306)	(82,584)	(86,792)		394,271	189	394,460
Assets											
Segment assets	182,209	5,459,506	69,921	90,579	122,302	6,059,319	(4,894,557)	D	7,089,279	63	7,089,342
Additions to non-current assets	2,703	298,435	1,426	33,203	38	1,394,272	-	E	1,730,077	-	1,730,077
Investment in associates	-	20,151	-	-	-	227	-		20,378	-	20,378
Total assets	184,912	5,778,092	71,347	123,782	122,340	7,453,818	(4,894,557)		8,839,734	63	8,839,797
Liabilities											
Segment liabilities representing total liabilities	88,751	2,341,831	678	18,903	48,012	4,808,078	(2,825,796)	F	4,480,457	60	4,480,517

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42. Segment information (contd.)

Notes **Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.**

(A) Inter-segment sales and dividends are eliminated on consolidation.

(B) Profit before tax from continuing operations is derived after deducting mainly intersegment dividend.

(C) Inter-segment tax payable on dividend received are eliminated on consolidation.

(D) The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2013 RM'000	2012 RM'000
Investment in subsidiaries	(1,883,880)	(1,883,982)
Inter-segment assets	(2,667,788)	(3,010,575)
	(4,551,668)	(4,894,557)

(E) Additions to non-current assets consist of:

	2013 RM'000	2012 RM'000
Property, plant and equipment	77,628	70,336
Plantation development expenditure	5,231	1,121
Intangible assets	2,296,449	1,658,620
	2,379,308	1,730,077

(F) The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2013 RM'000	2012 RM'000
Provision for additional investment relating to an associate	(99,220)	(57,369)
Inter-segment liabilities	2,526,321	2,883,165
	2,427,101	2,825,796

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43. Supplementary explanatory note on disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	3,691,829	3,440,220	32,776	61,133
- Unrealised	73,595	33,293	51,848	77,636
	3,765,424	3,473,513	84,624	138,769
Total share of retained earnings/ (accumulated losses) from associated companies:				
- Realised	(270,991)	(211,319)	-	-
- Unrealised	73,376	54,892	-	-
	(197,615)	(156,427)	-	-
Total share of retained earnings from jointly controlled entities:				
- Realised	2,803	265	-	-
- Unrealised	631	160	-	-
	3,434	425	-	-
Less: Consolidation adjustments	(1,533,812)	(1,490,753)	-	-
Total retained earnings as per	2,037,431	1,826,758	84,624	138,769

The determination of realised and unrealised profits above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2014

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
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CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter	*Restated Preceding Year Corresponding Quarter	Current Year to Date	*Restated Preceding Year Corresponding Period
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
		RM'000	RM'000	RM'000	RM'000
Revenue		711,334	1,120,767	3,343,722	4,098,759
Cost of inventories sold		(96,630)	(93,562)	(330,710)	(325,287)
Other income		54,129	42,048	166,672	135,083
Employee benefits expense		(146,023)	(176,019)	(619,335)	(569,917)
Construction costs		-	(417,155)	(633,880)	(1,563,883)
Depreciation and amortisation		(67,852)	(79,250)	(405,399)	(277,862)
Other expenses		(355,935)	(263,411)	(1,111,115)	(875,231)
Operating profits		99,023	133,418	409,955	621,662
Finance costs		(52,737)	(6,089)	(151,337)	(28,375)
Impairment of investment		(15,000)	(3,742)	(24,011)	(3,742)
Gain arising from remeasurement of fair value of investment		502,511	-	502,511	-
Gain on bargain purchase		379,105	-	379,105	-
Impairment of goodwill		(229,429)	-	(229,429)	-
Share of results:					
- associates		(1,533)	(39,677)	113	(39,365)
- jointly controlled entities		373	222	(52,736)	3,008
Profit before tax and zakat	7	682,313	83,932	834,171	553,168
Taxation and zakat	22	(19,432)	(47,475)	(85,622)	(175,481)
Profit for the year, net of tax and zakat		662,881	36,457	748,549	377,687
Discontinued Operation					
Loss from discontinued operation, net of tax	13	(4)	(44)	(58)	(140)
Profit for the year, net of tax and zakat		662,877	36,413	748,491	377,547
Attributable to:					
Owners of the parent		662,880	36,895	748,520	377,463
Non-controlling interests		(3)	(482)	(29)	64
		662,877	36,413	748,491	377,547
Earnings per share attributable to owners of the parent (sen):					
Basic for profit from continuing operations		49.06	2.97	55.42	30.80
Basic for loss from discontinued operation		-	(0.00)	-	(0.01)
Basic for profit for the year	30	49.06	2.96	55.42	30.79

*Restated due to the results of a discontinued operation.

The condensed unaudited consolidated statement of profit or loss should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2014 ***(Cont'd)***

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
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CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2014 RM'000	Preceding Year Corresponding Quarter 31.12.2013 RM'000	Current Year to Date 31.12.2014 RM'000	*Restated Preceding Year Corresponding Period 31.12.2013 RM'000
Profit for the year, net of tax and zakat	662,877	36,413	748,491	377,547
Other comprehensive income:				
Available-for-sale financial assets				
- (Loss)/gain on fair value changes	(2,817)	(1,873)	1,390	(3,747)
Share of other comprehensive income of an associate	-	(1,920)	-	(1,942)
Share of other comprehensive income of a jointly controlled entity	(14,524)	-	(10,461)	-
Foreign currency translation	3,820	688	2,396	2,633
Other reserve	89	-	89	-
Other comprehensive income for the year, net of tax and zakat	(13,432)	(3,105)	(6,586)	(3,058)
Total comprehensive income	649,445	33,308	741,905	374,491
Attributable to:				
Owners of the parent	649,446	33,791	741,934	374,427
Non-controlling interest	(3)	(482)	(29)	64
	649,445	33,308	741,905	374,491

The condensed unaudited consolidated of other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

*Restated due to the results of a discontinued operation.

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
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CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	31.12.2014 RM'000 Unaudited	31.12.2013 RM'000 Audited
ASSETS		
Non-current Assets		
Property, plant and equipment	363,227	326,335
Plantation development expenditure	53,903	52,822
Land use rights	7,381	7,518
Intangible assets	17,329,609	8,259,114
Investment in associates	39,035	24,779
Investment in jointly controlled entity	62,414	57,152
Available for sale investments	467,380	349,450
Other receivables	452,253	364,572
Staff loans	39,325	37,083
Deferred tax assets	224,881	6,236
	19,039,408	9,485,061
Current Assets		
Inventories	154,146	122,317
Trade receivables	606,383	442,323
Other receivables	110,758	128,113
Cash and bank balances	2,041,031	345,413
	2,912,318	1,038,166
Assets of disposal group classified as held for disposal	104	104
TOTAL ASSETS	21,951,830	10,523,331

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
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CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	31.12.2014 RM'000 Unaudited	31.12.2013 RM'000 Audited
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	1,374,150	1,232,444
Perpetual sukuk	997,842	-
Share premium	2,373,149	1,409,376
Retained earnings	2,677,075	2,037,431
Fair value adjustment reserve	(1,878)	(553)
Other reserve	2,635	2,546
Foreign exchange reserve	(545)	(2,941)
	7,422,428	4,678,303
Non-controlling interests	35	64
Total equity	7,422,463	4,678,367
Non-current Liabilities		
Other financial liability	201,950	189,256
Borrowings	5,619,277	3,600,000
Deferred income	55,218	47,078
Deferred tax liabilities	875,343	135,149
Trade payables	3,479,999	-
Other payables	583,823	703,021
	10,815,610	4,674,504
Current Liabilities		
Borrowings	705,742	200,000
Trade payables	675,106	231,676
Other payables	2,301,067	685,619
Income tax payable	31,816	53,122
	3,713,731	1,170,417
Liabilities of disposal group classified as held for disposal	26	43
Total liabilities	14,529,367	5,844,964
TOTAL EQUITY AND LIABILITIES	21,951,830	10,523,331

The condensed unaudited consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

MALAYSIA AIRPORTS

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
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CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the Company									
			Non- distributable				Distributable			
	Share Capital RM'000	Perpetual Sukuk RM'000	Share Premium RM'000	Fair value Adjustment Reserve RM'000	Foreign Exchange Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total equity RM'000
At 1 January 2013	1,210,000	-	1,320,414	5,136	(5,574)	2,546	1,826,758	4,359,280	-	4,359,280
Total comprehensive income for the year	-	-	-	(5,689)	2,633	-	377,483	374,427	64	374,491
Transaction with owners										
Shares issued pursuant to Dividend reinvestment plan	22,444	-	88,962	-	-	-	-	111,406	-	111,406
Dividends	-	-	-	-	-	-	(166,810)	(166,810)	-	(166,810)
Total transactions with owners	22,444	-	88,962	-	-	-	(166,810)	(55,404)	-	(55,404)
At 31 December 2013	1,232,444	-	1,409,378	(553)	(2,941)	2,546	2,037,431	4,676,303	64	4,676,367
At 1 January 2014	1,232,444	-	1,409,376	(553)	(2,941)	2,546	2,037,431	4,676,303	64	4,676,367
Total comprehensive income for the year	-	-	-	(9,071)	2,396	89	748,520	741,934	(29)	741,905
Issuance of perpetual sukuk		997,842	-	-	-	-	-	997,842	-	997,842
Distribution to perpetual sukuk holder			-	-	-	-	(2,521)	(2,521)	-	(2,521)
Transaction with owners										
Shares issued pursuant to Dividend reinvestment plan	17,856	-	115,996	-	-	-	-	133,852	-	133,852
Issuance of new shares via private placement	124,050	-	847,777	-	-	-	-	971,827	-	971,827
Acquisition of subsidiary	-	-	-	7,746	-	-	-	7,746	-	7,746
Dividends	-	-	-	-	-	-	(106,355)	(106,355)	-	(106,355)
Total transactions with owners	141,706	-	963,773	7,746	-	-	(106,355)	1,006,870	-	1,006,870
At 31 December 2014	1,374,150	997,842	2,373,149	(1,878)	(545)	2,635	2,677,075	7,422,428	35	7,422,463

The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statement

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2014 *(Cont'd)*

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
(Incorporated in Malaysia)

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	31.12.2014 RM'000 Unaudited	31.12.2013 RM'000 Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax and zakat from:		
Continuing operations	834,171	553,168
Discontinued operation	(58)	(140)
Adjustments for:		
Interest income	(15,936)	(16,368)
Interest from late payments	(4,456)	(4,553)
Interest expense	151,337	28,375
Provision for liabilities	4,355	4,461
Writeback of provision for liabilities	-	(42)
Amortisation of:		
- Intangible assets	358,026	228,434
- plantation development expenditure	3,211	2,745
- land use rights	139	121
Depreciation of property, plant and equipment	44,024	46,562
Amortisation of premium on investments	-	29
Impairment of investment in associate	9,011	3,742
Impairment of investment in unquoted share	15,000	-
Impairment of intangible assets	50,310	-
Net writeback of doubtful debts	(3,024)	(1,188)
Net bad debt (written back)/written off	(393)	7,203
Net (loss) /gain on disposal of:		
- property,plant and equipment	(39)	343
- intangible assets	(36)	-
- bond	-	(363)
- quoted shares	(10)	(188)
Property, plant and equipment written off	614	1,927
Plantation development expenditure written off	1,396	-
Intangible assets written off	1,602	110
Net of inventories written off	290	1,079
Investment income	(23,915)	(14,834)
Profit from construction contract	(28,525)	(71,981)
Gain arising from remeasurement of fair value of investment	(502,511)	-
Gain on bargain purchase	(379,105)	-
Impairment of goodwill	229,429	-
Share of results of:		
- Jointly controlled entities	52,736	(3,008)
- Associates	(113)	39,385
Operating profit before working capital changes	797,530	805,019
Increase in inventories	(29,042)	(24,299)
(Increase)/Decrease in receivables	(62,479)	71,551
Increase in payables	18,415	191,346
Decrease in concession liabilities	(22,836)	(27,021)
(Decrease)/Increase in provision for liabilities	(3,433)	1,150
Cash generated from operations	698,155	1,017,746
Tax and Zakat paid	(126,942)	(126,341)
Net cash generated from operating activities	**571,213**	**891,405**

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
(Incorporated in Malaysia)

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	31.12.2014 RM'000 Unaudited	31.12.2013 RM'000 Audited
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of:		
- property, plant and equipment	(75,097)	(77,628)
- intangibles assets	(488,830)	(1,836,074)
- plantation development expenditure	(4,328)	(5,231)
- quoted shares	(116,754)	(45,612)
Proceeds from disposal of:		
- property, plant and equipment	75	81
- intangible assets	36	-
- bond	-	5,459
- quoted shares	11	532
Acquisition of an associate	-	(840)
Advance to associates	(9,011)	(8,579)
Advance to joint controlled entities	(9)	-
Additional investment in an associate	(19,200)	-
Additional investment in jointly controlled entities	(963,213)	-
Cash flow arising from acquisition of subsidiaries	913,863	-
Redemption of bonds	-	5,459
Investment income received	23,915	14,834
Dividend received from associate	3,600	1,800
Interest received	4,370	5,807
Net cash used in investing activities	**(730,572)**	**(1,939,992)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issuance expenses for private placement	(8,168)	-
Proceeds from issuance of shares from private placement	124,050	-
Proceeds of share premium arising from private placement	855,945	-
Perpetual sukuk issuance expense	(2,158)	-
Proceeds from issue of perpetual sukuk	1,000,000	-
Repayment of loan	(200,000)	-
Drawdown of loans and borrowings	250,000	700,000
Interest paid	(146,536)	(27,642)
Dividends paid to shareholders of the Company	(18,443)	(53,007)
Net cash generated from financing activities	**1,854,690**	**619,351**
Net increase/(decrease) in cash and cash equivalents	**1,695,332**	**(429,236)**
Effects of foreign currency translation	286	524
Cash and cash equivalents at beginning of year	345,413	774,124
Cash and cash equivalents at end of year	**2,041,031**	**345,413**
Cash and cash equivalents comprising:		
Cash and bank balances	1,033,027	99,495
Short term deposits	1,008,004	245,917
	2,041,031	**345,413**

*Restated due to the results of a discontinued operation.

The condensed unaudited consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements.

The interim condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. These explanatory notes attached to the interim condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except as follows:

On 1 January 2014, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

Description	Effective for periods beginning on or after
• Amendments to FRS 10, FRS 12 and FRS 127 Investment Entities	1 January 2014
• Amendments to FRS 132 Offsetting Financial Assets and Financial Liabilities	1 January 2014
• Amendments to FRS 136 Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets.	1 January 2014
• Amendments to FRS 139 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
• IC Interpretation 21 Levies	1 January 2014

The adoption of the above standards and interpretation have no material impact on the financial statements of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Standards issued but not yet effective

Description	Effective for annual periods beginning on or after
• Amendmend to FRS 119 Defined Benefit Plans: Employee Contributions	1 July 2014
• Annual Improvements to MFRSs 2010-2012 Cycle	
- Amendment to FRS 2 Share-based payment	1 July 2014
- Amendment to FRS 3 Business Combinations	1 July 2014
- Amendment to FRS 8 Operating Segments	1 July 2014
- Amendment to FRS 13 Fair Value Measurement	1 July 2014
- Amendment to FRS 116 Property, Plant and Equipment	1 July 2014
- Amendment to FRS 124 Related Party Disclosure	1 July 2014
- Amendment to FRS 138 Intangibles Asset	1 July 2014
• Annual Improvements to MFRSs 2011-2013 Cycle	
- Amendment to FRS 1 First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
- Amendments to FRS 3 Business Combinations: Scope exceptions for joint venture	1 July 2014
- FRS 13 Fair Value Measurement	1 July 2014
- Amendment to FRS 140 Investment Property	1 July 2014
• FRS 9 Financial Instrument Activities	1 January 2015
• Amendment to FRS 11 Accounting for Acquisition of interest in joint operations (Amendments to FRS 11)	1 January 2016
• FRS 14 Regulatory Deferral Accounts	1 January 2016
• Amendments to FRS 116 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)	1 January 2016
• Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants	1 January 2016
• FRS 15 Revenue from contracts with customers	1 January 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Description	Effective for annual periods beginning on or after
• FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009	To be announced
• FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010	To be announced
• FRS 9 Financial Instruments: Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139	To be announced

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

Amendment to FRS 8 Operating Segments
The Amendment requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics and clarifies that reconciliation of the total reportable segments' assets to the entity's assets is required if that amount is regularly provided to the chief operating decision maker.

FRS 9 Financial Instruments: Classification and Measurement

FRS 9 reflects the first phase of the work on the replacement of FRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

FRS 116 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)

The amendments clarify the principle in FRS116 and FRS138 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and to amortise intangible assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group will quantify the effect of change in current method of amortisation of concession right which is based on revenue stream to straight line method.

Amendment to FRS 11 Acquisition of interest in joint venture

The amendments to FRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant FRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to FRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

FRS 15 Revenue from contracts with customers

The FRS 15 was issued in September 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Effective date to be announced by the Malaysian Accounting Standard Board

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is a fully IFRS-compliant framework which is applicable for all non-private entities for annual periods beginning on or after 1 January 2012, other than Transitioning Entities (TEs), which may defer adoption in view of potential changes on the horizon which may change current accounting treatments. On 2 September 2014, MASB had announced the adoption of MFRS for TEs is deferred to 1 January 2017.

TEs are non-private entities within the scope of MFRS 141 – Agriculture and IC Interpretation 15 –Agreements for the Construction of Real Estate, including their parent, significant investor and venturer. The Group being a TE, will adopt the MFRS Framework with effect from 1 January 2017.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

Airport services segment and retail segment, being the core businesses of the Group were not materially affected by any seasonality or cyclicality during the current quarter and financial year under review.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

The Group's performance for the current quarter and financial year under review has taken into account the following:

a) As stated in note 25, effective 31 December 2014, İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş ("ISG") and LGM Airport Operations Trade and Tourism Inc ("LGM") became wholly-owned subsidiaries of the Group. FRS3: Business Combinations states that, 'in a business combination achieved in stages, the acquirer shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss'. Upon consolidation, the Group recognised RM502.5 million gain from the re-measurement of fair value of investment being the difference between the carrying amount of previously held equity interest and the acquisition date fair value of the net asset acquired. In addition, there is a gain on bargain purchase of RM379.1 million arising from the acquisition of ISG and impairment of goodwill of RM229.4 million arising from the acquisition of LGM.

b) As at 31 December 2014, the Group are in a net current liabilities position of RM801.4 million arising mainly from amount due to Limak amounting to RM 1,182.9 million for the acquisition of the remaining stake in ISG and LGM. On 2 January 2015, the Group has drawndown Bridging loan facility of RM1,182.9 million to settle the amount due to Limak. As stated in note 25 (c) on 23 December 2014, shareholders at its Extraordinary General Meeting had approved the Proposed Rights Issues. Proceeds from the issuance of Rights Shares will be used to settle the Bridging loan.

c) During the current quarter under review, the Group had changed the depreciation method for infrastructure and construction assets which were previously amortised based on straight line basis to Unit of Production Method ("UOP") (based on forecasted passenger during the concession period). The changes is to be consistent with the method applied for concession rights and to better reflect the pattern in which the related asset's future economic benefits are expected to be consumed by the entity. The changes to UOP method were backdated from 1 January 2014, the impact is a reduction in depreciation by RM101.1 million.

Save for the above, there were no other unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial year under review.

6. SEGMENT INFORMATION

The Group is organised into business units and has the following reportable operating segments which are classified under airport operations and non-airport operations activities:-

Airport Operations:-

a) Duty free and non-dutiable goods
To operate duty free and non-duty free outlets and provide services in respect of food and beverage outlets at designated airports in Malaysia.

b) Airport services
To manage, operate and maintain designated airports and to provide airport related services.

Non-Airport Operations:-

a) Agriculture and horticulture
To cultivate oil palm and sell palm oil and other agricultural products and to carry out horticulture activities.

b) Hotel
To manage and operate a group of hotel, known as Sama – Sama Hotel and Sama-Sama Express KL International Airport.

c) Project and repair maintenance
To provide consultancy, operations and maintenance of Information and Communication Technology business ventures and provision of mechanical and civil engineering services in connection with the airport industry.

As stated in note 25(b), effective 31 December 2014, ISG and LGM became the wholly-owned subsidiaries of the Group. The assets and liabilities of ISG and LGM are disclosed as overseas operations segment. The Group has also improved its presentation of segment information by segregating the overseas operations of its project and repair maintenance segment.

Save for the above, there has been no material change in the total assets and no difference in the basis of segmentation or in the basis of measurement of segment profit or loss compared to the last financial statements for the year ended 31 December 2013.

MALAYSIA AIRPORTS

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

6. SEGMENT INFORMATION (Contd.)

	Continuing Operations										Discontinued Operation	Total Operations
	Malaysia Operations						Overseas Operations					
	Airport Operations		Non Airport Operations				Airport Operations	Non Airport Operations				
	Airport services	Duty free and non-dutiable goods	Project & repair and maintenance	Hotel	Agriculture & horticulture	Others	Airport services	Project & repair and maintenance	Consolidation	TOTAL		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
For the year ended 31 December 2014												
Segment Revenue												
External:												
Aeronautical	1,341,075	-	-	-	-	-	-	-	-	1,341,075	-	1,341,075
Non-aeronautical:							-	-				
Retail	-	614,689	-	-	-	-	-	-	-	614,869	-	614,689
Others	552,812	1,185	-	-	-	-	-	-	-	553,997	-	553,997
Construction	662,405	-	-	-	-	-	-	-	-	662,405	-	662,405
Non-airport Operations	-	-	19,078	74,136	31,304	4,260	-	42,778	-	171,556	-	171,556
Inter-segment sales	222,694	911	48,308	2,148	4,249	-	-	-	(278,310)	-	-	-
Inter-segment dividends	-	-	-	-	-	86,583	-	-	(86,583)	-	-	-
Total Revenue	2,778,985	616,785	67,386	76,284	35,553	70,843	-	42,778	(344,893)	3,343,722	-	3,343,722
Segment Results												
Construction profit	28,525	-	-	-	-	-	-	-	-	28,525	-	28,525
Profit from operations (excluding construction profit)	773,798	(33,396)	14,838	9,384	6,246	212,603	-	13,122	(209,766)	786,829	(26)	786,803
Depreciation and amortisation	(359,701)	(8,806)	(211)	(18,713)	(4,084)	(13,771)	-	(113)	-	(405,399)	-	(405,399)
Finance costs	(152,789)	(109)	(59)	(24)	(26)	(122,934)	-	-	124,584	(151,337)	-	(151,337)
Impairment of investment	-	-	-	-	-	(24,011)	-	-	-	(24,011)	-	(24,011)
Gain arising from remeasurement of fair value of	-	-	-	-	-	-	-	-	502,511	502,511	-	502,511
Gain on bargain purchase	-	-	-	-	-	-	-	-	379,105	379,105	-	379,105
Impairment of goodwill	-	-	-	-	-	-	-	-	(229,429)	(229,429)	-	(229,429)
Share of results of:												
- associates	113	-	-	-	-	-	-	-	-	113	-	113
- jointly controlled entities	-	-	-	-	-	(52,736)	-	-	-	(52,736)	-	(52,736)
Profit/(loss) before tax and zakat	289,968	(42,311)	14,568	(9,353)	2,136	(849)	-	13,009	567,005	634,171	(26)	634,145
Tax and Zakat	(77,869)	11,083	(4,159)	4,143	(626)	34,346	-	(1,171)	(51,351)	(85,622)	(32)	(85,654)
Profit/(loss) for the year	212,077	(31,228)	10,409	(5,210)	1,510	33,499	-	11,836	515,654	748,549	(58)	748,491
As at 31 December 2014												
Assets and Liabilities												
Segment assets	11,675,503	273,816	114,136	170,715	83,448	12,991,050	8,226,180	42,627	(9,727,200)	21,850,277	104	21,850,381
Investment in associates	39,035	-	-	-	-	-	-	-	-	39,035	-	39,035
Investment in jointly controlled entities	-	-	-	-	-	62,414	-	-	-	62,414	-	62,414
Total assets	11,714,538	273,816	114,136	170,715	83,448	13,053,464	8,226,180	42,627	(9,727,200)	21,951,726	104	21,951,830
Segment liabilities representing												
Total liabilities	7,843,793	196,413	31,254	85,775	15,618	8,222,964	7,088,485	25,939	(8,981,900)	14,529,341	26	14,529,367

6. SEGMENT INFORMATION (Contd.)

	Continuing Operations										Discontinued Operations	Total Operations
	Malaysia Operations						Overseas Operations					
	Airport Operations		Non Airport Operations				Airport Operations	Non Airport Operations				
	Airport services	Duty free and non-dutiable goods	Project & repair and maintenance	Hotel	Agriculture & horticulture	Others	Airport services	Project & repair and maintenance	Consolidation	TOTAL		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
For the period ended 31 December 2013												
Segment Revenue												
External:												
Aeronautical	1,211,040	-	-	-	-	-	-	-	-	1,211,040	-	1,211,040
Non-aeronautical:										-		-
Retail	-	609,960	-	-	-	-	-	-	-	609,960	-	609,960
Others	502,752	1,354	-	-	-	-	-	-	-	504,106	-	504,106
Construction	1,635,864	-	-	-	-	-	-	-	-	1,635,864	-	1,635,864
Non-airport operations	-	-	30,016	66,198	30,924	-	-	10,651	-	137,789	-	137,789
Inter-segment sales	163,597	2,041	31,118	1,358	3,154	-	-	-	(201,268)	-	-	-
Inter-segment dividends	-	-	-	-	-	116,720	-	-	(116,720)	-	-	-
	3,513,253	613,355	61,134	67,556	34,078	116,720	-	10,651	(317,988)	4,098,759	-	4,098,759
Segment Results												
Construction profit	71,981	-	-	-	-	-	-	-	-	71,981	-	71,981
Profit from operations (excluding construction profit)	804,622	44,537	4,614	6,775	2,626	103,237	-	5,054	(143,921)	827,544	(140)	827,404
Depreciation and amortisation	(229,955)	(6,585)	(149)	(20,713)	(3,599)	(16,705)	-	(156)	-	(277,862)	-	(277,862)
Finance costs	(28,349)	-	-	-	(1)	(25)	-	-	-	(28,375)	-	(28,375)
Impairment of investment of associate company						(3,743)	-	-		(3,743)	-	(3,743)
Share of results of associates:										-		
- associates	4,130	-	-	-	-	(43,515)	-	-	-	(39,385)	-	(39,385)
- jointly controlled entities	-	-	-	-	-	3,008	-	-	-	3,008	-	3,008
Profit/(loss) before tax and zakat	522,429	37,952	4,465	(13,938)	(974)	42,257	-	4,898	(143,921)	553,168	(140)	553,028
Tax and Zakat	(149,860)	(9,504)	1,136	(1,793)	(1,300)	(13,921)	-	(239)	-	(175,481)		(175,481)
Profit/(loss) for the year	472,569	28,448	5,601	(15,731)	(2,274)	28,336	-	4,659	(143,921)	377,687	(140)	377,547
As at 31 December 2013												
Assets and Liabilities												
Segment assets	6,067,934	261,284	92,930	161,989	94,694	8,300,130	-	14,003	(4,551,668)	10,441,296	104	10,441,399
Investment in associates	23,321	-	-	-	-	1,458	-	-	-	24,779	-	24,779
Investment in jointly controlled entities	-	-	-	-	-	57,152	-	-	-	57,152	-	57,152
Total assets	6,091,255	261,284	92,930	161,989	94,694	8,358,740	-	14,003	(4,551,668)	10,523,227	104	10,523,331
Segment liabilities representing												
Total liabilities	2,339,008	152,981	32,990	76,200	23,988	5,655,804	-	(6,947)	(2,427,101)	5,844,921	43	5,844,964

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
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PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

7. PROFIT BEFORE TAX AND ZAKAT

The following items have been included in arriving at profit before tax and zakat

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2014 RM'000	Preceding Year Corresponding Quarter 31.12.2013 RM'000	Current Year to Date 31.12.2014 RM'000	Preceding Year Corresponding Period 31.12.2013 RM'000
Included in Other Income:				
Interest income:				
-Unquoted Investment and staff loan	1,136	1,261	4,398	4,908
-Other loan and receivables	2,834	2,783	11,399	11,132
-Available-for-sale financial assets	-	40	-	328
-Gain on financial instrument at fair value through profit or loss	87	-	139	-
Investment Income	11,272	1,169	23,915	14,834
Net realised foreign exchange gein	876	1,309	3,553	3,891
Net gain/(loss) on disposal of property, plant and equipment				
- Property, plant and equipment	23	(509)	39	(343)
- Intangible assets	-	(8)	36	-
- Bonds	-	363	-	363
- Others	-	1	10	188
Recoupment of expenses	20,792	21,099	89,377	70,047
Included in Other Expenses:				
Net write back of doubtful debts	(4,364)	(2,081)	(3,024)	(1,188)
Net bad debt (written back)/ written off	(393)	-	(393)	7,203
Property, plant and equipment written off	348	(498)	614	1,927
Plantation development expanses written off	-	-	1,396	-
Intangible assets written off	-	21	1,602	110
Net inventories written off	1,248	363	290	1,079
User fee	75,051	88,739	271,369	237,832
Included in Finance Cost:				
Interest expense:				
- Concession payables and borrowings	50,739	5,016	146,536	24,050
- Financial liabilities	874	1,073	3,494	4,325
- Loss on financial instrument at fair value through profit or loss	1,124	-	1,307	-

8. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates other than as stated in Note 5(c) that have had a material effect in the result for current quarter and financial year under review.

9. DEBT AND EQUITY SECURITIES

On 4 February 2014, the Company has increased the share issued and paid-up share capital of the Company to 1,240,546,352 via issuance of 8,102,473 new ordinary shares of RM1.00 each pursuant to DRP as stated in note 25, in relation to the single-tier interim dividend of 6.0% for the financial year ended 31 December 2013.

On 12 March 2014, the Company has increased the share issued and paid-up share capital to 1,364,596,352 via issuance of 124,050,000 new ordinary shares of RM1 each through a private placement to investors identified via a book-building exercise, which had attracted demand from both domestic and foreign institutional investors. The issue price was fixed at RM7.90 per ordinary share, representing a discount of approximately 4.36% to the 5-day Volume Weighted Average Market Price ("VWAMP") of MAHB up to and including 3 March 2014 of RM8.26 and a discount of approximately 5.73% to the closing market price of MAHB Shares on 3 March 2014 of RM8.38.

On 2 May 2014, the Company has further increased the share issued and paid-up share capital of the Company to 1,374,149,854 via issuance of 9,553,502 new ordinary shares of RM1.00 each pursuant to DRP as stated in note 25, in relation to the single-tier final dividend of 5.78% for the financial year ended 31 December 2013.

The new ordinary shares issued during the financial year rank pari passu in all respect with the existing shares of the Company.

On 15 December 2014, the Company completed the issuance of RM1,000,000,000 Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme (as defined in Note 25(d)). The Perpetual Subordinated Sukuk is a perpetual non-call ten (10)-year with no fixed tenure and carries a fixed initial periodic distribution rate of 5.75% (per annum, payable semi-annually) up to the 10th year anniversary of the issue date, after which and for every 10 years onward the periodic distribution rate will be reset. The periodic distribution rate will be reset to the prevailing 10-year MGS benchmark rate plus 1.867% (Initial Spread) plus 1.00% step up rate. The Perpetual Subordinated Sukuk is structured as a perpetual sukuk and accounted as equity instruments.

Save for the above, there were no other issuance and/or repayment of debt and/or equity securities, share buy backs, share cancellation, shares held as treasury shares and resale of treasury shares during the current quarter and financial year under review.

10. DIVIDENDS PAID

A single-tier interim dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2013 was declared on 8 November 2013. The interim dividend amounting to RM73.95 million of which RM8.6 million was paid on 30 January 2014 and the remaining was reinvested on 4 February 2014.

A single-tier final dividend of 5.78 sen per ordinary share in respect of the financial year ended 31 December 2013 was approved by the Shareholders at its Annual General Meeting held on 20 March 2014. The final dividend amounting to RM78.9 million of which RM9.8 million was paid on 30 April 2014 and the remaining was reinvested on 2 May 2014.

10. DIVIDENDS PAID (Contd.)

A single-tier interim dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2014 was declared on 25 November 2014. The interim dividend amounting to RM27.5 million of which RM12.8 million was paid on 22 January 2015 and the remaining RM14.7 million was reinvested on 23 January 2015.

Save for the foregoing, there were no other dividends paid or declared during the current quarter and financial year under review.

11. CARRYING AMOUNT OF REVALUED ASSETS

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation, amortisation and impairment losses.

12. CHANGES IN COMPOSITION OF THE GROUP

On 30 April 2014, MAHB had completed the acquisition of an additional 40% stake in ISG and LGM from GMR Infrastructure Limited, GMR Infrastucture Overseas Limited and GMR Infrastructure (Global) Limited for total cash consideration of Euro209.0 million (or the equivalent to RM944.3 million) through a wholly-owned subsidiary of MAHB called Malaysia Airports MSC Sdn Bhd ("MAMSC").

Effective 1 May 2014, ISG and LGM are regarded as Jointly Controlled Entities ("JCE"). They were previously regarded as associates and in view that there was additional investment by the Group in ISG and LGM, the previously unrecognised share of losses in ISG carried forward was recognised in the second quarter.

On 20 October 2014, MAHB has incorporated a wholly-owned subsidiary, Malaysia Airports Cities Sdn Bhd ("MA Cities"). The issued and paid up share capital of MA Cities amounting to RM101. Subsequently, in November 2014, the issued and paid up share capital has been increased to RM3,000. The principal activity of MA Cities is investment holding.

As stated in note 25(b), effective 31 December 2014, ISG and LGM became the Group wholly-owned subsidiaries pursuant to the acquisition of the remaining 40% stake by MA Cities from Limak and Limak Yatirim for a cash consideration of Euro279.2 million (or the equivalent to RM1,182.9 million).

Save for the above, there were no other changes in the composition of the Group during the current quarter and financial year under review.

13. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR DISPOSAL

On 18 September 2013, KL Airport Hotel Sdn Bhd had issued a written notice of termination to ATOZ Hospitality Services Sdn Bhd, to terminate Sama-Sama Hospitality Management Sdn Bhd ("SSHM").

As at 30 September 2014, the assets and liabilities of SSHM have been presented on the consolidated statements of financial position as assets and liabilities held for disposal and the results from SSHM is presented separately on the statement of profit or loss as discontinued operation.

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

13. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR DISPOSAL (Contd.)

The Board of Directors of MAHB, had on 25 November 2014 approved for the striking off or winding up of SSHM via a court order, after attempt to have SSHM wound up via voluntary winding up failed. This process is expected to be concluded by end of 2015.

An analysis of the result of the discontinued operation is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year to Date	Preceding Year Corresponding Period
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Other expenses	(7)	(44)	(26)	(140)
Loss before tax of a discontinued operation	(7)	(44)	(26)	(140)
Income tax expenses	(32)	-	(32)	-
Loss for the year from a discontinued operation	(39)	(44)	(58)	(140)

The classes of assets and liabilities classified as held for disposal on the consolidated statement of financial position are as follows:-

	31.12.2014 RM'000 Unaudited	31.12.2013 RM'000 Audited
Assets		
Cash & bank balances	104	104
Liabilities		
Other payables	26	43

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

i) As at 31 December 2014, the financial liabilities of the wholly-owned subsidiaries of the Group, ISG and LGM were consolidated in the Group statements of financial position.

As at 31 December 2014 for ISG, there were six letters of guarantee totalling Euro114.9 million were provided to Undersecretariat of Defence / Turkey ("UDT") (representing 6% of total amount payable to the UDT for the right to operate the facility as set out in the Concession Agreement).

ii) On 11 September 2013, a wholly-owned subsidiary of the Group, MACS has provided a Corporate Guarantee to the Government of the State of Qatar represented by the New Doha International Airport Steering Committee to guarantee the performance of obligations and liabilities of MACS ME under Contract for Facility Management Services for Airport Operational Facilities and Ancillary Buildings.

The Group has assessed the financial guarantee contracts and concluded that the guarantees are more likely not to be called upon and accordingly not recognised as financial liability as at 31 December 2014.

Save for the above, there were no other changes in contingent liabilities since 31 December 2013. The Group has no contingent assets.

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PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

15. RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transaction:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Revenue:				
Associate:				
Lease rental				
- KL Aviation Fuelling System Sdn. Bhd.	1,489	1,489	5,954	5,868
Management Fee				
- Istanbul Sabiha Gokcen International Airport	-	(762)	-	2,238
- LGM Airport Operations Trade and Tourism Inc.	-	1,678	-	1,941
Interest on outstanding payment				
- Istanbul Sabiha Gokcen International Airport	-	(272)	-	24
Jointly Controlled Entities:				
Management Fee				
- LGM Airport Operations Trade and Tourism Inc.	1,647	-	6,394	-
Lease rental				
- Segi Astana Sdn. Bhd.	318	318	1,273	1,273
- Airport Cooling Energy Supply Sdn. Bhd.	222	222	888	874
Concession Fee				
- MFMA Development Sdn Bhd	142	-	469	-
Interest on outstanding payment				
- Istanbul Sabiha Gokcen International Airport	176	-	533	-
- MFMA Development Sdn Bhd	306	-	618	-
Expenses:				
Jointly Controlled Entities:				
Airport Cooling Energy Supply Sdn. Bhd.				
- Utilities	8,031	-	21,417	-
- Less Rebate	(2,718)	-	(5,786)	-
- Interest on concession payable	5,340	-	14,241	-
Segi Astana Sdn. Bhd.				
- Rental of shops and warehouse	731	-	1,725	-
- Water and electricity	65	-	204	-
- Car park	-	-	51	-
Other Transactions:				
Jointly Controlled Entities:				
Airport Cooling Energy Supply Sdn. Bhd.				
- Construction Cost	-	16,047	21,395	58,837
- Payment on concession payable	2,675	-	7,133	-
Other Related Party:				
Construction Cost				
- UEMC-Bina Puri J.V.	(325)	15,340	20,599	268,399

Related Party Balances:

	As at 31.12.2014 RM'000 Unaudited	As at 31.12.2013 RM'000 Audited
Amount owing to jointly controlled entities	6,530	13,818
Amount owing by associate company	515	62
Amount owing to other related party	500	1,816

16. CAPITAL COMMITMENTS

i) The amount of commitments for the lease rental, purchase of property, plant and equipment, construction of the terminal building and other investment not provided for in the interim condensed consolidated financial statements as at 31 December 2014 were as follows:

	Due year 2015 RM'000	Due year 2016 to 2019 RM'000	Due year 2020 to 2066 RM'000	Total RM'000
(i) Approved and contracted for:				
Lease rental payable to the GoM other than within the operating agreements	-	-	66,063	66,063
	-	-	66,063	66,063
(ii) Approved but not contracted for:				
Capital expenditure	475,806	-	-	475,806
(iii) Other investment:				
Investment in ISG	-	130,256	-	130,256
Investment in MFMA Development Sdn. Bhd.	-	45,734	-	45,734
	475,806	175,990	66,063	717,859

17. SUBSEQUENT EVENTS

There were no other material events subsequent to the end of the current quarter and financial year under review that requires disclosure or adjustments to the interim financial statements.

18. PERFORMANCE REVIEW

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2014 RM'000	Preceding Year Corresponding Quarter 31.12.2013 RM'000	Current Year to Date 31.12.2014 RM'000	Preceding Year Corresponding Period 31.12.2013 RM'000
Revenue	711,334	1,120,767	3,343,722	4,098,759
Profit before tax and zakat	682,312	83,932	834,171	553,168

a) <u>Quarter-on-Quarter</u>

Revenue

The consolidated revenue of the Group for the current quarter under review amounts to RM711.3 million was 36.5% or RM409.4 million lower than the same corresponding quarter last year.

However, if the construction revenue is excluded, the consolidated revenue was 4.1% or RM27.8 million higher than the same corresponding quarter last year.

i) Airport Operations

Airport operations' revenue include construction revenue. This construction revenue is in relation to the construction of klia2 and the expansion of Penang International Airport ("PIA") which were completed in May 2014 and June 2013 respectively.

For the current quarter under review, owing to the completion of both airports there is no construction revenue recognised as compared to RM437.2 million accounted for in the corresponding quarter last year.

If the construction revenue is excluded from both periods, the airport operations' revenue was 4.3% or RM27.3 million higher than the corresponding quarter last year. This was mainly attributed to an increase in aeronautical revenue of 7.7% or RM25.0 million (Q4 2014: RM349.3 million; Q4 2013: RM324.3 million). This improvement in aeronautical revenue was mainly due to the recognition of Marginal Cost Support Sum on Passenger Service Charges ("MARCS PSC") of RM23.6 million.

18. PERFORMANCE REVIEW

Quarter-on-Quarter (Contd.)

The Group has started to recognise MARCS PSC for passengers who travelled on and after 12 February 2014. As stipulated in the Operating Agreement ("OA") signed on 12 February 2009, the Benchmark PSC rate is revised in every 5 years based on the agreed calculation as stated in the OA. The 2nd Tariff Cycle revision became effective 12 February 2014. MARCS PSC of RM23.6 million was recognised in the current quarter under review for the difference between actual PSC and Benchmark PSC rate.

RM Per Pax	Actual PSC	Benchmark PSC Rate of 2nd Tariff Cycle (RM Per Pax)	MARCS PSC
International PSC/PSSC (All airports except LCCTs)	65	71	6
Domestic PSC/PSSC (all airports except LCCTs)	9	10	1
International PSC (for LCCTs only)	32	35	3
Domestic PSC (for LCCTs only)	6	7	1
International PSC/PSSC (Secondary airports and BIMP-AEGA/IMT-GT)	26	28	2

Non-aeronautical revenue increased by less than 1.0% or RM2.2 million (Q4 2014: RM317.4 million; Q4 2013: RM315.2 million). The improvement was driven by higher retail revenue by 1.3% or RM2.3 million.

The passenger movements for the current quarter under review decreased by 0.8% to 22.1 million passengers as compared to the corresponding quarter last year of 22.3 million passengers. The domestic passenger movements decreased by 2.1% while international passenger movements increased by 0.8%. Passenger movements at KLIA-LCCT/klia2 decreased by -5.9% (international: +5.9%, domestic: -22.8%) while at KLIA-Main Terminal increased by 1.9% (international: -1.4%, domestic: +13.9%).

18. PERFORMANCE REVIEW (Contd.)

Quarter-on-Quarter (Contd.)

ii) Non-Airport Operations

For the current quarter under review, the businesses from the non-airport operations segments registered an increase in revenue of 1.1% or RM0.5 million (Q4 2014: RM44.5 million; Q4 2013: RM44.0 million).

Revenue contributed from the project and repair maintenance segment in the current quarter increased by 10.8% or RM1.8 million (Q4 2014: RM18.3 million; Q4 2013: RM16.5 million). Similarly, revenue in the hotel segment increased by 8.8% or RM1.6 million (Q4 2014: RM20.0 million; Q4 2013 RM18.4 million).

The positive variance in the project and repair maintenance revenue in the current quarter was mainly due to higher revenue recorded from MACS Middle East LLC that provides the facilities maintenance services at Doha International Airport which started in October, 2013.

Profit before tax and zakat

The Group recorded profit before taxation and zakat ("PBT") amounting to RM682.3 million in the current quarter under review as compared to RM83.9 million in the previous corresponding period.

Construction profit recognised in the preceding year corresponding quarter was RM20.0 million, while none was recognised in the current quarter.

If the construction profit is excluded from both periods, the Group recorded a PBT of RM682.3 million, as compared to RM63.9 million in the previous corresponding quarter.

The higher PBT was mainly due to the gain arising from re-measurement of fair value of investment amounting to RM502.5 million being the difference between the carrying amount of previously held equity interest and the acquisition date fair value of the net asset of ISG and LGM arising from ISG and LGM became MAHB wholly-owned subsidiaries effective 31 December 2014. The Group had also recognised a gain on bargain purchase of RM379.1 million arising from the acquisition of ISG and impairment of goodwill arising from the acquisition of LGM of RM229.4 million.

Higher PBT was however reduced by the impairment of investments in GMR Male International Airport ("GMR Male") of RM9.0 million and a RM15.0 million minority investment stake in a local investee company.

Total cost (excluding construction cost) for the current quarter under review increased by 16.3% or RM100.8 million (2014: RM719.2 million; 2013: RM618.3 million) mainly due to the increase in expenses incurred that were related to finance, administrative and utilities.

Higher finance cost was due to the cost of borrowing incurred for the construction of klia2 while increased in administrative cost was mainly due to the impairment and write-off of LCCT assets by RM50.3 million.

18. PERFORMANCE REVIEW (Contd.)

Quarter-on-Quarter (Contd.)

Higher utilities costs were mainly due to the additional consumption of electricity after the commencement of klia2 operation and higher tariff that has been in forced beginning January 2014.

If the gain arising from the re-measurement of fair value of investment, gain on bargain purchase and impairment of goodwill are excluded, the Group recorded a PBT of RM30.1 million, as compared to RM63.9 million in the previous corresponding quarter.

b) Year-on-Year

Revenue

The Group consolidated revenue for the financial year under review was 18.4% or RM755.0 million lower than the same corresponding period last year.

However, if the construction revenue is excluded, the consolidated revenue was 9.0% or RM218.4 million higher than the same corresponding period last year.

i) Airport Operations

Included in revenue for airport operations in the financial year under review was construction revenue of RM662.4 million as compared to RM1,635.9 million recognised in the corresponding period last year.

Lower revenue for the financial year under review as compared to the corresponding period last year was due to lower construction revenue by 60.0% or RM973.5 million as a result of completion of klia2 project in April 2014.

If construction revenue is excluded from both periods, the Group recorded 8.0% or RM184.7 million improvement in the airport operations' revenue for the financial year under review. The improvement was mainly attributed to an increase in the aeronautical revenue of 11.0% or RM130.0 million (2014: RM1,341.0 million; 2013: RM1,211.0 million). The increased was mainly contributed by MARCS PSC of RM80.3 million recognised during the financial year under review. The improvement was also driven by higher passenger and aircraft movements as well as the implementation of new landing charges.

18. PERFORMANCE REVIEW (Contd.)

Year-on-Year (Contd.)

The favourable variance in the airport operations' revenue was also contributed by an increase in the non-aeronautical revenue of 5.0% or RM54.6 million (2014: RM1,168.7 million; 2013: RM1,114.1 million). The improvement was driven by higher commercial revenue by 10% or RM49.9 million due to availability of more commercial spaces pursuant to the opening of klia2.

The passenger movements for the financial year under review increased by 4.7% to 83.3 million passengers as compared to the corresponding period last year of 79.6 million passengers, in which the international and domestic passenger movements increased by 4.9% and 4.5% respectively. Passenger movements at both KLIA-Main Terminal and KLIA-LCCT/klia2 increased by 0.4% (international: +0.2%, domestic: +0.8%) and 5.9% (international: +12.7%, domestic: -5.2%) respectively.

ii) Non-Airport Operations

Total revenue from the non-airport operations segment for the financial year under review registered an increase of 24.5% or RM33.8 million (2014: RM171.5 million; 2013: RM137.7 million).

Revenue contributed from the project and repair maintenance segment in the financial year increased by 62.4% or RM25.4 million (2014: RM66.1 million; 2013: RM40.7 million). Similarly, revenue in the hotel segment increased by 11.9% or RM7.9 million (2014: RM74.1 million; 2013: RM66.2 million). Revenue in the agriculture segment also increased by 1.2% or RM379 thousand (2014: RM31.3 million; 2013: RM30.9 million).

The positive variance in the project and repair maintenance segment's revenue in the financial period-to-date was mainly due to the higher revenue from MACS Middle East LLC.

The increase in the hotel revenue was mainly due to the higher occupancy rate (2014: 75.0%, 2013: 68.0%).

The increase in the agriculture revenue in the financial period-to-date was attributed to the higher price attained for fresh fruit bunches ("FFB") per tonne (RM25.4 or 5.4% higher) despite lower production volume for the period (a decrease of 1,361MT or 2.1%) (2014: 63,458MT / RM497.1, 2013: 64,819MT / RM471.7).

Profit before tax and zakat

The consolidated PBT for the financial year under review was 50.8% or RM281.0 million higher than the corresponding period last year.

Included in the PBT in the financial year under review was a construction profit of RM28.5 million derived from the construction of klia2, representing a decrease of 60.4% or RM43.5 million as compared to the same period last year.

18. PERFORMANCE REVIEW (Cont'd)

Year-on-Year (Contd.)

If construction profit is excluded from both periods, PBT increased by 67.4% or RM324.5 million. The favourable PBT was mainly due to the gain arising from re-measurement of fair value of investment amounting to RM502.5 million being the difference between the carrying amount of previously held equity interest and the acquisition date fair value of the net asset of ISG and LGM upon both entities becoming wholly owned subsidiaries of MAHB effective 31 December 2014. The Group had also recognised gain on bargain purchase of RM371.1 million arising from the acquisition of ISG and impairment of goodwill arising from the acquisition of LGM of RM229.4 million.

Higher PBT was however reduced by the impairment of investments in GMR Male of RM9.0 million and a RM15.0 million minority investment stake in a local investee company.

The favourable PBT variance were also negated by higher operating costs, higher depreciation and amortisation, higher finance cost and higher share of losses from JCE.

Total cost (excluding construction cost) for the financial year under review increased by 26.1% or RM541.2 million mainly due to the significant increase in the expenses incurred that were related to depreciation and amortisation, finance, utilities, administrative, employee benefit and user fees.

If the gain arising from re-measurement of fair value of investment, gain on bargain purchase and impairment of goodwill are excluded, the Group recorded a PBT of RM153.5 million, as compared to RM481.2 million in the same period last year.

Share of results of associates and JCE

Share of associate profit in the financial year under review was contributed by profit in Kuala Lumpur Aviation Fuelling System Sdn Bhd but reduced by loss in MFMA Development Sdn Bhd ("MFMA"). MFMA is an associate company involved in the development operation and maintenance of a factory outlet centre known as 'Mitsui Outlet Park KLIA'. The factory outlet is currently under development and scheduled to start operation by end of May 2015. Share of losses from associates in the previous corresponding period was in relation to the share of losses in ISG when ISG was an associate to the Group. As stated in note 12, upon the additional acquisition of 40% stake on 30 April 2014, the investment in ISG and LGM which were previously regarded as investment in associate are now regarded as investment in JCE.

Share of losses from JCE mainly represents additional losses absorbed from the investment in ISG pursuant to the additional acquisition of 40% stake on 30 April 2014. Included in the share of losses in ISG was the one-off recognition of previously unrecognised losses of RM42.5 million.

18. PERFORMANCE REVIEW (Cont'd)

ECONOMIC PROFIT STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2014 RM'000	Preceding Year Corresponding Quarter 31.12.2013 RM'000	Current Year to Date 31.12.2014 RM'000	Preceding Year Corresponding Period 31.12.2013 RM'000
Net Operating Profit Less Adjusted Tax (NOPLAT) computation.				
Earnings before interest and tax (EBIT*)	747,239	129,333	1,046,344	605,294
Adjusted Tax	(186,810)	(32,333)	(261,586)	(151,323)
NOPLAT	560,429	96,999	784,759	453,970
Economic charge computation				
Average invested capital	11,877,998	7,402,428	11,877,998	7,402,428
Weighted average cost of capital per annum	6.23%	7.49%	6.23%	7.49%
Economic Charge	185,000	138,610	739,999	554,442
Economic profit/(loss)	375,429	(41,612)	44,760	(100,472)

* EBIT is earning before finance costs, interest income and share of results of associates.

The EP statement is disclosed on a voluntary basis. EP is a measure of value created by a business during a single period reflecting how much return a business makes over its cost of capital, that is, the difference between the Company's rate of return and cost of capital.

The Group recorded economic profit of RM375.4 million for the current quarter under review as compared to economic loss of RM41.6 million recorded in the corresponding quarter last year. Similarly, the Group also recorded economic profit of RM44.7 million for the financial year under review as compared to economic loss of RM100.5 million recorded in the corresponding period last year. The economic loss in the corresponding period last year was due to the higher average invested capital resulting from cost incurred for the construction of klia2.

The economic profit recorded in the current quarter mainly due to the gain on bargain purchase and gain on re-measurement of fair value of investment recognised upon consolidation of ISG and LGM.

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PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

18. PERFORMANCE REVIEW (Cont'd)

HEADLINE KEY PERFORMANCE INDICATORS ("KPIs")

The Group's financial and operational performances for the year under review against the Headline KPIs were as follows:-

		Headline KPIs for year 2014		Actual achievements 31 December 2014	
		Without Construction Profit	With Construction Profit	Without Construction Profit	With Construction Profit
i)	EBITDA (RM'000)	861,395	894,533	861,430	889,956
ii)	Airport Service Quality Survey Ranking	40 million passenger size category: KLIA Ranking Top 5		40 mppa - ranking at no.7	

19. MATERIAL CHANGE IN PROFIT BEFORE TAX AND ZAKAT OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER

	INDIVIDUAL QUARTER	
	Current Year Quarter 31.12.2014 RM'000	Immediate Preceding Quarter 30.09.2014 RM'000
Revenue	711,334	675,760
Profit before tax and zakat	682,312	10,611

19. MATERIAL CHANGE IN PROFIT BEFORE TAX AND ZAKAT OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER (Contd.)

Revenue

The consolidated revenue of the Group for the current quarter under review increased by 5.3% or RM35.6 million as compared to the immediate preceding quarter.

There were no construction revenue in both quarters.

a) Airport Operation

The airport operations' revenue was 4.1% or RM13.7 million higher than the immediate preceding quarter. The improvement was primarily due to an increase of 9.6% or RM27.7 million in the non-aeronautical revenue generated. This was due to higher retail revenue by 28.9% or RM39.4 million but negated by lower rental revenue of 7.6% or RM11.7 million.

The favourable variance was also due to higher aeronautical revenue by 4.0% or RM13.7 million which mainly driven by higher passenger and aircraft movement.

The passenger movements for the current quarter under review increased by 10.8% as compared to the immediate preceding quarter, in which both the international and domestic passenger movements increased by 7.7% and 13.8% respectively. The passenger movements at KLIA-Main Terminal increased by 8.3% (international: 5.5%, domestic: 17.8%) and at KLIA-LCCT/klia2 increased by 11.8% (international: 12.5%, domestic: 10.3%).

b) Non-Airport Operations

Revenue from the Non-Airport Operations segment recorded a decrease of 11.6% or RM5.8 million to RM44.6 million from RM50.4 million, mainly due to the lower revenue recorded by project and repair maintenance segment by 21.4% or RM5.0 million and the agriculture segment by 37.4% or RM3.7 million. However, the decrease was cushioned by higher revenue in hotel segment by 17% or RM2.9 million.

Profit before tax and zakat

The consolidated PBT for the current quarter under review was RM682.3 million higher than RM10.6 million recorded in the preceding quarter.

There were no construction profit recognised in both quarters.

The favourable PBT was mainly due to the recognition of the gain arising from re-measurement of fair value of investment amounting to RM502.5 million being the difference between the carrying amount of previously held equity interest and the acquisition date fair value of the net asset of ISG and LGM upon both entities becoming wholly-owned subsidiaries of MAHB effective 31 December 2014. The Group had also recognised gain on bargain purchase of RM379.1 million arising from the acquisition of ISG and impairment of goodwill of RM229.4 million arising from the acquisition of LGM.

19. MATERIAL CHANGE IN PROFIT BEFORE TAX AND ZAKAT OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER (Contd.)

Profit before tax and zakat

Apart from the above, higher PBT was also due to higher revenue by 5.3% or RM35.6 million negated by higher total expenses of less than 1.0% or RM5.7 million and the impairment of investments in GMR Male of RM9.0 million and a RM15.0 million minority investment stake in a local investee company.

Higher total expenses were mainly due to higher administrative cost mainly due to impairment and write-off of LCCT assets. However, the unfavourable variance in total expenses was cushioned by lower depreciation and amortisation resulting from the change in the method of calculating the depreciation for intangible assets from Straight Line to UOP method and lower employee benefit expenses.

If the gain arising from re-measurement fair value of investment, gain on bargain purchase and impairment of goodwill are excluded, the Group recorded a PBT of RM30.1 million, as compared to RM10.6 million in the preceding quarter.

20. COMMENTARY ON PROSPECTS

Malaysian Aviation Industry Outlook

Preliminary traffic results indicate airports operated by MAHB in Malaysia handled 83.3 million passengers in 2014, representing a 4.7% increase on the back of the 18.4% growth achieved in 2013. International passenger movements achieved a growth of 4.9% while domestic passengers recorded 4.5% growth over 2013. Aircraft movements registered a 7.3% increase whereas cargo movements recorded 8.0% growth over 2013.

IMF is projecting a 3.8% growth for its global economy forecast in 2015 while Malaysia's GDP is expected to grow between 4.5% to 5.5%. ACI, ICAO and IATA have projected global passenger traffic growth of 4.7%, 6.3% and 7.0% respectively for 2015. Air travel is a function of GDP, consumer and business sentiments, and overall macroeconomic factors. The recent drop in fuel price may help stimulate air travel demand in 2015 as profitability for airlines will increase and in turn, encourage increased seat offerings and lower fares. The positive outlook will continue to be supported by Malaysia Airlines' inclusion into the *oneworld* alliance in February 2013, which naturally extends connectivity from Malaysia by many folds. The ASEAN Open Skies policy would help improve intra-ASEAN travel further.

Based on the prevailing factors, we expect 2015 passenger traffic to record 85.8 million movements, a growth of 3.0% from 2014, as we are more cautious in light of the market outlook. There is room for further optimism for 2015, being the Malaysia Year of Festivals campaign as well as the return of British Airways to Malaysia.

PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

20. COMMENTARY ON PROSPECTS (Contd')

ISG Aviation Industry Outlook

The growth rate of Turkish tourism industry has grown more than the global travel and tourism industry. Turkey was ranked 6th among the top world tourist destination due to rich cultural resources, with 20 World Heritage cultural sites, several international fairs and exhibitions and strong creative industries. Also, the tourism industry was backed by supportive policy rules and regulations governing the industry improvements in its air transport and tourism infrastructure.

MAHB had completed the acquisitions of ISG and LGM on 2 January 2015. In 2015, ISG's passenger movement is expected to grow by 15%, in which 19% growth is expected from International sector and 12% from domestic sector. Aircraft movements are expected to register a 13% growth while cargo movements would likely experience a 5% growth over 2014.

21. PROFIT FORECAST

The disclosure requirements for explanatory notes for the variance of actual profit attributable to equity holder of the company and forecast profit are not applicable.

22. TAXATION AND ZAKAT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year to Date	*Restated Preceding Year Corresponding Period
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Current tax	263	39,918	100,411	142,047
Deferred taxation	19,169	7,557	(19,574)	29,918
Zakat	-	-	4,785	3,516
	19,432	47,475	85,622	175,481

23. SALE OF PROPERTIES

There were no sales of properties since 31 December 2013.

24. INVESTMENTS IN QUOTED SECURITIES

There were no movements in investments in quoted securities during the current quarter and financial year under review.

25. STATUS OF CORPORATE PROPOSALS

Save for the followings, there are no other ongoing corporate proposals announced by the Group but not completed as at 12 February 2015 being a date not earlier than 7 days from the date of issuance of the quarterly report except for b) Proposed Acquisition and d) Perpetual Subordinated Sukuk Programme which had been completed during the current quarter under review.

a) Dividend Reinvestment Plan

The Dividend Reinvestment Plan ("DRP") was approved by the Shareholders at the Extraordinary General Meeting held 30 November 2012. The DRP provides Shareholders an option to elect to reinvest their cash dividend(s) declared by the Company (whether interim, final, special or any other cash dividend) ("Dividend(s)") in new ordinary shares of RM1.00 each in MAHB ("MAHB Shares").

The DRP provides Shareholders with an opportunity to reinvest their Dividends in new MAHB Shares ("New Shares") in lieu of receiving cash. Shareholders are expected to benefit from their participation in the DRP as the New Shares may be issued at a discount and their subscription of such New Shares will be free from any brokerage fees and other related transaction costs. In addition, the DRP also provides the Shareholders with greater flexibility to meet their investment objectives as they would have the choice of receiving Dividends in cash or reinvesting into the Company through the subscription of additional Shares.

The DRP has capital management benefits to MAHB as the reinvestment of Dividends by Shareholders in New Shares will enlarge MAHB's share capital base and strengthen MAHB's capital position. Under the DRP, any cash so retained within MAHB, that would otherwise be made payable by way of dividend, will be preserved to fund the Group's continuing growth and expansion plan, and /or for the Group's working capital (including payment for general corporate activities and to defray expenses incurred in the course of day-to-day business operations). The issue of New Shares under the DRP is also expected to improve the liquidity of MAHB Shares currently listed on the Main Market of Bursa Securities.

25. STATUS OF CORPORATE PROPOSALS (Cont'd)

a) Dividend Reinvestment Plan (Contd.)

In relation to Dividends declared, the Board may, at its absolute discretion, determine whether to offer Shareholders an option to reinvest such Dividend in New Shares ("Reinvestment Option") and where applicable, the size of the portion of such Dividend to which the Reinvestment Option applies ("Electable Portion").

Shareholders will have the following options in respect of a Reinvestment Option:

(a) elect to participate and thereby reinvest the entire Electable Portion (or a part thereof) at the Issue Price (as defined below) for New Shares and to receive wholly in cash:

(i) the portion of the Dividend to which the Reinvestment Option does not apply, as determined by the Board ("Non-Electable Portion"); and

(ii) the remaining portion of the Electable Portion not reinvested (if any) ("Remaining Portion"); or

(b) elect not to participate in the Reinvestment Option and thereby receive the entire Dividend wholly in cash.

The issue price of such New Shares shall be the higher of the following ("Issue Price"):

(a) the adjusted volume-weighted average market price ("VWAP") of MAHB Shares for the five market days immediately before the price fixing date (i.e. a date on which the Issue Price will be determined) after applying a discount of not more than 10%. The VWAP shall be adjusted for Dividends before applying the aforementioned discount in fixing the Issue Price; or

(b) the par value of MAHB Shares at the material time.

Final Dividend for the financial year ended 31 December 2013

On 13 February 2014, the Board of Directors had determined that the DRP shall apply to the entire Final Dividend for the financial year ended 31 December 2013.

On 20 March 2014, the shareholders had approved a single-tier final dividend of 5.78 sen per ordinary share in respect of the financial year ended 31 December 2013 and authorised MAHB to allot and issue new ordinary shares of RM1.00 each in MAHB pursuant to the DRP.

On 20 March 2014, the Board of Directors had approved that the issue price for the new shares is RM7.23 per share to be issued pursuant to the implementation of the DRP in respect of the Final Dividend for the financial year ended 31 December 2013.

The DRP had received all the necessary approvals from Bursa securities and from its shareholders on 20 March 2014. On 25 April 2014, an amount of RM69.1 million was re-invested in the DRP and as disclosed in Note 9, the paid up share capital of the Company was increased to 1,374,149,854 by the issuance of 9,553,502 shares of RM1 each under DRP.

25. STATUS OF CORPORATE PROPOSALS (Cont'd)

Interim Dividend for the financial year ended 31 December 2014

On 25 November 2014, the Board of Directors had approved a single tier interim dividend of 2 sen per ordinary share in respect of financial year ended 31 December 2014 and authorised MAHB to allot and issue new ordinary shares of RM1.00 each in MAHB pursuant to DRP.

On 8 December 2014, the Board of Directors had approved that the issue price for the new shares is RM6.13 per share to be issued pursuant to the implementation of the DRP in respect of the interim dividend for the financial year ended 31 December 2014.

On 23 January 2015, the amount of RM14.7 million was reinvested in the DRP in respect of the interim dividend for the financial year ended 31 December 2014 by the issuance of 2,391,485 shares of RM1 each under DRP.

b) Proposed Acquisition

On 20 October 2014, MAHB had incorporated its wholly-owned subsidiary, Malaysia Airports Cities Sdn Bhd ("MA Cities").

On 23 October 2014, MAHB had announced that it has, via MA Cities exercised the rights of first refusal, pursuant to the shareholders' agreement in relation to ISG dated 19 March 2008 and the shareholders' agreement in relation to LGM dated 4 January 2010 to acquire the remaining 40% equity stake in each of ISG and LGM from Limak and Limak Yatirim ("The Proposed Acquisition"). The Proposed Acquisition was approved by shareholders at its Extraordinary General Meeting held on 23 Dec 2014.

On 31 December 2014, all conditions precedent pertaining to the Proposed Acquisitions have been fulfilled or waived, thus ISG and LGM are effectively MAHB's wholly-owned subsidiary on 31 December 2014. The total cash consideration of Euro279.2 million was subsequently remitted on 2 January 2015.

c) Proposed Right Issues

On 10 November 2014, MAHB had announced that it is to undertake the Proposed Rights Issue to fund the Proposed Acquisition via the issuance of rights issue of 274,829,971 new ordinary shares of RM1.00 each in MAHB on the basis of one (1) rights share for every (5) existing MAHB shares held on an entitlement date to be determined later. The number of rights shares to be issued was arrived at based on the issued and paid up ordinary shares capital of 1,374,149,854.

On 5 December 2014, MAHB had announced that Bursa Securities had, vide its letter dated 5 December 2014, approved the amended application for the listing of and quotation for up to 275,777,660 Rights Shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities.

25. STATUS OF CORPORATE PROPOSAL (Cont'd)

The Proposed Rights Issue was approved by shareholders at its Extraordinary General Meeting held on 23 December 2014.

On 27 January 2015, MAHB had announced the issue price of the Rights Shares has been fixed at RM4.78 per Rights Share ("Issue Price"), representing a discount of approximately 28.8% to the theoretical ex-rights price ("TERP") of MAHB Shares of RM 6.71. Based on the Issue Price, the Rights Issue is expected to raise gross proceeds of approximately RM1,316.0 million.

The Issue Price was determined by the Board of MAHB together with CIMB and Maybank IB, being the Joint Managing Underwriters for the Rights Issue on 27 January 2015 after taking into consideration the following:

(i) the purchase consideration for the acquisitions of the 40% equity stake in ISG and 40% equity stake in LGM of EUR279.2 million which is equivalent to RM1,182.9 million based on Bank Negara Malaysia's middle rate of EUR1.00: RM4.24 as at 5.00 p.m. on 2 January 2015, being the completion date of the said acquisitions;
(ii) the prevailing market price of MAHB Shares;
(iii) the TERP of MAHB Shares of RM6.71 per Share, based on the five (5)-day volume-weighted average market price of MAHB Shares up to and including 26 January 2015, being the last trading day before the price-fixing date of the Rights Shares on 27 January 2015, of RM7.10; and
(iv) the prevailing market conditions.

The Board is of the opinion that the discount of approximately 28.8% to the TERP is reasonably attractive to the entitled shareholders of MAHB to subscribe for the Rights Shares. In addition, the discount applied to the TERP to arrive at the Issue Price is also in line with the market discount rates of between 13.2% and 59.4% for major rights issue exercises implemented in Malaysia over the last five (5) years.

In addition, MAHB had, on 27 January 2015 entered into an underwriting agreement in relation to the Rights Issue with CIMB, Maybank IB and JPMorgan Securities (Malaysia) Sdn Bhd (collectively, the "Joint Underwriters"), whereby the Joint Underwriters will severally but not jointly underwrite up to an aggregate of 174,396,216 Rights Shares to be issued, representing approximately 63.35% of the total issue size of the Rights Issue. Khazanah Nasional Berhad has provided its irrevocable undertaking to subscribe for the remaining Rights Shares.

d) <u>Perpetual Subordinated Sukuk Programme</u>

On 15 December 2014, the Company has completed the issuance of RM1,000,000,000 Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The Perpetual Subordinated Sukuk is a perpetual non-call ten (10) - year with no fixed tenure and carries a fixed initial periodic distribution rate of 5.75% (per annum, payable semi-annually) up to the 10^{th} year anniversary of the issue date, after which and for every 10 years onward the periodic distribution rate will be reset. The periodic distribution rate will be reset to the prevailing 10 – year MGS benchmark rate plus 1.867% (Initial Spread) plus 1.00% step up rate. The Perpetual Subordinated Sukuk is structured as a perpetual securities and accounted as equity.

25. STATUS OF CORPORATE PROPOSAL (Cont'd)

The Perpetual Subordinated Sukuk is issued based on the Shariah principle of Musharakah. The proceed from the Perpetual Subordinated Sukuk shall be utilised for the working capital requirements, general investments and/or refinance any borrowings/financing of MAHB and/or its subsidiaries, which are Shariah-compliant.

The status of utilisation of proceeds raised from the above as at 12 February 2015 (being a date not earlier than 7 days from the date of issue of the quarterly report) are as follows:

Perpetual Sukuk Programme

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)
To part finance the working capital requirements, general investments and/or refinance any borrowings/financing of MAHB and/or its subsidiaries, which are Shariah – compliant.	1,000,000	712,191

26. BORROWINGS AND DEBT/EQUITY SECURITIES

	As at 31.12.2014 RM'000 unaudited	As at 31.12.2013 RM'000 audited
Short term borrowings		
Unsecured:		
Term loans	250,000	200,000
Facility Loan	455,736	-
Hire purchase	7	-
	705,742	200,000
Long term borrowings		
Unsecured:		
Islamic Medium Term Notes ("IMTN")	3,600,000	3,600,000
Senior term facility	2,019,277	-
	5,619,277	3,600,000

27. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 12 February 2015.

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
(Incorporated in Malaysia)

PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

28. CHANGES IN MATERIAL LITIGATION

There was no material suit against the Group and its subsidiaries since 31 December 2013.

29. DIVIDEND PAYABLE

Interim dividend in respect of financial year ended 31 December 2014 had been paid as per note 10. There were no other dividends paid or declared during the current quarter and financial period-to-date under review.

30. EARNINGS PER SHARE ("EPS")

Basic EPS

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period-to-date.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2014 RM'000	Preceding Year Corresponding Quarter 31.12.2013 RM'000	Current Year to Date 31.12.2014 RM'000	Preceding Year Corresponding Period 31.12.2013 RM'000
Profit from continuing operations attributable to owners of the parent	662,661	36,457	748,549	377,687
Distribution to Perpetual Sukuk Holder	(2,521)	-	(2,521)	-
Net Profit from continuing operations attributable to owners of the parent	660,360	36,457	746,026	377,667
Loss from a discontinued operation attributable to equity holders of the Company	(4)	(44)	(58)	(140)
Profit attributable to equity holders of the Company	660,355	36,413	745,969	377,547
Weighted average number of ordinary shares in issue ('000)	1,346,049	1,226,441	1,346,049	1,226,441
Basic earning per share for (sen):				
Profit from continuing operations	49.06	2.97	55.42	30.60
Loss from discontinued operation	(0.00)	(0.00)	(0.00)	(0.01)
Basic earnings per share (sen)	49.06	2.96	55.42	30.79

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
(Incorporated in Malaysia)

PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

30. EARNINGS PER SHARE ("EPS") (Cont'd)

Weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighing factor. The time weighing factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

31. SUPPLEMENTAL EXPLANATORY NOTE ON DISCLOSURE OF REALISED AND UNREALISED PROFITS

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	4,237,120	3,691,829
- Unrealised	231,588	73,595
	4,468,708	3,765,424
Total share of retained earnings/(accumulated losses) from associate companies:		
- Realised	72,283	(270,991)
- Unrealised	(3,000)	73,376
	69,283	(197,615)
Total share of retained earnings from jointly controlled entities:		
- Realised	(336,605)	2,803
- Unrealised	73,143	631
	(263,462)	3,434
Less: Consolidation Adjustments	(1,597,453)	(1,533,812)
Total retained earnings as per financial statements	2,677,075	2,037,431

32. AUTHORISATION FOR ISSUE

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors.

BY ORDER OF THE BOARD

Sabarina Laila Dato' Mohd Hashim
Company Secretary
Sepang
13 February 2015

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

Consolidated financial statements as of December 31, 2011 together with report of independent auditors

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

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ERNST & YOUNG

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Independent auditors' report

To the Shareholders of İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

We have audited the accompanying consolidated financial statements of İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. and its subsidiary (altogether will be referred to as "Group"), which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of income, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

February 13, 2012
Istanbul, Turkey

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

Consolidated statements of financial position
at December 31, 2011
(Amounts expressed in thousands of Euro ("EUR") unless otherwise stated)

	Notes	December 31, 2011	December 31, 2010
Assets			
Property, plant and equipment	5	**7,256**	8,199
Intangible assets	6	**1,258,725**	1,288,993
Deferred income tax assets	7	**31,465**	23,149
Trade and other receivables	8	**15,627**	20,017
Total non-current assets		**1,313,073**	1,340,358
Inventories	9	**7,534**	4,444
Due from related parties	10	**435**	450
Trade and other receivables	8	**11,571**	11,599
Cash and cash equivalents	11	**99,268**	111,022
Total current assets		**118,808**	127,515
Total assets		**1,431,881**	1,467,873
Liabilities			
Long-term borrowings	12	**367,736**	328,049
Derivative financial instruments	14	**31,960**	25,150
Provisions		**302**	339
Due to related parties	10	**33,700**	12,490
Trade and other payables	13	**948,219**	930,593
Total non-current liabilities		**1,381,917**	1,296,621
Short-term borrowings		**22,981**	62,368
Derivative financial instruments	14	**8,551**	10,145
Due to related parties	10	**6,824**	5,372
Trade and other payables	13	**105,789**	90,733
Total current liabilities		**144,145**	168,618
Equity			
Equity attributable to owners of the parent:			
Share capital	15	**114,840**	114,840
Hedging reserve	14	**(4,239)**	(13,162)
Accumulated deficit		**(198,787)**	(97,208)
		(88,186)	4,470
Non-controlling interest		**(5,995)**	(1,836)
Total equity		**(94,181)**	2,634
Total equity and liabilities		**1,431,881**	1,467,873

The accompanying notes form an integral part of these consolidated financial statements.

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

Consolidated statement of comprehensive income
for the year ended at December 31, 2011
(Amounts expressed in thousands of Euro ("EUR") unless otherwise stated)

	Notes	December 31, 2011	December 31, 2010
Net sales	16	275,322	266,131
Cost of sales	16, 19	(232,408)	(233,971)
Gross profit		42,914	32,160
Marketing and selling expenses	19	(4,339)	(6,793)
General administrative expenses	17, 19	(12,793)	(18,736)
Other operating income	19	362	255
Other operating expense	19	(1,222)	(924)
Operating profit		24,922	5,962
Financial income	18	200	3,650
Financial expense	18	(141,406)	(130,065)
Loss before income tax		(116,284)	(120,453)
Income tax	7	10,546	19,975
Loss for the year		(105,738)	(100,478)
Movement on cash flow hedges:			
Unrealized (gain) /loss on interest rate swaps transferred to income statement		16,369	11,883
Reclassification adjustment for net loss on interest rate swaps transferred to income statement		9,803	11,768
Net unrealized loss on derivative financial instruments		(17,249)	(16,540)
Other comprehensive income/(loss), net of tax		8,923	7,111
Total comprehensive loss		(96,815)	(93,367)
Income/(loss) attributable to:			
Equity holders of the parent		(101,579)	(98,247)
Non-controlling interest		(4,159)	(2,231)
		(105,738)	(100,478)
Total comprehensive loss attributable to:			
Equity holders of the parent		(92,656)	(91,136)
Non-controlling interest		(4,159)	(2,231)
		(96,815)	(93,367)

The accompanying notes form an integral part of these consolidated financial statements.

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

Consolidated statement of changes in equity
for the year ended at December 31, 2011
(Amounts expressed in thousands of Euro ("EUR") unless otherwise stated)

	Attributable to the equity holders of the parent					
	Share capital	Hedging reserve	(Accumulated deficit) / Retained earning	Total	Non-controlling interest	Total equity
Balances at December 31, 2009	114,840	(20,273)	1,039	95,606	186	95,792
Increase in capital of subsidiary	-	-	-	-	209	209
Other comprehensive income / (loss) for the period	-	7,111	(98,247)	(91,136)	(2,231)	(93,367)
Balances at December 31, 2010	**114,840**	**(13,162)**	**(97,208)**	**4,470**	**(1,836)**	**2,634**
Other comprehensive income / (loss) for the period	-	8,923	(101,579)	(92,656)	(4,159)	(96,815)
Balances at December 31, 2011	**114,840**	**(4,239)**	**(198,787)**	**(88,186)**	**(5,995)**	**(94,181)**

The accompanying notes form an integral part of these consolidated financial statements.

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

Consolidated statement of cash flows
for the year ended at December 31, 2011
(Amounts expressed in thousands of Euro ("EUR") unless otherwise stated)

	Notes	December 31, 2011	December 31, 2010
Operating activities:			
Net (loss)/income for the period		(105,738)	(100,478)
Adjustments to reconcile net (loss)/income to net cash provided from operating activities:			
Income tax	7	(10,546)	(19,975)
Depreciation and amortization	5,6,19	32,896	40,145
Loss on sales of property, plant and equipment		54	197
Interest income	18	(56)	(794)
Interest expense	18	108,774	103,548
Guarantee letter commission	18	1,500	1,491
Swap payment	18	9,803	11,768
Mark-up on construction expenditure	16	-	(1,598)
Bonus accrual		567	481
Legal provisions		-	350
Provision for administration obligation		1,018	2,401
Vacation pay expense accrual		41	284
Provision for retirement pay liability		1,375	207
Changes in the fair value of derivative financial instruments recognized in comprehensive income	14,18	16,370	11,883
Net cash provided from operating activities before changes in operating assets and liabilities		56,058	49,910
Changes in operating assets and liabilities:			
Changes in trade and other receivables		4,418	5,294
Changes in due from/to related parties, net		1,606	1,427
Changes in inventories		(3,090)	(18)
Changes in trade and other payables		25,384	1,723
Net cash provided from operating activities		84,376	58,336
Investing activities:			
Acquisition of property, plant and equipment and intangibles		(1,739)	(19,109)
Proceeds from sales of property, plant and equipment		-	132
Net cash used in investing activities		(1,739)	(18,977)
Financing activities:			
Interest received		56	794
Cash proceeds from shareholder loan		23,500	-
Cash proceeds from subordinated loan		-	17,000
Repayments		(3,029)	(1,214)
Interest payments		(27,100)	(20,877)
Swap payments	18	(9,803)	(11,768)
Guarantee letter commissions		(1,500)	(1,491)
Concession payment to administration		(76,515)	-
Capital contribution by minority shareholders in the establishment of subsidiary		-	209
Proceeds from bank borrowings		-	50,797
Cash flows provided from / (used in) financing activities		(94,391)	33,450
Net increase in cash and cash equivalents		(11,754)	72,809
Cash and cash equivalents at the beginning of the period	11	111,022	38,213
Cash and cash equivalents at the end of the period	11	99,268	111,022

The accompanying notes form an integral part of these consolidated financial statements.

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

Notes to the consolidated financial statements
for the year ended at December 31, 2011
(Amounts expressed in thousands of Euro ("EUR") unless otherwise stated)

1. Organisation and nature of operations

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. (the "Company") was established on February 20, 2008 as a joint venture entity by GMR Infrastructure Limited, GMR Infrastructure Overseas S.L. Sociedad Unipersonal, Limak İnşaat Sanayi ve Ticaret A.Ş., Limak Yatırım Enerji Üretim İşletme Hizmetleri ve İnşaat A.Ş. and Malaysia Airports Holdings Berhad.

The Company's core business is management of the airport operations in İstanbul Sabiha Gökçen International Airport. After winning the tender for the "Project for İstanbul Sabiha Gökçen Airport's New International Airport Building and its Complementries through Build-Operate-Transfer Model" (the "Tender") at an initial price of EUR 1,932,000 (plus VAT of 18%) (which is referred to as the "Utilization Fee") on July 9, 2007, the partners of the joint venture entity, GMR Infrastructure Limited ("GMR"), Limak İnşaat Sanayi ve Ticaret A.Ş. ("Limak") and Malaysia Airports Holding Berhad ("MAHB") (together referred to as the "Consortium") signed a concession agreement (the "Concession Agreement") on March 19, 2008, the other party of which was Undersecretariat of Defense / Turkey (the "Administration"). In accordance with the Concession Agreement, the Consortium has the right to operate İstanbul Sabiha Gökçen Airport (the "Facility") for a period of 20 years commencing with the delivery of İstanbul Sabiha Gökçen Airport operations to the Consortium, which took place on 1 May 2008. Later on October 15, 2009, the Consortium gained additional rights to operate the Facility for an extended period of 2 years at an additional price of EUR 243,957 (plus VAT of 18%).

The right to operate the Facility is transferred to the Consortium in exchange for the amount offered at the Tender as mentioned above and completion of the construction with regards to establishment of İstanbul Sabiha Gökçen Airport's New International Terminal Building and its Complementaries (the "Construction"), which include construction of all infrastructures and superstructures, their connections to the main-system within the framework of the implementation including detailed projects to be drafted in accordance with Tender specifications. The Construction activity should be completed within 30 months period following delivery of the Construction site to the Consortium, which took place on 4 May 2008. The Group has subcontracted the Construction to Limak GMR Adi Ortaklığı, at a total project cost of EUR 359,557.

In accordance with the Concession Agreement, the Consortium established the Company and transferred the rights and obligations undertaken by the Concession Agreement to the Company. In addition, due to legal requirements, İstanbul Sabiha Gökçen Uluslararası Havalimanı Yer Hizmetleri A.Ş. (the "Subsidiary") is established as a subsidiary of the Company to perform the ground handling services, including management of flight operations, cargo control, communications, passenger traffic, ramp and aircraft line maintenance services.

The Company and its Subsidiary (together referred to as the "Group") started to operate the current domestic and international terminals of the Facility on May 1, 2008.

Notes to the consolidated financial statements (continued)
for the year ended at December 31, 2011
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1. Organisation and nature of operations (continued)

The main operations of the Group are as follows:

Terminal and Airport operations: The Group is responsible for operating the domestic and international terminals currently available in the Facility and the terminal under construction after completion of the construction activity in accordance with the principles and requirements of International Civil Aviation Organization ("ICAO"), European Civil Aviation Conference ("ECAC"), Airports Council International ("ACI"), European Organization for the Safety of Air Navigation ("EUROCONTROL"), Joint Aviation Authorities ("JAA") and International Air Transport Association ("IATA"); principles and procedures set forth by the Airport Authority and other criteria set forth in the relevant legislation of the Directorate of Air Transportation of the Ministry of Transportation / Turkey. In respect of this operation, the Group charges airlines departing passenger service fee. In addition, the occupiers of the areas within the Facility, other than public entities and agencies are charged for general utilities (i.e. heating, cooling and ventilation).

Ground handling services: The Group performs the ground handling services in accordance with HEAŞ Sabiha Gökçen Airport Ground Handling Services Directive. The ground handling services include management of flight operations, cargo control and communications, passenger traffic, ramp and aircraft line maintenance services.

Fuel Supply Services: The Group is responsible for fuel supply by using the fuel facilities in İstanbul Sabiha Gökçen Airport transferred to the Group. In regards to such services, the Group pays "activity revenue share" fees to the Airport Authority, in accordance with the Concession Agreement.

Area allocation services: As a lessor, the Group leases commercial areas in the Facility to third parties.

Lounge services: The Group operates the lounges in the Facility.

Car park service: The Group operates the car parks in the Facility.

In relation to the operations explained above and in accordance with the Concession Agreement, the Group's revenue streams comprise of the following:

- International and domestic lines departing passenger service fee,
- Passenger bridge revenues,
- PCA system revenues,
- Rent, shares in proceed, space allocation and advertisement revenues,
- Heating, cooling and ventilation revenues for the places allocated to the people and entities other than public entities and agencies and the revenues from electricity and water supplied to such places,
- Counter revenues,
- CIP operating revenues,
- Parking area revenues,
- Flight information, telephone, telex, public announcement, diaphone, and similar revenues,
- Film shooting revenues,
- Revenues from the left luggage offices,
- Baggage porter revenues,
- Fuel supply revenues,
- Medical examination and treatment revenues,
- Warehouse operation revenues in the cargo terminal,
- Ground handling service revenues

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

Notes to the consolidated financial statements (continued)
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1. Organisation and nature of operations (continued)

In addition, the Concession Agreement refers to conference and meeting hall revenues which are expected to take place following the completion of the Construction.

The passenger service fees for international and domestic lines are determined by the Ministry of Transportation / Turkey. In case the passenger service fees get increased above the amounts set in the Concession Agreement, the Group shall pay 50% of the incremental increase to the Administration. In case, the passenger service fees get decreased below the amounts set in the Concession Agreement, 50% of the difference shall be deducted from the Utilization Fee.

In accordance with the Concession Agreement, the tariff regarding the counter, bridge revenues (bridge, 400 Hz, water), CIP, general aviation terminal, meeting, conference hall revenues (except for space allocation, lease and advertisement revenues) together with ticket sales, office allocation, left luggage offices, parking area, luggage carrying (porter), telephone, diaphone, public announcement, aviation information and monitor utilization, medical examination, treatment, electricity and water revenues shall be determined based on the tariff applied in İstanbul Atatürk Airport.

The Company and its Subsidiary are registered in Turkey at Sabiha Gökçen Uluslararası Havalimanı 34912 Pendik/İstanbul-Turkey.

These consolidated financial statements as at and for the year ended December 31, 2010 has been approved for issue by the Management on February 13, 2012.

2. Basis of presentation of consolidated financial statements

Accounting standards

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board.

The Group maintains its books of account and each company within the Group prepares their statutory financial statements in Turkish Lira ("TRY") in accordance with the Turkish Commercial Code, tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records which are maintained under the historical costs convention, except for certain financial assets and liabilities presented at their fair value, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"). These items are intangible assets, derivative financial instruments, borrowings and due to related parties.

The Group's functional and presentation currency is Euro.

The Group has determined that its functional currency is Euro in accordance with IAS 21 "The effects of changes in foreign exchange rates", based on the fact that a significant portion of its sales and purchases are denominated and settled in that currency. The Group management considered several factors in determining its functional currency. During that process, the Group management recognized that some transactions may preclude the functional currency be obvious. However, such transactions are considered not to be determinative and the management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, event and conditions.

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

Notes to the consolidated financial statements (continued)
for the year ended at December 31, 2011
(Amounts expressed in thousands of Euro ("EUR") unless otherwise stated)

2. Basis of presentation of consolidated financial statements (continued)

The statutory financial statements have been translated into Euro on the following basis: non- monetary assets such as inventories, property, plant and equipment, intangible assets and equity at historical rates of exchange; monetary assets and liabilities by the exchange rate prevailing at the balance sheet date. The items in the statement of comprehensive income have been translated by the average monthly exchange rates. Foreign exchange gains and losses resulting from such translation are recognized in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of the assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements together with the reported amount of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

Change in accounting estimates

Starting from April 1, 2011, the Group decided to change the amortization method for the concession rights in respect of the construction costs of the terminal, car park and hotel which were previously amortised based on straight line method. According to the management's latest estimates the amortisation method has been changed to unit of production method (based on the forecasted revenues during the concession period), to better reflect the pattern in which the related asset's future economic benefits are expected to be consumed by the entity. Furthermore, useful lives of certain assets has been reassessed and changed to reflect the useful economic life of the related assets. Changes in the useful lives or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates within the consideration of the terminal capacity constraints.

These accounting estimate changes have been applied and incepted prospectively from April 1, 2011 in accordance with IAS 8 "Accounting Policies Changes in Accounting Estimates and Errors". Had these management's estimates have not been made, current year net loss would be higher by EUR 10,679.

Reclassification of previously issued financial statements

Reclassification in the comparative financial statements in order to be consistent with the current year financial statements is as follows:

Insurance expense amounting to EUR 1,442 is classified from general administrative expenses to cost of sales.

Adoption of revised and new standards

New and amended standards and interpretations:

The accounting policies adopted in preparation of the (consolidated) financial statements as at 31 December 2011 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2011. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

Notes to the consolidated financial statements (continued)
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2. Basis of presentation of consolidated financial statements (continued)

The new standards, amendments and interpretations which are effective as at 1 January 2011 are as follows:

IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction— Prepayments of a Minimum Funding Requirement (Amended)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements; therefore the amendment of the interpretation has no effect on the financial position or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation does not apply when the creditor is acting in the capacity of a shareholder, in common control transactions or when the issue of equity shares was part of the original terms of the liability. The adoption of the interpretation did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation - Classifications on Rights Issues (Amended)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Group because the Group does not have these types of instruments.

IAS 24 Related Party Disclosures (Revised)

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. In addition, the revised standard introduces a partial exemption of general disclosure requirements for transactions with government-related entities. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

Improvements to IFRSs

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments resulted in changes to accounting policies and disclosures, but no impact on the financial position or performance of the Group. There are separate transitional provisions for each standard. The amendments that are effective as at 1 January 2011 are as follows:

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2. Basis of presentation of consolidated financial statements (continued)

IFRS 3 Business Combinations

i) Transition requirements for contingent consideration from a business combination that occurred before the effective date of revised IFRS

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

ii) Measurement of non-controlling interests

This improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

iii) Unreplaced or voluntarily replaced share-based payment awards

This improvement requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration paid and post combination expenses.

IFRS 7 Financial Instruments: Disclosures

This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Among others, the improvement remove the disclosure requirement of the collateral held as security and other credit enhancements and estimate of their fair value for financial assets that are past due but not impaired and that are individually impaired; and instead include a disclosure requirement of financial effect of collateral held as security and other credit enhancements for all financial assets.

IAS 1 Presentation of Financial Statements

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 "The Effect of Changes in Foreign Exchange Rates", IAS "28 Investments in Associates" and IAS 31 "Interests in Joint Ventures" apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

IAS 34 Interim Financial Reporting

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements on i) the circumstances likely to affect fair values of financial instruments and their classification, ii) transfers of financial instruments between different levels of the fair value hierarchy, iii) changes in classification of financial assets, and iv) changes in contingent liabilities and assets.

Notes to the consolidated financial statements (continued)
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2. Basis of presentation of consolidated financial statements (continued)

IFRIC 13 Customer Loyalty Programmes

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the (consolidated) financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the (consolidated) financial statements and disclosures, after the new standards and interpretations become in effect.

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The amendment affects presentation only and will have no impact on the financial position or performance of the Group.

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have significant impact on the financial position or performance of the Group.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amended standard on the financial position or performance of the Group.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Group.

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2. Basis of presentation of consolidated financial statements (continued)

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment has not yet been endorsed by the EU. The amendment is effective for annual periods beginning on or after 1 July 2011.Comparative disclosures are not required. The amendment affects disclosures only and will have no impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş.

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2. Basis of presentation of consolidated financial statements (continued)

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Group does not expect that this standard will have a significant impact on the financial position or performance of the Group.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. Under the new standard the Group will provide more comprehensive disclosures for interests in other entities.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

2. Basis of presentation of consolidated financial statements (continued)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This standard has not yet been endorsed by the EU. The interpretation is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Basis of consolidation

The consolidated financial statements include the accounts of the parent company, İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. and its Subsidiary, on the basis set out below. Financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of the affiliates are included in the consolidated financial statements starting from the date that control commences until the date that control ceases.

The statement of financial position and statement of comprehensive income of the Subsidiary are consolidated on a line-by-line basis and the carrying value of the investment held by the Company in its Subsidiary is eliminated against the related shareholders' equity. Intercompany transactions and balances between the Company and its Subsidiary are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Company are eliminated starting from shareholders' equity and income for the twelve-month period respectively.

Where necessary, accounting policies of the Subsidiary have been changed to ensure consistency with the policies adopted by the Group.

The Group's proportion of ownership interest at December 31, 2011 in its Subsidiary is 51% (December 31, 2010 - 51%). The portion of the profit or loss and net assets of the Subsidiary attributable to equity interests that are not owned, by the parent, is presented as non-controlling interest.

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3. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarised below:

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (iv) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (v) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (vi) Both entities are joint ventures of the same third party.
- (vii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (viii) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (ix) The entity is controlled or jointly controlled by a person identified in (a).
- (x) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Trade and other receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are initially recognized at fair value and subsequently measured at amortised cost. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputed interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 8).

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Notes to the consolidated financial statements (continued)
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3. Summary of significant accounting policies (continued)

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method (Note 13). The discount rate used to identify the present value of the liability in regards to the Utilization Fee is explained in detail in Note 4.

Management assesses the required amount of provision in regards to obligation for restoration of assets in accordance with the concession agreement when the assets get started to be utilized.

Inventories

Inventories are carried at the lower of cost or net realisable value. Cost elements included in inventories are fuel stocks, spare parts and advances given. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of inventories is determined based on the weighted average costing method (Note 9).

Property, plant, equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided on property, plant and equipment using the straight-line method based on the estimated useful lives of the assets. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Buildings	10
Machinery and equipment	4-15
Motor vehicles	4-7
Furniture and fixtures	4-22

Leasehold improvements are amortised over the periods of the respective leases, also on a straight-line basis.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset's net selling price or value in use. The recoverable amount of the property, plant and equipment is the higher of value in use or fair value less cost to sell. Gains or losses on disposals of property, plant and equipment are included in the related income or expense accounts, as appropriate.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the Group. Repair and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which they are incurred (Note 5).