

The Romance of Aviation

an airport operator's sustainability report 2010





VISION	MISSION
World Class Airport Business	Providing World Class Aviation Gateways Managing Cost-Effective Airport Network & Services Exceeding the Expectations of Customers, Shareholders & Other Stakeholders

SHARED VALUES

Market Driven	Strive For Excellence	Customer Focused	Loyalty	Teamwork
Responsive to market needs & market forces.	Observe good discipline & be proactive with a sense of pride in all our endeavours. Uphold integrity, honesty & trustworthiness.	Provide quality, innovative and competitive services in a safe and secure environment.	Committed & dedicated for the well being of the group.	Work together towards achieving the group's vision. Share knowledge to enhance group synergy & care for employee's well-being.

About This Report

THE PURPOSE OF A SUSTAINABILITY REPORT [Excerpt from GRI G3.1 Guidelines]

Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development. 'Sustainability reporting' is a broad term considered synonymous with others used to describe reporting on economic, environmental and social impacts.

This is the story of Malaysia Airport Holdings Berhad's (MAHB) second annual Sustainability Report.

In the course of 2010, several developments in sustainability perspectives have influenced the flavour of this report. In November 2010, Bursa Malaysia released a guide for directors entitled, 'Powering Business Sustainability,' with the intent of propelling sustainability into the boardroom's agenda.

On an international front, the Global Reporting Initiative (GRI) Airport Operator Sector Supplement (AOSS) proceeded into its second year of development. As a Permanent Member in the AOSS incubation and the only Asian airport operator directly contributing to the process, Malaysia Airports has actively voiced its concerns on sustainability aspects on this platform.

Reeling from the experience of our first sustainability report (2009), this report intends to be more analytic and comprehensive. Radiating from the Managing Director's Office, sustainability has been taken on by every division in the company. Workshops and sharing sessions were conducted to raise awareness on the importance of a balanced and responsible approach to conducting business.

Data for this report was contributed collaboratively by all divisions within MAHB. Several new initiatives have been designed to address the gaps and to enrich this report, namely the formation of an Environmental Cross Functional Team (CFT) which led to the development of our first Environmental Roadmap for all our airports (due 2011).

This report covers the period of one year ending December 2010. All the information found in this report parallels our Annual Report for the corresponding year. Targets stated in this report are guided by milestones provided in our Business Direction document ('Runway to Success,' published March 2010).

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This report does not wish to make any restatements of information from our previous report (*License to Grow*, 2009, published in 2010).

This report covers Malaysia Airports Holdings Berhad, its airports and subsidiaries within its corporate structure as included in the holding company's consolidated financial statements. Airports and subsidiaries refer to stations and companies in which MAHB holds a major stake in and/or has direct managerial control over. While data on the airports we have a stake in outside Malaysia are included in our financial Balance Sheets and Income Statement, they have been excluded from further discussion in this report.

MAHB is a signatory of the Aviation Industry Commitment to Action on Climate Change, a multi-stakeholder declaration to create a pathway to carbon-neutral growth and a carbon-free future. MAHB also contributes as a working group member of the National Green Technology and Climate Change Council (GTCCC) in the Transportation Sector.

This report has been written with reference to the GRI G3 Guidelines. Nevertheless, MAHB's collaborations with GRI have exposed us to experimental aspects of the AOSS and the new G3.1 Guidelines – elements of which may be found in parts of this report.



All data in this report is self-declared until any further external verification is sought. The third MAHB sustainability report will be due within the second quarter of 2012.

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MALAYSIAN AIRPORTS LOCATION & OVERSEAS AIRPORTS
 Managed By MAHB



Airports In Malaysia

- International
- Domestic
- Short Take-Off & Landing



Airports Overseas

2010 Performance Overview

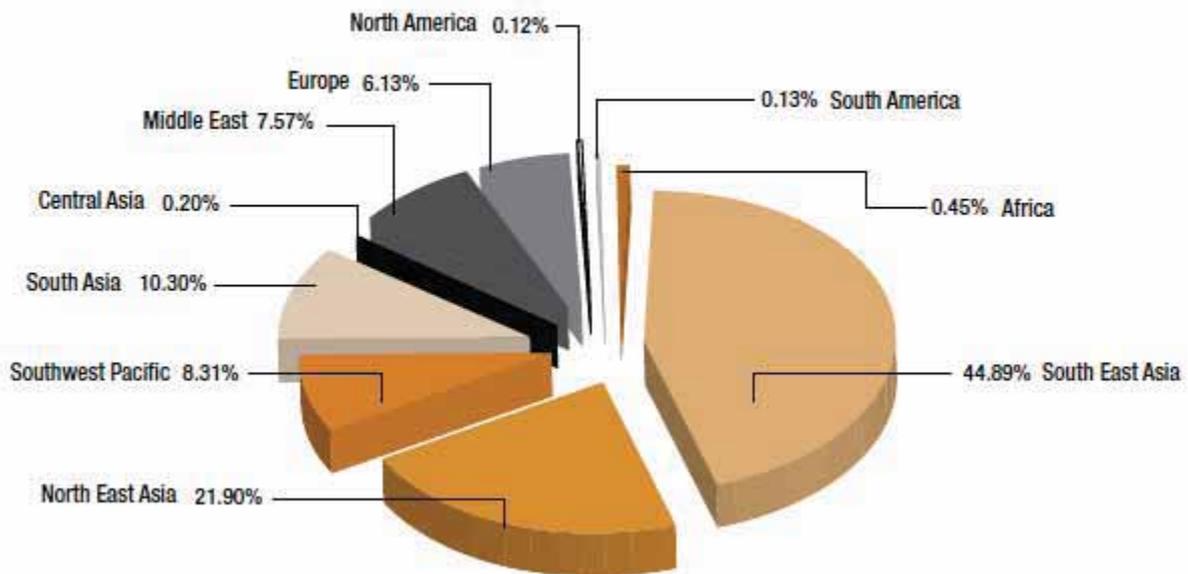


PASSENGER MOVEMENTS AT KL INTERNATIONAL AIRPORT 2010



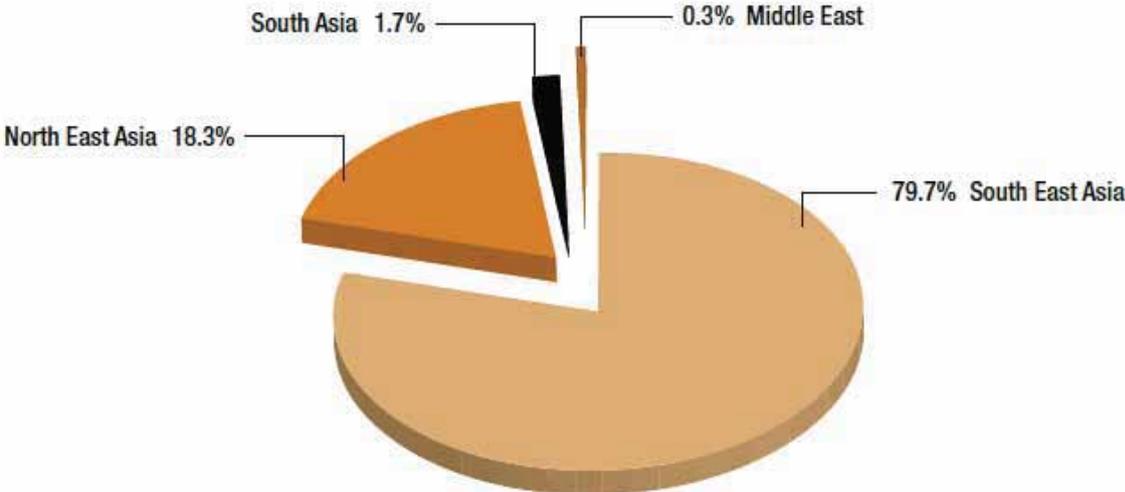
KL INTERNATIONAL AIRPORT PASSENGER MOVEMENTS BY SECTORS 2010

International Movements: 23,402,427



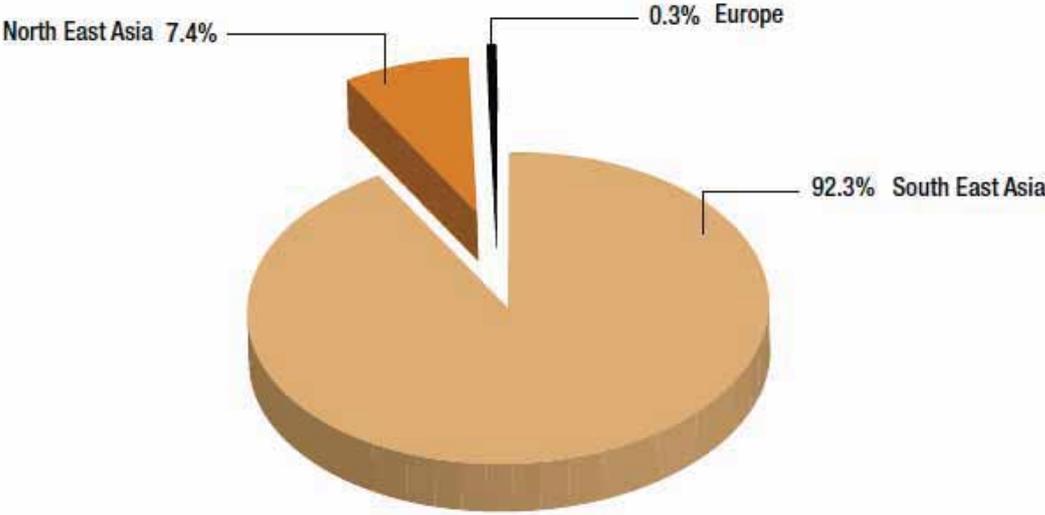
PENANG INTERNATIONAL PASSENGER MOVEMENTS BY SECTORS 2010

International Movements: 2,013,706



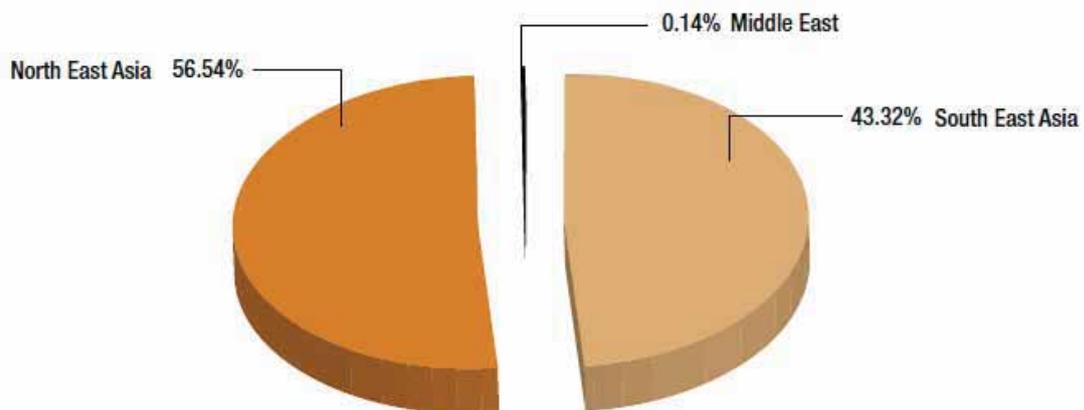
LANGKAWI INTERNATIONAL PASSENGER MOVEMENTS BY SECTORS 2010

International Movements: 149,184



KOTA KINABALU INTERNATIONAL PASSENGER MOVEMENTS BY SECTORS 2010

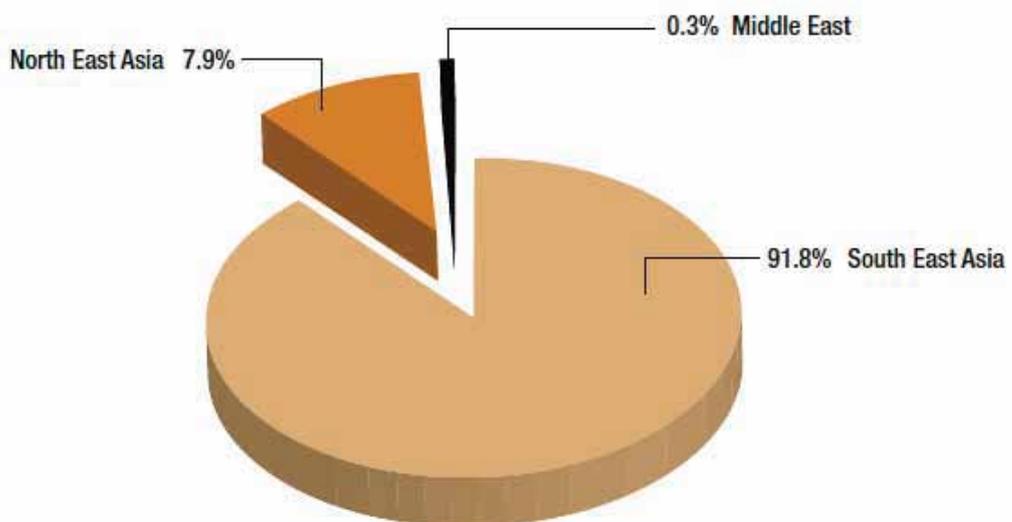
International Movements: 1,269,399



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KUCHING INTERNATIONAL PASSENGER MOVEMENTS BY SECTORS 2010

International Movements: 369,921



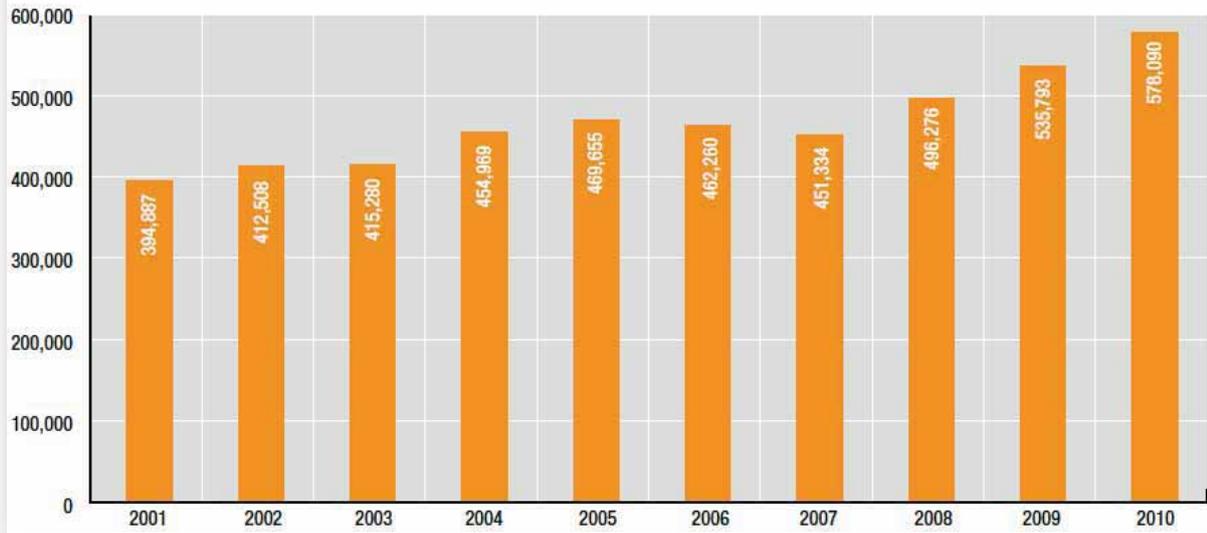
COMMERCIAL AIRCRAFT MOVEMENTS AT MAHB AIRPORTS 2010



COMMERCIAL AIRCRAFT MOVEMENTS AT KL INTERNATIONAL AIRPORT 2010



COMMERCIAL AIRCRAFT MOVEMENTS AT MAHB AIRPORTS (2001 - 2010)

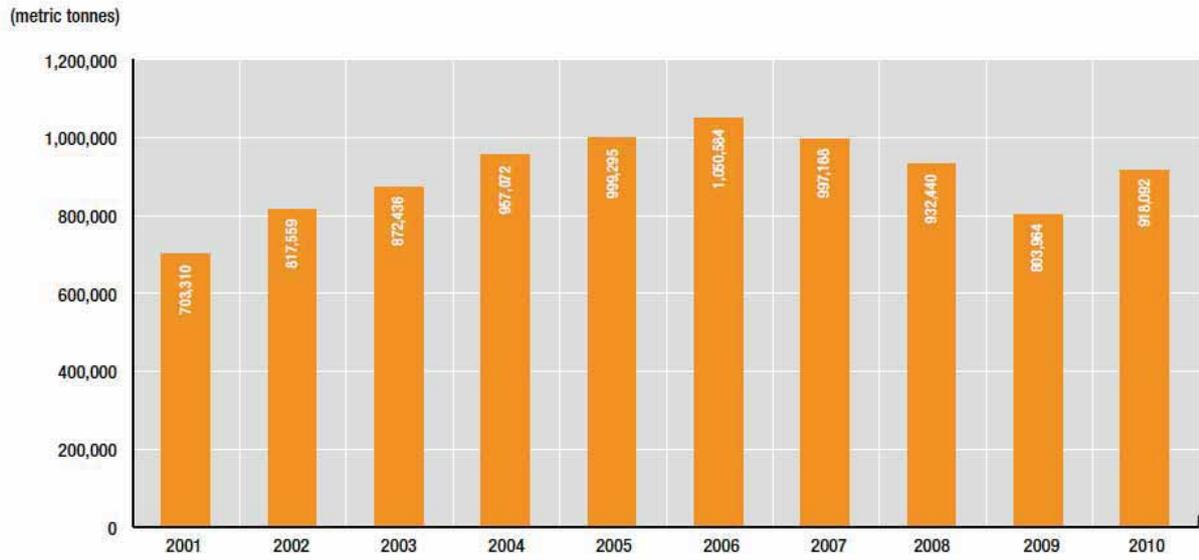


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CARGO MOVEMENTS AT MAHB AIRPORTS 2010



CARGO MOVEMENTS AT MAHB AIRPORTS (2001 - 2010)

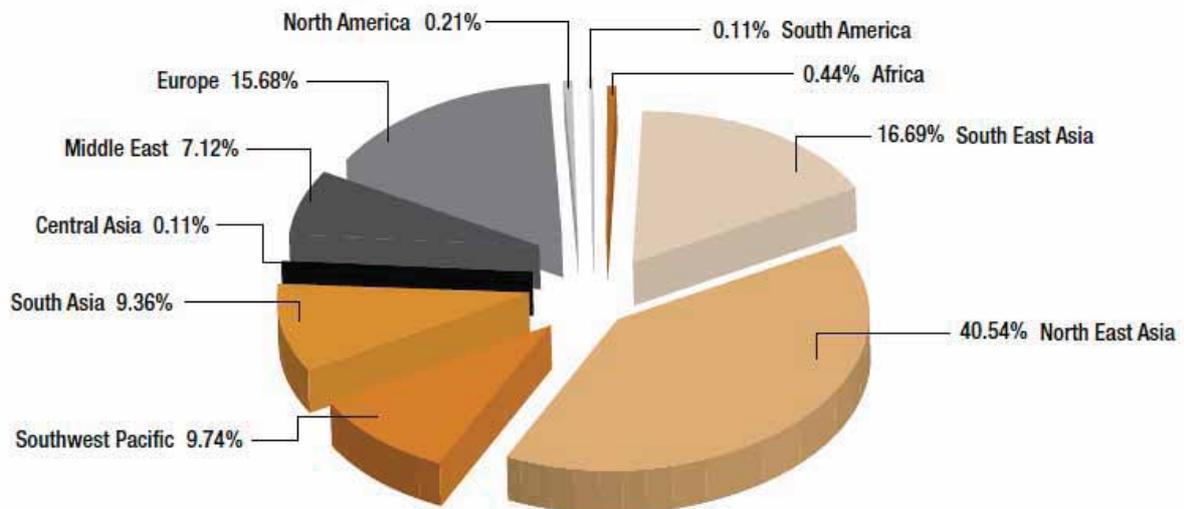


CARGO MOVEMENTS AT KL INTERNATIONAL AIRPORT 2010



KL INTERNATIONAL AIRPORT CARGO MOVEMENTS BY SECTORS 2010

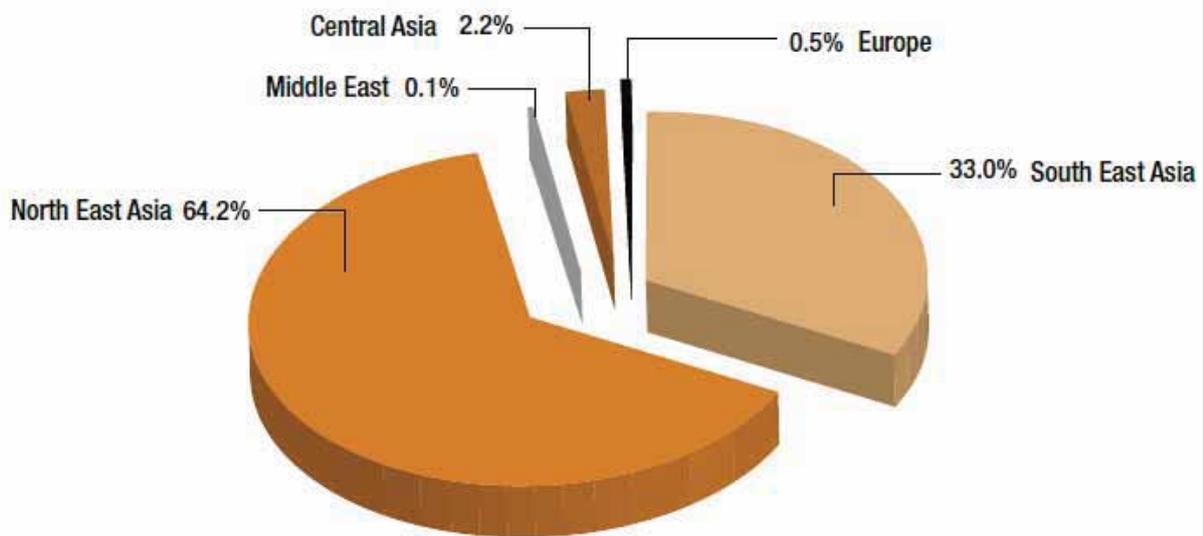
International Movements: 614,400 metric tonnes



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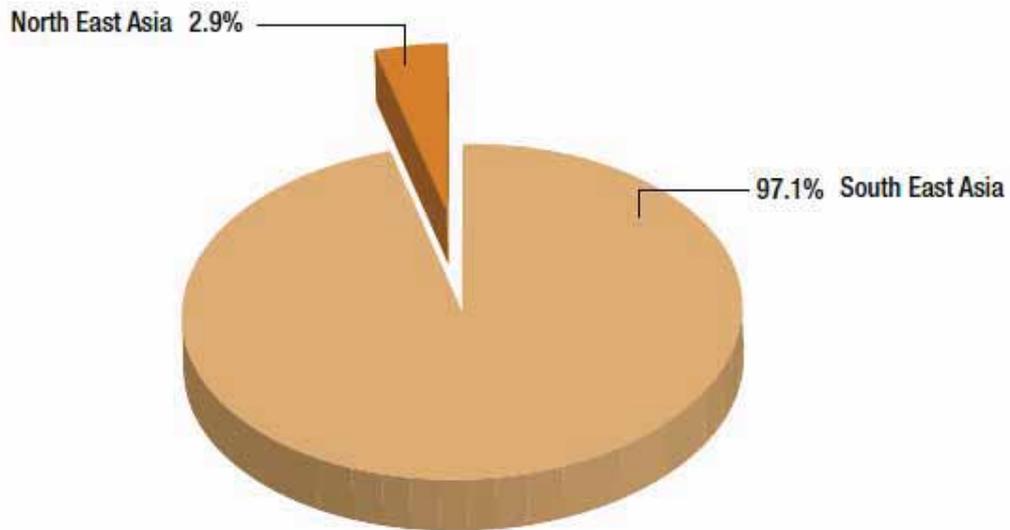
PENANG INTERNATIONAL AIRPORT CARGO MOVEMENTS BY SECTORS 2010

International Movements: 119,406 metric tonnes



KUCHING INTERNATIONAL CARGO MOVEMENTS BY SECTORS 2010

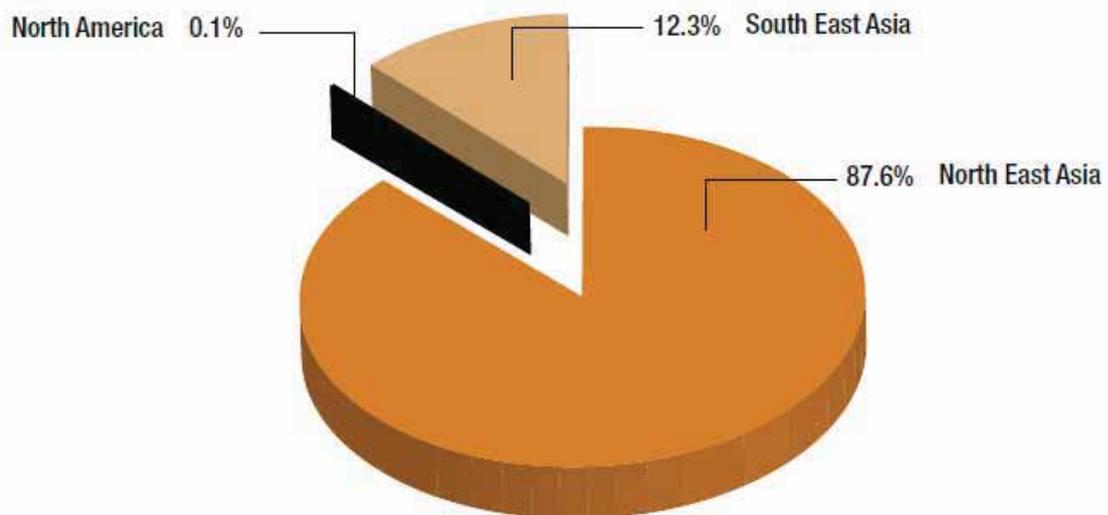
International Movements: 1,896 metric tonnes



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KOTA KINABALU INTERNATIONAL CARGO MOVEMENTS BY SECTORS 2010

International Movements: 4,100 metric tonnes



Organisational Profile

Malaysia Airports Holdings Berhad (MAHB) was incorporated as a public limited company in November 1999 and achieved a listing on the Main Board of the Kuala Lumpur Stock Exchange (Bursa Malaysia), stamping its mark as the first airport operating company to be listed in Asia, and the sixth in the world. MAHB is the operator and manager of 39 Airports within Malaysia which comprise international domestic and Short Take-Off and Landing (STOL) ports.

It has also exported its strong operating and managing presence in several other foreign Airports such as the Indira Gandhi International Airport and Rajiv Gandhi Hyderabad International Airport in India, the Sabiha Gökçen International Airport in Turkey and recently, the Malé International Airport in the Maldives. It was fitting that MAHB received the Airport Investment Company Of The Year in the 2010 Frost & Sullivan Asia Pacific Aerospace & Defence Awards as well.

Fuelled by a vision to be a world class airport business, MAHB is committed towards providing world class aviation gateways, managing cost-effective airport network and services and exceeding the expectations of customers, shareholders and other stakeholders. An unrelenting commitment towards operational efficiency, safety and security of passengers, cargo and aircraft operations drives this organization to greater heights. This company's unique identity is a distinctive synergy of excellence and integrity. IATA acknowledged these initiatives by presenting MAHB with the prestigious Eagle Award for Best Airport in 2009, in special recognition of outstanding performance in customer satisfaction, cost- efficiency and continuous improvements.

The company's core activities include the management, operation, maintenance and development of airports. The aeronautical revenue of the company is mainly derived from landing fees, aerobridge charges, check-in-counter charges, parking fees and passenger service charges. Non-aeronautical revenue is then derived from commercial activities, including duty free operations, hotel operations, free commercial zone operations, management of parking facilities and the lease of commercial space.

The year 2010 marked a significant milestone in the illustrious history of MAHB as it marked the beginning of a new chapter in its corporate aspirations. The company unveiled its corporate blueprint, "Runway To Success", towards building a world class airport business, between the years 2010 to 2014. Apart from aiming to double its revenue by 2014, the corporation aims to maintain its excellent service with value by focusing on traffic growth, service excellence and commercial development. MAHB is well on its way in terms of "Positioning for the Success".

Moving forward, the challenge for MAHB will be all about managing expectations. MAHB has now set its sights on a future business direction that is set to transcend boundaries. It is our plan to bring together demographically diverse sets of travellers to experience a seamless yet excellent journey in all of our airports nationwide.

MAHB proudly welcomes you to the gateway of a World-Class Airport Business.

MALAYSIA AIRPORTS' CORPORATE OFFICE

Futuristic yet minimalist in terms of design, MAHB's main corporate headquarters is a unique tribute to an establishment that is positioned for success. Its clean, flowing lines with wide expanses of glass and steel provide a unique contrast to a number of water elements within the area. The edifice utilises a significant amount of natural lighting to provide an airy yet natural aura for its inhabitants. This is where form and function unite in a holistic yet welcoming feel.

Malaysia Airports Holdings Berhad

Malaysia Airports Corporate Office

Persiaran Korporat KLIA

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Selangor Darul Ehsan

Tel: +603-8777 7000

Fax: +603-8777 7777

MAHB decided on building this new corporate headquarters to initially provide a new home for its employees from their previous office in Terminal 2 at the Sultan Abdul Aziz Shah airport in Subang. This 6.4 hectare site fronting the mosque at KLIA was the preferred choice. The location fitted the aspirations of Malaysia Airports to provide a conducive yet practical location that brought a strategic logistical solution for the company and its global partners. The corporate office is three storey complex with an emphasis on creating a conducive working environment through a unique blend of greenery and technical qualities that are designed to maximise employee performance.

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This three storey complex of approximately 13,600 sq. ft features two geometric blocks, a rectilinear box and curvilinear box with a landscape courtyard in between called a 'green lung', which provides shelter and a view, whilst enhancing the quality of spaces. The curvilinear block is split into two, with all blocks connected through a link bridge two levels above ground. Additional feature for first floor are two structures built on top of a reflecting pond, adding to the character for this new construction. This aesthetic structure also functions as meeting pods, catering to three meeting rooms at each pod.

Fundamentally the brief is to accommodate approximately 750 staff with a provision for future expansions and complete with collaboration spaces for staff and area for public. The strategy of having the building in three blocks makes it easy for the accessibility, distribution of divisions and the separation between public and private spaces.

Block A, otherwise known as the Rectilinear box is where the main reception, multi-purpose hall and offices for the Operation Service Division is strategically positioned. Meeting rooms are evenly distributed between block A and B, to cater for external clients. Meanwhile, the Resource centre, surau and cafeteria are all located in Block B and C, creatively named as the curvilinear box. The spatial planning examines the functional areas of the back office and it was decided to locate all MAHB Division on the upper levels. Space allocations are based on the space availability vs. the size of divisions and of course the interconnection between divisions. Each office floor is prudently planned to allow for configuration of shared spaces such as open discussion area, meeting room and waiting area that are located along the perimeter for easy access from any office blocks for convenience of utilization.

These three approaches can best seen in its spatial planning and choice of system furniture. Efficient work flow and natural light are the priority to any office design. The positioning of the rooms and offices at the centre of each core of the building allows for open plan work area around the window perimeter, allowing natural light to penetrate further in the work space. Enclosed offices have combination of glass panel allowing visibility in and outside the office. Hence the degree of visibility is controlled using patterns on glass in sandblasted effect film. The core area is also where the pantry and office automation is situated, shared between divisions. Having the rooms and other shared facilities centrally positioned also allows for cost savings on M&E works. In the previous MAHB office, there were variation of office sizes and system furniture configuration, thus no level of standardization and consistency. With the new concept, the objective is to create a work environment that promotes collaboration, learning and innovation.

Optimizing the use of space and resources to enhance user productivity gives the environment a sense of versatility and flexibility. There are few key spaces in MAHB new HQ, first is the main reception lobby at level 1. Not only it has the double volume height, the full glazing wall gives this space a feeling of grandeur. The feature form of the reception backdrop is derived from the 'Wind of change' concept and this organic form continues throughout the building, used as wall features with lighting effects at the gallery corridor, privacy screen for discussion area and glass feature at executive suite.

The double volume at Level 2 block A, is the Top Management & Directorate floor which is also known as the 'Songket Suite', which was derived from the Songket pattern that is used as floor patterns for carpet and also patterns for privacy screens. Songket, a Malaysian national textile was once reserved only for members of royalty. The intention was to have an exclusive office which showcases our own hereditary roots in craft but in a modern way. This floor is different from typical office environment. The application of a two tone timber laminated finish with colored glass and a combination of ambiance has created an environment that is warm and inviting and yet corporate at the same time. The Cafeteria and Food Apron at level 1 block C, the executive dining is another highlight. This area is designed to reflect an outdoor feel that is very nature conscious. Foliage wallpaper was used on walls and ceilings to emphasize the concept. Bold colors are also used to accentuate the space.

Just to recap, Block A, the Rectilinear Block, has a Basement Level of 9737 square feet that has 175 parking spots and 3 stores. The Ground level with 11,181 square feet houses the Lobby, AVSEC/AFRS Office, Auditorium, Presentation Room and two meeting pods. The 1st level with 19,854 square feet houses the divisions of Overseas Ventures, Research Knowledge, Corporate Strategic Planning, Corporate Communications, Corporate Quality Management, Transformation Management Office and the Legal and Secretary Office. While the 2nd level with 14,058 square feet houses the MD's office, Chairman's Office, Top Management Board Room, Fine Dining room, Surau, Lounge and Audit Division.

In Block B, the Curvilinear Block has a ground level of 9,619 square feet that houses the Mail Room, Services, Pantry & Food Preparation, Driver's Room, DI Room, IT Services, Resource Centre, Management Trainee rooms, Surau, KOMAB, KESMA and Meeting Rooms 7,8 and 9. While the 1st level made up of 17,078 square feet houses the Finance and Procurement Division and other facilities. While the 2nd level of 13,531 square feet houses the HR Services, MASB Operations and Commercial Services.

Last but not least, Block C, the Curvilinear Block has a ground level of 6,476 square feet that houses the Cafeteria, Food Apron and Alfresco area. The 1st level of 7,214 square feet houses the Planning and Development division, Business Ventures and Engineering. While the 2nd level of 8,604 square feet houses MACS, the IT Division, Land Development MA Academy and Risk Management offices.

KUALA LUMPUR INTERNATIONAL AIRPORT

KL International Airport (KLIA) is one of South-East Asia's premier aviation hubs. The airport began its operations in June 1998, and it is capable of handling 35 million passengers and 1.2 million tones of cargo a year in its current phase.

KLIA was thrice voted as the Best Airport (15-25 million passengers per annum) in the 2005 AETRA awards, 2006 ACI-ASQ awards and 2007 ACI-ASQ awards. KLIA was also voted the 2nd Best Airport Worldwide and in the Asia Pacific categories for 2007 ACI-ASQ awards. KLIA is currently rated as the 5th Best Airport in the world, in the 25-40 million passengers per annum category of the ASQ programme by Airport Council International. KLIA also holds the honour of being the first to be presented with an Airport Service Quality (ASQ) Assured certificate by ACI in 2007, following a successful audit of its airport passenger service quality management system.

KLIA also received the 'Best Airport Immigration Service and Staff Service Excellence' in South East Asia in the Skytrax 2010 World Airport Awards 2010, while also winning the Brand Laureate 2009-2010 in the 'Best Brands for Transportation- Airports' category. Travellers can also look forward to be pampered in our award winning Pan Pacific KLIA Hotel (2010 Winner of Global Luxury Airport Hotel) and experience distinctively local hospitality at the Airside Transit Hotel as well.

Currently, KLIA comprises two buildings, namely the Main Terminal Building (MTB) and the Satellite Building. All domestic and some international arrivals and departures are from the Contact Pier at the MTB. Departure and arrival formalities (immigration, customs etc.) are also processed at the MTB. The Satellite Building solely caters for international arrivals and departures. The Main Terminal Building area was designed using the concept of 'Airport in the forest, forest in the airport', in which it is surrounded by green space. This was done with the cooperation of the Forest Research Institute of Malaysia. An entire section of rain forest was transplanted from the jungle and placed in the Satellite Building.

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KLIA's commitment to promote environment responsibility for all local and foreign travellers was recognised by Green Globe, making it the first and only airport in the world to receive the EarthCheck benchmark (formerly the Green Globe 21) for six consecutive years since 2004. KLIA is located at the top of the southern corridor of Peninsular Malaysia, bordering the states of Selangor and Negeri Sembilan. It is situated in the Sepang district, approximately 50 km from the capital city, Kuala Lumpur. A good network of highways and expressways links KLIA to the rest of Peninsular Malaysia.

The Express Rail Link provides the latest means of transportation to KLIA from the city centre. The KLIA Express and the KLIA Transit links KLIA to Kuala Lumpur (KL Sentral - City Air Terminal) and vice-versa. At the City Air Terminal, departing passengers have the option of checking-in their luggage, receiving their boarding passes and proceeding to board the train for KLIA. Travel time between KL Sentral to KLIA is 28 minutes on the KLIA Express and 37 minutes on the KLIA Transit.

OVERSEAS OPERATIONS

Malaysia Airports currently manages 4 airports overseas, namely the Indira Gandhi International Airport in Delhi, India; the Rajiv Gandhi International Airport in Hyderabad, India; the Sabiha Gokcen International Airport in Turkey and the Male International Airport in Maldives.

Malaysia Airports has a 10% equity share in the management and operations of Indira Gandhi International Airport in Delhi, an 11% equity share in the management and operations of Rajiv Gandhi International Airport in Hyderabad, a 20% equity share in the management and operations of Sabiha Gokcen International Airport and a 23% equity share in Male International Airport respectively.



CREATING KLIA2

Over the last 10 years, low fare travel has increased by leaps and bounds and today it constitutes 16% of total travel in the Asia Pacific region and 43% in the Malaysian context, and these percentages are expected to increase in the coming years.

AirAsia, the home grown carrier has been the principal driver for this growth, and MAHB along with the Government have been crucial enablers in fully supporting low fare travel for the benefits of all Malaysians. Boldness does have its advantages. At a time when the true potential of low cost travel was still shrouded in uncertainty, MAHB and the Government boldly implemented a plan to build the first dedicated low cost carrier terminal in 2006.

It was built as a temporary solution to meet the immediate requirements and to suit AirAsia's business model of point to point operations. This meant no transfer traffic, no interlining and baggage transfers for single narrow-body aircraft operation.

Constructed on a fast track basis, to the tune of RM108 million, it has been operational since March 2006. It had undergone expansion works and is now able to cater to 15 million passengers annually.

Its 64,607 square meter terminal was designed to handle international and domestic departures within a single floor operation area. The airport is capable of handling 15 million passengers a year. It has a variety of facilities and services that provide all the necessary amenities and comfort for the travellers it serves.

The current LCCT has no aerobridges, no bussing of passengers and no power-in power-out operations. However, this terminal has enabled AirAsia to expand its operations in a manner that has taken the whole region by storm. In November 2006, LCCT-KLIA was voted CAPA Low Cost Airport of the Year in the CAPA Aviation Awards for Excellence. The time has come for a revolution in the low cost carrier travel experience, and Malaysia Airports is set to unveil a new benchmark.

In another world's first, MAHB is set to redefine the travel experience for passengers in the region as its Next Generation Hub (NGH) concept comes to fruition in 2012.

In line this NGH concept, Malaysia Airports plans to complete the construction of Klia2 in 2012. The new terminal would be able to accommodate up to 30 million passengers per annum, with capacity for expansion of up to 45 million passengers per annum.

Klia2, will be the world's only dedicated low cost mega terminal. This hub is expected to ease of connectivity between full service airlines and low cost carriers. Klia2 is designed with flexibility in mind to allow expandability for future growth trends and operational models of airlines. Built to accommodate 30 million passengers per annum, Klia2 will contribute to MAHB's vision of its premier aviation hub that will be synonymous with the ever-evolving and dynamic nature of the global aviation industry.

On the 16th of July 2010, a joint venture between UEMC and Bina Puri was awarded the RM997.2 million contract to build Klia2, the new terminal for low cost carriers.

The Prime Minister, YAB Dato' Sri Mohd. Najib bin Tun Hj. Abd. Razak, officiated the ground breaking ceremony for the commencement of the construction of Klia2 on the 30th of August 2010, marking a significant milestone in the aviation history of Malaysia.

Klia2 will be located only 1.5 kilometres away from the current Main Terminal Building, as per the recommendations of the National Airport Master Plan (NAMP), the new terminal will allow for easy inter-terminal transfers and better connectivity between the two terminals. The terminals would also be linked via ERL connection.



Upon completion of Klia2, the current terminal will be used as a cargo warehouse, in line with the original plan for the area. With the low cost carrier business model having had changed significantly since its inception, when designing the new terminal, Malaysia Airports has taken into account these changes as well as any anticipated changes that may occur in the future.

The design for Klia2 was planned after taking into account inputs from all potential airlines in order to achieve excellent operational efficiency. Consequently, in accommodating the various viewpoints and requirements, design changes became inevitable. This has resulted in a requirement for a larger terminal than originally envisioned two years ago – an increase of 60% in terminal size from 150,000 sqm to 255,346 sqm.

So, the total gross floor area of Klia2 currently, would be approximately 255,346 square meters. By comparison, the current LCCT is only at 150,000 sqm, handling 15 million passengers.

Klia2 is also set to embody MAHB's vision of a world class airport business in its design and comfort. The contemporary steel structure of Klia2 will be environmentally friendly and will adhere to the Green Building Index.

The design of the terminal embraces the concept of Eco Air Terminal, synonymous with the eco-friendly and green building technology, widely planned for the development of this airport. This is owing to the design concept of the terminal, which applies sustainable architecture, green-building, and energy-efficiency in most aspects of its development and construction processes.

The interior design concept is expected to be one of vibrancy, fun, comfort and yet uniquely Malaysian in its celebration of our cultures, traditions and lifestyles. The design concept will take into account passenger comfort levels that are comparable to that of the Kota Kinabalu and Kuching airport terminals.

Ultimately, the design of Klia2 would allow for operational efficiency for airlines, increased passenger comfort, maximisation of commercial revenue and flexibility to cater for future operations.

This mega terminal will adopt an integrated transportation model for a seamless travelling experience. Be it for business or pleasure, this is a terminal that is built to meet or even exceed expectations.

The total gross floor area of Klia2 would be approximately 255,346 square meters. By comparison, the current LCCT is only at 150,000 sqm, handling 15 million passengers.

The government's security requirement for the full separation of arriving and departing international passengers and segregation of domestic and international passengers, has resulted in an additional level to be incorporated to the terminal design.

This will be the first terminal in the country where such separation of passengers had been provided for at the design stage. As a common hindrance for the full utilisation of terminal capacity at most airports boils down to the availability of boarding gates, Klia2 will aim to be ahead of the curve by having 68 gates in the design, although industry standards dictate that only 55 gates are needed to handle 30 million passengers. Therefore, these additional boarding gates, along with the anticipated future improvements in technology, will make future expansions a smoother transition. Furthermore, these additional gates will also be in line with AirAsia's request as to minimise towing of aircrafts, in order to reduce their operating costs.

AirAsia has also indicated that 50% of its traffic will be transfer traffic, this requires more space to be allocated in the terminal to cater for the transfer traffic, including the baggage handling facilities for transfer baggage. Transfer areas would also be planned to facilitate ease of connections.

The terminal will also feature a multi-storey car park for 6,000 vehicles, and integrated transport hub for bus, taxi and a connection to an extension of the ERL.

The terminal's design will incorporate modern features which include the Pedestrian Skybridge, which is the first in Asia, and third in the world. The iconic 300 metre 'Pedestrian Skybridge' will connect the Main Terminal Building and Satellite Building, giving the passengers a spectacular view of the airside and the surroundings of the airport.

Klia2 offers LCCs the choice to either utilise the aerobridge or deploy passenger steps due to cost considerations. Nonetheless, Malaysia Airports advocates the use of aerobridges for passenger convenience and safety. Currently, LCCs will be able to utilise the aerobridge at a competitive rate of RM85 per use, which is the lowest in the region.

MAHB would also invest in the construction of a third runway, which is approximately 4km in length for operational efficiency.

Klia2 would also focus on efficient layout plans for concession areas (retail, F&B etc). A "Mall in the Airport, Airport in the Mall" concept will promise a shopping and dining paradise like no other for the travellers who pass through this terminal.

In accordance with our strategic direction to increase our commercial revenue, as stated in our blueprint for success, a lot of thought has been put into maximising space for retail and F&B. At 48,000 sqm, which is three times larger than the commercial space at the current LCC terminal, this new approach will support our concept of having an airport within a lifestyle shopping environment.

Ultimately, Klia2 will offer a standard of excellence in terms of a diverse range of shopping and dining experiences to delight any traveller.

Klia2 will be the world's largest purpose-built dedicated terminal for low cost carriers, able to handle 30 million passengers initially, and it has the flexibility and scalability to expand for future growth and changes to the operational models of the airlines. It will also be a catalyst for innovative new offerings, including an air-ground multimodal interchange and a suite of airport city facilities.

Slated to be completed in 2012, this will be a focal point to the success of the Next Generation Hub, a concept that promises a seamless travel experience for travellers in either full service airlines or low cost carrier airlines, where a convergence of routes, airlines and interconnectivity will flourish for years to come. Klia2 is set to revolutionise the low cost travel experience for years to come.

2010 Calendar of Events

15 January 2010

Blood Donation Drive at Airports

In its effort to promote a caring society and the importance of saving lives, Malaysia Airports collaborated with the National Blood Bank to overcome a shortage of blood supply by encouraging the public to donate blood at 19 airports. The campaign collected a total of 1392 pints of blood, which can save 4176 lives.



20 January 2010

A highlight on Safety , Health And the Environment

Malaysia Airports further promoted the importance of ensuring safety, preserving health and conserving the environment to its entire staff with the launching of the Safety, Health and Environment Campaign 2010, themed "The Safe Way is The Only Way".

25 January 2010

Expansion of Commercial Opportunities in Hyderabad

Malaysia Airports Consultancy Services Sdn. Bhd. (MACS) entered into a Memorandum of Understanding (MoU) with GMR Hyderabad International Airport Limited (GHIAL) to provide technical services to GHIAL for commercial projects to be developed by GHIAL. It enabled MACS to further explore commercial opportunities with GHIAL particularly for the Rajiv Gandhi International Airport in Hyderabad.



28 January 2010

Arrival Of Mahan Air into KLIA

KLIA offers more connections to the Middle East as Mahan Air, the second largest carrier in Iran made its historic maiden landing on Malaysian soil, offering two weekly flights, from Shiraz to Kuala Lumpur and vice versa on Thursdays and Mondays, utilizing an Airbus A310-300 with 196 seating capacity.

1 February 2010

Emirates Increased Frequency to Malaysia

Emirates, the international airline of the United Arab Emirates, inaugurated its Kuala Lumpur – Melbourne non-stop service, offering a daily connection between these two important commercial and tourist hubs.



4 February 2010

PM Launched Historical Landmark In Melaka
YAB Dato' Sri Mohd Najib Tun Abd Razak, the Prime Minister of Malaysia officially launched the new terminal for Melaka Airport, signifying the emergence of another historical landmark for the Historical City. The new terminal started operations on 5th May last year and was renamed Melaka Airport, relocating from the previous Batu Berendam airport which operated for the past 57 years.

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8 February 2010

Opening of Sky Travel Mart and Jonker Walk Kopitiam at KLIA

Malaysia Airports collaborated with Ministry of International Trade & Industry to further stimulate growth and development of Bumiputera small and medium enterprises (SME) at KLIA with the establishment of two Bumiputera-owned outlets, Jonker Walk Kopitiam and Sky Mart Travel.

11 February 2010

4 International Airports Received IATA's Platinum Status For BCBP

KLIA, Penang International Airport, Kota Kinabalu International Airport and Kuching International Airport achieved the Platinum status from IATA for the implementation of Bar Coded Boarding Passes (BCBP), implying that all the IATA member airlines operating at the airports are issuing 2D bar coded boarding passes.

30 March 2010

Eraman Staff and Police Honoured

Eraman organised a certificate presentation ceremony to honour the success of 14 Eraman staff and police in busting a credit card fraud syndicate attempted at Eraman outlet in KLIA.



1 April 2010

Malaysia Airports Unveiled its 2010-2014 Business Direction

Malaysia Airports unveiled its five-year business direction, called "Runway To Success - Building A World-Class Airport Business 2010-2014". The directory underlined three core areas in its business direction objectives to drive future business growth – Traffic Growth, Service Excellence, and Commercial Development.

1 May 2010

Oman Air Commenced Four Weekly Flights To Kuala Lumpur

Oman Air, the national carrier of the Sultanate of Oman started offering four flights a week between Muscat, the capital of Oman, and Kuala Lumpur. The inclusion of Oman Air increased the number of Middle Eastern airlines serving KLIA.

2 June 2010

KLIA Welcomed Back Royal Jordanian Airlines

After a seven-year absence, Royal Jordanian Airlines resumed its flights to KLIA. Royal Jordanian Airlines commenced three weekly flights for the Amman - Bangkok – Kuala Lumpur route on every Monday, Wednesday and Friday, utilising its latest aircraft the Airbus 330 with 280 seats.



11 June 2010

Football Frenzy at KLIA and LCCT-KLIA

In conjunction with the 2010 World Cup, KLIA and LCCT-KLIA offered a myriad of exciting and engaging activities themed "Let's All Football" from 11th June until 11 July 2010.

26 June 2010

Aviation Industry High Achievers Awarded In KLIA Awards 2009

15 awards were up for grabs for all airlines and service providers operating at the KLIA, honouring partners with exceptional performance for the year 2009. This fifth edition of KLIA Awards was deemed to be more significant from the previous years in view of the strenuous challenges that the aviation industry had faced.



30 June 2010

KLIA Turned 12

KLIA celebrated its 12th birthday and in commemorating its 12 achievement-filled years, KLIA feted four lucky passengers in a simple yet special reception.

3 July 2010

Terminal 3 Delhi Airport Launched

The state-of-the-art integrated terminal, called Terminal 3 of Indira Gandhi International Airport (IGIA) in New Delhi was launched by India's Prime Minister Manmohan Singh. Malaysia Airports' delegates, headed by Chairman of Malaysia Airports were also there to witness this historic event, which was also attended by the Transport Minister, Dato' Sri Kong Cho Ha.

16 July 2010

Klia2 contract awarded

A joint venture between UEMC and Bina Puri was awarded the RM 997.2 million contract to build Klia2, the world's only dedicated mega terminal for low-cost carriers.

8-29 July 2010

Malaysia Airports Adopted 12 Schools in Beyond Borders Second Phase

Envisaging equal or even better success, Malaysia Airports launched the second phase of Beyond Borders at twelve new adopted schools around Malaysia. Malaysia Airports maintained the proximity to the airport as the main selection criteria, as Malaysia Airports strives to help the communities from the airports' surrounding areas improve and elevate their level of education quality in academic performance and personal efficacy.

16 July 2010

98 Staff received the Loyal Service Award

A total of 98 MAHB staff who has served the Company for 25 years received their Loyal Service Award. The total comprised 66 staff from Peninsular Malaysia, six from Sarawak and 26 from Sabah.



17 July 2010

Media Networking Platform Through Explore Hunt

Malaysia Airports' Media Explore Hunt, which is in its 8th edition, provided a good platform for networking, not only between its staff and the media, but also for the media members themselves. 50 teams embarked on the journey to The Zon Regency, Johor Bahru, challenging themselves in answering questions, finding treasures and testing their physical strength.

23 July 2010

Malaysia Airports Spreads its Wings to China

MACS entered into a Memorandum of Understanding (MoU) with Nagamas Enterprise (HK) Limited (NEL) to participate and explore the possibility of providing airport operation, management and technical consultancy services to the Yongzhou Lingling Airport in Hunan Province as well as other airports in China.

23 July 2010

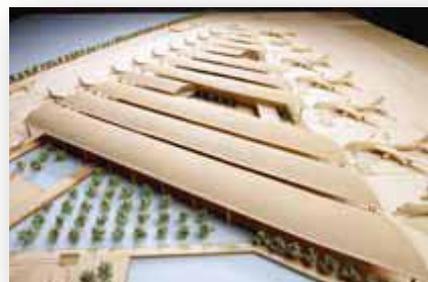
Indulge Till You Fly Campaign Launched

Passengers moving through KLIA, Langkawi, Penang, Kuching and Kota Kinabalu international airports were presented with the chances to win priceless holiday packages thanks to Malaysia Airports' "Indulge Till You Fly" Campaign. The campaign marked one of the growth strategies for Malaysia Airports' commercial development.

25 July 2010

Malaysia Airports Added Maldives To Its Overseas Ventures Portfolio

Malaysia Airports won the bid to build, operate, modernize and expand the MALE International Airport (MIA) in Maldives through its GMR-MAHB consortium. The concession is for 25 years.



5 August 2010

Minister of Transport Visited KLIA

YB Dato' Sri Kong Cho Ha, Minister of Transport made his first official working visit to KLIA. The purpose of the visit was to familiarize himself with Malaysia Airports' role as airport operator, KLIA operations and also to witness the progress of the New Permanent LCCT construction.



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6 August 2010

Airports Shutterbugs Winners Announced

Malaysia Airports announced the winners of the inaugural Airport Shutterbugs photo competition themed 1Malaysia, which ran for a period of three months. The internal competition attracted hundreds of submissions, with winners receiving attractive photography items.

30 August 2010

KLIA2 Construction Officiated by PM

The Prime Minister officiated the ground breaking ceremony for the commencement of construction of the new terminal for low cost carriers at KLIA, Klia2. This marked another significant development of the aviation history of Malaysia. Built to handle initially 30 million passengers, it has the flexibility to allow expansion to cater for future growth and changes to the operational models of airlines.



30 August 2010

First tranche of RM1.0billion Sukuk at a coupon of 4.55%

MAHB through its wholly owned subsidiary, Malaysia Airports Capital Berhad, successfully completed its inaugural first tranche issuance of a 10-year RM 1.0 billion Islamic Medium Term Notes (Islamic MTN) at a yield of 4.55%, pursuant to its Islamic Commercial Paper Programme and Islamic MTN Programme with a combined aggregate nominal value of up to RM 3.1billion (collectively known as the "Sukuk" programme)

2 October 2010

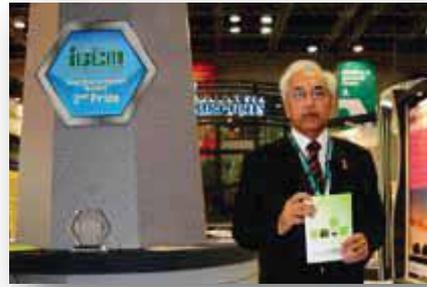
Malaysia Airports Celebrated Hari Raya Aidilfitri with Orphans

Malaysia Airports shared the joy of Hari Raya Aidilfitri with 40 orphans from Sekolah Rendah Kebangsaan Dengkil, Sepang, contributing RM20 'duit raya' to each of the children at Malaysia Airports' Ceria Aidilfitri. About 2,000 staff and family thronged the Hari Raya open house held at Pan Pacific Kuala Lumpur International Airport.

19 October 2010

Malaysia Airports Released Its First Annual Sustainability Report at IGEM 2010

Malaysia Airports further underlined its commitment in environmental sustainability by launching its first annual sustainability report for 2009 during the International Greentech and Eco Product Exhibition a Conference Malaysia (IGEM 2010) at KL Convention Centre. The purpose of the Sustainability Report was to consolidate all of Malaysia Airports' processes and impacts in a single report that is transparent to propel it into further improving the way it conduct its business.



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4 November 2010

Air Astana Increased Frequency to KLIA

After a year serving KLIA, Air Astana, the national carrier of Kazakhstan increased its frequency by adding another flight to Kuala Lumpur. Effective November 4, the airline serves Kuala Lumpur twice weekly, on Sunday and Thursday.

23 November 2010

Runway Fashion With iStyle Fashion

The glitz and glamour of the fashion world returned to the KLIA with the second iStyle Fashion KL International Airport 2010. The fashion show provided budding fashion design students with a platform to put in practice their learning and showcase their talents and creativity with KLIA as their fashion playground.

24 – 26 November 2010

Malaysia Airports Hosted the Check -In Asia Conference in Kuala Lumpur

Malaysia Airports hosted another world class aviation conference, the Check-In Asia at the Pan Pacific KLIA from 24 – 26 November. The conference organised by the UK based PPS Publications, featured speakers from the global aviation industry on the theme 'Enhancing the passenger experience – from beginning to end' and was attended by about 200 international delegates.

28 November – 5 December 2010

12 Schools Competed in Beyond Borders Awards 2010

Malaysia Airports' 12 adopted schools competed in the Beyond Borders Awards 2010, showcasing their talents and skills in English language through acting and writing. 4 different schools took part at 3 different regions – Northern, Eastern and Central. Under the Beyond Borders Awards banner, Malaysia Airports organised the Beyond Borders Interschool Project Competition, Beyond Borders Planet Green Project Competition, Golden Pen Awards: Essay Writing Competition and 'Act it Up' Interschool Drama Competition.

15 December 2010

Malaysia Airports becomes First GLC to Produce Value Management Manual

Malaysia Airports launched its Value Management manual, becoming the first Government Link Company (GLC) to produce documented guidelines towards optimising value for all its projects.





15 December 2010

Another 5 Airports Received SMS Certification
Alor Setar, Bintulu, Sibul, Sandakan and Limbang airports received the Safety Management System (SMS) certification from DCA. The certification was a testimony of Malaysia Airports' initiatives to ensure the highest level of safety at the airports and to fully comply with the International Civil Aviation Organisation (ICAO) Safety Management Program.

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17 December 2010

228 New Security Recruits Joined Malaysia Airports
Malaysia Airports further strengthened its security services when 228 new Aviation Security recruits graduated after completing their intensive six months Foundation Course for Flight Security Assistant.



20 December 2010

Penang International Airport Development & Expansion Project

Prime Minister, YAB Dato' Sri Najib Tun Hj. Abdul Razak officiated the ground breaking ceremony for the development and expansion works for Penang International Airport. Targeted to be completed by June 2012, the cost of total development and expansion works is RM250 million, being part of the second economic stimulus package.

21 December 2010

Exclusive Discounts at Eraman Outlets for CIMB Credit Cards Holders

Eraman Malaysia and CIMB Bank formed an exclusive partnership to offer CIMB Bank credit card holders with special discounts at ERAMAN Malaysia outlets located at KLIA, LCCT-KLIA, Penang, Kota Kinabalu and Kuching international airports until 31 December 2011.



2010 Awards & Accolades

Information Security Organisation of the Year

Malaysia Airports Technologies Sdn Bhd, received the Information Security Organisation of the Year in the Malaysia Cyber Security Awards 2010. The award acknowledged the company's effort in continuously benchmarking and improving its processes to be at par with the best in the industry.

Most Innovative Use of Technology

Malaysia Airports Technologies Sdn Bhd received the Gold Award for the Most Innovative Use of Technology for the Asia Pacific region in the design of the CCTV solutions in KLIA, in the Hitachi Data System IT Inspiration Awards 2010.

Airport Investment Company of the Year and Asia Pacific Airport of the Year

MAHB was the recipient of Airport Investment Company of the Year while KLIA received the Asia Pacific Airport of the Year (Above 15 Million Annual Passengers) in the 2010 Frost & Sullivan Asia Pacific Aerospace & Defence Awards. Both awards represent the prestigious recognition of MAHB's accomplishments in the commercial aviation and airports sector.

Best Airport Immigration Service and Staff Service Excellence

KLIA service excellence was acknowledged the Skytrax 2010 World Airport Awards 2010, when it won two awards – Best Airport Immigration Service and Staff Service Excellence in the South East Asia category. The World Airport Awards is the most prestigious and coveted awards that recognise product and service quality across the world's airport industry.

Asia's Leading Airport Hotel and World's Leading Airport Hotel

Pan Pacific Kuala Lumpur International Airport has been recognised in two major categories in the World Travel Awards 2009, been named Asia's Leading Airport Hotel and World's Leading Airport Hotel. The hotel also received the same honour in 2008, making this its second consecutive win.

Best Brands in Transportation

KLIA was awarded The Brand Laureate 2009-2010 for Corporate Branding - Best Brands in Transportation - Airport, the fourth consecutive times KLIA won the award.

Best Brands in Airport Hotels

Pan Pacific Kuala Lumpur International Airport won the APBF Brand Laureate Award 2009-2010 in the Best Brands in Airport Hotel category for the second year in a row.

The Romance of Aviation: Why we do what we do

The strength of MAHB lies not in the shelves of awards and trophies that we have collected over the years. As one of the world's largest private sector airport operators and sole operator of 39 airports in Malaysia, it takes more than the appetite for fame and fortune to do what we do.

The true strength of MAHB lies in the passion of its people. While it is the company's desire to be a world-class airport business in terms of traffic growth, commercial development and service excellence, it is the passion of its people that fuels and brings life to this ambition.

Passion for airports, and the exciting possibilities that it connects the world to. Passion for aviation, where the sky truly is the limit of our imagination.

RUNWAY TO SUCCESS

The birth of the company's five-year Business Direction, "Runway to Success," is testament to this collaborative effort. The document is based on a consolidation of projections by the different specialised divisions within the company and points us towards a common direction and targets to strive for. The document also defines paths and strategies to be collectively undertaken to achieve the company goals up to year 2014. Since its official launch in mid-2010, the company has seen a roll out of numerous exciting projects especially in the areas of information technology information, continuous improvement programmes and investment opportunities.

The objectives of the Business Direction are three pronged, and the first goal hinges on increasing passenger numbers to over 60 million per year, with a focus on strengthening KLIA as the Next Generation Hub. We will also focus on service excellence, by maintaining top quality service levels, which are benchmarked against the best airports worldwide. It should also be noted that commercial development will be the main driver to achieve Group EBITDA and ROE in excess of RM1 billion and 10% respectively *[kindly refer to the Malaysia Airports website (www.malaysiaairports.com.my) for more details and to download a copy of Runway to Success].*



Tan Sri Datuk Dr Aris Othman, Chairman



Tan Sri Bashir Ahmad, Managing Director

2010 HIGHLIGHTS

MAHB registered another year of record turnover in FY2010, revenue stood at RM1,812.9 million representing a growth of 12.6% compared to RM1,609.6 million recorded in the previous financial year (FY2009)

Earnings before interest, tax, depreciation and amortisation (EBITDA) for FY2010 grew 15.0% or RM92.3 million to RM706.9 million, from RM614.6 million in FY2009

Achieved Return on Equity (ROE) of 8.88%, surpassing the headline KPI for 2010

KLIA ranked 5th worldwide in Airport Service Quality (ASQ) programme in the 25-40 million passenger per annum (mppa) category

KLIA won two awards from Skytrax World Airport Awards 2010, for Best Airport Immigration Service and Staff Service Excellence in the South East Asia category

MAHB was acknowledged as the "Airport Investment Company Of The Year" and KLIA was also heralded as the "Asia Pacific Airport of the Year" in the 2010 Frost & Sullivan Asia Pacific Aerospace & Defence Awards

MAHB unveils 2010-2014 Business Direction to achieve Group EBITDA and ROE in excess of RM1 billion and 10% respectively

The inaugural issuance of MAHB's Sukuk Programmes received overwhelming response from investors and was accorded AAA rating by RAM Rating Services Berhad

Some of the most important lessons gained by MAHB in 2010 lies in the area of fulfilling the targets set by our Business Direction.

2010 saw MAHB realigning and consolidating the strengths of all our business units in order to meet these targets. With the emergence of more Cross Functional Teams (CFT), the company saw experts from different divisions coming together to address a wide range of issues of mutual interest from economics, to service quality and the environment.

A range of management tools were also applied to assist in optimising our business functions, the most notable of these are the company-wide budget challenge and value management sessions. Lean Management also took on an important role in 2010 where by 110 initiatives were successfully carried out, representing a saving of RM18.6 million for the company.

Ground breaking of Klia2 for low cost carriers the world over at KLIA, marking a significant development in the aviation history of Malaysia.

Expansion and upgrades to three airports, namely Penang International Airport, Sultan Ismail Petra Airport, Kota Bharu and Sibul Airport

Ongoing Airline Recovery Programme to fuel growth and bolster confidence of airlines operating at airports managed by MAHB in Malaysia

MAHB releases its first Annual Sustainability Report.

MAHB plays host to "Check In Asia Conference", a first for the region, and was focused on enhancing the passenger experience from end to end.

THE INDUSTRY IN 2010

2010 was one of the best performing years for aviation with all regions of the world experiencing growth in passenger and cargo movements, and airliners registering profits. The numbers from Airport Council International (ACI) indicated that global passenger traffic would grow by 6.3% and cargo by 15.2% in 2010. IATA estimated slightly higher figures, with an 8.9% increase in passenger traffic and 18.5% for cargo movements.

MAHB's resilient performance in 2010 can be attributed to a variety of factors. The growth of the low cost travel sector coupled with the resurgence of conventional carriers has been one of the key drivers in MAHB's sterling performance. AirAsia Group grew by 13.7% as against Malaysia Airlines' 10.9% and other carriers by 14.1%. In the international sector, AirAsia grew by 29.4% against 20.5% of Malaysia Airlines and 13.8% of other airlines.

A large chunk of the growth came from the launch of additional frequencies. Moreover, the liberalisation of air services within the ASEAN region has also contributed to the opening of certain lucrative sectors for airports like KLIA, Kota Kinabalu, Kuching and Langkawi. It should also be noted that passenger and traffic performance also increased as the economic stimulus packages in the region took hold and provided an impetus for passenger and cargo movements to grow.

PASSENGER MOVEMENTS

The year under review ended 31 December 2010 (FY2010) was another year that recorded growth in passenger, aircraft and cargo movements. There was an overall increase of 14.8% in passenger movements in KLIA, while there was a 9.6% increase in passenger movements in other airports, thereby achieving a grand total of 57.83 million passengers across MAHB's 39 airports as compared to 51.3 million in 2009. This clearly demonstrates that in terms of traffic growth, we have exceeded our year-to-year forecast as per 'Runway to Success' roadmap.

Main Airports	FY 2010	FY 2009	%YOY
KLIA	34,067,698	29,682,093	14.8%
Penang	4,168,969	3,825,423	25.3%
Kota Kinabalu	5,223,454	4,868,526	7.9%
Kuching	3,884,517	3,574,832	8.1%
Langkawi	1,874,729	1,859,271	1.1%

KLIA handled 34.1 million passengers in 2010, 14.8% above 2009. International movements accounted for 69.7% of KLIA passengers. The international traffic increased by 20.8% while the domestic sector increased by 3.2%.

Total passengers handled at the Main Terminal increased to 18.7 million, an increase of 12.9% over 2009. Of this 14.0 million was international and 4.3 million was domestic. LCCT handled 15.4 million passengers in 2010, a 17.2% increase over 2009. Of this, 9.4 million passengers were in the international sector and 6.0 million were in the domestic sector.

All airports within Peninsular Malaysia contributed to the positive trend in passenger movements except for Kuantan and Pangkor. The increase was mainly contributed by the operations of new airlines such as Wings Air (PKU/MKZ/PKU) and Air Asia (PEN/LGK/PEN) in Penang International Airport; additional routes and frequency by Firefly; the resumption of flight operations in Ipoh Airport; and fierce fare price competition between Malaysia Airlines, Firefly and Air Asia, which attracted more passengers.

All airports in Sabah reported positive growth due to operations of new airlines i.e. Easter Jet in Kota Kinabalu International Airport. The Sarawak region has also shown an increase in passenger movements as compared to 2009.

The increase was basically driven by factors such as the operations of MAS Wings and the introduction of new international routes by airlines such as AirAsia.

There was also a significant increase in international capacity offered at Penang by low cost carriers coupled with entrants such as Lion Air, SilkAir and China Southern Airlines which contributed to the large 36.8% international growth at Penang. Langkawi's growth was not vigorous partly due to 2010 being a non LIMA year.

AIRCRAFT MOVEMENTS

The overall commercial aircraft movement in 2010 also recorded a 7.9% increase as compared to 2009, with 578,090 aircraft flying in and out of MAHB's airports. International movements registered a 11.6% increase while domestic movements increased by 5.9%.

There were 58 airlines operating at KLIA at the end of December 2010. Total number of destinations operated was 123,108 international and 15 domestic. Three new airlines began operations at KLIA but three

	Passenger Movements		
	2010	2009	% change
KL International Airport			
International	23,771,375	19,685,282	20.8%
Domestic	10,318,281	9,996,811	3.2%
TOTAL	34,067,636	29,682,093	14.8%

	Passenger Movements		
	2010	2009	% change
Other Airports			
International	4,220,705	3,383,238	24.8%
Domestic	18,521,124	18,288,976	8.8%
TOTAL	23,741,829	21,653,214	9.6%
GRAND TOTAL	57,829,465	51,335,307	12.7%

	Aircraft Movements		
	2010	2009	% change
KL International Airport			
International	157,650	142,220	10.8%
Domestic	88,549	83,031	4.2%
TOTAL	244,179	225,251	8.4%

	Aircraft Movements		
	2010	2009	% change
Other Airports			
International	48,742	42,847	14.3%
Domestic	265,169	267,895	8.4%
TOTAL	333,911	310,542	7.5%
GRAND TOTAL	578,090	535,793	7.9%

	Cargo Movements (kg)		
	2010	2009	% change
KL International Airport			
International	614,399,700	531,010,317	15.7%
Domestic	60,502,090	53,548,650	13.0%
TOTAL	674,901,790	584,558,967	15.5%

others ceased operations. International frequencies increased by 195 per week as compared to a reduction of 13 frequencies in the domestic sector. Cargo frequencies overall increased by three per week.

CARGO MOVEMENTS

It was also a year where MAHB airports recorded an overall increase of 14.2% of cargo movement as compared to 2009.

	Cargo Movements (kg)		
	2010	2009	% change
Other Airports			
International	135,150,913	131,377,527	2.9%
Domestic	106,039,379	88,027,526	22.7%
TOTAL	243,190,292	219,405,055	10.8%
GRAND TOTAL	918,092,082	803,964,021	14.2%

The gradual recovery to the world economic crisis and increase in demand for manufacturing related activities also contributed to the growth. A total of 918,092 metric tonnes of cargo was handled in FY2010 by the system of airports operated by MAHB, 14.2% more than 2009. International cargo made up of 81.7% of the total cargo handled by airports. It should be noted that the performance of cargo movements has been erratic across the world.

Initially there were promising signs of growth but towards the end of 2010 the growth began to slow down. MAHB airports' growth in these particular segments follows this global trend.

KLIA recorded 674,902 metric tonnes movements of cargo in 2010. International cargo increased by 15.7% while domestic movements increased by 13.0%.

NEW BEGINNINGS

The year 2010 saw the arrival of 4 new airlines, namely Mahan Air, Royal Jordanian, Oman Air into KLIA and Eastar Jet into Kota Kinabalu. Going forward, MAHB will be unrelenting in its commitment towards reinforcing the positioning and branding for all five international airports, namely KLIA, Langkawi International Airport, Penang International Airport, Kuching International Airport and Kota Kinabalu International Airport.

In terms of route development for KLIA, there will be a focus on linking new generation airlines to present available networks with targeted routes especially in China, India, Middle East and South East Asia. While in the case of Langkawi, there will be a focus on core and historic inbound leisure sectors, as well as emerging high potential inbound leisure markets such as China, India and Russia; and this would also include a pursuit of long haul charter opportunities from Australia and Europe.

As for Penang International Airport, there is a need to provide a higher frequency of connections to other regional destinations in order to serve leisure and business market sectors for both domestic and international routes. With this direction, Penang International Airport has the potential to become a regional hub, complementing the hub in KLIA.

The strategy for Kuching International Airport hinges on improving the network by gaining access to more hubs, and the exploration of new domestic routes nationwide, while also focusing on niche markets such as Australia. In the case of Kota Kinabalu International Airport, there is a need to focus on new air services from North East Asia, especially Japan, Korea and China, as well as Australia. This is important in order for the airport to become a regional hub for passengers from the Philippines and Indonesia.

This was a year that registered growth from business travel and tourism from the Asia Pacific region despite the challenging business climate. Efforts in acquiring new business from airlines was strengthened through various marketing activities which included personal meetings with network planners of airlines worldwide and participation at major international aviation forums, such as, Regional Asia, in Adelaide, Australia and the World Route Development Forum in Vancouver, Canada. There was also an aggressive advertising campaign in the flyklia.com web portal. This portal forms an integral component of the Next Generation Hub concept that is part of MAHB's vision towards a holistic travel experience.

Moreover, the marketing team was proactive in terms of providing marketing proposals inclusive of route analysis and traffic forecasts to potential airlines, while also conducting regular visits to local and regional marketing and planning departments of airlines. They were also conducting targeted country missions as well as visits to offices of Tourism Malaysia, embassies, high commissioners and other relevant stakeholders throughout Malaysia to consolidate efforts in promoting Malaysia.

UPCOMING DEVELOPMENTS: KUALA LUMPUR INTERNATIONAL AIRPORT

In March 2010, MA Sepang embarked on a KLIA 'Spurline' expansion project involving modifications to the existing aerotrain vehicle fleet, supply and commissioning of one additional 3-car aero-train, the necessary Electrical and Mechanical (E&M) modifications for the integration of an offline Operation, Maintenance and Storage Facilities (OMSF) building and new spur line with the existing KLIA aerotrain shuttle system. The expanded system will continue to operate as a dual lane guide-way shuttle with 3-car train on each lane or guide-way.



It was imperative for the aerotrain service to be suspended to accommodate construction of a crossover between the two guide-ways i.e. guide-way 1 and 2. A section of both existing guide-ways will need to be demolished to install new switches in the crossover section. The new switches will enable trains to cross over each guideways for maintenance in the new OMSF and replacement of trains for service. The period of total shutdown of the aerotrain will last for about four and a half months from the 1st of November 2010 till the 22nd of March 2011.

In order to ensure uninterrupted passenger movements between the Contact Pier and Satellite Building during the shutdown, a shuttle bus service was provided between the Main Terminal Building (MTB) and the Satellite Building, available 24 hours a day to ensure continuous, uninterrupted and expeditious flow of passengers between the terminal buildings. Sixteen buses were available around the clock to provide the shuttle service.

In the MTB, there were also upgrades to the restroom facilities on Level 5. There was also an installation of a trolley nest railing for airside trolleys in the Satellite building. The East Wing also benefited from a carpet replacement inside the holding lounge. The installation of Internet desks at the East, West, North and South Wings of the Satellite building was also a welcome addition. Furthermore priority seating arrangements have also been installed in holding lounges for the less able, elderly and for those who require assistance.

UPCOMING DEVELOPMENTS: KOTA BHARU AIRPORT

The Sultan Ismail Petra Airport in Kota Bharu has also been undergoing development and infrastructure upgrading since June 2010 and is expected to be completed in September 2011.

The scope of works would focus mainly on the airside including a new runway extension from 1,981m to 2,400m, parallel taxiway (Code C), exit taxiway (Code C), connecting taxiway (Code C), Meteorological Station, access road/service roads, parking apron for General Aviation and helicopters. There will also be a relocation of existing localisers, simple approach, Precision Approach Path Indicator (PAPI), airfield ground lighting (AGL), and an extension of the drainage and security fencing.

UPCOMING DEVELOPMENTS: THE KLIA AEROPOLIS

The quest to develop our vast land bank at KLIA continues in the financial year 2010. The development objective is to transform KLIA into a diversified airport city providing significant opportunities for employment, shopping, trading, exhibitions, business meetings, leisure and tourism.

The proposed development components of KLIA Aeropolis include a Commercial Business District which includes office parks, retail/commercial centres, auto mall, exposition/convention centre, hotels, service apartments, food & beverage centre, medical centre and training centre complex. It will also feature the KLIA MSC-Free Zone which will house high-tech, high value, time sensitive industrial land plots, a logistics/ warehousing centre and commercial business premises.

There will also be Leisure & Recreational components which will consist of golf courses, a club house, a boutique hotel, an outdoor training camp and a theme park. Last but not least, there will also be agro-tourism land plots which will also complement the existing plantation activities. These components are also in line with the nation's Economic Transformation Programme as they support the Tourism and Retail National Key Economic Areas (NKEA).

In year 2010, we also enhanced our development master plan by incorporating development planning into high potential areas that are not dedicated for future airport expansion based from the updated National Airport Master Plan (NAMP) study. With this enhancement, the total area for development within KLIA Aeropolis will be enlarged to 6,750 acres from the previously planned area of 2,730 acres. To enhance the commercial viability of the development, we are requesting for an extension of the lease period to 60 years for the land identified for development from the existing tenure of 25 years from the Government. With this extension, we hope the development will be able to attract more investors and developers to participate, thus stepping up the development pace.

We have also commenced the first phase of the Commercial Development by opening up a 50 acres site to accommodate a Factory Outlets Centre, F&B Mall and also an Auto City or Auto Mall to enable local and foreign automotive dealers to leverage on the high advertising value along the international gateway. Earthworks are on-going and scheduled to be completed by mid 2011.

The Management is currently identifying and selecting the right partners that could bring the appropriate brands and retailers to participate in the development. Upon completion, which is targeted to be by 2013, it is envisaged that the proposed outlet centre will be a new retail destination for the country and region. Its strategic location within the airport boundary coupled with the availability of budget airlines will not only attract local shoppers but will also attract regional shoppers to the area, thus further increasing the country's tourist arrivals.

Apart from the above, we will be conducting studies on the expansion of the logistic and warehousing facilities at KLIA, to utilise the existing LCC terminal building upon relocation of the low cost carriers operations to Klia2.

UPCOMING DEVELOPMENTS: SIBU AIRPORT

The Sibul Airport has also been undergoing development and infrastructure upgrading since September 2010 and is expected to be completed in September 2012. The scope of works involves a passenger terminal expansion from 8,040 sqm to 15,240 sqm, parking apron extension, parking apron for helicopters and general aviation. Works on a car park expansion, central utility building, engineering office, workshop, control post, sewerage treatment plant, six lanes of forecourt roads and renovation of the DCA building are also ongoing.

UPCOMING DEVELOPMENTS: PENANG INTERNATIONAL AIRPORT

The Prime Minister, YAB Dato' Sri Najib Tun Hj. Abdul Razak officiated the ground breaking ceremony for the development and expansion works for Penang International Airport (PIA) on the 20th of December 2010, and the works are expected to be completed by the end of June 2012.

With RM250 million allocated to expand the Penang International Airport, as part of the RM60 billion stimulus package announced by the Government, the island's economy is set to see an influx in passengers as a result of these upgrades. The expansion of the airport is also a component of the Northern Corridor Economic Region (NCER) blueprint. Penang International Airport has been undergoing development and infrastructure upgrading since 28th June 2010 on three packages. The first package includes a new Central Utility Building (CUB), security fencing, infrastructure works, refuse chamber and guardhouse. The second package involves the passenger terminal expansion and renovation from 27,526 square meters to 51,543 square meters, a new passenger boarding gate (MARS Multiple Aircraft Ramp System), eight additional Visual Docking Guidance System (VDGS) bringing the total number to 16, and a new inline baggage system.

The third package involves a parking apron expansion and reconfiguration. The allocation will ultimately result in a main terminal façade improvement, installation of in-line baggage screening systems and the upgrading of Airside and landside facilities. The upgrades to Airside facilities include new aircraft parking stands and new aprons for turboprops and helicopters. In terms of the landside facilities, there would be a multi-storey car park with 2000 parking lots.

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UPCOMING DEVELOPMENTS: THE MALAYSIA INTERNATIONAL AEROSPACE CENTRE (MIAC)

In fulfilling the nation's aspiration to become a global aerospace nation by 2015, the Malaysia International Aerospace Centre (MIAC) is a key element in achieving this goal. It was back in 1997, that the Government launched the National Aerospace Blueprint, which identified Subang as the preferred locale to develop the Aerospace Industry.



Launched in 2005, Malaysia International Aerospace Centre (MIAC) is now well on its way to make this aspiration a reality.

The development of MIAC is being spearheaded by MAHB through its subsidiary MIAC Sdn Bhd, with a two-pronged objective, firstly to be a catalyst towards realizing the Government's goal to be a global aerospace player and, secondly, to provide facilities and infrastructure as well as competitive leases to attract industry players. To sustain the growth of this initiative, MIACSB would be managed as a business entity, which recovers the cost of investment made in infrastructure and facilities through revenue earned from the leasing of land, facilities and cumulative royalty payments from sales activities. MIAC is concentrating on MRO, the Helicopter Centre, General Aviation Centre, Aerospace Technology Centre, Aerospace Centre of Excellence and Business Support Centre.

The year 2010 was a year that was full of trials and tribulations, nonetheless, MIAC persevered and made significant progress in executing the development plan in the face of challenges in securing funding for development and overcoming the lack of land to meet increasing demands. Apart from these internal complexities, MIAC also had to realign its expectation with the overall economic slowdown in the region's aerospace industry coupled with increasingly aggressive competition from emerging economies such as Vietnam, India, Indonesia and Thailand. Another potentially exciting development arising from the talks with CAE will be the setting up of a Regional Simulator Centre for the Asian region. This proposed development will initially house six simulators of various aircraft types ranging from Hercules

C130, B737 NG, B777 and the A380. As the phased planning comes into fruition, the RSC will eventually house 24 simulators for all types of commercial aircrafts including corporate jets. This development will be all about offering value added services to the Malaysian market over ten years, by also incorporating the training of instructors and simulator technicians besides its normal business activities. The budgeted investment for the first phase is around RM230 million and is expected to be launched in 2011.

UPCOMING DEVELOPMENTS: TRANSFORMING THE IT NETWORK

2010 also saw the transformation of MAHB's data network into a state-of-the-art wide area network enabling MAHB operations to collaborate, share information, carry out their day-to-day activities and connect into systems to deliver services. The key activities included replacing wide area network links with Multiprotocol Label Switching Links (MPLS), which connects all airports and offices together, thereby improving overall network performance and providing the enhanced service needed for data services. It involved implementing a comprehensive network performance management capability that proactively monitors the network and issues alerts of any potential problems before users are affected. It also included implementing enterprise IP architecture across the group to provide ease of growth and performance improvements as well as introduce segregated Wireless Internet (WiFi) services at international airports.



MA Technologies provides the backbone of information and communication technology (ICT) services for the Group as a whole. It is ultimately responsible for the overall operational and maintenance works of the network infrastructure across MAHB's system of airports. Broad arrays of services are provided, such as, airport system solutions, system integration, networking, broadband network services, facility management and monitoring. MA Technologies is committed to the continuous improvement of its processes and deliverables to its customers.

With the adoption of the Integrated Management System (IMS) throughout the organisation, a greater improvement in terms of cost effectiveness and efficiency has been achieved across the network. The IMS is a combination of ISO 9001:2008 (Quality Management System), OHSAS 18001:2007 (Occupational Health and Safety Management System), ISO/IEC 27001:2005 (Information Security Management System) and ITIL (Information Technology Infrastructure Library) best practices.

Achieving a recertification of the above certification can be heralded as a great achievement after approximately 10 years of operations. Moreover, it gives us great pleasure to announce that MA Technologies was chosen as the Winner of the Malaysia Cyber Security Award 2010. Being one of the early adopters of the IMS, it has helped MA Technologies bring together stringent IT policies and work processes that have worked towards sustaining information security by providing operational simplicity in terms of ensuring embedded controls are followed.

UPCOMING DEVELOPMENTS: OTHER PROJECTS

In 2011, Malaysia Airports is expecting three other airport development works i.e. the redevelopment of Sandakan Airport and the redevelopment of Ipoh Airport. For the redevelopment of Sandakan airport, both airside and landside developments would take place. The passenger terminal is expected to be expanded to approximately 40,000 sqm whereas the existing runway would be expanded from 2,133m to 2,745m.

The redevelopment works at Ipoh Airport would mainly focus on the airside. The current runway would be extended from 1,798m to 2,000m. Resurfacing of the existing runway and taxiways would also be carried out. The apron would be expanded for simultaneous parking of three aircrafts with Power-In Power-Out (PIPO) configuration. The redevelopment works are expected to be completed in March 2012.

The year 2010 saw Bar Coded Boarding Passes (BCBP) being implemented at other international airports after KLIA making our Kota Kinabalu International Airport, Penang International Airport, Kuching International Airport and Langkawi International Airports BCBP compliant, well before the IATA target date by the end of 2010. Malaysia Airports (Properties) Sdn Bhd also assisted Malaysia Airports (Technologies) Sdn Bhd to roll out Bar Code Asset Tagging (BCAT) to 8 airports, namely Subang, Kuantan, Alor Setar, Langkawi, Limbang, Bintulu, Lahad Datu and Tawau.



The implementation began in July 2010 and was completed in November 2010. We are committed to the roll out of the BCAT systems to other airports once the development has taken place in other airports. All our international airports are accredited with Platinum status by IATA and were recognised by IATA to be ahead of the scheduled dates. This delivery shows the commitments and collaborations by MAHB and the airlines in meeting the industry's requirements. The continuous improvements of Simplifying the Business (StB) show that MAHB is involved in thought leadership solutions in the industry that are borne out of active engagement.

In a related development, Malaysia Airports (Properties) also carried out the renovation of the food court at the Southern Common Amenities and Facilities areas at KLIA (SCAF). There were repairs and restoration works carried out of the ducting, plumbing, wall and floor finishes. The total cost of the project was RM76,144. RM29,900 of this total cost was borne by the food court operator. While in October 2010, Malaysia Airports (Properties) carried out renovation works on 4 additional apartments that were awarded to MAHB as part of a Liquidated Amount in Damages from Perbadanan Kemajuan Negeri Perak (PKNP) due to a delay in delivery. The total cost of the project comes to a total of RM489,750.00. Out of the 14 apartment units, 8 of them are for staff quarters and 6 are for homestay.

SUSTAINABILITY POLICY

In 2010, MAHB formulated and launched a Sustainability Policy aimed at balancing the way we do business. The policy recognises among others, the community, the environment and the country as our direct stakeholders, and reflects our aspirations to create sustained stakeholder value.

The policy also identifies eight key areas which guides decision-making, communication, planning and leadership roles that we need to consider in all areas of our operations, in order to become a sustainable company.

We see this policy as a first and significant step, in building a culture of progressive thought in Malaysia Airports. Since its launch, we have carefully begun to climb the rungs in making a name for ourselves as a leader in airport sustainability in the region. Various sharing and learning talks were held throughout the year both internally and externally. In October 2010, Malaysia Airports participated in the inaugural

Malaysia International Green Technology and Eco Products Conference and Exhibition (IGEM) in a big way. In the same event, we launched our first Sustainability Report following the Global Reporting Initiative (GRI) G3 Guidelines. In November 2010, in a proud show of solidarity among our aviation friends, MAHB jointly held a climate change awareness campaign with Malaysia Airlines (MAS).

MAHB's position on sustainability is a decidedly slow and steady one. We believe that the pace in moving towards this direction should be one that all our stakeholders will be able to evolve with. This does not mean that we compromise our commitment towards corporate responsibility. In fact, it recognises the effectiveness of a gentle approach to the creation of a new culture.

VALUE MANAGEMENT

MAHB launched its Value Management (VM) Manual on the 15th of December 2010, making it the first GLC to produce documented guidelines towards optimising value for all its projects. Value Management is the application of established techniques to help define and refine business needs, delivery strategy and the best value concept by setting customer objectives and values and determining success criteria for the project.

MAHB's Value Management Manual outlines the value management methodology which will be the benchmark for its application in procurement, system and procedures for internal business processes according to MAHB's policies. Value Management has been practiced by MAHB since 2008. The benefits from this new concept have been enormous savings; RM62 million (28% of total project costs) in 2008, RM33 million (10% of total project costs) in 2009 and RM51 million (17% of total project costs) in 2010.

The Value Management concept was also applied to the ongoing construction of Klia2, reducing the estimated costs by RM1.5 billion. MAHB is certainly on the right track, as even the Malaysian Government is implementing Value Management benchmarks for projects that are worth more than RM50 million. In 2010, Corporate Quality Management (CQM) had worked with five airports, namely Penang International Airport, Kuching International Airport, Langkawi International Airport, Kota Kinabalu International Airport and Miri Airport to prepare the compliance audits by SIRIM.

All five airports have been certified by SIRIM for the compliance to the three standards i.e. ISO 9001, ISO 14001 and OHSAS 18001. In addition to this, MAAH received the ISO 9001:2008 Quality Management System from SIRIM which will be valid for three years. Three other companies, namely MACS, MA Technologies and MA Niaga and FCZ KLIA received their recertification from SIRIM as well.

TRANSFORMATION

Malaysia Airport's Transformation is guided by a dedicated Transformation Management Office (TMO). For the year 2010, MAHB is still in Phase 2 of our transformation journey, and our focus is on building capabilities and sustainable results. We upkeep the Coloured Books as part of the GLC Transformation Programme that is actively promoted by Putrajaya Committee on GLC High Performance (PCG) through various initiatives and have also embarked on four cross functional team (CFT's) projects in FY2010 focusing on key transformational projects.

To ensure the Group's long term growth, we actively pursued talent development and succession planning activities. One of our notable achievements in FY2010 was the establishment of an extensive Leadership Development Dashboard. The year also saw us continuing to roll out the Enhancement of Performance Management Policy and Procedure. The objective of this initiative is to enhance and formalise the existing policy on Performance Management System (PMS). Following this enhancement, approximately 7,000 employees now utilize the new PMS format. As part of the Red Book – Procurement Guidelines and Best Practices was required to be adopted. With strong procurement functions and Red Book implementation, MAHB has achieved 95% success in implementing 2009 initiatives.

For 2010, we decided to focus more on Total Cost Ownership (TCO) and Supplier Relationship Management (SRM) that are embedded in tender documents for high value procurement purchases that are over RM1 million.

CLIMATE CHANGE

From time to time, Malaysia experiences wind storms, torrential rains, typhoons, tsunamis, flooding, landslides and, depending on the region, earthquakes. Other natural disaster risks that could affect us include the effects of volcanoes and forest fires.

In June 2007, smoke from forest fires in Indonesia grounded flights on the 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 airports.

2010 brought forth many important realisations in the area of climate change, the first being its unpredictable nature. Gone are the days when the aviation cycle could revolve around peak, shoulder and lean periods during a given time of the year. Unpredictable changes in weather patterns have accounted for an increasing number of flight delays which has a direct slingshot effect onto our airports and their efficiency levels. More than that however, changes in weather has affected the patterns of both business and leisure travellers.

In April 2010, a volcano in Eyjafjallajokul, 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 airports as well as many others in Asia and around the world. During this period, our airports experienced the cancellation of a significant number of flights, and passengers were unable to depart for Europe from our airports. The cancellations from the volcanic ash cloud adversely affected our business by decreasing the flow of passenger traffic. If volcanic ash from an eruption in Southeast Asia or elsewhere in the world disrupts flights to or from our airports, our business, results of operations and financial condition could be materially adversely affected.

The closure of the Sultan Abdul Halim Airport in Alor Setar in November 2010 due to sudden excessive precipitation highlights an important incident whereby extreme and unpredictable weather is capable of disrupting operations. Submerged in over 20cm of water, the airport's 2,745m runway was closed for 10 days. Roads leading to the airport were also impassable due to gushing river water.



Natural disasters may impede our operations, damage infrastructure necessary for our operations or adversely affect the destinations served by our airports. Any of these events could reduce our passenger traffic volume, which could have a material adverse effect on our business, results of operations and financial condition.

While we have insured the physical facilities at our airports against damage caused by natural disasters, accidents or other similar events, should losses occur however, there can be no assurance that losses caused by damages to the physical facilities will not exceed the pre-established limits on any of our insurance policies. While this predicament is shared by airports all over the world, we believe that further studies need to be conducted to research the social, environmental and financial implications of climate change onto our business and our communities.

Corporate Governance & Commitments

As the leading Airport Operator, our operations and business activities have an enormous influence in the daily lives of thousands of people across the country, region and perhaps around the world.

The Board of Directors strongly believes that good corporate governance is vital in delivering the long-term sustainable business growth and creating economic value for shareholders as well as other stakeholders.

The adoption of sound corporate governance standards and practices ensures that MAHB Group is managed appropriately and operated successfully in the current and future needs of global business environment.

The Board is fully committed in compliance with the principles and best practices of the Malaysian Code on Corporate Governance (revised 2007) ("Code"), Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("Bursa Malaysia Listing Requirements") and the adoption of recommendations on corporate governance in "Green Book Enhancing Board Effectiveness" initiated by the Putrajaya Committee on GLC High Performance as part of the GLC Transformation Programme ("Green Book") as well as the Corporate Governance Guide ("CG Guide") issued by Bursa Malaysia. The Board constantly strives its efforts in enhancing and raising a high standard of corporate governance throughout MAHB Group, which are fundamental to fulfilling its responsibility of protecting and enhancing the shareholders' value and the financial performance of the Group.

Good corporate governance practices, however, should extend beyond mere statement of compliance. It should aim at achieving the highest standards of conduct, business integrity, ethics, accountability and professionalism across all the Group's activities. The Board acknowledges the importance of corporate governance in enhancing stakeholders' value, increasing investors' confidence, establishing customers' trust and building a competitive organization to support the Group's corporate mission and vision.

The commitment of the Board, Management and staff of MAHB Group in ensuring the interest of investors and all other stakeholders are well taken care of is affirmed by the award and recognition that MAHB had ranked second (2nd) position in score A category under the inaugural Malaysian Corporate Governance ("MCG") Index 2010 by the Minority Shareholder Watchdog Group ("MSWG"). The index, an initiative by MSWG, is an extension of MSWG's corporate governance survey in collaboration with Nottingham University Business School ("NUBS") in 2004 – 2008. MAHB had received the Distinction Award in the MCG Index 2009 and ranked seventh (7th) position (2007: 14th and 2006: 40th) in the MSWG – NUBS corporate governance survey conducted in 2008.

THE BOARD



The Board is responsible for the overall governance of the Group by ensuring the strategic guidance and succession plan of the Group, the effective monitoring of management goals, and accountability to the Group and shareholders. *[For detailed profile of MAHB's Board of Directors, kindly refer to our 2010 Annual Report, Pages 137-142].*

BOARD CHARTER

The Board of Directors of MAHB has formally adopted the Board Charter, which provides guidance to the Board in the fulfilment of their roles, duties and responsibilities which are in line with the principles of good corporate governance. The Board Charter clearly outlines the principles and adoption of best practices on the structures and processes towards achieving the highest governance standards, which include amongst others, the right balance and composition of the Board, the Board's obligations and liabilities, Directors' Code of Ethics, appointment of new directors, remuneration policy and the establishment of Board Committees together with the required mandates and activities.

The Board reviews the Board Charter from time to time or at least once in every two (2) years to reflect changes to the Company's policies, procedures and processes as well as latest relevant legislations and regulations.

DIRECTORS' CODE OF ETHICS

The Directors continue to adhere to the Directors' Code of Ethics formulated based on principles in relation to integrity, sincerity, honesty, responsibility, social responsibility and accountability in order to enhance the standard of corporate governance and corporate behaviour.

THE BALANCE & COMPOSITION OF THE BOARD

Malaysia Airports' business scope covers domestic and international markets and is consistently faced with political, commercial and technical risks associated with its business ventures. Consequently, particular attention is paid to the composition and balance of the Board to ensure that it has wide experience of the sector and regulatory environment in which Malaysia Airports operates, added with appropriate financial and risk management skills. The Board considers that objectivity and integrity, (as well as the relevant skills, knowledge, experience, mindset and ability, which will assist the Board in strengthening its key functions), are the prerequisites for appointment of new directors on the Board of Malaysia Airports.

The directors' relevant background ensures that they have the understanding of the fiduciary duties and responsibilities of the Board of Directors and appreciate the working relationship between the Board and Management of the Group, as well as the ability to comprehend the industry within which Malaysia Airports' operates, and its current and future competitive environment.

The Board currently comprises seven (7) Non-Independent Non-Executive Directors, three (3) Independent Non- Executive Directors and one (1) Managing Director. Izlan bin Izhah shall retire as Non-Independent Non-Executive Director of the Company at the conclusion of the Twelfth Annual General Meeting to be held on 28 April 2011.

Following the retirement of Izlan, the Company shall comply with paragraph 15.02 of the Bursa Malaysia Listing Requirements. The directors' biographies are enclosed from pages [134] to [142] of this Annual Report.

The Board expressed its appreciation to Mohd Nadziruddin bin Mohd Basri for his contribution and guidance to the Company and the Board, in particular, during his tenure as a member of the respective Board Committees of MAHB.

The composition of the Board fairly reflects the interest of the significant shareholders, which was adequately represented by the appointment of their nominee directors without compromising the interest of the minority shareholders. The independent directors on the Board act as a caretaker of the minority shareholders and their views carry significant weight in the Board's decision-making process.

The Board regularly reviews the composition of the Board and its Committees to ensure appropriate balance and a good mix of skills and experience. The Board also considers the need to rotate the membership of the Committees amongst the directors, in order for them to gain exposure on the different functions of the Committees.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Given the composition of the Board, in particular the strong and independent presence of the members and the Board as a whole, and the separation of the roles of the Chairman and the Managing Director, the Board does not consider it necessary to nominate a recognised Senior Independent Non-Executive Director, at this juncture.

PRINCIPAL RESPONSIBILITIES OF THE BOARD

The Board members exercise due diligence and care in discharging their duties and responsibilities to ensure that high ethical standards are applied, through compliance with relevant rules and regulations, directives and guidelines in addition to adopting the best practices in the Code and CG Guide, and act in the best interest of the Group and shareholders.

The principal responsibilities of the Board include formulating, reviewing and adopting an effective strategic planning of the Group, steering the Group in the right direction to achieve its desired goals, overseeing the conduct of the Group's businesses to ensure that the business processes are in place to maintain the highest integrity of the Group's businesses, identifying and managing the risks affecting the Group, reviewing the adequacy and integrity of the Group's system of internal control and ensuring timely and accurate disclosure of material information regarding the financial situation, performance, ownership and governance of the Company. Apart from that, the Board also assumes the responsibility of developing and implementing an investor relations programme or shareholder communications policy for the Group, as well as ensuring that the Group has its own succession planning programme for the senior management of the Group.

THE ROLE OF THE BOARD

The Board is responsible to the stakeholders for overseeing and protecting the long-term interests of all through effective management of the Group's businesses. It challenges the views of the Management by undertaking thorough examination of the Group's present and future strategic directions. It is also responsible for ensuring that management maintains and updates its system of internal control that provides satisfactory assurances of its effectiveness and efficiency, in relation to operations, internal financial controls, and compliance with the laws and regulations.

In order to ensure that Directors have sufficient time to focus and fulfil their roles and responsibilities effectively, the Board has adopted a restriction policy on external appointments.

INDEPENDENCE OF NON- EXECUTIVE DIRECTORS

The Board considers all the three (3) Independent Non-Executive Directors, namely Datuk Alias bin Haji Ahmad, Datuk Siti Maslamah binti Osman and Jeremy bin Nasrulhaq to be independent based on the definition as set out under the Bursa Malaysia Listing Requirements.

The Board is satisfied that the three (3) Independent Non-Executive Directors represent the interest of the minority shareholders by virtue of their roles and responsibilities.

The Board has determined that the following behaviours are essential when considering and assessing the independence of each non-executive Director:-

- Able to provide intelligent questions, constructive debates, rigorous challenges, and decides dispassionately on management's views and assumptions;
- Is willing to challenge the views, opinions, and beliefs of other directors, for the benefit of the company;
- Is prepared to defend his/her own views, opinions, and beliefs for the ultimate good of the company; and
- He/She must have a good understanding of the businesses and operations of the company in order to properly evaluate and provide the necessary responses on the various issues confronted by the Board.

The Board considers the issue of directors' independence on an annual basis and has concluded that each of them continues to demonstrate the above behaviours which are in accordance with the definition under the Bursa Malaysia Listing Requirements therein.

THE ROLES OF EXECUTIVE DIRECTOR AND NON- EXECUTIVE DIRECTORS

The Executive Director (i.e. Managing Director) and the Non-Executive Directors have been given clear roles and accountability for intensifying performance management in the Group.

The Executive Director is responsible for the following:-

- Implementation of the overall design of the performance management scheme, particularly developing the strategy, defining the Key Performance Indicators and cascading them through the organisation;
- Review of the performance of the businesses, taking corrective actions and reporting them to the Board; and
- Review of the performance of the Senior Management and delivering meaningful rewards and compensation.

On the other hand, the Non-Executive Directors are responsible for the following:-

- Providing independent judgement on the group's strategy;
- Overseeing that the internal control systems and the risk management processes are appropriate and effective;
- Setting the appropriate targets/ objectives and reviewing the performance of the company and the executive director; and
- Setting the right remuneration of the executive director, and evaluating the effectiveness of the company's succession planning programme.

The Board opined that the quality of its directors, each of whom possesses an impeccable background and offers relevant experience, ensures that they are able to challenge and help develop and drive the Group's vision and strategy, scrutinise performance and controls including to ensure that the governance standards are continuously upheld.

The Chairman will always ensure that the board's decisions are based on consensus, and any concerns expressed by any director, will accordingly be recorded in the minutes of meetings by the Company Secretary.

THE CHAIRMAN & MANAGING DIRECTOR

The responsibilities and authorities between the Chairman and the Managing Director are clearly separated and defined in order to maintain a balance of power, as outlined below:-

CHAIRMAN

Tan Sri Datuk Dr. Aris bin Othman is the Chairman of the Company. Prior to his appointment as the Chairman, Tan Sri Datuk Dr. Aris has never assumed an executive position in the Board or acted as the Managing Director of the Company. Tan Sri Datuk Dr. Aris' roles and responsibilities are as follows:-

- Ensure orderly conduct and working of the Board, where healthy debates on issues being deliberated are encouraged to reflect any level of scepticism and independence;
- Ensure that every Board resolution is put to a vote to ensure that the decision is made collectively and reflects the will of the majority;
- Ensure that the Board agrees on the strategy formulated by the company and checks on its implementation;
- Exemplify the highest standards of corporate governance practices and ensure that these practices are regularly communicated to the stakeholders;
- Ensure the appropriateness and effectiveness of the succession planning programme at the Board and Senior Management levels;

- Ensure a healthy working relationship with the Managing Director and provide the necessary support and advice as appropriate; and
- Determine the agenda for the Board meetings in consultation with the Managing Director and the Company Secretary and ensure effective time management to allow the Board to have a rich and deep discussion.

MANAGING DIRECTOR

Tan Sri Bashir Ahmad bin Abdul Majid is the Managing Director of the Company. Tan Sri Bashir's in-depth knowledge in the aviation and airport operations industry and the overall Group's businesses and affairs, has significantly contributed towards manoeuvring the direction of the Group to achieve the desired goals and objectives. Tan Sri Bashir's roles and responsibilities are as follows:-

- Implementing the policies and decisions of the Board, overseeing the operation, as well as coordinating the development and implementation of business and corporate strategies;
- Developing and translating the strategies into a set of manageable goals and priorities;
- Setting the overall policy and direction of the business operations, investment and other activities based on effective risk management controls;
- Ensuring that the financial results are accurate and not misleading;
- Ensuring that the financial management practice is carried out at the highest level of integrity and transparency for the benefit of the shareholders;
- Ensuring that the business and affairs of the company are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
- Ensuring that whilst the ultimate objective is to maximise the shareholders return, the social and environmental factors are not being neglected;
- Developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts etc; and
- Providing the leadership and represent the company with major customers and industry organisations together with the involvement of the Chairman.

Furthermore, the responsibilities and authorities between the Chairman and the Managing Director are also clearly outlined in the Board Charter.

INDUCTION & CONTINUOUS PROFESSIONAL DEVELOPMENT

The newly-appointed Directors will be undergoing a comprehensive induction programme arranged by the Company Secretary, tailored to their individual requirements, comprising, briefings by the Senior Management, training on Directors' duties and responsibilities, and visits to the airports. The training is normally initiated within the first six months period following the Director's appointment.

All the Directors have attended and successfully completed the Mandatory Accreditation Programme as required by the Bursa Malaysia Listing Requirements, except for the newly appointed Director, Mohd Izani bin Ghani. In this context, the listing requirements also prescribed that the onus is on the Board of Directors to determine and oversee the training needs of its members, whereby they should be encouraged to attend talks, seminars and training programmes to enhance their skills and knowledge, and to keep abreast with new developments within the business environment.

Members of the Board of Directors of MAHB had attended the training programmes organised during the financial year 2010. The Board, being cognisant of its responsibility under the Bursa Malaysia Listing Requirements, had taken the initiative to organise in-house training programmes conducted by external experts, on areas relating to the changes in the aviation industry, business sustainability and strategy development, etc. The training programmes attended by the Directors in 2010, are as follows:

- Aviation Insurance Outlook Talk by Mr. Keith Richardson from Messrs Barlow, Lyde & Gilbert;
- Condition of Use Briefing by Mr. Andy Swan from Messrs JLT Aviation Insurance;
- Transformational Leadership – A Passionate Passage Talk by Malaysian Directors Academy (MINDA);

- 2010 National Conference on Internal Auditing “New Directions for the New Decade” by the Institute of Internal Auditors Malaysia;
- Economics Updates by Citibank Malaysia Berhad; and
- Aviation Industry Updates and Outlook Talk by Nomura Securities Sdn. Bhd.

The Board members are continuously updated with the latest information on issues related to governance, risk management, board performance and financial position. In addition, the Board members also strive to develop their understanding of the business through regular airport visits and in-depth presentations on topical issues.

The Company Secretary would continuously disseminate to the Board any interesting and relevant articles or reports extracted from various reputable magazines on governance best practices for the Board members’ reading pleasure in order to keep them updated with the latest development and also as part of their lifelong learning education.

BOARD PERFORMANCE EVALUATION

The Board performance evaluation framework and processes in MAHB have been developed and adopted in accordance with the principles as enunciated in the Green Book and the Code.

The performance evaluation of the Board was primarily based on the answers to a detailed questionnaire. The questionnaire form covers topics that include, amongst others, the responsibilities and influence of the Board, meeting arrangements, information and support, Board composition, decision-making and output. Similar topics were covered in respect of the questionnaire for each of the Committees. Whilst assessing the performance of the Board Committees, the members indirectly assess the individual performance against a range of key competencies. These competencies include strategic thinking, commitment and preparedness, listening and communication skills, contribution to decision making and constructive challenging of information. Thereafter, the results of these questionnaires, were documented, and collectively, formed the basis of a report to be tabled at the Board Nomination & Remuneration Committee meeting, subsequently for onward submission to the Board of Directors’ meeting for deliberation thereof, whereby the Board had evaluated their performance and formulate a “going forward position”, to enhance the effectiveness of the Board.

The Board is passionate about conducting such performance evaluation, as this enables the Board performance to be properly gauged. At this juncture, the recommendation to conduct a one on- one session between the Directors and the Chairman (as practised by the UK Public Listed Companies) would be considered at an appropriate time, at a later stage to come.

MEETING & ATTENDANCES

The Board requires all members to devote sufficient time to the working of the Board, to effectively discharge their duties as the Directors of the Company, and to use their best endeavours to attend meetings.

The Board meetings are scheduled in advance before the end of each financial year so as to enable the Directors to plan accordingly and fit the year’s board meetings into their schedules. Special Board meetings may be convened to consider urgent proposals or matters that require expeditious decision or deliberation by the Board.

The Board is scheduled to meet once a month with additional meetings convened, as and when deemed necessary. During the year 2010, twelve (12) Board meetings and three (3) Special Board meetings were held. All the directors had proportionately attended more than 50% of the Board meetings held for the full financial year of 2010, in compliance with the Bursa Malaysia Listing Requirements.

Directors who were unable to attend the Board meetings would review the relevant Board papers and thereafter convey their comments to the Chairman or the Company Secretary prior to the proceeding of the meetings.

MATTERS RESERVED FOR THE BOARD

The Board has a formal schedule of matters specifically reserved to it. These reserved matters include the following:-

- Approval of the overall strategy, vision, values, and governance framework of the group;
- Approval of the company's annual report and quarterly financial results;
- Approval of any interim dividend, recommendation of the final dividend and the company's dividend policy;
- Approval of the group's annual budget and amendments to that budget in relation to the amount, borrowing and security, acquisitions and disposals of tangible/non-tangible assets, and capital expenditure over a specified amount;
- Approval of the company's long term financial plan and the annual capital expenditure programme;
- Approval of any significant change in the accounting policies and practices;
- Approval of all circulars, resolutions and corresponding documentation sent to the stakeholders;
- Approval of changes in the capital structure of the company with regard to issuance or allotment of shares or other securities, or its status as a public listed company;
- Appointment, re-appointment or removal of the Directors and the recommendation for their election or re-election for the consideration of the shareholders, pursuant to the Company's Articles of Association;
- Appointment or removal of the company secretary;
- Recommendation to shareholders for the appointment, re-appointment or removal of the external auditors;
- Approval of the division of responsibilities between the Chairman and Managing Director; and
- Approval for the establishment of the Board Committees, their terms of reference (i.e. membership and financial authority), reviewing their activities and, where appropriate, ratifying their decisions.

QUALITY OF INFORMATION

The Chairman takes responsibility for ensuring that the Directors receive accurate, timely and clear information with regard to the Group's financial and operational performance, to enable the Board to make sound decision and provide the necessary advice, with all Board and Committee papers being issued in advance prior to the scheduled meetings. The Company Secretary will assist the Chairman to ensure that the process of disseminating the information is effective and reliable.

Under the current practice, Notices pertaining to all Board meetings are issued to the directors, at least 14 days from the date of the meeting, whilst the notices of the Board Committee meetings are circulated to the Committee members and all those invited to attend the meeting, at least 7 days before each meeting. The agenda and the board papers are circulated within 7 days from the date of the meeting. Furthermore, in order to provide an in-depth discussion of the respective matters within a reasonable and sufficient time, the Managing Director, together with the Chairman would decide on the agenda and accordingly structure and prioritise the respective matters based on their relevancy and importance. Confidential papers or urgent proposals are presented and tabled at the Board meetings under special agenda.

The format and structure of the Board papers are such that they contain the right amount of details and are clear and concise, to enable the directors to comprehend on the subject matters within the first five minutes of reading.

The format of the papers has been designed and presented into a short and synthesised executive summary. This is to ensure that the Directors have a complete understanding of the issues to enable systematic decision making in a well-informed manner.

The quality and presentation of the Board papers are continuously being monitored to ensure that the messages had been clearly understood by the Board, with a precise articulation of the facts and analysis. The summary of the minutes of meetings is also enclosed to ensure that decisions, requests and requirements were recorded accurately and could be tracked and monitored upfront for clarity and ease of reference, as well as for the Board's comfort that actions are being followed up. The Board may, if required,

and in the best interest of time, refrain from considering any last minute agenda items during the proceedings of the Board meetings, unless the matter is of genuine and exceptional circumstances.

The minutes of each Board meeting are circulated together with the Board papers to all Directors for their perusal before confirmation of the minutes to be done at the following Board meeting which is one of the agenda of the meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation as a correct record of proceedings of the Board.

The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Company. An interested Director will abstain from deliberations and decisions of the Board on the transaction. In the event a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting on the resolutions relating to the corporate proposals, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

ACCESS TO INFORMATION & ADVICE

The Directors have full and unrestricted access to all information pertaining to the Group's businesses and affairs to enable them to discharge their duties. They also have full and unrestricted access to the advice and services of the Senior Management and the Company Secretary of the Group.

Besides holding formal Board meetings, the Chairman maintains regular contact with the Managing Director to discuss specific matters. Furthermore, the Managing Director ensures that frequent communication between the Senior Management team and the Board is present at all time. Nevertheless, directors are free to arrange for meetings with the individual members of the Senior Management team and are always invited to attend the events and exhibitions organised by the Company.

COMPANY SECRETARY

Sabarina Laila binti Dato' Mohd Hashim, the Company Secretary for the Group, is responsible for advising the Board on issues relating to compliance with laws, rules, procedures and regulations affecting the Group, as well as the best practices of governance. The Company Secretary is also responsible for advising the directors of their obligations and adherence to matters pertaining to disclosure of interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. The Company Secretary will also brief the Board on the proposed contents and timing of material announcements to be made to Bursa Malaysia.

Apart from playing an active role as the advisor to the Directors, the duties of the Company Secretary also include, amongst others, attending all Board and Board Committee meetings, ensuring that the proceedings of Board meetings and decisions made thereof, are accurately and sufficiently recorded, and properly kept for the purposes of meeting statutory obligations, as well as obligations arising from Bursa Malaysia Listing Requirements or other regulatory requirements, communicating the decisions of the Board for Management's attention and further action, ensuring all appointments and re-appointments of directors are in accordance with the relevant legislations, handling company share transactions, such as issuance of new shares, arranging for payment of dividends and liaising with external auditors, lawyers, tax advisors, bankers and shareholders.

INDEPENDENT PROFESSIONAL ADVICE

The Board allows the Directors, in furtherance of their duties, to obtain independent professional advice from external consultants, at the Company's expenses. Copies of any reports, advice and recommendations provided by the independent professional adviser to a respective Director, would be forwarded by the said Director to the Company Secretary, who will, where appropriate, circulate them to other Directors to ensure that they are kept informed of pertinent issues, which may have an impact on the Group's sustainability. However, there was no such advice sought by any Director during the year.

APPOINTMENT TO THE BOARD

There is a formal and transparent procedure for the appointment of new directors to the Board, the primary responsibility of which is delegated to the Board Nomination & Remuneration Committee, with the membership comprising exclusively, non-executive directors, the majority of whom are independent. This composition of only non-executive directors in the Committee ensures that any decisions made are impartial and in the best interest of the Group, without any element of fear or favour.

The Board Nomination & Remuneration Committee is responsible for leading the selection, deliberation and proposal of suitable candidates for appointment as directors to the Board based on merit and on the needs of the Board and the Company's present situation and future strategic direction. The Committee is also responsible for assessing and ensuring, amongst others, that the candidate possesses technical competencies, a strong sense of professionalism and integrity, organisational and strategic awareness, and the ability to add value, as well as adherence to the highest standards of business conduct.

The appointment process would begin with an evaluation of the composition of the Board, pertaining to balance of skills, knowledge and experience of the Board, at that juncture. Subsequently, the search for the potential candidates based on the description of the roles and capabilities required by the Board would be embarked upon by the members of the Board with the assistance of the Company Secretary. A list of potential candidates would be shortlisted through consultation with the Committee Chairman. Thereafter, a formal meeting of the Committee will be held to consider the merit of each candidate and to finalise a recommendation to the Board for deliberation and approval thereof.

The Committee is also responsible for evaluating the findings of the Board Performance Evaluation for the Board and the relevant Board Committees. Each Director's ability and capability will be individually self assessed by them, and any weaknesses identified would be discussed, and thereafter a plan would be formulated to address the gap. The Committee, upon analysing the result of the annual Board performance evaluation, was satisfied that the size of the Board is sufficiently appropriate and that there is a good mix of knowledge, skills, attributes and core competencies in the composition of the Board. The Committee was also satisfied that all the Board members are suitably qualified to maintain their positions as Directors of the Board and members of the Committees in view of their respective academic and professional qualifications, experience and qualities.

RE-ELECTION OF DIRECTORS

All directors, including the Managing Director, are subject to re-election by the shareholders at their first opportunity after their appointment, and are subject to re-election at least once every three (3) years, in accordance with Articles 129, 131 and 132 of the Company's Articles of Association. The re-election of directors at a regular interval not only promotes the creation of an effective Board, but also present the shareholders with the opportunity to gauge the performance of the directors.

The retiring directors who are seeking re-election would be subjected to performance assessment carried out by the Board Nomination & Remuneration Committee, which would then submit its recommendations to the Board for deliberation and approval. The Board would endorse a director for re-election if his or her performance is considered as satisfactory and meet the expected roles and responsibilities.

The Directors retiring at the Twelfth Annual General Meeting are Ahmad Jauhari bin Yahya, Mohd Izani bin Ghani, Datuk Alias bin Haji Ahmad, Jeremy bin Nasrulhaq and Izlan bin Izhab. Izlan bin Izhab has advised that he does not wish to seek for re-election at the Twelfth Annual General Meeting. The Board has determined that the performance of Ahmad Jauhari bin Yahya, Mohd Izani bin Ghani, Datuk Alias bin Haji Ahmad and Jeremy bin Nasrulhaq are subject to re-election, have continued to exemplify and demonstrate the highest commitment towards strengthening the effectiveness of the governance framework. Hence, the Board unanimously recommend that the shareholders vote in favour of the re-election of the four (4) Directors at the Company's Twelfth Annual General Meeting.

Directors over the age of seventy years old are also required to submit themselves for re-appointment annually, in accordance with Section 129 (6) of the Companies Act, 1965. Currently, the Company has no Directors who have reached the above stipulated age.

DIRECTOR'S REMUNERATION

The Board Nomination & Remuneration Committee is responsible for the review, assessment and recommendation to the Board of Directors, the appropriate remuneration packages for the Directors, Managing Director, and to deliberate the remuneration package for the Senior Management of the Group. The component parts of the remuneration are structured as such, so as to link rewards to corporate and individual performance, in line with the "Enhancing Business and Performance Management" Programme developed by the Group with the assistance and in consultation with the external consultants.

The Managing Director's remuneration comprises basic salary and other customary benefits which are competitive that reflect his performance for the year, whilst the non-executive directors' remuneration package, comprises fees and allowances, which reflect the individual's roles and responsibilities. The calibre of the non-executive directors serving the Company is essential in upholding the standards of Corporate Governance. The Board remuneration structure is reviewed by benchmarking the Chairman and the directors' remuneration against peer companies, locally and regionally, in order to align the remuneration to at least around the 50th percentile of the appropriate peer group. The Board hopes the alignment of the remuneration package offered to the non-executive directors of the Company would continue to attract and retain directors of such calibre to provide the necessary skills and experiences required for the effective management and operations of the Group.

During the year, the Board Nomination & Remuneration Committee embarked upon a review of the overall remuneration policy for the Managing Director and recommended on specific adjustments in remuneration and/or reward payments that reflect his contribution to the Company, and which are competitive and are supportive with the Company's corporate objectives, culture and strategy.

BOARD COMMITTEES

The Board of Directors delegates certain of its governance responsibilities to the following Board Committees, which operate within clearly defined terms of reference, to assist the Board in discharging its responsibilities: -

Board Committee	Key Functions
Board Audit Committee ("BAC")	Review and evaluate performance of External Auditors and Internal Audit Division in ensuring efficiency and effectiveness of the company's operations, adequacy of internal control system, compliance to established policies and procedures, transparency in decision-making process and accountability of financial and management information.
Board Nomination & Remuneration Committee ("BNRC")	Review, assess and recommend to the Board of Directors, remuneration packages of the executive director and senior management as well as to determine criteria for Board/Board Committees' membership, structure, responsibilities and effectiveness, and to formulate/review policies and procedures on human resource matters with regard to recruitment, appointment, promotion, transfer and secondment of employees, etc.
Board Finance & Investment Committee ("BF&IC")	Review and monitor the financial performance of the group, including the budgets, and monitor investment policy and portfolio of the group.
Board Risk Management Committee ("BRMC")	Formulate the overall risk management, occupational safety and health, ICAO safety management system and information security strategy of the group and recommend for approval and/or approve (whenever applicable) any major risk financing decisions by the group.

Board Procurement Committee (“BPC”)	Approve tender for contract value above RM5 million up to RM200 million, review and approve procurement policies and procedures, oversee and monitor the overall implementation of the Red Book on Procurement Guidelines, ensuring efficiency and effectiveness of procurement process, and support of national development objectives.
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The terms and reference of all the Board Committees have been reviewed and enhanced under the Improvement Programme to enable the respective Board Committees to focus their roles and responsibilities to ensure that there are no gaps or overlaps. Suffice to say that the implementation of the Improvement Programme has successfully increased the overall effectiveness of the Board Committees. Prior to the establishment of these Board Committees, their functions were assumed by the Board as a whole. The Chairman and members of each Board Committee shall be appointed by the Board. As a matter of good practice, the Chairmen of the various Board Committees will report the outcome of the Board Committee meetings to the Board, and the minutes of Committee meetings would also be presented at the Board meetings.

TERMS OF REFERENCE

The salient terms of reference of the Board Committees are as follows:

BOARD AUDIT COMMITTEE (“AUDIT COMMITTEE”)

The Audit Committee comprises no fewer than four (4) members, all of whom are non-executive directors with majority being independent directors. At least one (1) member must be a member of the Malaysian Institute of Accountants, or he/she complies with the requirement of paragraph 15.09 (1)(c) of the Bursa Malaysia Listing Requirements. The terms of reference and summary of activities carried out by the Audit Committee are set out under the Audit Committee Report from pages [220] to [221] of this Annual Report.

The Audit Committee meets at least six (6) times during the financial year to carry out its functions. The Audit Committee is also responsible for recommending the person(s) to be nominated to act as the external auditor and the remuneration and terms of engagement of the external auditor.

Under the Improvement Programme, the Audit Committee will also review its terms of reference at least once in every two (2) years to assess its relevancy and clarity.

BOARD NOMINATION & REMUNERATION COMMITTEE (“NOMINATION & REMUNERATION COMMITTEE”)

The Nomination & Remuneration Committee consists of at least three (3) members, all of whom shall be non-executive directors. The chairman and members of the Nomination & Remuneration Committee shall be appointed by the Board. The Committee’s main responsibilities and such other responsibilities as may be determined by the Board include, amongst others, the following:

Nomination

- Determine the criteria for Board membership, including qualities, experience, skills, education and other factors that will best qualify a nominee to serve on the Board;
- Review annually and recommend to the Board with regard to the structure, size, balance and composition of the Board and Committees, including the required mix of skills and experience, core competencies which the nonexecutive directors should bring to the Board and other qualities in order to function effectively and efficiently;
- Propose to the Board the responsibilities of the non-executive directors, including membership and chairmanship of the Board Committees;
- Establish and implement processes for assessing the effectiveness of the Board as a whole, the

Board Committees and for assessing the contribution of each director;

- Evaluate on an annual basis, the effectiveness of each director's ability to contribute to the effectiveness of the Board and the relevant Board Committees, and to provide the necessary feedback to directors in relation to their performance, the effectiveness of the Board Committees, and the effectiveness of the Board as a whole;
- Review and set policies and procedures on human resources and employee matters (i.e. talent management);
- Review and determine the level and make-up of key management positions; and
- Develop policies and recommend appropriate proposals to facilitate the recruitment and retention of senior management, for which approval is required from the Board.

Remuneration

- To establish and recommend to the Board the remuneration structure and policy for the Managing Director and the general managers, including the terms of employment or contract of employment/service, benefits, pensions or incentive scheme entitlement, bonuses, fees and expenses and any compensation payable on the termination of the service contract by the company and/or group and to review any changes to the policy, as necessary;
- To review the Managing Director and the general managers' goals and objectives and to assess their performance against these objectives as well as contribution to the corporate strategy;
- To ensure that a strong link is maintained between the level of remuneration and individual performance against the agreed targets, with the performance-related elements of remuneration, forming a significant proportion of the total remuneration package of the Managing Director;
- To establish, review and recommend the scheme of service for employees and the general remuneration policies and practices within the group; and
- To recommend to the Board suitable short and long-term policies of having performance-related incentive schemes and to consider other matters as referred to the Committee by the Board.

Under the Improvement Programme, the Nomination & Remuneration Committee will also review its Terms of Reference at least once in every two (2) years to assess its relevancy and clarity.

BOARD FINANCE & INVESTMENT COMMITTEE ("FINANCE & INVESTMENT COMMITTEE")

The Finance & Investment Committee comprises at least four (4) members and at least one (1) member must be a member of the Malaysian Institute of Accountants or fulfils the requirements which are more particularly set out in the Committee's Terms of Reference. The Chairman of the Company shall be the Chairman of the Finance & Investment Committee. The Finance & Investment Committee will conduct its meeting at least once every quarter and additional meetings as and when necessary.

The functions and duties of the Finance & Investment Committee are to:

- Review the annual business plans and budgets and any supplementary budgets (half-yearly) and recommending them to the Board for approval;
- Review and monitor the financial position and performance of the Company and its group of companies on a quarterly basis;
- Review and monitor the financial investment policy and financial investment portfolios of the company and its group of companies and report to the Board on a quarterly basis;
- Consider and appoint investment managers to manage the financial investments of the company and its group of companies; and
- Oversee current and future capital and financial resource requirements.

Under the Improvement Programme, the Finance & Investment Committee will also review its Terms of Reference at least once every two (2) years to assess its relevancy and clarity.

BOARD RISK MANAGEMENT COMMITTEE (“RISK MANAGEMENT COMMITTEE”)

The Risk Management Committee comprises at least four (4) members, made up of independent non-executive directors and non-independent nonexecutive directors. The members of the Risk Management Committee are appointed by the Board.

The responsibilities of the Risk Management Committee are to, inter alia:

- Approve the overall Risk Management, Occupational Safety and Health (OSH), ICAO Safety Management System (SMS) and Information Security policies and strategies;
- Oversee senior management’s responsibilities in managing risks including information security risks and safety to ensure that the risk management process is in place and functioning;
- Review major risk and safety strategies, policies and risk tolerance standards proposed or to be proposed to the Board and to opine or make recommendations to the Board;
- Review risk management, OSH, Safety and Information Security activities to ensure that all risks are taken into account in business plans and strategies;
- Review the Corporate Risk Profile and understand the significant risks that affects the achievement of company’s objectives and ensure the implementation of appropriate systems to manage these risks;
- Oversee the adequacy of resources for implementation of risk management and safety strategies, activities and initiatives; and
- Ensure a risk management statement is included in the annual report confirming that risks are being identified, evaluated/assessed and that appropriate Management Action Plans are in place to manage and mitigate those risks effectively.

Under the Improvement Programme, the Risk Management Committee will also review its Terms of Reference at least once every two (2) years to assess its relevancy and clarity.

BOARD PROCUREMENT COMMITTEE (“PROCUREMENT COMMITTEE”)

The Procurement Committee comprises at least three (3) members, made up of both independent non-executive directors and non-independent nonexecutive directors. The members of the Procurement Committee are appointed by the Board.

The general functions of the Procurement Committee are to:

- Ensure that the project and tender documents comply with the prescribed procurement policies and procedures;
- Determine the tender evaluation criteria;
- Approve qualified tenderers;
- Appoint sub-committees for technical and commercial evaluations, as and when necessary;
- Recommend to the Board on award of tender above Ringgit Malaysia Two Hundred (200) Million;
- Approve tenders for amount from Ringgit Malaysia Five (5) Million up to Ringgit Malaysia Two Hundred (200) Million;
- Review and approve procurement policies and procedures, including the anti-corruption policy and codes of conduct; and
- Oversee and monitor the overall implementation of the Red Book on Procurement Guidelines, ensuring efficiency and effectiveness of procurement process, and support of national development objectives.

Under the Improvement Programme, the Procurement Committee will also review its Terms of Reference at least once every two (2) years to assess its relevancy and clarity.

SHAREHOLDER RELATIONS

RELATIONS WITH MAJOR SHAREHOLDERS & STAKEHOLDERS

The Stakeholder Management Committee, led by the Managing Director and the Chief Financial Officer of the Company and including, where appropriate, other members of senior management, will regularly hold meetings with the Company's major shareholders, namely Khazanah Nasional Berhad and its major stakeholders (which involve, the Ministry of Finance, Ministry of Transport, and Airlines, amongst others) to discuss the Company's strategy, financial performance and specific major investment activities.

RELATIONS WITH INSTITUTIONAL SHAREHOLDERS

The investor relations team is responsible for managing the day-to-day communications with institutional shareholders through briefings to fund managers, institutional investors and investment analysts, normally held after the release of the Group's quarterly financial results to Bursa Malaysia Securities Berhad.

Press conferences are also held to brief the members of the media, and to highlight any significant events undertaken by the Group. All Non-Executive Directors have always been invited to the briefings, should they wish to.

RELATIONS WITH PRIVATE SHAREHOLDERS

Each year, shareholders would receive the annual report of the Company. The shareholders can also access up-to-date information on the Group's latest activities such as financial performance, Group background and future events throughout the year on the Company's official website at www.malaysiaairports.com.my, which has since been revamped with a new outlook to satisfy the discerning taste of our shareholders.

The Board acknowledges the importance of shareholders to be informed in prompt and timely manner of all material business matters affecting the Company. All announcements of quarterly financial results, change in the composition of the Board, etc are disclosed to Bursa Malaysia Securities Berhad within statutory timelines, with clear, accurate and sufficient information to enable shareholders and investors to make informed decisions. Likewise, all formal queries by Bursa Malaysia Securities Berhad and other regulatory authorities are expeditiously responded to.

INVESTOR RELATIONS

MAHB recognizes the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company's Investor Relations

Policy aims to build long-term relationships with our shareholders and potential investors through appropriate channels for the management and disclosure of information. MAHB provides these investors with sufficient business, operations and financial information on the Group enabling them to make informed investment decisions.

MAHB hold analyst presentations in each quarter in 2010 in conjunction with the Group's quarterly financial results. The briefings include the corporate overview, review of business operations and financial performance, headline key performance indicators achievements and the business outlook for the Group.

In addition, MAHB organised regular one-on-one meetings with investment analysts and fund managers throughout the year. The analysts and fund managers briefings will continue to be held regularly in 2011.

MAHB have revamped its Investor Relations web portal in 2010, in line with MAHB's commitment towards corporate governance and best practice in investor relations. The website, www.malaysiaairports.com.my, provides a wealth of in-depth and up-to-date information for both existing and potential shareholders, with timely and accurate information about MAHB.

The website also allows visitors to register and receive the latest information about MAHB, enhancing transparency, facilitate more effective communication with the investment community and promote Investor Relations best practice in the region.

Malaysia Airports' Management Team



Left to Right:
ROSEHAIDA AB RAHMAN • TAN SRI
BASHIR AHMAD ABDUL MAJID
• DATO' AZMI MURAD • FAIZAH
KHAIRUDIN • FAIZAL MANSOR
• DATO' ABDUL HAMID MOHD ALI



Left to Right:
MOHD AMINUDDIN YAAKUB • MOHD NASIR ISMAIL • ROKMAH
ABDULLAH • SABARINA LAILA DATO' MOHD HASHIM



Left to Right:
IR. SURADINI ABDUL GHANI • ABDUL
RAHMAN KARIM • DATO' MAHAT SAMAH
• UMAR BUSTAMAM

Left to Right:
MUHD NAJIB MOHD RAWI • MOHAMED SALLAUDDIN MOHAMED SHAH @ MAT SAH
• NASREIN FAZAL SULTAN • DATO' IR. ABDUL NASIR ABDUL RAZAK



Left to Right:
ZAINOL MOHD ISA • MOHD SUHAIMI ABD MUBIN • VEELAYUDAN
KRISHNAN NAIR • NORNAJIHAH ISMAIL • BRIAN ISKANDAR ZULKARIM



Left to Right:
KAMARUDIN MAHMOOD • NIK ANIS NIK ZAKARIA • ANIS RIZANA
MOHD ZAINUDDIN @ MOHD ZAINUDDIN • HJ. MUSTAFA KAMAL HJ.
ALANG OTHMAN • IR. KHAIRIAH BINTI SALLEH

100% MAHB**Malaysia Airports Consultancy Services Sdn Bhd (MACS) (375245-X)**

Malaysia Airports Consultancy Services Sdn Bhd is responsible for the provision of management, maintenance and technical services in connection with the airport industry. The activities of MACS are undertaken by three operating divisions, namely Airport Consultancy, Strategic Alliance and Service Monitoring Divisions.

**75% MACS****Urusan Teknologi Wawasan Sdn Bhd (UTW) (459878-D)**

UTW is a Total Facility Management provider that is responsible for the provision of mechanical, electrical and civil engineering services at KLIA, Sepang.

51% UTW**Airport Automotive Workshop Sdn Bhd (808167-P)**

UTW Airport Automotive Workshop Sdn Bhd is responsible for the operation of automotive vehicle workshops that cater towards the repair and maintenance of light, commercial and specialised vehicles.

100% MAHB**Malaysia Airports (Niaga) Sdn Bhd (281310-V)**

Malaysia Airports (Niaga) Sdn Bhd (281310-V) is responsible for the operation of duty free and non-duty free outlets and is also in charge of providing management services with respect to food and beverage outlets at airports.

100% MA (Niaga)**Malaysia Airports (Mauritius) Private Limited (59049 C1/GBL)**

This is an Investment holding entity.

100% MA (Niaga)**Eraman (Malaysia) Sdn Bhd (324329-K)**

ERAMAN Malaysia embodies the pioneering spirit of the country's largest airport retailer. Their networks of more than 30 outlets are spread across the five international airports and the Labuan Airport. ERAMAN is unrelenting in its commitment to provide an extensive, relevant yet appealing array of products to its target markets.



100% MAHB
Malaysia Airports (Properties) Sdn Bhd (484656-H)
 Malaysia Airports (P) SDN is responsible for the provision of non-passenger related services which involves property management and establishing asset requirements.

100% MA (Properties)
K.L. Airport Hotel Sdn Bhd (330863-D)
 K.L. Airport Hotel Sdn Bhd owns the Pan Pacific Kuala Lumpur International Airport Hotel, an establishment that received the Service Excellence award as the winner of the Global Luxury Airport Hotel category for 2010.

100% MA (Properties)
MAB Agriculture-Horticulture Sdn Bhd (467902-D)
 MAAH is responsible for the cultivation and selling of oil palm and other agriculture products, whilst engaging in horticulture services.

20% MA (Properties)
Kuala Lumpur Aviation Fueling System Sdn Bhd (395396-X)
 Kuala Lumpur Aviation Fueling System Sdn Bhd is responsible for the development, management and operations of aviation fuelling systems at KLIA, Sepang.

100% MAHB
MAHB (Mauritius) Private Limited (64825 C1/GBL)
 This is an Investment holding management entity.

100% MAHB
Airport Ventures Sdn Bhd (512527-U)
 This is an Investment holding entity.

100% AV
Malaysia Airports Technologies Sdn Bhd (512262-H)
 Malaysia Airports Technologies Sdn Bhd is responsible for the operations, maintenance services and the undertaking of Information and Communication Technology business ventures.

100% MA (Tech)
Malaysia Airports MSC Sdn Bhd (516854-V)
 Malaysia Airports MSC Sdn Bhd is responsible for the provision of internet services, development and incubation of electronic commerce. This involves the acquiring, managing, leasing, establishing, equipping, maintaining and operating of wireless radio services, closed circuit television and telecasts.



100% MAHB
Malaysia Airports Capital Berhad (906593-U)
 This is a General corporate and investment entity.

100% MAHB
Malaysia Airports Capital (Labuan) Limited (LL07679)
 This is a General corporate and investment entity.

100% MAHB
Malaysia Airports (Labuan) Private Limited
[formerly known as Malaysia Airports
Management & Technical Services (Labuan)
Private Limited] (LL05298)

This is an Investment holding management entity.

23% MA (Labuan)

GMR Male International Airport Private Limited
(C0490/2010)

GMR Male International Airport Private Limited is responsible for the operation, maintenance, expansion, rehabilitation and modernization of the Male International Airport.

20% MAHB

Istanbul Sabiha Gokcen International Airport Investment Development and Operation Inc.(656447)

ISGIA Investment and Development and Operation Inc is responsible for the operation, management, deployment and provision of airport related services.

20% MAHB

LGM Airport Operations Trade and Tourism Inc. (689548)

LGM Airport Operations Trade and Tourism Inc. is responsible for the provision of management services in respect of transportation, parking, food and beverages, cleaning at the airport and construction of hotel and car parks within the airport.

100% MAHB

Asia Pacific Auction Centre Sdn Bhd (In Liquidation) (488190-H)

Asia Pacific Auction Centre Sdn Bhd, which is currently in liquidation, used to be responsible for the operations and management of an auction centre. The company ceased its operations on the 31st of December 2008.

100% APAC

Asia Pacific Auction Sales Sdn Bhd (In Liquidation) (523300-X)

Asia Pacific Auction Sales Sdn Bhd, which is currently in liquidation, used to be involved in the auction of general machineries. The company has ceased its operations since 2001.

100% APAC

Asia Pacific Machinery Auctions Sdn Bhd (In Liquidation) (503068-D)

Asia Pacific Machinery Auctions Sdn Bhd, which is currently in liquidation, used to be involved in the auction of light and heavy machineries. The company has since ceased operations since 2001.

100% APAC

Malaysia Motor Auctions Sdn Bhd (In Liquidation) (500189-H)

Malaysia Motor Auctions Sdn Bhd, which is currently in liquidation, used to be involved in the auction of general motor vehicles. The company has since ceased operations since 2001.

100% APAC

Beans Around the World Coffee Shop Sdn Bhd (In Liquidation) (528250-P)

Beans Around the World Coffee Shop Sdn Bhd, which is currently in liquidation, used to provide services that were associated with the sale of beverages. The company has since ceased operations since 2001.

100% APAC

Cargo One Restaurant & Lounge Sdn Bhd (In Liquidation) (528261-V)

Cargo One Restaurant & Lounge Sdn Bhd, which is currently involved in liquidation, used to be involved in the business of restaurant operations. The Company has since ceased its operations since 2001.

Profile of our International & Domestic Airports

Kuala Lumpur International Airport

Information	Existing Airport																																																																																																																														
Opening Date	30 June 1998																																																																																																																														
Airport Manager	Mohammad Suhaimi Abdul Mubin																																																																																																																														
Email address	suhaimi@malaysiaairports.com.my																																																																																																																														
Age of Airport	13 years																																																																																																																														
Number of Runway	2																																																																																																																														
Total number of airlines	60																																																																																																																														
Total number of destinations	121																																																																																																																														
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Total number of Passenger movements	34.1 million																																																																																																																														
Total number of aircraft movements	244,179																																																																																																																														
Total number of cargo (metric tonnes)	674,901 metric tonnes																																																																																																																														

Penang International Airport

Information	Existing Airport
Opening Date	1st May 2001
Airport Manager	Mohd Arif Jaafar
Email address	arif@malaysiaairports.com.my
Total number of staff	427
Age of Airport	10 years
Number of Runway	1
Total number of airlines	14 (MAS,Air Asia,Firefly,Cathay Pacific,Silk Air,China Airline,Thai Airways,China Southern,wings Air,Thai Air,Sri Wijaya Air,Tiger Airways,Jetstar,Indonesia Air Asia)
Total number of destinations	20(KUL,SZB,LGK,JHB,BKI,KCH,KBR,KUA,TGG,HGK,BKK,XM N,SIN,MES,TPE,MFM,CGK,HKT,BTJ,SUB)
Total number of Passenger movements	4,167,053
Total number of aircraft movements	44,755
Total number of cargo (metric tonnes)	147,056,819

Langkawi International Airport

Information	Existing Airport
Opening Date	3rd December 1995
Airport Manager	Abdul Halim Othman
Email address	halimothman@malaysiaairports.com.my
Total number of staff	127
Age of Airport	16 years
Number of Runway	1
Total number of airlines	4 (MAS, Air Asia, Fireflyz, Silk Air)
Total number of destinations	5 (Sin, KUL, LGK, PEN,SZB)
Total number of Passenger movements	1,374,729
Total number of aircraft movements	13,300
Total number of cargo (metric tonnes)	434,439

Sultan Abdul Halim Airport

Information	Existing Airport
Opening Date	1982
Airport Manager	Azmi B. Darus
Email address	azmi@malaysiaairports.com.my
Total number of staff	72
Age of Airport	29 years
Number of Runway	1
Total number of airlines	3 (MAS,Air Aisa, Fireflyz))
Total number of destinations	2 (KUL,SZB)
Total number of Passenger movements	400,997
Total number of aircraft movements	4,394
Total number of cargo (metric tonnes)	34,052

Sultan Azlan Shah Airport

Information	Existing Airport
Opening Date	1-Oct-89
Airport Manager	Ahmad Fikri B. Hj. Samsudin
Email address	afikri@malaysiaairports.com.my
Total number of staff	55
Age of Airport	22
Number of Runway	1
Total number of airlines	2 (Berjaya Air,Fireflyz)
Total number of destinations	4 (SZB,PKG,SIN,MES)
Total number of Passenger movements	47,912
Total number of aircraft movements	834
Total number of cargo (metric tonnes)	-

Sultan Abdul Aziz Shah Airport

Information	Existing Airport
Opening Date	1993
Airport Manager	Md. Zulkifli Farid Zakaria
Email address	zulkiflifarid@malaysiaairports.com.my
Total number of staff	145
Age of Airport	18 years
Number of Runway	1
Total number of airlines	2 (Berjaya Air, Fireflyz)
Total number of destinations	13 (KTE, AOR, KBR, JHB, LGK, PEN, SIN, PKU, BTH, MES, USM, TOD, RDN)
Total number of Passenger movements	1,118,309
Total number of aircraft movements	24,649
Total number of cargo (metric tonnes)	19,988,128

Sultan Ismail Petra Airport

Information	Existing Airport
Opening Date	12-Sep-02
Airport Manager	Jefry Ramlu
Email address	jefry@malaysiaairports.com.my
Total number of staff	91
Age of Airport	9 years
Number of Runway	1
Total number of airlines	3 (MAS&Air Aisa, Fireflyz)
Total number of destinations	2 (KUL, SZB)
Total number of Passenger movements	1,047,755
Total number of aircraft movements	13,180
Total number of cargo (metric tonnes)	177,470

Sultan Mahmood Airport

Information	Existing Airport
Opening Date	1982
Airport Manager	Admad Ramli Mahmood
Email address	aramli@malaysiaairports.com.my
Total number of staff	92
Age of Airport	29 years
Number of Runway	1
Total number of airlines	3 (MAS&Air Aisa, Fireflyz))
Total number of destinations	3 (KUL,SZB, SIN)
Total number of Passenger movements	520,611
Total number of aircraft movements	5,959
Total number of cargo (metric tonnes)	49,920

Batu Berendam Airport

Information	Existing Airport
Opening Date	Oct-52
Airport Manager	Yahya Lamin
Email address	yahya@malaysiaairports.com.my
Total number of staff	41
Age of Airport	59 years
Number of Runway	1 (Riau Airlines)
Total number of airlines	1
Total number of destinations	1 (PKU)
Total number of Passenger movements	21,687
Total number of aircraft movements	586
Total number of cargo (metric tonnes)	143,847

Sultan Ahmad Shah Airport

Information	Existing Airport
Opening Date	Jul-92
Airport Manager	Puteh Ramli
Email address	puteh@malaysiaairports.com.my
Total number of staff	48
Age of Airport	19 years
Number of Runway	1
Total number of airlines	2 (MAS,Fireflyz)
Total number of destinations	2 (KUL, SIN)
Total number of Passenger movements	220,878
Total number of aircraft movements	2,628
Total number of cargo (metric tonnes)	49,375

Kuching International Airport

Information	Existing Airport
Opening Date	23-Aug-83
Airport Manager	Sunif Naiman
Email address	sunif@malaysiaairports.com.my
Total number of staff	356
Age of Airport	28 years
Number of Runway	1
Total number of airlines	5 (MAS,Fireflyz,Air Aisa, Batavia,Royal Brunei)
Total number of destinations	15 (KUL,SBW,BTU,MYY,TG.MANIS,SIN,BKI,HGK,MKM,JHB, MFM,PEN,PNK,MZV,BWN)
Total number of Passenger movements	3,685,927
Total number of aircraft movements	42,859
Total number of cargo (metric tonnes)	26,976,585

Miri Airport

Information	Existing Airport
Opening Date	1-Jul-03
Airport Manager	Noor Bashah Kasim
Email address	nbashah@malaysiaairports.com.my
Total number of staff	128
Age of Airport	8 years
Number of Runway	1
Total number of airlines	2 (MAS & Air Asia)
Total number of destinations	19 (SIN,LBU,SBW,BTU,KCH,KUL, JHB,MUR,LWY,BBN,BKM,MKM,MZV,LBP,LGL,LKH, ODN)
Total number of Passenger movements	1,694,915
Total number of aircraft movements	39,546
Total number of cargo (metric tonnes)	6,770,421

Bintulu Airport

Information	Existing Airport
Opening Date	30-Mar-03
Airport Manager	Han Sadi @ Hamsidi B. Nen
Email address	hsadi@malaysiaairports.com.my
Total number of staff	78
Age of Airport	8 years
Number of Runway	1
Total number of airlines	2 (Maswing, Air Asia)
Total number of destinations	5 (SBW,MYY,KCH, KUL,BKI)
Total number of Passenger movements	557,459
Total number of aircraft movements	11,028
Total number of cargo (metric tonnes)	1,702,807

Limbang Airport

Information	Existing Airport
Opening Date	15-Jul-04
Airport Manager	Abang Ya'akub Abang Hj. Joss
Email address	abangy@malaysiaairports.com.my
Total number of staff	31
Age of Airport	7 years
Number of Runway	1
Total number of airlines	1 (MasWing)
Total number of destinations	2 (LBU, MYY)
Total number of Passenger movements	50,044
Total number of aircraft movements	1,974
Total number of cargo (metric tonnes)	559,536

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Sibu Airport

Information	Existing Airport
Opening Date	1-Jun-94
Airport Manager	Ya'akub Abu Bakar
Email address	yaakub@malaysiaairports.com.my
Total number of staff	78
Age of Airport	17 years
Number of Runway	1
Total number of airlines	2 (MAS, Air Asia)
Total number of destinations	7 (KUL,KCH,BKI,MYY,BTU,LMN,JHB)
Total number of Passenger movements	1,006,245
Total number of aircraft movements	17,999
Total number of cargo (metric tonnes)	1,132,514

Kota Kinabalu International Airport

Information	Existing Airport
Opening Date	7-Jul-86
Airport Manager	Kamaruzzaman Razali
Email address	kamar@malaysiaairports.com.my
Total number of staff	522
Age of Airport	25 years
Number of Runway	1
Total number of airlines	7 (MAS,Air Asia,Korean Air,Silk Air,Aseana,Royal Brunei,Dragon Air)
Total number of destinations	17 (MYY,LDU,SDK,LBU,TWU,BWN,SBW,JHB,KCH,SIN,TPE,NRT,MZV,HND,HGK,KIX,JEDAH)
Total number of Passenger movements	5,223,500
Total number of aircraft movements	54,911
Total number of cargo (metric tonnes)	26,732,864

Labuan Airport

Information	Existing Airport
Opening Date	15-Jun-99
Airport Manager	Muhammad Yusran Hakkam Ali
Email address	yusran@malaysiaairports.com.my
Total number of staff	64
Age of Airport	12 years
Number of Runway	1
Total number of airlines	2 (Air Aisa & MAS)
Total number of destinations	4 (BKI, KUL,MYY,LMN)
Total number of Passenger movements	505,903
Total number of aircraft movements	11,988
Total number of cargo (metric tonnes)	4,591,662

Sandakan Airport

Information	Existing Airport
Opening Date	30-May-85
Airport Manager	Awang Mali Awang Anak
Email address	awang@malaysiaairports.com.my
Total number of staff	86
Age of Airport	26 years
Number of Runway	1
Total number of airlines	2 (MAS, Air Asia)
Total number of destinations	4 (BKI,TWU,KUL,KUD)
Total number of Passenger movements	741,674
Total number of aircraft movements	12,095
Total number of cargo (metric tonnes)	2,805,918

Tawau Airport

Information	Existing Airport
Opening Date	1-Dec-01
Airport Manager	Amat Madin
Email address	amat@malaysiaairports.com.my
Total number of staff	92
Age of Airport	10 years
Number of Runway	1
Total number of airlines	2 (Air Asia, MAS)
Total number of destinations	3 KuL, BKI, SDK
Total number of Passenger movements	897,848
Total number of aircraft movements	9,780
Total number of cargo (metric tonnes)	3,044,935

Lahad Datu Airport

Information	Existing Airport
Opening Date	25-Apr-05
Airport Manager	Yayun@Simondy Lamaddas
Email address	syayun@malaysiaairports.com.my
Total number of staff	36
Age of Airport	6 years
Number of Runway	1
Total number of airlines	1 (Maswings)
Total number of destinations	1 (BKI)
Total number of Passenger movements	113,442
Total number of aircraft movements	2,871
Total number of cargo (metric tonnes)	-

Disclosure on Management Approach to Economics

Malaysia Airports Holdings Berhad (MAHB) registered another year of commendable performance in the financial year ended 31 December 2010 (FY2010). The Group's revenue stood at RM1,812.9 million, representing a growth of 12.6% or RM203.2 million compared to RM1,609.6 million in the previous financial year (FY2009).

Earnings before interest, tax, depreciation and amortisation (EBITDA) for FY2010 grew 15.0% or RM92.3 million to RM706.9 million, from RM614.6 million in FY2009.

MAHB continued to deliver results that match expectations, in spite of the challenging global and regional conditions in the aviation industry. The aeronautical component of the business contributed RM868.7 million, an increase of 13.9% from RM763.0 million in FY2009.

The non-aeronautical component of the business contributed RM944.2 million, representing an increase of 11.5% from RM846.6 million in FY2009. In totality, the aeronautical component of the business contributed to 47.9% of total revenue, compared to the non-aeronautical component of the business which contributed 52.1% of total revenue in FY2010.

As far as the Group's segmental revenue is concerned, revenues from the airport operations segment increased by 14.0% to RM1,675.2 million, resulting from higher passenger growth rates as well as increases in revenue from rental and retail operations. In terms of the non-airport operations, the segment's revenue saw a marginal decrease of 2.1% to RM137.6 million, as compared to RM140.5 million in FY2009, despite higher revenue in the hotel services segment, which grew 9.3% to RM62.9 million as compared to RM57.5 million in FY2009, due to higher room rates, occupancy rates and food and beverages income. The agriculture and horticulture segment recorded a lower income of RM46.7 million, as compared to RM48.5 million in FY2009, resulting from the clearing of a portion of the plantation land meant for the construction of Klia2. The Project and Repair Maintenance segment, which is mainly involved in the provision of mechanical, electrical and civil engineering services, airport business consulting, maintenance and technical services, saw a decline in revenue to RM28.0 million in FY2010 as compared to RM34.5 million in FY2009, due to lower number of projects secured in FY2010.

COMPONENT	RM'mil	COMMENTS
DIRECT ECONOMIC VALUE GENERATED		
a) Revenues	1,823.37	Net sales plus revenues from financial investments and sales of assets.
ECONOMIC VALUE DISTRIBUTED		
b) Operating costs	834.34	Payments to suppliers, non-strategic investments, royalties, and facilitation payment
c) Employee wages and benefits	382.41	Total monetary outflows for employees (current payment, not future commitments)
d) Payments to provider of capital	204.65	All financial payments made to the provider of the organisation's capital
e) Payments to government	227.3	Gross tax
f) Community investments	0.72	Voluntary contributions and investment of funds in the broader community (includes donations) - CSR+Donation
ECONOMIC VALUE RETAINED		
	250.86	Calculated as Economic value generated less Economic value distributed. Investments, equity release, etc

MAHB aims to be a world-class airport business, and in our quest to achieve this, we will put our people first, namely our customers, staff and our shareholders to deliver performance now, by focusing all of our resources to succeed in executing all of our business initiatives. This is in line with the 1Malaysia concept of 'People First, Performance Now'. As a Group, we are driven by creativity and innovation in terms of maximizing revenue from non-aeronautical activities, and this will continue to allow us to keep our aeronautical charges low and offer the best value in the region to airlines operating out of our airports.

Commercial development will also be one of the key drivers of profitability for MAHB over the next five years. Strategies are in place to revolutionise the retail experience and drive new income streams to double the Group's revenue by 2014. Growth through commercial activities is essential for delivering strong returns to shareholders whilst enabling aviation charges to remain competitive, in turn driving further airport growth.

AERONAUTICAL & NONAERONAUTICAL REVENUE

The Group's revenue is divided into aeronautical revenue and non-aeronautical revenue. Aeronautical revenue is mainly from passenger service charges, landing and parking fees, and other ancillary charges to the airlines. MAHB's non-aeronautical revenue comprises revenue generated from commercial activities including operations of duty free and non-duty free outlets, management of food and beverage outlets, management and operations of parking facilities, the Airside Transit Hotel, the Free Commercial Zone at KLIA and the lease of commercial spaces.

Non-aeronautical revenue is also derived from hotel operations, agriculture and horticulture activities, project and repair maintenance services, and other activities as described in the financial statements of the Group.

STAKEHOLDERS

Airports are of significant economic importance to a country and its residents by providing the necessary infrastructure and facilitating access to safe, secure, timely and affordable air transportation services. Airport drives and supports economic activity through both direct business activities at the airport and through business activities throughout the regional economy. Underlying goals for maximizing this economic activity include maximizing passenger traffic at the airport and the number of destinations served.

The MAHB Group is the operator of 39 airports in Malaysia, consisting of 5 international airports, 16 domestic airports and 18 short take-off and landing ports ("STOLports"). As the main gateways into the country, Kuala Lumpur International Airport and the other airports operated by MAHB fulfil a number of goals that are important to the Government of Malaysia and the nation, including supporting the economic development of Malaysia, encouraging the growth of tourism, and fostering air travel and airport services in remote areas of Malaysia.

The major stakeholders of MAHB include:-

Stakeholder Group	Scope of Influence/Interest
Passengers	<p>Provides the infrastructure to facilitate air travel for arriving and departing passengers, as well as connectivity between different destinations and/or modes of transportation</p> <p>Passengers participates in the economic system, either as business travellers or as tourist/leisure travellers</p> <p>Passengers contribute toward the financing of airport capital improvement projects through passenger service charges and commercial revenue</p>

Airlines	<p>An airport provides the infrastructure and facilities to the airlines, which in turn provide the air transportation services to the passengers</p> <p>Airlines aim to maximise profits through passenger and traffic volumes</p> <p>An airport supports the airlines to ensure safety of operations, competitive cost of operations and high service quality to passengers</p>
Investors and Bondholders	<p>Look to MAHB Group for financial returns and safeguard capital investments made</p>
Concessionaires and service providers at airports	<p>Aim to ensure recovery of costs, and take advantage of 'captive market' of passengers to achieve financial profits</p> <p>Maintain service quality so as not to tarnish image of airport and nation as a whole</p>
Employees	<p>Includes both direct employees of the MAHB Group as well as employees of companies operating at the airports, such as concession operators</p> <p>Source of secure and stable employment, wages and benefits</p> <p>May receive incentives in the form of bonus and/or commissions based on performance and/or targets</p>
Government departments and regulatory authorities, such as Ministry of Transport and Department of Civil Aviation	<p>Ensure safety, security and efficiency of operations</p> <p>Ensure that airports can accommodate growth</p> <p>Keep up to standards and competitive with other 'hubs' within the region</p>
Federal and local governments	<p>Fulfil a number of socio-economic goals, including supporting the economic development of Malaysia, encouraging the growth of tourism, and fostering air travel and airport services in remote areas of Malaysia</p> <p>Generate sources of revenue for the government through, amongst others, User Fees in accordance with the Operating</p> <p>Agreements as well as taxes on all profitable economic activities at the airport</p>
Communities affected by airport operations	<p>Maximise economic impact to the city/community</p> <p>Foster air travel as a means of transportation</p> <p>Minimise noise and emissions</p>
NGOs, such as environmental bodies	<p>Varies depending on the interest group</p>

ECONOMIC PROFIT

Economic Profit ("EP") is used as a yardstick to measure shareholder value. 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 an economic profit of RM141.7 million for FY2010 as compared to RM90.2 million in FY2009. The increase was attributed to the higher Net Operating Profit Less Adjusted Taxes (NOPLAT) mainly due to overall higher revenue coming from activities undertaken by the Group.

SETTING ECONOMIC TARGETS

Headline KPIs	Achievement FY2010	
	Without FRS 139	With FRS 139
i) EBITDA (million)	RM706.9m	RM706.9m
ii) ROE	10.27%	8.88%
iii) Airport Service Quality Awards	- 25-40mil pax: KLIA ranked No. 5 - Worldwide: KLIA ranked No. 13	

MAHB sets its Headline Key Performance Indicators ("Headline KPIs") as targets or aspirations meant to drive the Group's performance. The Headline KPIs are set based on MAHB's strategic plans and long term targets that were developed under MAHB's Five Year Business Direction (2010-2014) planning initiative – with emphasis on the broader internal initiatives that are put in place for the financial year. It is also based on the assumption that there will be no significant changes in the prevailing economic and political conditions, present legislation and/or government regulations, as well as with the expectation that the businesses of the MAHB Group will continue to grow as expected.

Malaysia Airports Holdings Berhad ("MAHB") announced two sets of Headline KPIs for FY2010 as per the table above on 31 December 2009 due to the new requirement to comply with the adoption of Financial Reporting Standards 139 ("FRS 139") Financial Instruments: Recognition and Measurement. The management had initially assessed an expected decline in ROE from 9.22% to 6.57% due to the FRS 139 effect.

The FRS 139 requirement was made mandatory in Malaysia effective 1st January 2010, whereby all financial instruments have to be stated at fair value, resulting in a higher share of losses in an associate company, namely Sabiha Gokcen International Airport Limited ("SGIA"). MAHB owns a 20% equity stake in SGIA which develops, operates and manages an airport in Istanbul, Turkey.

Notwithstanding the above, MAHB has significantly surpassed the Headline KPIs for FY2010. After considering the FRS 139 impact and other one-off transactions pursuant to our restructuring exercise, the Group had performed better operationally as reflected by the higher passenger and revenue numbers.

Stripping out the effects of FRS 139, the profit before tax and zakat for FY2010 was RM499.8 million, which was 10.4% or RM47.2 million higher than the RM452.6 million registered in FY2009.

2010 ECONOMIC PRIORITY

Successfully Financing KLIA2

By far the biggest challenge for airports today is managing the capacity to cope with future traffic growth. We have to ensure cost-efficient and timely provision of expanded airport infrastructure according to user demand. While airports are not labour intensive, our operations involve a very high proportion of fixed costs. Therefore, building new airport infrastructure creates a disproportionately high share of costs of capital being implemented as incremental costs, which are very difficult to cover by phased increases in airport charges. Hence, we have to ensure that any infrastructure development and investments are undertaken cost efficiently, timely with appropriate return on investment.

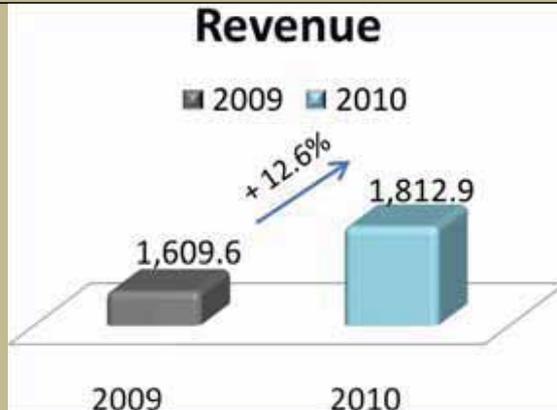
We have embarked on the development of KLIA2, the largest purpose-built dedicated terminal for low cost carriers in the world, which is scheduled to be completed in 2012. KLIA2, being one of the key mega projects in Malaysia, is the critical ingredient for the full realization of KLIA as the Next Generation Hub ("NGH"). The NGH will provide connectivity for both legacy and low cost airlines, and for domestic and international travel. This not only emphasizes our commitment and support for low fare travel, but more so our conviction that this will take us to the next level of growth in air travel demand.

To finance the KLIA2 project, MAHB, through its wholly-owned subsidiary Malaysia Airports Capital Berhad, embarked on an Islamic Sukuk Programme of up to RM3.1 billion. We have seen growing propensity for Islamic financing of major infrastructure projects globally, hence Islamic finance is no longer merely the preserve of financial institutions in Muslim countries.

Malaysia has positioned itself as a major centre for Islamic financing, establishing it as an important source of funding in the region. We have successfully completed our inaugural first tranche issuance of 10-year RM1.0 billion Islamic Sukuk paper at a yield of 4.55% per annum on 30 August 2010.

SNAPSHOT FY2009 VS FY2010

In FY2010, MAHB adopted FRS139 for the first time, which is made mandatory in Malaysia resulting in lower PBT, PAT and ROE. Stripping out the FRS 139 effect, PBT was 10.4% higher than FY2009, while ROE was 10.27%.



The earnings per share ("EPS") stood at 26.72 sen in FY2010, lower than the 31.86 sen recorded in FY2009. The return on shareholders' equity ("ROE") was 8.88% compared to 10.75% recorded in FY2009. The decline in EPS and ROE are mainly due to MAHB's adoption of FRS 139, resulting in a higher share of losses in an associate company, SGIA. The management had initially assessed an expected decline in ROE from 9.22% to 6.57% due to the FRS 139 effect, as per the two sets of FY2010 Headline KPIs announced on 31 December 2009. Notwithstanding the above, MAHB has significantly surpassed the Headline KPIs ROE for FY2010:-

- FY2010 ROE was 8.88%, compared to the Headline KPIs ROE of 6.57%
- Stripping out the effects of FRS 139, the ROE for FY2010 was 10.27%, surpassing the Headline KPIs ROE of 9.22%

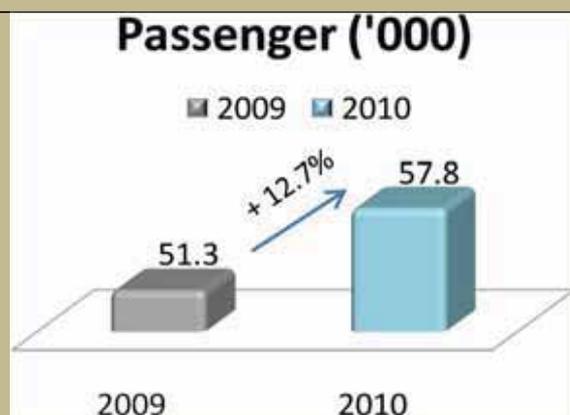
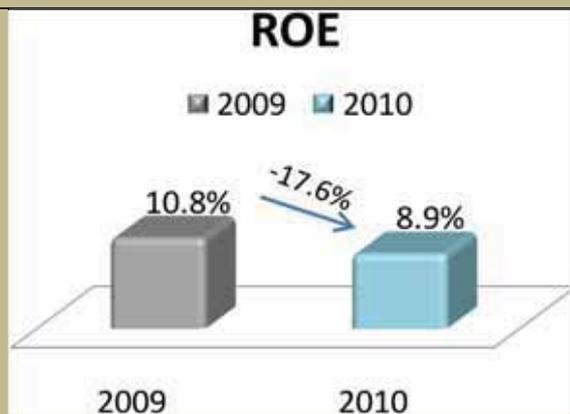
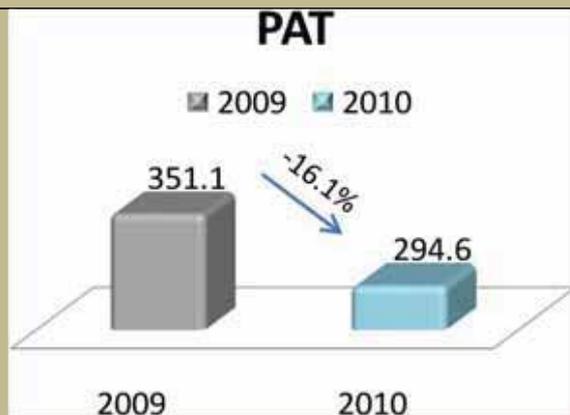
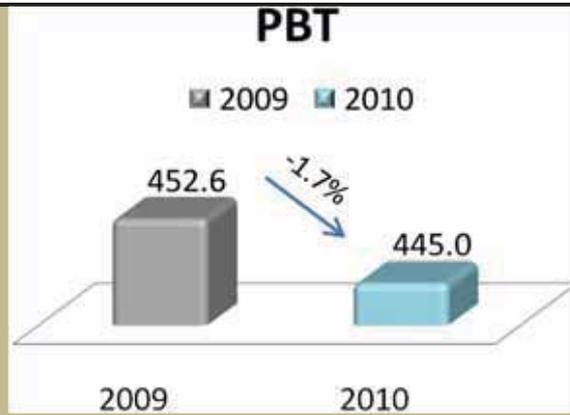
The offering attracted an overwhelming order size of more than RM9.9 billion from a diverse group of investors comprising financial institutions, asset management companies, pension funds, insurance companies and corporate entities. We subsequently raised another 12-year RM1.5 billion Sukuk at a yield of 4.68% per annum on 17 December 2010, which was also oversubscribed.

We are very pleased with the outcome of our inaugural issuance of the Islamic Sukuk, which demonstrates how far we have come since MAHB's earlier days of corporatization in 1992.

The AAA rating by RAM Rating Services Berhad reflect the strong fundamentals of MAHB and the strategic importance of MAHB's business operations to the Government of Malaysia in view of its role as the operator for the key gateways to the nation.

The overwhelming demand for our debut debt capital market issuance is a strong testimony of our solid financial footing post our restructuring in February 2009 and investors' confidence in MAHB's financial standing and globally competitive airport management capabilities.

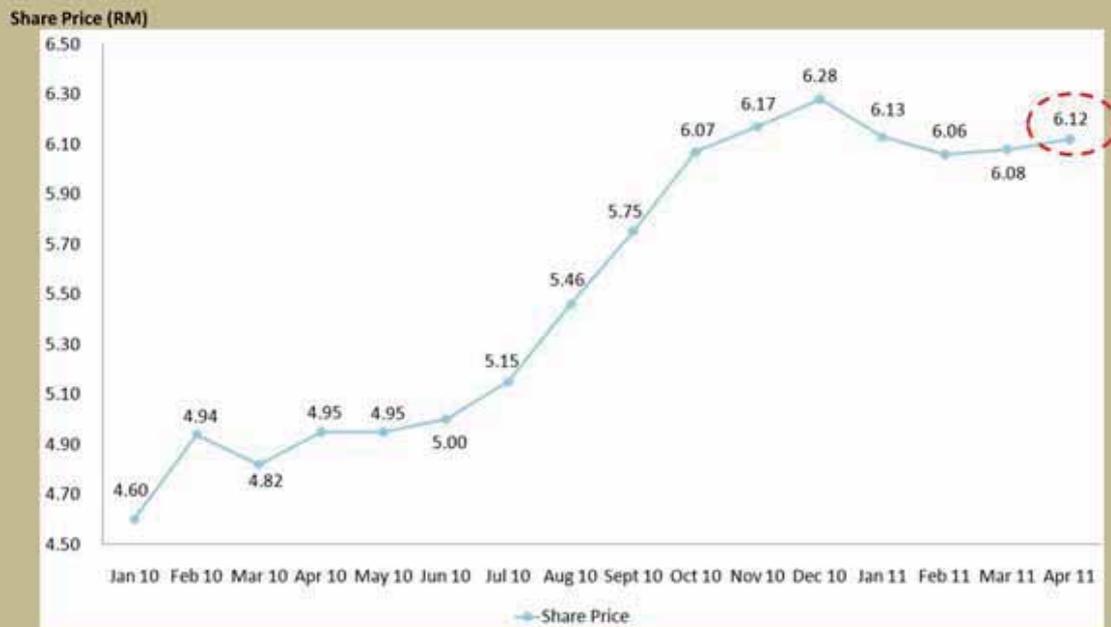
We are seeing the fruits of our unique public-private partnership arrangement with the Government under the New Operating Agreements, with the proposed development of KLIA-2 playing a pivotal role in our aspiration to be a World Class Airport Business.



MARKET PRESENCE

SHARE PRICE PERFORMANCE

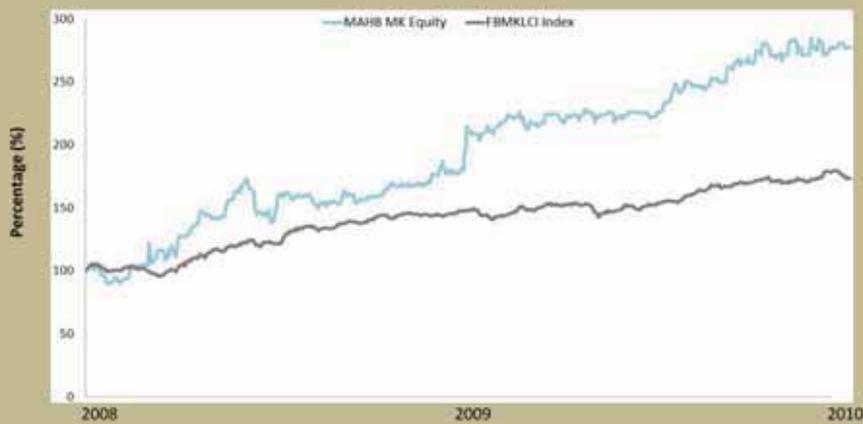
➔ Share price grew 54.2% in 2010, Shareholder wealth more than doubled since IPO in 1999



*All share price are month-end closing price except April, 27/04/2011

SHARE PRICES (BENCHMARK & PEERS)

➔ Consistently outperform the benchmark FBM KLCI and most peers.

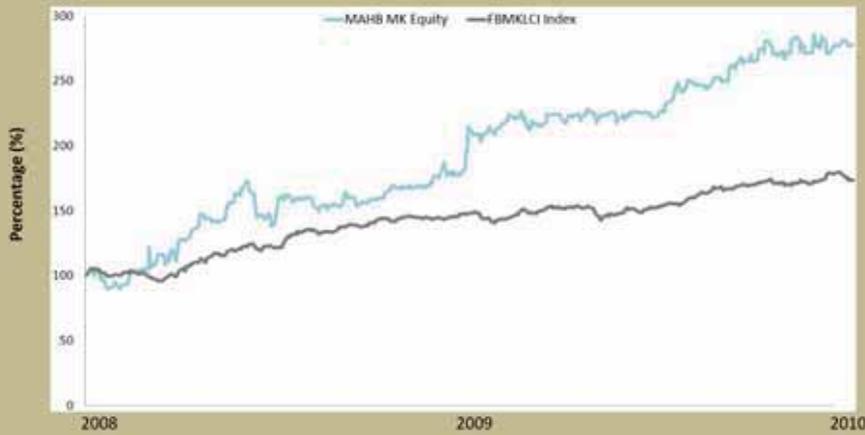


Return (%)	MAHB	FBM KLCI	AOT	MAP	AIA	Shanghai	ADP	Beijing	JAT
YTD from 2009	169.9	69.5	95.9	72.8	52.5	15.7	11.1	(12.0)	(18.1)
YTD from 2010	53.7	19.1	(11.3)	2.8	(0.6)	(24.7)	(5.2)	(30.9)	(19.0)
YTD from 2011	1.7	(3.6)	(8.9)	2.7	(4.6)	9.9	12.1	(15.0)	(19.0)

Source: Bloomberg. Performance end date: 25/03/11 closing price

SHARE PRICES (BENCHMARK & PEERS)

✈️ *Consistently outperform the benchmark FBM KLCI and most peers.*



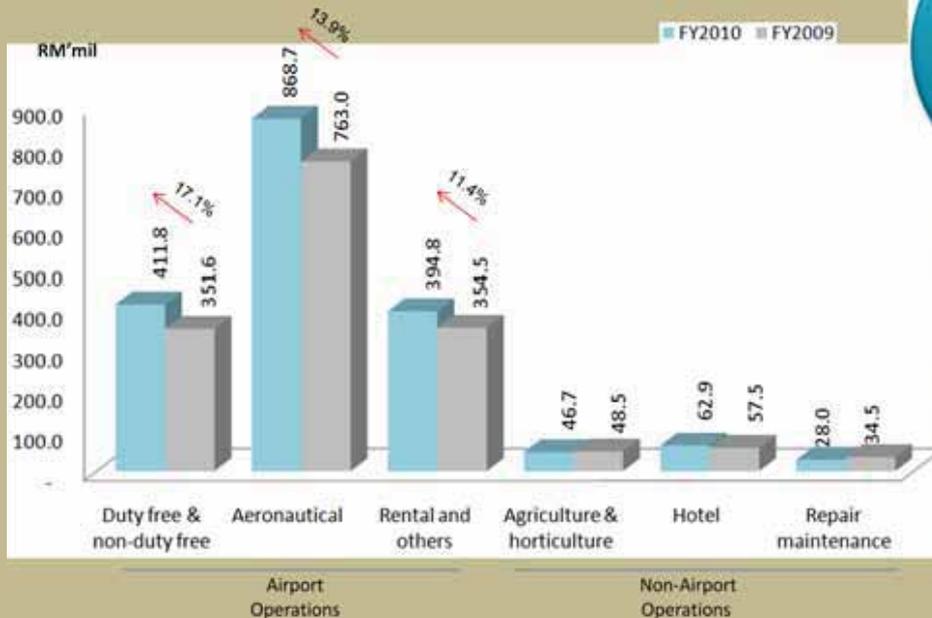
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Source: Bloomberg. Performance end date: 25/03/11 closing price

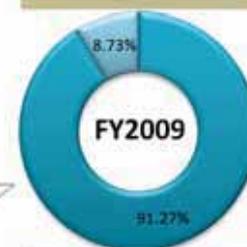
AERONAUTICAL & NON AERONAUTICAL REVENUE

Airport Operations (RM 'mil)
FY2010 : RM1,675.3 (+14.0%)
FY2009 : RM1,469.1

Non Airport Operations (RM 'mil)
FY2010 : RM137.6 (-2.1%)
FY2009 : RM140.5



■ Airport Operations
■ Non-Airport Operations

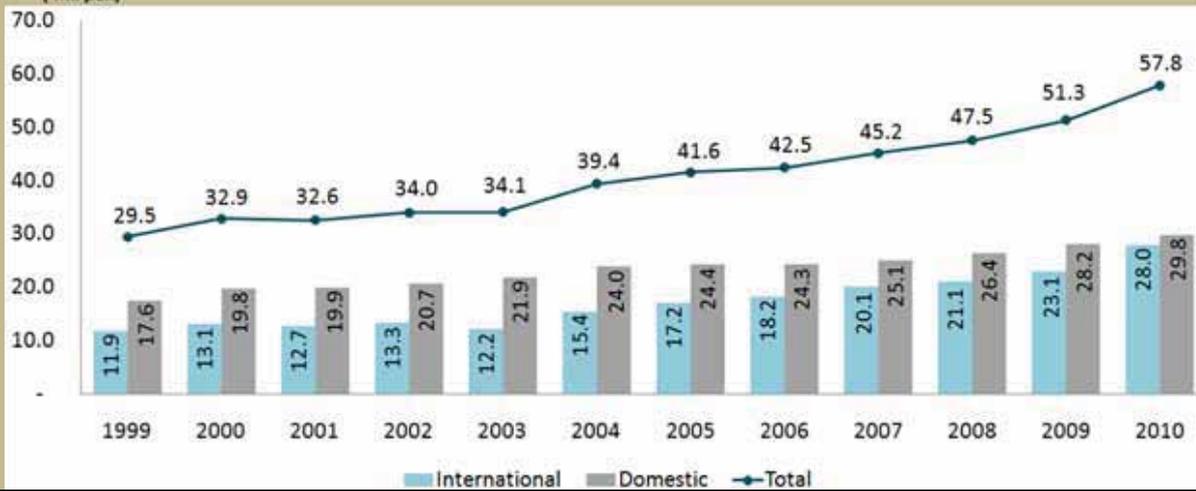


MOVEMENTS (ALL AIRPORTS)

PAX MOVEMENTS

- *Total passenger volume for FY2010 was 57.8 million, which was 12.7% higher than FY2009.*
- *International and domestic passenger movements grew by 21.3% and 5.6% respectively*

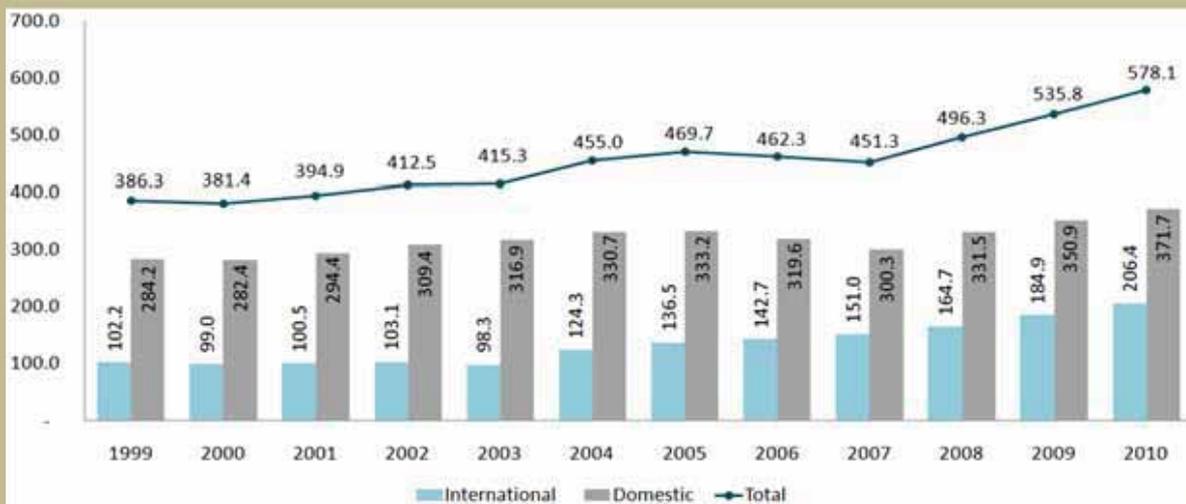
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AIRCRAFT MOVEMENTS

- *Total aircraft movements in FY2010 was 578,090 (+7.9% from FY2009)*
- *International sector recording a higher growth of 11.6% compared to the domestic sector which registered 5.9% growth.*

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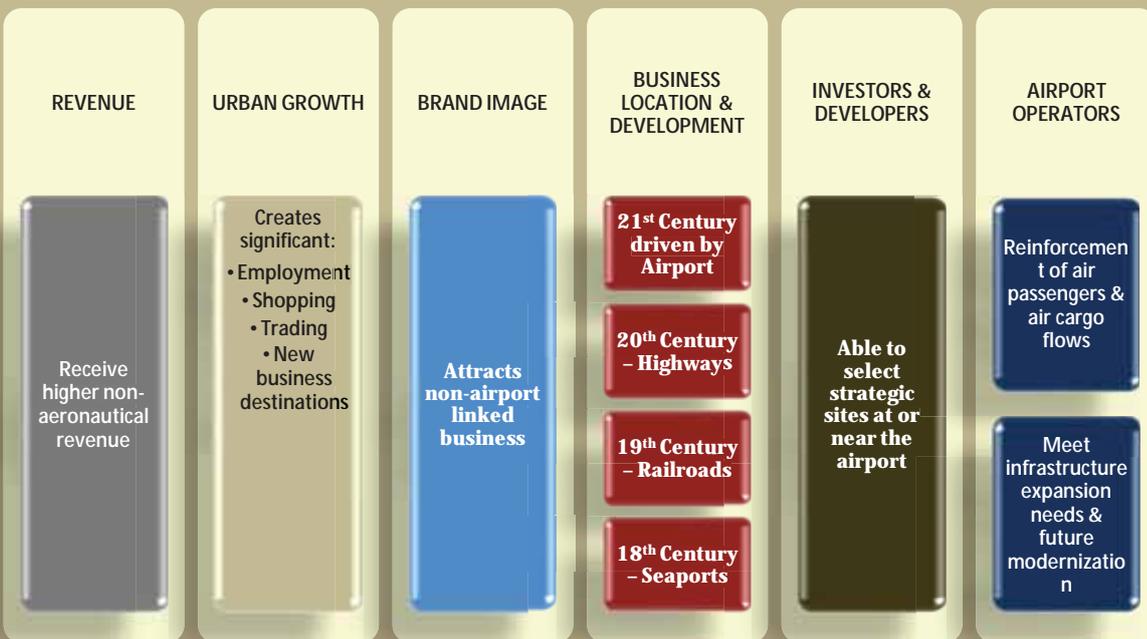


CARGO MOVEMENTS

✈️ *Cargo movement is expected to move in line with trade figures going forward*



BOTTOMLINE IMPACTS



DIVIDENDS

The dividend policy is one of the most important financial policies as shareholders' equity is an important source of a company's working capital. A good dividend policy always serves in the best interests of a company and its shareholders. A company may use dividends as a signal to inform outsiders regarding the stability and growth prospects of the company. Apart from maximization of shareholders' wealth, the company may be able to earn the confidence of the shareholders and attract prospective investors to invest in its shares, which further increases the value of the company. A dividend policy may also reduce investors' uncertainty as they seek to secure income in terms of stable or steadily increasing dividend.

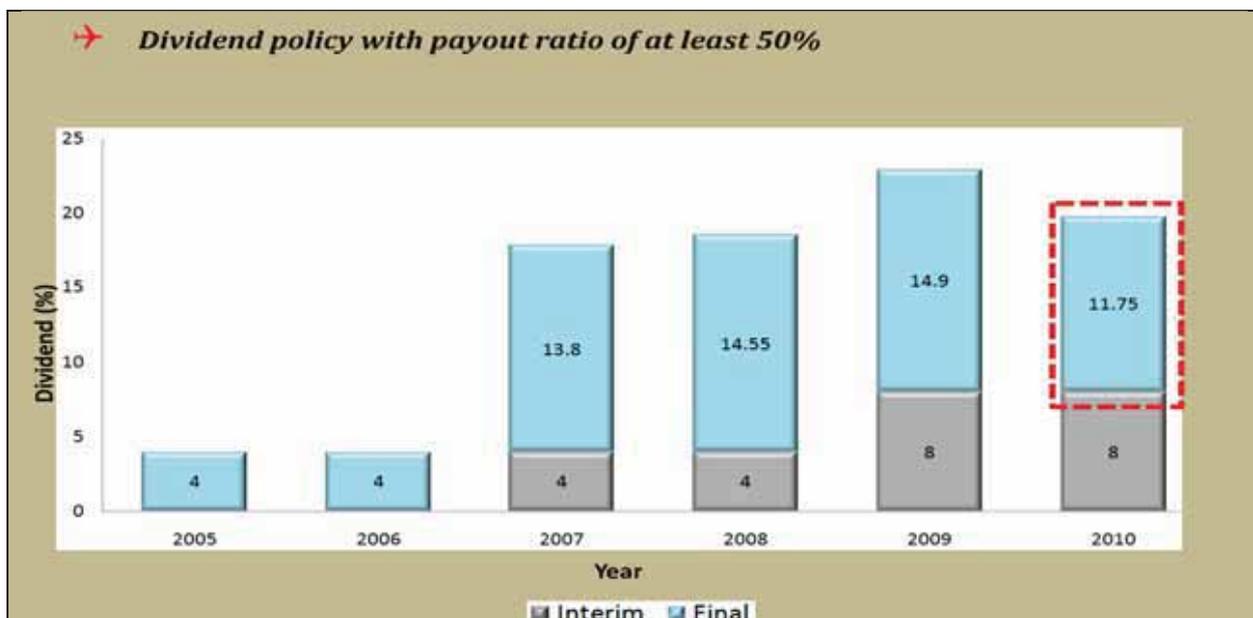
Commencing from the financial year ended 31 December 2007, MAHB adopts a dividend policy with a dividend payout ratio of at least 50% of the consolidated annual net profit after taxation and minority interest annually subject to availability of distributable reserves.

The rationale for the dividend policy is as follows:

- to return excess cash of MAHB to shareholders
- improves the return on equity of the Group
- consistent with best practices of listed companies

Following the Group's improved financial performance, MAHB had declared and paid an interim dividend of 8.0% less 25% taxation per ordinary share on 29 December 2010 amounting to RM66.0 million (6.0 sen net per share). The Board of Directors also proposed a final dividend of 11.75% less 25% taxation on 1,100,000,000 ordinary shares, amounting to a dividend payable of RM96.9 million subject to shareholders approval. The total dividend payment of RM162.9 million represents a full year dividend payout ratio of 55.4%. This is in line with the Group dividend policy of at least 50% of MAHB's after tax profit and minority interest, subject to availability of distributable reserves.

The summary of dividends declared and paid to the shareholders of MAHB for the financial years ended 31 December 2004 to 2010 are tabulated below:-



The graph above shows that MAHB has been able to maintain high dividend levels resulting from the improved earnings of the Company. The dividend payments signal management's expectation of high future earnings as well as commitment to its shareholders.

CHALLENGES FACED IN 2010

The airport industry has been under pressure for the past two years during the economic downturn. Rising unemployment and increasing financial worries have kept many would-be travellers at home, hence the airlines have experienced the effects of the recession early.

The airlines responded well by swiftly reducing capacity industry wide, hence we have seen certain airports experienced declines in air traffic movements exceeding 10%, which was greater, and has lasted longer, than the declines seen during the last major downturn in 2001-2002.

The decline in air traffic movements had an immediate effect on airport revenues. All major sources of airport revenues declined – aeronautical such as airline landing fees as well as non-aeronautical such as passengers retail spending. While most airports reacted by trimming operating costs and delaying capital projects, a sizeable portion of their costs are fixed, thus expenses did not decline as quickly as revenues. As a result, some airports did experience declines in cash reserves and debt service coverage.

The strength of the economy is a key factor in travel activity; thus, as the economy improves, travel is likely to increase as well. The airport sector has begun to rebound. Passenger volumes appear to have bottomed out and have been growing in 2010. Airports are seeing favourable year-over-year comparisons, while several airlines recently reported quarterly profits.

Nonetheless, major epidemics, such as H1N1 Influenza (Swine Flu) or Severe Acute Respiratory Syndrome (SARS), remain a potential negative factor for airports with significant international or leisure air traffic.

Major traffic impacts for recent outbreaks have been primarily localized and fairly short-lived, but a widespread or persistent outbreak of a disease could result in shifting travel patterns, particularly if it is severe enough for countries to issue travel guidance warnings or travel restrictions.

The recent traffic data has shown continued improvement, providing support for the credit profile of the airport issuers. We have also seen improvement in the operating environment, given that the improved results represent a recovery from the tough conditions experienced in 2009 particularly the first half. Following the recent downturn, we expect low costs carriers to grow their businesses further, as they seek to capture a structural change in demand for lower priced fare, in turn, this could have a positive impact on airports and airlines, as passenger numbers rise and loads improve.

Significant financial assistance received from government

For the financial year ended 31 December 2010, there was no significant financial assistance received from the government which are out of the ordinary course of business.

**For consistency with annual report/audited accounts, materiality threshold used is 5% of Profit after Tax*

**Does not include the Marginal Cost Support Sum ("MARCS") under the Operating Agreements with the government, as the criteria states that "the provider of financial assistance does not expect a direct financial return for the assistance offered". The principles of MARCS and Revenue Share likely constitutes a transaction/agreement pursuant to the Operating Agreements*

Monetary value of *significant* fines for non-compliance with laws and regulations concerning the provision and use of products and services

For the financial year ended 31 December 2010, there were no significant fines.

**For consistency with annual report/audited accounts, materiality threshold used is 5% of Profit after Tax*

Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

For the financial year ended 31 December 2010, there were no contributions made to political parties/persons.

Procurement Policy

Over 99% of procurement transactions are from local vendors with an exception of several products that do not have a local representation.

While Asian carriers have been navigating through tough operating conditions, they have out-performed the vast majority of their global peers in the last 18-24 months. The relative out-performance of these airlines to-date, stems not only from better regional macro-economic conditions, but also from the ability to manage their businesses, product, and capacity via an increasingly low-cost driven formula. The International Air Transport Association (IATA) forecasts a greater reduction in airline losses for Asia Pacific than for other parts of the world due to better economic and business conditions in this region. The industry recovery in this region has been stronger and faster than anyone predicted. Asia-Pacific has eclipsed North America as the world's largest air travel market, and continues to outperform the rest of the world.

DEVELOPMENT AND IMPACT OF INFRASTRUCTURE INVESTMENTS AND SERVICES PROVIDED PRIMARILY FOR PUBLIC BENEFIT THROUGH COMMERCIAL, IN-KIND, OR PRO BONO ENGAGEMENT

The MAHB Group is the operator of 39 airports in Malaysia, consisting of 5 international airports, 16 domestic airports and 18 short take-off and landing ports ("STOLports"). The Group cross subsidises its profit making airports with non-profit making airports as a public service to the country. In some of the most remote areas of Malaysia such as the interiors of Sabah and Sarawak, our STOLports provide the only means of transportation to reach the local communities. The maintenance of these STOLports provides locals with access to medicine, education and provisions at times of draught.

The maintenance of these STOLports is also viewed by some local communities as an environmental effort. For many years, deforestation due to logging activities have infringed closer and closer across Borneo native land, under the pretext of building access roads to the local communities. Some local communities have argued that since the STOLports are available, access roads need not be built, thus hindering logging activities from encroaching too close to where they live.

UNDERSTANDING AND DESCRIBING SIGNIFICANT INDIRECT ECONOMIC IMPACTS, INCLUDING THE EXTENT OF IMPACTS

The airports operated by the Group serve a significant number of direct long-haul flights to and its other international gateways. The airports also provide domestic, short-haul and regional connections, serving the domestic market and the Southeast Asian market as well as providing connections to hubs such as Singapore, Bangkok and Hong Kong.

The MAHB Group's business operations fulfil a number of socio-economic goals that are important to the Government of Malaysia and the nation, including supporting the economic development of Malaysia, encouraging the growth of tourism, and fostering air travel and airport services in remote areas of Malaysia. The facilities at Kuala Lumpur International Airport ("KLIA") constitute the main gateway airport for the Kuala Lumpur area. Kuala Lumpur and the Klang Valley region are the capital and governmental centre of Malaysia and attract significant business, manufacturing, cultural, educational and other economic and development activities.

As the main gateways into the country, KLIA and the MAHB Group of four other international airports provide the necessary infrastructure to support the growing tourism sector in Malaysia. According to statistics published by the Tourism Development Corporation of Malaysia, total tourist arrivals in Malaysia increased from 5.5 million in 1998 to an aggregate of 24.6 million in 2010.

In addition to tourism, the Group also supports the country's aviation industry, and plays an active role in discussions with its various stakeholders, including airline service providers and the authorities on matters ranging from operations to policies. KLIA is the main hub for Malaysia Airlines ("MAS"), the country's national carrier, as well as AirAsia, which is one of the world's leading low-cost carriers. The MAHB Group's other airline service providers include many of the leading regional and international carriers, principally operating out of KLIA with a few using the Group's other regional gateway airports. As at 31 December 2010, 60 airline service providers operates at KLIA, including MAS and AirAsia.

Apart from KLIA, the Group's operations at the other airports provides connectivity to other cities, states, as well as remote areas within Malaysia, which facilitates domestic tourism, business transactions, provision of goods and services as well as further economic and infrastructure development to those areas.

COMMERCIAL STRENGTH

Airports today are exploring new business possibilities with the ultimate aim of diversifying revenue streams. Malaysia Airports understands the potential of commercial development and therefore, every aspect of airport planning takes into consideration the commercial prospective.

The commercial aspect of the airport business is very interesting yet challenging. We are fortunate to be part of a network of airports that has both international as well as a steady flow of domestic passengers. In the event of any crisis that affects global travel, we tend to experience an increase in domestic travel thus providing a constant flow of passenger movements, which translates to potential shoppers and diners.

As Malaysia Airports manages and operates 39 airports nationwide comprising of 5 international airports, 16 domestic airports and 18 STOLports (Short Take-Off and Landing Ports), the retail vision for the commercial development of these airports are classified under four (4) Airport Commercial Models namely Lifestyle, Leisure, Community and Corporate Responsibility. The Airport Commercial Models have been developed under the Commercial Services 5-Years Strategic Planning and Operations Plan to provide the best commercial solution based on airport classification and customers profile to promote business profitability and sustainability.

The underlining aspect of the Airport Commercial Model optimises space, creates revenue generation while revolutionises the retail experience at the 39 airports:-

The Lifestyle Model will focus on destination creation, while providing more towards business oriented customers. The commercial offerings under this model are more refined and exclusive. The airports are KLIA, Penang, KKIA and Kuching.

The Leisure Model aims to develop the retail, F&B and services offerings catering more for the leisure traveller. The myriad of offerings, which ranges from mid to mass market chic offerings, entertainment and casual dining meet the expectations of the mass market. The airports are LCCT/KLIA2, Langkawi, Miri, Sibul, Kota Bharu and Tawau.

The Community Model goes beyond passengers to create commercial value for the surrounding community at the respective airports. The commercial offerings tend to be more F&B and service oriented to provide for the community thus turning these airports into destination / activity hubs. The airports are Sandakan, Labuan, Kuala Terengganu, Kuantan, Melaka, Alor Setar, Bintulu and Ipoh.

Corporate Responsibility Model aims to provide baseline travel retail and service offerings to facilitate travellers. The airports that are under the Corporate Responsibility Model are either island or rural airports including STOLports. The commercial development under this model also provides business opportunities for the local established entrepreneurs. The airports are Redang, Tioman, Pangkor, Mulu, Limbang, Lahad Datu and STOLPorts in Sabah and Sarawak.

All in all, the development under the Airport Commercial Models is expected to increase commercial space and revenue by an average of 30%. The Airport Commercial Model implementation plans are presently focused on the following airports:-

Lifestyle Airports – Destination Creation

KLIA - Satellite Retail Optimization Project

Continuous Enhancement of Satellite Retail Optimization Project with the introduction of new concept store brands namely MAC and Shu Uemura Boutique as well as Poney, Khazanah Home Gift & Décor and Fauchon. Upcoming brands for the year 2011 Sunglasses Express, FAMA, Benefit, Keihl, Bobby Brown, Anna Sui, Lamer and Braun Buffel, Fukuya KLIA Japanese Restaurant and an open bar.

KLIA - Main Terminal Building Retail Optimization Project

Under Phase I, the rebranding and refurbishment of retail and F&B outlets had been implemented and amongst the new brands making an appearance are Cafe Barbera, Carlo Rino, Secret Recipe and the

ever famous Kopitiam. New lifestyle concepts are also being introduced within the existing brand that focuses on the latest concept introduced, lifestyle elements and activities and heightened customer service.

Phase II will commence implementation in 2011, focusing on product placement as well as brand and zoning proposition, with total usage of the terminal area especially the Viewing Gallery and CRS Station. All in all, upon completion targeted in 2012/13 the project is expected to increase commercial space by 61% and commercial revenue contribution by 72%.

Kota Kinabalu International Airport (KKIA)

KKIA commercial development had experienced continuous concept refinement and enhancement with the ultimate aim of creating a destination effect within each location to ensure maximum space penetration by passengers. Amongst the exciting offerings lined up are:-
The introduction of High End Boutique complemented by Sabah Specialty and Travel Needs Product.

An open mall offering a myriad of offerings namely chocolates and confectionery; perfumes and cosmetics; toys, fashion accessories and Eraman Malaysia's very own brand, Uniq. The open mall will also feature a cafe.

The family and service oriented concept will boast brands and products such as Dunkin Doughnut, Cafe Bakery Bistro, Personal Care and Convenience products as well as the homegrown fast food brand, Marry Brown. Community oriented offering at public concourse arrival such as Maybank banking hall, Clinic, Pharmacy, Beauty and Fitness Centre, Pos Malaysia, Convenience Store and an open concept Foodcourt.

All in all, upon completion this year the project is expected to increase commercial space by 117% and commercial revenue contribution by 45%.

Penang International Airport

Penang is undergoing a major redevelopment to increase passenger comfort and experience, and support the passenger segregation exercise. A new domestic departure hall shall be introduced and new areas to support the required flow for passenger segregation. The interior feature of the terminal will also be upgraded and enhanced to ensure heightened passenger comfort and to support the Leisure Model for the airport.

Key focus areas for commercial are:

- enhancement of product placement and brand positioning within the segregated area
- introduction of new lifestyle brand and concepts to further increase passenger spend at the airport, while introducing new services such as internet kiosk, TV lounges, playground etc.

In support of this drive, qualitative survey on products and brands preference and brand presence was conducted to better understand customers' needs and to ensure that the product and brand match shall tap directly into the shopping desires of the passengers.

All in all, upon completion in 2012 the project is expected to increase commercial space by more than 200% and the same level of commercial revenue contribution increase.

Kuching International Airport

The implementation of ACM within Kuching International Airport centers around optimizing commercial offering by creating new commercial spaces within operations spaces at the departure landside and airside halls, creating commercial offerings such as duty free retail and F&B kiosk within new passenger segregation flow, introduction of new brands such as Marrybrown, Old Town White Coffee, McDonalds, and introduction of new services such as hotel counters and banking facility at the

arrival hall. Other notable addition shall be the thematic promotion areas as part of the enhanced promotions and events calendar for KIA. All in all, upon completion this year the project is expected to increase commercial space by 18% and commercial revenue contribution increase of 27%.

Leisure Airports – Vibrant Hubs

LCCT-KLIA

Continuous enhancement of LCCT-KLIA with the introduction of new brands and the reengineering of travelers' airport experience. Some of the new brands are 100 Vision, Diesel, Lagenda Cafe, Boost Juice Bar, Passage Thru India (vegetarian) and Nuri Reflexology.

All in all, commercial space increase by 585% and commercial revenue contribution increase by 137%.

KLIA2

KLIA2 is the most exciting development of all. The new greenfield terminal that is being developed within the KLIA environment will boasts a different customer profile which is leisure oriented. Larger percentages of business passengers are also being introduced as airlines are upgrading their services for long haul flights. The greenfield airport status allows us to benchmark, mould and emulate global best practices. Therefore, KLIA2 is destined to be the new and exciting, bustling retail hub, a centre for fine selections of F&B offerings, complemented by High Street Fashion Walk concept. It's a place where shopping and dining intertwine.

Langkawi International Airport

The transformation of Langkawi International Airport will result in improved revenue as well as enhanced presentation and product offerings. The transformation plans include interior design enhancement in terms of facade concept, kiosk and service counter models with the objective of further improving product placement and presentation, which shall be the first ever initiative of such scale in within MASB airports.

New product offerings are a pharmacy, books and news, passenger business lounge and a beverage bar. The overall transformation of Langkawi International Airport is expected to increase commercial space by 5% and commercial revenue contribution by 19%.

Miri Airport

Under the ACM initiative, many new brands and services will be introduced at Miri Airport, namely the Olive Tree Bar and Marry Brown. In 2011, Miri Airport will have an array of services that is aim to cater to every travelers' needs, with introduction of the ever famous Sarawak kek lapis kiosk and baggage solutions such as baggage wrapping/strapping and left luggage counters.

The overall transformation of Miri Airport is expected to increase commercial space by 23% and commercial revenue contribution by 38%.

Tawau Airport

Being an airport that caters to several world class diving spots, Tawau Airport also received a fair share of foreign passenger visitation. As an airport that had already been physically upgraded, the main objective of the ACM implementation shall be focused on the introduction of new product categories and services that caters to such passenger profile and locals alike, such as books and magazines, pharmacy / personal care, hospitality counters and services, travel retail core products and re-emphasis on local retail specialties such as Sabah pearls, frozen seafood products etc.

The overall transformation of Tawau Airport is expected to increase commercial space by 26% and commercial revenue contribution by 54%.

Community Airports – Going Beyond Passengers

Labuan Airport

The moulding of Labuan Airport into a Community Airport has been successful with the presence of established brands namely McDonald’s, which is also the first outlet in Labuan. The surrounding community constantly thronged the airport for a taste of their favourite fast food meal, making Labuan Airport a perfect family getaway. Another notable brand to be added into this community attraction is Old Town White Coffee.

The overall transformation of Labuan Airport is expected to increase commercial space by 36% and commercial revenue contribution by 32%.

Kuantan Airport

Kuantan Airport generally has a low number of passengers; however it does receive a number of chartered international flights throughout the year by holidaymakers visiting its beach spots, with the most notable attraction being Club Med. Not able to rely on increasing passenger numbers, Kuantan Airport had been labeled as Community Model, with main focus on utilizing the land banks surrounding the airport. Various community attractions had been planned, such as retail and F&B offering coupled with extreme sports park proposition. Services within the terminal shall be further enhanced to cater to the niche market patronising the airport, which is expected to increase commercial space by 5% and commercial revenue contribution by 11%.

Bintulu Airport

Bintulu Airport also receives a fairly low passenger count with minimal increase year on year, and thus had been labeled as Community Model as to tap its potential from surrounding community. With few residential areas and education institution, the main focus shall be providing basic travel retail needs and to enhance community services such as Pos Malaysia, internet cafe etc. These initiatives are expected to increase commercial space by 74% and commercial revenue contribution by 71%.

Corporate Responsibility Airports – Enriching Society

Mulu Airport

In our quest to create a destination effect, the Mulu destination experience begins at Mulu Airport with the presence of Royal Mulu Cafe. This effort provides business opportunity for local established operators to expand their businesses, ensuring the best local offering to passengers and allowing the brand a prominent presence at the tourist gateway. The overall transformation of Mulu Airport is expected to increase commercial space by 49% and commercial revenue contribution by 32%.

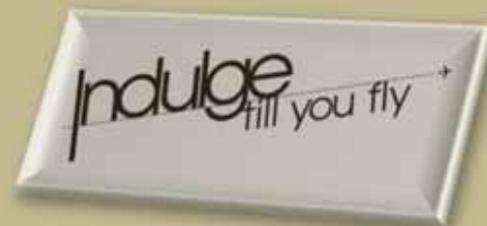
Lahad Datu

Similarly to Mulu, the aim of ACM implementation at Lahad Datu is to promote local business entity to support its local airport. While Mulu may have a high number of foreign tourists due to the natural forest attraction, Lahad Datu has a fair share of such passenger profile while majority still remain as local passengers. Thus a basic F&B outlet, a convenience store and travel agency had been introduced in a conducive and hygienic environment for passenger’s usage. Thus, the overall transformation of Lahad Datu Airport is expected to increase commercial space by a nominal 7% and commercial revenue contribution by 13%, where the focus shall be passenger comfort and monetary gains shall be a bonus.

The 7 airports (Kuching International Airport, Langkawi International Airport, Tawau Airport, Labuan Airport, Kuantan Airport, Bintulu Airport and Lahad Datu Airport) in focus for the year had in totality increase commercial revenue by 10.14% in the year 2010. Upon total completion in the year 2011, these airports are expected to increase commercial revenue by 25% and commercial space by 24% on average.

In our quest to turn airports into destination hubs, Malaysia Airports conducts annual shopping campaigns to create hype and reward travellers and visitors who shop and dine at KLIA. In the year 2010, the campaign, aptly themed, Indulge Till You Fly made a debut for the very first time at other international airports namely Kota Kinabalu International Airport, Kuching International Airport, Langkawi International Airport and Penang International Airport. The campaigns promoted sales as well as festive celebrations.

Additionally, Malaysia Airports also organises activities such as the fashion styling competition, iStyle Fashion KL International Airport to promote its flagship gateway KLIA as a lifestyle destination. iStyle Fashion KL International Airport is the only fashion styling event of its kind to be held at an international airport. The event also forms part of Malaysia Airports' corporate social responsibility programme to provide talented and creative young designers with an avenue to prove themselves.



10 COUPLES WIN ROMANTIC INTERLUDE FROM MALAYSIA AIRPORTS

Valentine's Day and Chap Goh Mei (traditionally regarded as the Chinese Valentine's Day) arrived early for 10 couples when they won luxurious getaways comprising first-class return air tickets and holiday packages worth more than RM80,000 per couple at the recently-concluded "Indulge & Win Contest", which is part of the Indulge Till You Fly Campaign" organised by Malaysia Airports Holdings Berhad (Malaysia Airports).

"The Priceless Indulgence Holiday Packages" include two first-class return air tickets, three-night complimentary stay at a five-star hotel operated by The Leading Hotels of the World, and a top-of-the-range local holiday at one of the following destinations – Cape Town, London or Sydney.

Four (04) couples will be whisked off to their priceless holiday destination in Cape Town where they will be transferred to the luxurious Table Bay Hotel and treated to a rejuvenating spa upon their arrival. This prize includes a full-day safari at Fairy Glen Game Reserve; three (03) couples will indulge in a full-body massage and a Chocolate Afternoon Tea at The Landmark Hotel followed by a three-course lunch at The Winter Garden in London; and three (03) couples will climb into a seaplane for a private flight to Jonah's at Palm Beach, Sydney, for a three-course lunch topped by an aromatherapy massage at Azul's Spa, and all these while staying at BLUE Sydney - A Taj Hotel.

The ultimate holiday destinations for each grand prize winner were revealed during a prize presentation ceremony held at KL International Airport recently.

Speaking at the prize presentation ceremony, Puan Faizah Khairuddin, Senior General Manager, Commercial Services of Malaysia Airports, revealed that the "Indulge & Win Contest" attracted participation from 63,173 travellers flying in and out of Malaysia's five international gateways, namely KL International Airport (KLIA), Langkawi International Airport, Penang International Airport, Kuching International Airport and Kota Kinabalu International Airport. Approximately RM 29 million was generated in sales volume from the contest participation.

Said Puan Faizah: "The '*Indulge Till You Fly Campaign*' marked one of the means by which Malaysia Airports seeks to revolutionise the retail experience of travellers who use any of our international gateways. Through it, we were able to heighten awareness of the variety of offerings available at our

international airports, encompassing the three experiences of shopping, dining and relaxing. We underscored the fact that our airports are destinations in themselves and not just transit points before boarding the plane."

"Judging from the response to the Campaign, I am pleased to say that we have made tremendous inroads. We are slowly but surely changing the mind sets of travellers towards our airports and opening them up to the range of value-added activities that they are able to experience here."

To engage and encourage travellers to participate actively in the Campaign, Malaysia Airports, in collaboration with MasterCard International, initiated the "Indulge & Win" Contest, which offered

Priceless Indulgence Holiday Packages as grand prizes to 10 couples.

To participate in the Indulge & Win Contest, all a passenger had to do was to spend a minimum of RM250 and complete an entry form. With every entry form submitted, contestants at each of the participating airports would be in the running for the Priceless Indulgence Holiday Package draw, which took place every three weeks. MasterCard holders were entitled to two entry forms. The Contest ran from July 24, 2010 till January 6, 2011.

Alvin Roy Christopher, one of the grand prize winners who will be travelling to Sydney, couldn't believe his ears when he received the good news. "I'd always enjoyed the convenience of shopping at the airport because I can get everything in one location. As I was already shopping I thought I might as well give the contest a try but I didn't think I would win!

"Although my first choice was to go to London, I am still very happy and excited as it is not every day that one gets treated to a first-class, all-expense paid holiday trip. I plan to squeeze in as much activities as I can during my four days in Sydney, and will definitely make time for a visit to the Sydney Opera House!" said the elated Alvin.

For Missiah binti Ajek who also won the grand prize trip to Sydney, shopping at the airport allows her to obtain items that are unique and not obtainable elsewhere. She said: "It's a good place to pick up special gifts but I also like some of the food outlets that are available now. There have been really positive changes at our international airports and they are certainly more interesting nowadays."

Missiah, who had also hoped to clinch the Priceless Indulgence Holiday Package trip to London is nevertheless excited with the prospect of her upcoming trip. It would be her first trip to the city and she is looking forward to the romantic interlude with her husband.

Meanwhile, winning the grand prize trip to Cape Town was a dream come true for Voon Siek Yen. Voon, an outdoor enthusiast was thrilled when she found out that she would be going to Cape Town, as the destination is a haven for those who crave an active outdoor lifestyle.

London-bound grand prize winner See Chin Siong exclaimed excitedly: "This is an excellent start to the Year of the Rabbit! I was notified just a few days before the Chinese New Year and on my birthday too! Shopping at the airport had turned out to be very rewarding for me!".

The general consensus among the four is that Malaysian airports have come a long way and KLIA, with its world-class airport status, has put Malaysia on the world map.

Puan Faizah added: "In building a world-class airport business, we will continue to strive to be creative and innovative in fine tuning the balance between enhancing travellers' experience and maximising alternative revenue streams. Malaysia Airports is continuously enhancing our service levels and offerings to ensure that we maintain our competitive edge whilst reiterating the fact that Malaysian airports are not merely functional but are lifestyle destinations."

TEAM BLACK & WHITE WINS iStyle FASHION KL INTERNATIONAL AIRPORT 2010

Tears flowed freely when *Team Black & White* from Malaysia Institute of Art was announced the winner of *iStyle Fashion KL International Airport 2010* at the Grand Finale held at KLIA last evening.

A surprised Siti Aishah Abdullah, Derrick Tee Jing Wen and Vincent Leong Jia Hou grasped in disbelief before emotions overcame them as they stepped forth to receive their prize from Tan Sri Datuk Dr Aris Othman, Chairman of Malaysia Airports.

Second prize went to *Team Volatile* from SML Fashion Academy while third prize to *Team Trois* of Raffles Design Institute.

Team Volatile emerged a big winner for the night as it picked up the two additional awards -- Best Airport Frontline Attire Design Award and Best Publicist which went to Celine Yap Chiew Pin from the team.

Team Black and White won RM2,500, a Samsung Galaxy Tab tablet device worth approximately RM2,300 for each team member, Shu Uemura and Redken products, Perrier Collectible and shopping vouchers worth RM500. Each team member also received a Panasonic iPod Dock.



Team Volatile took home RM2,000, a Samsung Galaxy mobile phone worth RM2,430 each, Shu Uemura and Redken products, Perrier Collectible and shopping vouchers worth RM400; while Team Trois walked away with RM1,500, Shu Uemura and Redken products, Perrier Collectible and shopping vouchers worth RM300 and KLIA shopping vouchers worth RM600.

For coming out tops in the Best Airport Frontline Attire Design, Team Volatile also received RM1,000 worth of KLIA shopping vouchers while its publicist Celine Yap, received an iPhone 4 as the Best Publicist.

Consolation prizes comprising nine Nokia 2730 mobile phones worth RM300 each, Panasonic Lumix F3 Cameras, Perrier Collectible and shopping vouchers were also presented.

iStyle Fashion KL International Airport was organised by Malaysia Airports with the objective of promoting its flagship gateway as a lifestyle destination. This is the second year that the event was held.

Six teams from five fashion design schools participated in this year's event. Each team consisted of three individuals from the same design school - a designer, stylist and publicist. While the designer and stylist were required to create and project specific looks according to the given themes, the publicist's role was to market the team via social media platforms to garner votes. The teams were judged on their styling, overall assemble, hair and makeup styling, campaign strategy and presentation, and publicity initiatives.

To add variety to this year's competition, a Special Challenge was held where the teams were required to design and produce a fashionable yet functional attire for the airport's front liners.

The Chief Judge/Mentor for *iStyle Fashion KL International Airport 2010* was Alex Eu assisted by a rotating panel of celebrity judges -- Michael Ong, Sonny San, Elaine Daly, Deborah Henry, fashion photographer Kim Mun and Abdullah Tan Yew Leong of Leo Burnett Malaysia. Also on the panel of judges were Puan Faizah Khairuddin, Senior General Manager Commercial Services of Malaysia Airports, Mr Rick Lee from Redken and Ms Lisa Yap from Shu Uemura.

A unique element of *iStyle Fashion KL International 2010* was its heavy use of social media channels for greater engagement and interaction. The participating teams were encouraged to promote themselves via various social media channels created specifically for the event -- Facebook, Twitter, Foursquare -- and the support they garnered via the social media platform constituted a certain percentage of the final judging score.

Response towards the social media platform was overwhelming. There was unusually high level of engagement via the *iStyle Fashion KL International Airport 2010* Facebook page where about 1,000 people (outside the teams) took part in the weekly voting and popularity contest over the last three weeks. The Facebook poll was the second most popular poll in the world for two weeks.

Sponsors of *iStyle Fashion KL International Airport 2010* include Maxis, Mastercard, Panasonic, Perrier, Redken and Shu Uemura. Participating retailers from KLIA for this event include Bonia, Cuffz, D'trends, Eraman Malaysia Duty Free Shopping Mall @ CPI, Fashion & Accessories, Karyaneka, Lacoste, Sembonia, Tie Rack and Valiram Group.

Advertising is another important component under commercial development as it not only contributes towards revenue generation but it also enhances the ambiance at the airport.

Therefore, in the quest for the most optimum advertising business model while striving for business sustainability, the Kuching Advertising Concession and the Kota Kinabalu Advertising Concession was awarded to Big Tree Outdoor Sdn Bhd for 3 years with optional extension of 2 years in the year 2010. The Advertising Concession at Kuching and Kota Kinabalu International Airports will contribute RM8,500,000 and RM7,500,000 over the next 3 years respectively towards Commercial revenue during the said contract period with royalty of 40% for Year 1 increasing at an annual rate of 5%. On average, the advertising revenue shall experience a triple digit annual growth.

The Advertising Concessions had also introduced travellers' value added services such as free Hot Spot WiFi at these airports. Additionally, new medium of advertising such as digital screens had also been introduced for setting enhancement.

The commercial value generation activities are governed by strict corporate governance, which champions transparency hence ensuring delivering of the finest and most sustainable value proposition for the business as well as for the customers. Therefore, we have good working relationships with our business partners comprising of both international and local partners as well as corporate responsibility agencies. The present focus is to strengthen the partnership model whereby constant engagement and monitoring via the Tenant Engagement Programme and various other platforms including conferences and focus group is continuously implemented to further enhance concessionaires' performance.

MAHB Concessionaires Conference in 2010

Themed "Soaring to Greater Heights", the conference provided a platform to better understand the advancement in the travel retail industry and the factors that come to play namely consumer buying behaviour, tourism outlook and the affects of the economy where consumers seek 'priceless value proposition'.

The conference is part of the Commercial Services business partner model in building a stronger relationship and strategizing towards achieving better outcomes that will benefit both Malaysia Airports and the concessionaire. The conference presented the opportunity to troubleshoot issues and work together to gain better insight and knowledge of consumer expectations and boost the strength of core businesses.

In addition to this annual affair, Commercial Services will continue to engage the concessionaires via various other channels such as individual consultation, focus groups, etc. Aply named as the Tenants Engagement Programme, this programme aims to further enhance business performance of partners by ensuring delivery of unique value proposition that drives sales and sales per passenger.

One of the key initiatives under this programme is the Pricing Strategy Initiative where price competitiveness value is the key emphasis. Commencing at KLIA and LCCT-KLIA, this initiative ensures that prices of products are more attractive or similar to comparable outlets at downtown Kuala Lumpur i.e. KLCC, Pavillion KL, Mid Valley/The Gardens and One Utama.

Retail and F&B outlets that have met these criteria are then promoted under the Priced to Please Programme. This programme, which commenced this year (2011) was specially developed as a mark recognition for outlets that have ensured competitive pricing. Priced to Pleased Programme is a long term strategy to complement the variety of quality offerings available at airports and enrich the value proposition for customers.

CHALLENGES ENCOUNTERED IN 2010

The key challenge on the commercial front would be striking a fine balance between the robust implementation of Airport Commercial Models, airport expansion projects, regulatory requirements and meeting the expectation of stakeholders. While we develop commercial value under the Airport Commercial Model and through airport expansion projects, we need to also manage the stakeholders namely our customers (travellers, meeters, greeters), concessionaires, etc.

We strive to preserve the airport experience of customers by ensuring excellent safety, comfort and convenience level while continuously providing an array of retail and F&B offerings via temporary promotional set ups. Customers are spoilt for choice with a variety of value for money offerings and even campaigns that rewards them whenever they shop, dine or simply relax especially at our international airports.

We need to manage our business partners i.e. retail and F&B as well as the advertising concessionaires. We need to understand their aspirations, capabilities and strength and how well they are able to support the commercial aspirations. Interim plans during the expansion and commercial development are put in place to ensure not only continuous revenue flow for both Malaysia Airports and our business partners.

We also had to manage regulatory requirements such as passenger segregation between international and domestic travellers at Kuching International Airport and Kota Kinabalu International Airport. The requirement certainly ensures the safety and security of our customers. Nonetheless, we also need to manage the impact on the performance of the outlets affected.

Another interesting yet challenging aspect is changing the perception of customers that airports today have gone beyond being just functional. We are creating and turning our international airports into destination hubs where travellers, meeters, greeters and even the general public can spend quality time shopping, dining and relaxing. There are many activities to do and see before taking off. Going forward, Commercial Services will continue to enhance and expand the range of competitively-priced and value-added experiences that we can bring to our travellers.

However, in doing so, we are fully aware of the need to upkeep our image as a world-class airport operator dedicated to meeting the lifestyle expectations and comfort of our airport users.

AIRPORT MALLS

Airports around the world can no longer rely solely on traffic growth. To remain competitive and to drive growth, we have to diversify our income streams. In building a world-class airport business, we have to be creative and innovative on maximizing revenue from non-aeronautical activities. Commercial development will be an important driver to increase profitability for Malaysia Airports as the potential growth is infinite depending on creativity, drive and most critical of all is understanding and meeting the expectations of a dynamic market. Therefore, having a mall within the airport provides alternative revenue streams as well as enhances the airport experience of our customers.

The market potential is huge as we not only cater for travellers but we also provide for the needs of the airport community comprising of residents as well as the airport, airline and concessionaires staff who are on duty 24 hours. Hence, our business operations and model caters neatly with the routine and lifestyle of the airport community.

Additionally, the commercial offerings have also become significant selling points for aeronautical initiatives. Airlines evaluate routes and destinations viability and a factor for consideration is the commercial aspect (retail, F&B, services, facilities) of the terminal that would also enhance the journey of any traveller.

Among the critical success factors are, understanding the travellers' behaviour and the time frame that they would have at the airport to indulge in shopping, dining or any of the relaxation facilities. The placement of brands and product offerings must be able to cater to every traveller need i.e. the business traveller on the go would probably want a quick bite and indulge in some spur-of-the-moment shopping for loved ones. Leisure and family travels would have more time to spare and go on a pampering shopping, dining and relaxation spree.

Our duty free product offerings and exclusive travel retail range are certainly key highlights as they are only available at airports. Hence, we do not compete with downtown malls. In addition to core duty free products, the high fashion brands are also duty free hence, the very attractive pricing. Travel retail packages are distinctively exclusive, suitable for gifts or even mementos of a journey.

In any retail business, the front liners play a critical role in complementing the myriad of product offerings. Product knowledge and service excellence are the drivers that make a difference in converting travellers and visitors into shoppers and diners.

Marketing communications effort is important especially in a travel retail environment. Time frame spent at the airport is limited therefore, creating awareness prior to a travellers' journey is important to enable them to pre-plan their travel and purchases even to the extent of encouraging travellers to arrive early to check in for their flights and to indulge in shopping, dining and relaxation until their flight takes off.

Disclosure on Management Approach to Product Responsibility

In this cycle of MAHB's Sustainability Report, we have reorganised the Product Responsibility section to focus on three primary aspects. These aspects are:

- Airport Performance Benchmark
- Focus on Safety and Security
- Approach to Marketing, Advertising and Public Communications



Product Responsibility represents our commitment to ensuring both value and integrity to the people we work with, and who work for us. It also demonstrates our pledge to honesty and transparency in every facet of the work that we do.

AIRPORT PERFORMANCE BENCHMARK

Performance indicators relate to the measurement of inputs and outputs. For an airport, inputs include capital investment, staff cost and operational overheads, while the physical output could be categorized under four main components: air transportation movement as a measure of airside output, the number of passengers as a measure of terminal output, the volume of air freight handled and the amount of non-aeronautical service outputs. The performance ratios between input and output are used internally to monitor the performance of airports over time, in preparation of budgets and to compare performance within airports in the Group.

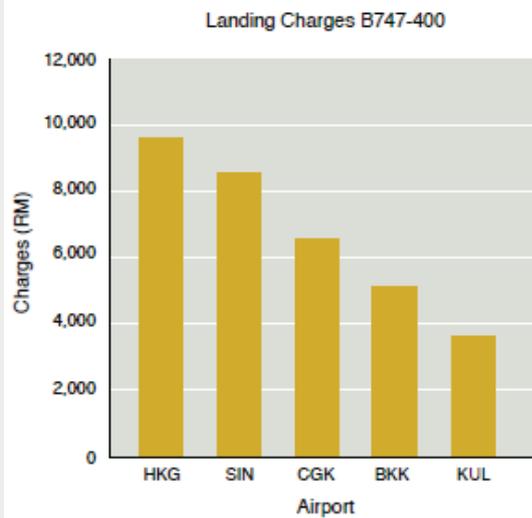
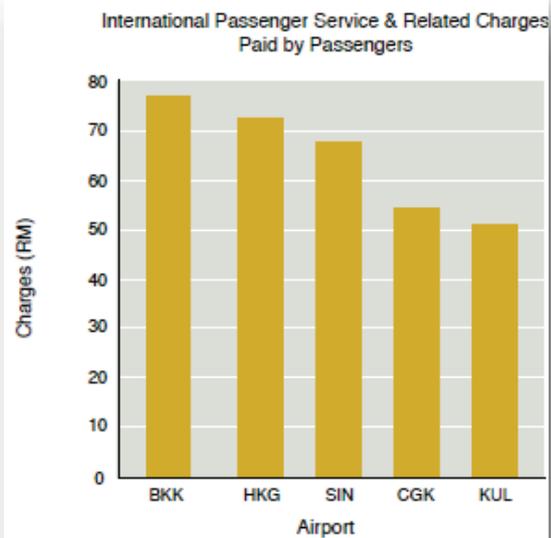
There is growing recognition within the airport industry of the value of performance appraisal and the use of benchmarking. In fact, airport performance benchmarking has come into acceptance in the last 20 years, particularly when some airports moved from public sector control to modern business and in some cases by airport privatization. With various airport operational models such as fully privatized airports, partially privatized airports and publicly owned airports, airport benchmarking is not an easy task because of comparability problems. There are difficulties in making such comparisons on a level playing field. Among others, this is due to:

- Differences in activities performed, especially with respect to aeronautical and commercial services;
- Level of government involvement in relation to economic and social objectives;
- Traffic mix with respect to international, domestic and general aviation operations;
- Airports cost structure with respect to fixed and variable costs;
- Physical characteristic of airports;
- Forms of ownership and management;
- Differences in development financing;
- Varying regulatory framework; and
- Differences in economic conditions

The financial information on airports is limited and difficult to obtain. The International Civil Aviation Organisation (ICAO) produces airport financial statistics annually but it is not published early enough. In addition, for airport operators that are listed, the available data from published accounts is usually for the entire Group. For example, MAHB is a listed entity but KLIA is not published on an individual basis.

Other organisations which have done airport benchmarking include Airports Council International, Skytrax and International Air Transport Association ("IATA"). Figures from IATA suggest that Kuala Lumpur International Airport compare favourably in terms of passenger service charges, passenger security service charges and landing charges compared against other airports in the region.

On the passenger traffic side, preliminary traffic data released by Airports Council International ("ACI") shows that KLIA registered a commendable growth in 2010 compared to other airports in the region. KLIA's growth of 14.8% in 2010 was even more impressive considering it was on top of 2009 growth of 7.8%. Back in 2009, most of the airports below actually experienced a decline in passenger traffic. Moreover, the bulk of KLIA's growth in 2010 was attributed to a 20.8% increase in international passenger movement.



Source: IATA Airport Charges Monitor

More intense airline competition brought about by deregulation in various world regions has placed airports in a much more competitive environment where they are now under greater pressure to compare their performance with their competitors in order to enhance efficiency, improve service and lower costs. Moreover, airports have to cater to the demands of low-cost airlines where their strategy is to minimize operational cost in terms of airport charges and fast turnaround time.

Airport	2010	% Change
Soekarno Hatta International Airport Jakarta (CGK)	44.0 million	↑ 18.4
Incheon International Airport Seoul (ICN)	33.6 million	↑ 17.1
KL International Airport (KUL)	34.1 million	↑ 14.8
Changi Airport Singapore (SIN)	42.0 million	↑ 13.0
Hong Kong International Airport (HKG)	50.4 million	↑ 10.6
Suvarnabhumi Airport Bangkok (BKK)	42.8 million	↑ 5.6

Source: ACI (preliminary)

Apart from airport performance benchmarking, some airports are now having new terminals, improved connectivity and expanding their capacity in order to accommodate the rapidly growing air traffic demand and secure an advantage over other competitors in the region in order to become key traffic hubs for air transportation. MAHB continues to benchmark itself internally against other airports in the region and globally and strives for continuous improvements in its operations including, amongst others, the retail optimisation plan and the construction of the new Klia2.

Focus on Safety & Security

MAHB always places a huge emphasis on the safety of its airports nationwide, and as a result, emergency simulation exercises are now carried out as mandated by regulatory bodies such as ICAO and DCA. Full-scale exercise is required to be performed at least once every two years, while partial exercise must be carried out at least once in each year that the full scale exercise are not carried out. Table-top exercises are required to be held at least once every six months, except during the six month period when a full-scale exercise is held.

We have been steadfast in managing these issues by increasing the deployment of manpower, enhanced threat detection and deterrence capabilities, collaborative efforts with other agencies and investment in new equipment and technologies.

One such initiative that we carry out is the Airport Fire Rescue Services (AFRS) Emergency Exercises that consist of full crash practice, partial practice, table top practice and evacuation drills. In 2010, AFRS achieved a 78% score for the exercises, while its personnel achieved a score of 98.5% in terms of their physical fitness, knowledge, hands-on ability and communication skills. AFRS has developed two fitness modules that relate to the AFRS Rating Programme, namely the Fundamentals of Fitness and Physical Enhancements Programme.

The Fundamentals of Fitness programme focuses on proper exercise regimes, proper nutritional guidelines, while the Physical Enhancements program focuses on the monitoring of Body Mass Indexes (BMI) among AFRS staff. In the case of any personnel exceeding 30kg of their BMI, they will be required to undergo the program. As of this year, the management has already approved gym facilities for airports in Kuching, Kota Kinabalu, Langkawi and Penang. Another five airports will be approved in 2012 and the rest in 2013.

OCCUPATIONAL HEALTH & SAFETY

In 2009 that the Occupational Safety and Health Department was entrusted to implement the Environment Conservation Program which was renamed to the Safety, Health and Environment Department (SHE). The Information corner and system (Knowledge Office) has been established to provide updates on the latest SHE-related activities in the Group, and also to update employees on the latest regulatory and policy developments. SHE meets every three months to discuss safety related issues and continually carries out workplace safety inspections. The SHE Department also played an important role in developing and implementing a Safety Management System (SMS) for MAHB airports, as a prerequisite for aerodrome certification by DCA and ICAO.

The Safety and Health Committee (SHC) Program's main functions are to establish guidelines on specific roles and functions of the safety committee at stations/ subsidiaries, and to create awareness and education programs for its members. The committee also monitor SHE compliance and reports their activities to SHE Department every three months.

The committee also ran a Safety and Health campaign about the OSH Act, environmental programs, accident data and statistics, blood donation programs and other relevant SHE programs.

These awareness programs are for all employees in the Corporate Office, KLIA and all other international and domestic airports nationwide including subsidiaries. SHE Department also runs the 'Hearing Conservation Program' at all airports that is carried out to comply with the Factories and Machinery Act of 1967 (Noise Exposure) regulation 1989. The program is focused on determining and measuring noise levels at all airports through a noise exposure monitoring program. A set of recommended actions will then be

carried out to reduce employee exposure to noise, and improve the conduciveness of the working environment. A positive noise exposure monitoring exercise was carried out in Kuching International Airport on the 4th of November 2010.

Environmental Quality Monitoring is also carried out in compliance with the Environmental Quality Act of 1974, where employers are required to monitor the water discharge from sewage treatment plants, surface water run-off, noise emission and gaseous emissions. The monitoring was conducted airports in Kuching, Kota Kinabalu, Miri, Penang, Langkawi and Subang.

In terms of Aerodrome Certification, there was a Safety Management System Audit by the DCA for new SMS certification at Sibul, Bintulu, Sandakan, Alor Setar and Limbang. All these airports received their certifications. As far as OHSAS 18001: 2007 and ISO 14001:2004 certification is concerned, two new audits were carried out in Kota Kinabalu and Miri, while OHSAS 18001 and ISO 14001 surveillance audits were carried out in Kuching, Penang, Langkawi and KLIA. A generic feasibility study on the implementation of the Safety Passport System (SPS) was conducted at MA Sepang and presented its results to the Safety and Health Committee.

In addition to this, four airports participated in the MSOSH OSH Award competition under the category of services sectors. There were 99 other well known companies in Malaysia who were involved in the competition. KLIA, Kuching International Airport and Ipoh Airport won the Silver Award, while Langkawi won the bronze award.

SHIFTING GEARS ON SECURITY

Cargo security has always been at the forefront in terms of the global aviation scene, and IATA took the initiative to select Malaysia as the first pilot country to develop the Secure Freight Program (SFP). This regulatory development was carried out in a collaborative manner with the help of IATA experts, the DCA, MAHB and Malaysia Airlines.

This pilot project will bring about a host of benefits, such as, compliance with security requirements as regulated by ICAO Annex 17, IATA SFP and the Malaysian National Secure Freight Programme (NSFP). The SFP initiative will ensure the security of the supply chain of the cargo from its source to the airport of departure. Apart from the reduction of crime rates, an overall improvement and enhancement of operational efficiency and quicker processing times is to be expected. Overall, the global reputation of FCZ KLIA will be enhanced and eventually be recognized as a safe and secure cargo hub.

The IATA SFP trial shipments have started in KLIA since May 2010 and the Malaysia Secure Freight Program will be in the spotlight in the coming IATA World Cargo Symposium in March 2011, Istanbul Turkey. In a related development, the AOCC/CCC will operate at the AMC Building by the end of January with around 400 to 500 CCTV cameras with priority on critical areas. There will be a gradual increase of the cameras as the need arises. As of June 2011, a total number of 2,070 CCTVs will be operational.

STRENGTH IN NUMBERS

For the year 2010, MAHB has boosted the Auxiliary Police strength with an additional 228 new recruits after they successfully completed a six-month training program (inclusive of two months training at PDRM Training Centre (PULAPOL), two months training at Malaysia Airports Training Centre (MATC) Penang and another two months on-the-job-training at KLIA.

For the same year, a total of 750 MAHB Auxiliary Police underwent the X-ray Machine Security Screeners Certification and Re-Certification Program, which is a mandatory international regulatory requirement. Only Auxiliary Police that passed this test will be allowed to operate the X-Ray machines for passenger screening at airports.

To meet the new challenges and threats at the Landside areas of the airports, the PDRM reinforced their presence with the deployment of an elite Police Action Force or the PGA at KLIA and in other international airports such as Kota Kinabalu, Kuching and Langkawi.

Since 2008, there are 504 PGA personnel in KLIA, 120 in Penang and 40 in Langkawi. Since 2009, there are 120 PGA personnel in Kota Kinabalu and in Kuching. In addition, MAHB signed an MOU with RELA to provide security at remote STOLports in Sabah and Sarawak, since April 2010, in accordance with ICAO requirements. Currently, there are 27 personnel in Bario, 12 in Ba'kelalan, 12 in Long Akah, 12 in Long Seridan, 20 in Long Banga, 12 in Long Lellang and 10 in Kudat. In a related development, MASB has also equipped six motorcycles complete with necessary fire and rescue equipment at six STOLports, namely Long Banga, Long Akah, Long Lellang, Long Seridan, Ba'kelalan and Bario.

These airports will continue to undergo Annual Scheduled Inspections to ensure that the requirements of the certification are continuously met. The SMS certification is a testimony of MAHB's initiatives to ensure the highest level of safety at its airports and to fully comply with the ICAO's Safety Management Program. In addition, four international airports, namely Penang International Airport, Kuching International Airport and Langkawi International Airport were awarded OHSAS & EMS Certification in 2010 and the Miri Airport is expected to be certified in early 2011.

Approach to Marketing, Advertising & Public Communications

Malaysia Airports follows Malaysian Code of Advertising (Advertising Standards Authority), under which we govern and control the content, ethics, morals and truth in advertising. The latest edition of the Code comes into force on 1st September 2008.

The Malaysian Code of Advertising represents the Advertising Standards Authority of Malaysia, whose members are drawn from:

- Federation of Malaysian Consumers' Association.
- Malaysian Newspapers' Publishers Association.
- Association of Accredited Advertising Agents.
- Malaysian Advertisers Association.

The responsibility for observing the code rests primarily with the advertiser, but it also applies to the advertising agency, or in some instances with the medium involved in publishing an advertisement. The main sanction is simply the withholding of advertising space or time from the advertiser. To this can be added the sanction of adverse publicity. This is wielded by the Advertising Standards Authority Malaysia, which may publish details of the outcome of investigations it has undertaken.

Complaints against alleged misleading advertising, untrue statements, or other breaches of the codes can be made by members of the public, or by companies. All that is necessary is a letter indicating the basis of the complaint. This is normally accompanied by examples of, or copies of the offending material. Investigations are not initiated without written confirmation from the complainant.

Types of Marketing Advertising in 2010
Print <ul style="list-style-type: none"> • Newspapers, publications & magazines (local & international) • Corporate brochures, flyers, buntings
Multimedia <ul style="list-style-type: none"> • Corporate video
Online <ul style="list-style-type: none"> • Corporate websites, flyklia.com portal
Trade exhibitions & events (local & overseas)

Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes
There have been no significant incidents of non-compliance with laws and regulations for the described product and services during the period covered by this report.

Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes
There are no official incidents of non-compliance received & recorded throughout the reporting period.

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data
There are no official record substantiated complaints regarding breaches of customer privacy and losses of customer data throughout the reporting period.

Underlying philosophy of The Malaysian Code of Advertising

- Advertisements must project the Malaysian Identity, reflect the multiracial character of the country, and advocate the philosophy of "RUKUNEGARA" (the National Principles)
- They must not identify or type-cast each particular racial group.
- They must pay attention to the Trade Descriptions Act.
- They must comply with the Law, common or statute. Advertising must not propagate fraudulent trade practices.
- They shall be legal, decent, honest and truthful.
- They shall be prepared with a sense of responsibility to the consumer.
- They shall conform to the principles of fair competition.
- No advertisement shall bring advertising into disrepute or reduce confidence in advertising as a service to industry and the public.

Disclosure on Management Approach to the Environment

2010 has been a year of maturity for Malaysia Airports where it comes to our approach to the environment. Though constrained by both financial prudence and the ongoing spread of awareness on its importance across the organisation, a number of significant developments mark 2010 as a green spark, in anticipation of great things to come.



A highlight of the year is the formation of the Environment Cross Function Team (CFT) facilitated by our Transformation Management Office (TMO). Chaired by our Managing Director, Tan Sri Bashir Ahmad, the purpose of the CFT is to consolidate and align the company's many environmental efforts, and to chart the next course of action for the company in this area. This has brought forth the idea of creating our first Environmental Masterplan.

THE MAKING OF OUR FIRST ENVIRONMENTAL MASTERPLAN

Cross-Functional Team (CFT) is a group of people whose members hold different backgrounds, expertise and functions working toward common and shared objectives. CFTs are getting popular in many organizations as a means to boost innovation and creative decision making. In the case of Malaysia Airports, CFTs are the primary mode of engagement for specific transformation projects within the company. CFT has been proven to be effective as it enhances creativity and collaboration through inputs from various internal subject-matter experts regardless of positions and divisions.



The Environment CFT was formed to drive carbon emission reduction in Malaysia Airports towards industry's Carbon Neutral Growth and Carbon Neutrality targets. The Environment CFT also looks into enhancing Malaysia Airports brand as a leading environmental friendly & green airport business company. The objectives of Environment CFT are in-line with the shift of trend where companies are starting to see benefits from environment sustainability beyond pure risk management.

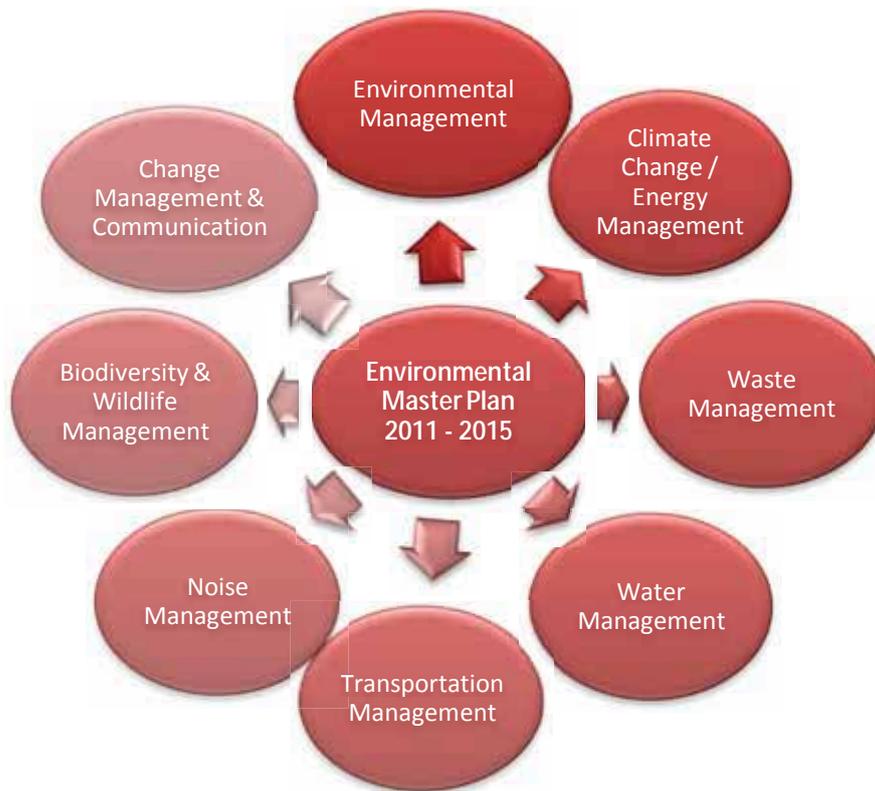
In 2010, the Environment CFT consisting of members from divisions such as Engineering, Operations, Planning & Development, Safety, Health & Environment, Corporate Communication, MD's Office and Transformation Management Office (TMO) met on a regular basis towards developing the first deliverable of the CFT which is the Malaysia Airports Environmental Masterplan.

The Environmental Masterplan is a document outlining the roadmap and strategy in reducing Malaysia Airports' carbon emission level towards the commitment made by the key players of the aviation industry. The masterplan contains a list of potential environment initiatives identified by the internal subject-matter

experts through a series of lab/workshop and benchmarking study with other airports. These initiatives were detailed out to include timeline, cost implication and benefits of implementation and were prioritised to be implemented over the next 5 years. Every year, the masterplan being a live document will be updated to capture latest technology available in the market in making the document relevant to the quest towards becoming a low-carbon airport business.

The Environment Masterplan zooms in to a few major focus areas namely Environmental Management, Climate & Energy Management, Waste Management, Water Management, Transportation Management, Noise Management, Biodiversity & Wildlife Management and Change Management & Communication.

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Some of the initiatives in the Environmental Masterplan include:

- **Environmental Management** – expanding Green Globe / Earthcheck certification to other international airports in stages
- **Climate Change / Energy Management** – Energy saving initiatives ranging from no-cost initiatives to exploring the feasibility of solar energy to power up STOL ports.
- **Waste Management** – Waste segregation and recycling initiatives
- **Water Management** – Exploring the feasibility of implementing rainwater harvesting
- **Transportation Programme** – Car-pool programme to reduce emission from employee vehicles commuting to work
- **Noise Management** – Exploring the implication of noise to communities at certain identified airports
- **Biodiversity & Wildlife Management** – Implementing industry's best practice in managing wildlife within airport perimeter
- **Change Management & Communication** – Implementing company-wide communication on environment initiatives and outcomes

Still Good as Gold

In 2010, KLIA passed the requirements to be recognised as an Earth Check Benchmarked Airport (previously known as Green Globe Certification) for the sixth year in a row. In addition, MA Sepang was also recertified for the second year for EMS ISO 4001: 2004 for its environmental management system.

The Earth Check annual assessment was undertaken against Earth Check benchmarking indicators and checklists. The indicators have been carefully selected to track performance in key areas of environmental and social performance impact. Their outcomes are used by Earth Check to evaluate whether the operation has reached the standards necessary to pass the benchmarking requirements, as stated in the Earth Check Benchmarking Policy.

For 2010 (based on data collected in 2009), eleven out of twelve assessed Earth Check indicators are at or above the Baseline level. From this, six indicators, Water Savings, Community Contributions, Paper Products, Cleaning Products, Pesticide Products, Noise Nuisance, are at or above the Best Practice level. The one indicator that fell below the Baseline level was Waste Sent to Landfill.

Moreover, the use of 100% ecolabel paper products was highly commended as that demonstrated a very positive commitment to protecting the environment and supporting the local community.

Improvements in all the Earth Check indicators will not only help the environment, but also help reduce operational costs. Due to the positive commitment that Malaysia Airport Operations has demonstrated to the environment, the assessors are confident that they can maintain their high standards and remain a leader in environmental performance.

ENERGY & EMISSIONS

In 2008, Malaysia Airports, represented by Managing Director Tan Sri Bashir Ahmad, pledged five airports to the Aviation Industry Commitment to Action on Climate Change. This document, which was drafted jointly by the Air Transport Action Group (ATAG) and signed by over 130 airlines, airports, aircraft manufacturers, air navigation service providers and major regional and international aviation-related organisations, was a collaborative undertaking to work towards carbon neutral growth and reflects the industry's aspirations for a carbon-free future.

Since then, Malaysia Airports has put carbon emission reduction as one of its top environmental management priorities. Work on calculating KLIA's carbon footprint began almost immediately, and completed by mid-2009. The results of the footprint exercise, which subscribed to the internationally recognised Greenhouse Gas (GHG) Protocol standards, revealed how different areas within the airport operation and management contribute to different types of emissions by different degrees.

Malaysia Airports' approach to carbon management is an internal and collaborative, one that brings together different divisions within the company. Mandated by the Managing Director's Office and monitored closely by our Transformation Management Office (TMO), Malaysia Airports' carbon management program engages with all levels of management to spread awareness on the importance of environmental conservation and to brainstorm ideas.

Key players in this project are experts from our engineering, operations, building maintenance, planning and development, procurement, and the safety, health and environment (SHE) departments. By the end of 2009, two important turn of events at the 15th Conference of Parties (COP15) in Copenhagen, further boosted the significance of the work that we have already started.

The first is a pledge made by our Prime Minister, Yang Berbahagia Datuk Seri Najib Tun Razak for Malaysia

to reduce our national carbon intensity by up to 40% by 2020. As a Government-Linked Company (GLC), we were quickly called upon shortly after the conference to contribute ideas as to how this target would be achieved. Malaysia Airports has been a prominent supporter of this goal and has actively participated in the National Green Technology & Climate Change Council (GTCCC)'s Transportation Sector Working Group since.

The second event that happened in COP15 was sector specific, whereby aviation, represented by the International Civil Aviation Organisation (ICAO), became the only unified industry to pledge an ambitious target of up to 50% reduction in carbon emissions by 2050. This pledge complements the industry's commitment towards carbon neutrality and propelled it to the world's limelight. Innovations in every aspect of the aviation industry sky rocketed, producing breakthroughs in sleek new aircraft designs, research in aviation biofuels, advanced aircraft navigation systems and approaches, and perhaps most important to us, the mass movement of airports worldwide towards low carbon growth.

Looking inwards, we realised that our airports have benefited from starting our relationship with carbon management ahead of most Asia Pacific airports. Nevertheless, we also see a great challenge presented before us. While most airport companies are working to making their single airports greener, Malaysia Airports has pledged work on five of our biggest airports to make them eco-friendly and in this specific context, move towards carbon neutrality. This is a goal we are passionate about and intent to make a reality.

APPROACH TO CARBON NEUTRALITY

There are several approaches to airport carbon management and the most popularly subscribed model currently is the Airport Council International Europe (ACI-EU) Airport Carbon Accreditation model.



While there are ongoing discussions as to the accreditation being expanded worldwide, the approach undertaken by our European airport friends is a universal one. The approach is a four-level methodology as follows:

- **MAPPING:** Footprint measurement
- **REDUCTION:** Carbon management towards a reduced carbon footprint
- **OPTIMISATION:** Third party engagement in carbon footprint reduction
- **NEUTRALITY:** Carbon Neutrality for direct emissions by offsetting

Malaysia Airports believes in the theory of this approach and has adopted the spirit of this methodology. Nevertheless, even though only KLIA has been mapped, reduction and even some optimisation efforts are already being carried out at our airports to achieve the goal of neutrality.

WHAT WE HAVE ACHIEVED SO FAR

The past five years has been a period of vigorous growth for Malaysia Airports, particularly for our international airports. Dynamic tourism promotion programs complemented by a welcoming increase in flights moving in and out of Malaysia has prompted all our international airports to experience expansions on various degrees.

LOW CARBON GROWTH BY 2015

Kuala Lumpur International Airport (KUL / KLIA)
 Kota Kinabalu International Airport (BKI / KKIA)
 Kuching International Airport (KCH)
 Penang International Airport (PEN)
 Langkawi International Airport (LGK)

CARBON NEUTRAL GROWTH BY 2020

Kuala Lumpur International Airport (KUL / KLIA)
 Kota Kinabalu International Airport (BKI / KKIA)
 Kuching International Airport (KCH)
 Penang International Airport (PEN)
 Langkawi International Airport (LGK)

Total Direct & Indirect Greenhouse Gas Emissions by Weight
No calculation conducted in 2010.
Other Relevant Indirect Greenhouse Gas Emissions by Weight
No calculation conducted in 2010.

As operators, service providers and managers of airport buildings, we realise that our greatest contributor to emissions via energy consumption. This was also reflected when we calculated KLIA's carbon footprint in 2008/2009. A lot of our emissions reduction efforts therefore focused on electricity consumption management.

A major challenge for us was to decide on a matrix to measure emissions reduction while still allowing growth in passenger numbers to happen. A lot of research was put into studying how other airports around the world justify energy consumption against passenger growth.

While it is generally agreed that for most airports, the area-under-roof itself does not often 'grow,' an increase in the number of passengers does mean that more energy is used to power up check-in counters, baggage systems, gates, runways etc.

Therefore, we found that passenger growth must necessarily be taken into account in the study of energy consumption. While in the stage of Low Carbon Growth, an airport may still reflect an increase in electricity consumption, but when compared with the growth in passenger numbers, we believe that a measure of our success would be that the electricity consumption per passenger should show a decline. This model is also used in Denver International Airport, Colorado, USA.

ELECTRICITY / ENERGY MANAGEMENT

Malaysia Airports' international airports have collectively achieved a passenger count of over 48 million in year 2010, whereby over 34 million of these pax counts are attributed to KLIA. Having calculate KLIA's carbon footprint in 2008/2009, we learnt that the bulk of KLIA's emissions came from cooling (50, 970 MTCO₂-eq) and electricity usage (44.353 MT CO₂-eq).

Emissions of Ozone-Depleting Substances by Weight
No calculation conducted in 2010.

NOx, SOx and Other Significant Air Emissions by Type and Weight
No calculation conducted in 2010.

Calculating Energy Consumption Per Pax
<u>Annual Consumption of Airport</u> Annual Number of Passengers

Direct Energy Consumption by Primary Energy Source (All Airports)
1038320.552/mmBTU
RM 13539700.00

Indirect Energy Consumption by Primary Energy Source (All Airports) (Purchase of Electricity, Heat or Steam)
All Airports + KLIA
82549282.43 kWh + 267988061 kWh
: 350537343.43 kWh
: 1261934.43 Gjoules



Kuala Lumpur International Airport

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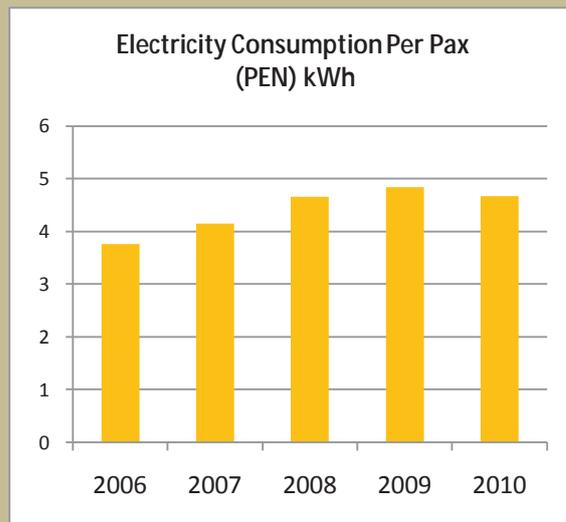
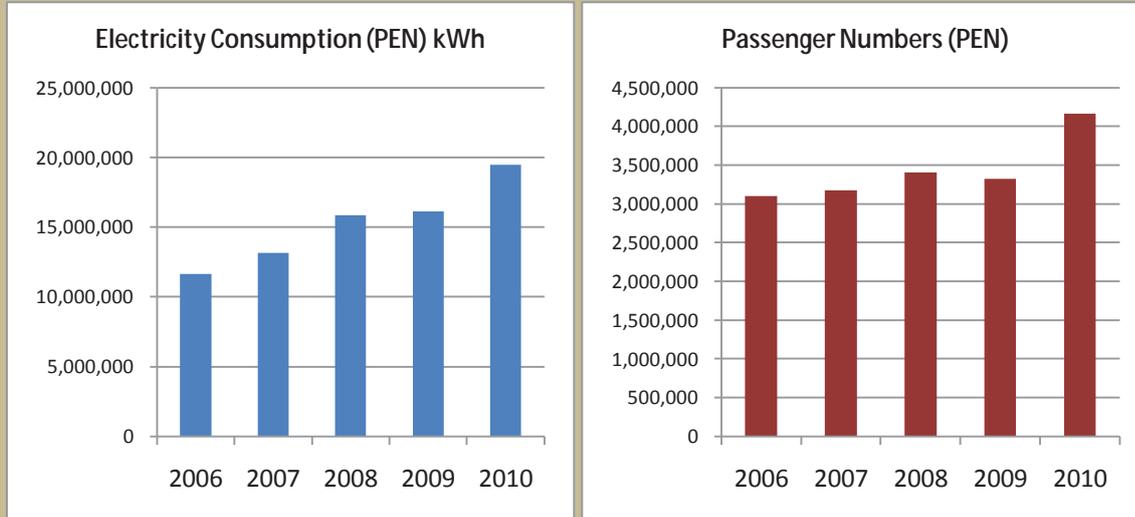


KLIA has reflected a steady decrease in electricity consumption per pax even though a number of construction activities took place in recent years. Most notable among these construction activities are the Satellite Building Retail Optimisation Plan (SROP), the expansion of the current Low Cost Carrier Terminal, and the construction of Klia2. As KLIA is relatively a new building, it has the advantage of the option of incorporating new technology which is energy efficient and low carbon. New machinery also means that its operational efficiency is also in tip top condition. Nevertheless, our engineers and technicians are constantly checking its energy utilisation levels. Energy management and its reduction initiatives remain on the top of the airport's environmental management agenda, a committee which is personally chaired by KLIA's General Manager.

In order to illustrate the prominent decrease in energy consumption per pax for KLIA, the scale for the corresponding chart (in yellow) has been altered to reflect two points vertically.

* Includes non-passenger buildings within the vicinity of KUL/KLIA

Penang International Airport



In order to accommodate anticipated increase in passenger numbers, PEN experienced physical upgrading work beginning in 2010. This work is scheduled for completion in 2012. This demand is passenger growth however, means that the portion of the airport under construction cannot be closed off completely, therefore leading to an increase in energy consumption.

Nevertheless, the airport is already beginning to record a jump in the number of passenger movement, a trend which we believe will continue to offset its energy consumption during this construction period.

Kota Kinabalu International Airport

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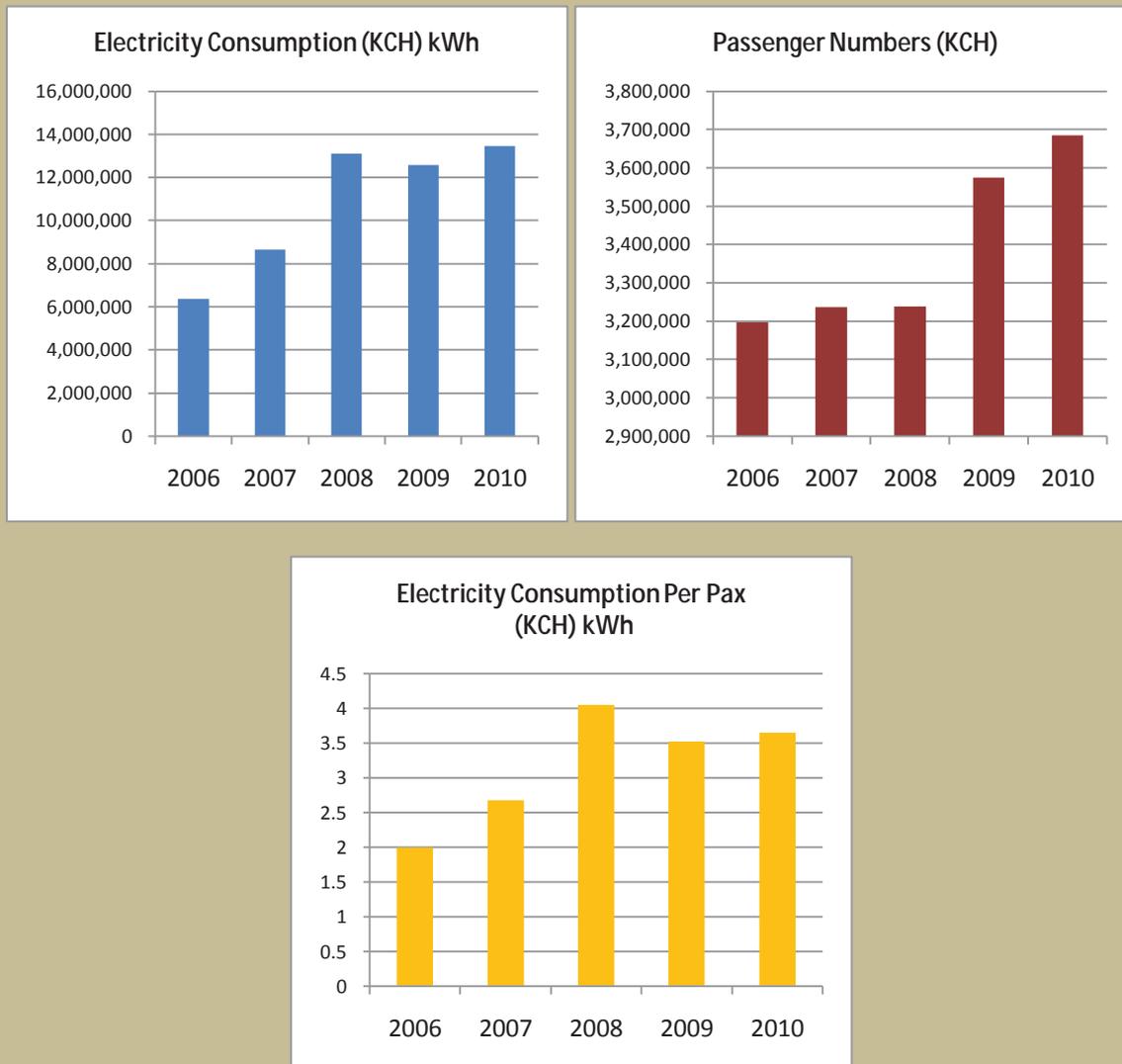


Malaysia Airports has the vision to develop the KKIA into a regional hub. To achieve this, our focus is on new air services from Australia and North East Asia, specifically Japan, Korea and China. By virtue of its geographical location, KKIA is well positioned to tap into the Philippines and Indonesian markets, where there is a huge traffic of foreign workers seeking employment within the region. By developing direct services to these destinations, we can establish KKIA as another regional hub. The effect can be seen as passenger numbers have grown steadily in the last 5 years.

In order to accommodate for further growth in international passengers, expansion plans for KKIA has been divided into stages in order to ensure smooth operations. In 2009, a portion of the terminal was closed for works. This resulted in a drop in energy consumption for the period of that year.

In 2010, the newly renovated terminal was opened. While this caused the airport's energy consumption to increase, it was complemented by a steady increase in passengers using the airport. As work has been completed at KKIA and passenger traffic is project to be on the raise, we are very confident that electricity usage per pax will correspondingly steadily decrease in the coming years.

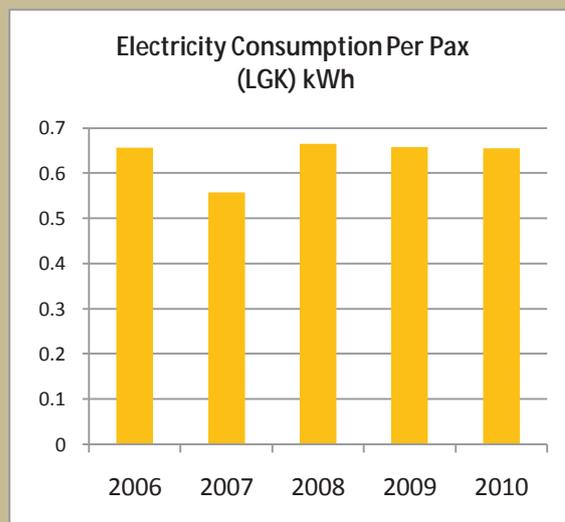
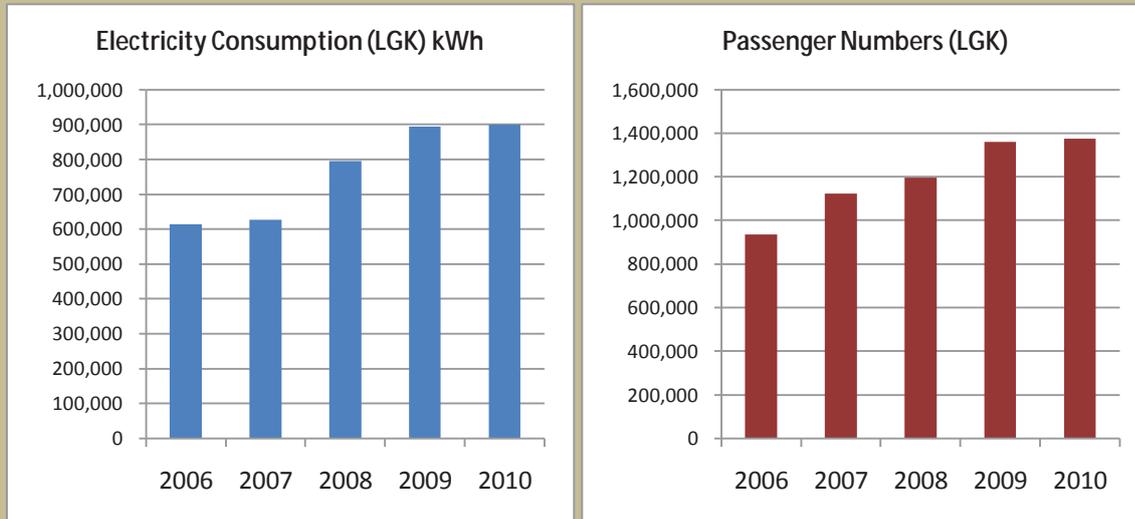
Kuching International Airport



The growth of KCH has been predicted much earlier on, which has brought about its early renovation work. 2008 introduced to Sarawak a new and bigger terminal, just in time for a great hike in passenger numbers which was reflected in 2009 and 2010. The airport's increase in energy consumption was levelled off by this growth, resulting in a small increase of 2kwh per pax consumption in 2006 to 3.65kwh per pax in 2010.

In order to address this increase, Malaysia Airports is currently unrolling a battery of environmental solutions for KCH. By bringing in experts from KLIA, our plan is to transform KCH into the next green airport. These plans have been captured by our Environmental Master Plan and our Environmental Cross Functional Team (CFT).

Langkawi International Airport



LGK has been a model of consistency for us. In order to properly demonstrate differences in energy consumption per pax for LGK, we have had to modify the scale (in yellow) from 0 to 1 to show differences. This consistency shows that despite increase in energy used in the terminal from renovation works, the volume of passengers serviced year on year has corresponded in a timely manner.

We expect that in the coming years, energy consumption for the terminal will level and the passenger growth for the airport to continue to be on the raise. In anticipation of this, we foresee a steady fall in energy consumption per pax which brings LGK naturally towards Low Carbon Growth.

No Cost Energy Reduction Initiatives Carried Out at All Airports

- Non-critical lights in the terminal building are switch off when there is no activity. This can be seen at our airports during off-peak period where flight movements are minimal. The switching off exercise is in-line with the minimal lighting requirements and does not jeopardise passenger's comfort and safety.
- Reprogramming existing systems to apply time-controlled functions resulting in savings of 2,536 kWh per year
- Removing quantity of pieces of fluorescent tube by halve at maintenance area resulting in saving of 37,000 kWh per year
- Reprogramming Air Handling Units (AHU) to operate during different hours with the expected savings of 44,000 kWh per year
- Optimisation of baggage handling system without jeopardising the serviceability function with estimated savings of 1,594,470 kWh per year

Energy Saving Devices installed at KLIA

- The first phase of ESD has been implemented in KLIA with the installation of 250 units of the device in September 2009
- Aimed at immediately reducing the electricity consumption in KLIA , the device is to ensure lower energy consumption at installed distribution board and motor
- The ESDs have recorded an average electricity consumption savings of 30%, exceeding the 20% target at the installed areas.
- In terms of monetary value, the 250 units of ESDs provide an estimated average savings of RM200,000 per month in electricity bill
- Average reduction of carbon emissions equivalent to 400 CER (Certified Emissions Reductions) per month through ESDs - considered approximately comparable to 400 metric tonnes of CO2 emissions
- The Carbon Emission Reduction is estimated by factoring the kWh saved with the national coefficient for carbon dioxide emissions from electricity generation. This coefficient is currently 0.672 tonnes of CO2-equivalent/MWh. The latest factor takes into account electricity generation updated to year 2008.
- Based on the values obtained for total savings achieved from November 2009 to January 2011 of 10,671,937 kWh, the total number of cumulative CERs for each location and for the entire installation is found to be at 5,008 CERs
- Measurement and Verification Report was conducted according to IPMVP 2002 and Baseline 2008 by Malaysia Green Technology Corp.

Initiatives to Reduce Greenhouse Gas Emissions.

- In 2009, Malaysia Airports started working with its airline partners to conduct landings at KLIA with a continuous descent approach, in line with IATA's Four Pillar Strategy to combat climate change. These exercises have the potential to save between 160kg and 480 kg of carbon per landing through reduced fuel burn.
- Throughout 2009-2010, the introduction of waste segregation into recyclable and non-recyclable material at F&B outlets in LCCT. This has created a wave of change where number of waste being disposed has been reduced resulting in lesser trips to the landfills
- Malaysia Airports is in the midst of implementing a lighting replacement programme to replace existing lights to LED lights to further reduce amount of electricity consumption due to lighting

- Re-location of Malaysia Airports' Corporate Office to KLIA in November 2009 allows more efficient staff travel between KLIA and corporate office compared to previously from Subang HQ to KLIA. This directly reduces the carbon emission from work-related travel trips
- Introduction of van-shuttle service from KLIA to Corporate Office to encourage staff to utilize
- Arrangements with bus operators to provide direct service for staff from KL Sentral to Corporate Office at discounted rate reducing number of private cars by employees of Malaysia Airports
- Company-wide communications via knowledge-sharing session to ensure buy-in from employees from all levels towards driving the organisation to be carbon neutral growth

Energy Saved Due to Conservation & Efficiency Improvements

All Airports + KLIA

16930090.19kWh + 11297596 kWh

: 28227686.19 kWh

Other Initiatives & Studies Being Undertaken by Malaysia Airports

- KLIA2, new Low Cost Carrier Terminal will feature environmental friendly features that can minimize the rise of electricity consumption once the new terminal starts operating in 2012.
- Efforts are undertaken to encourage more airlines to utilise the pre-conditioned air and fixed-ground power facilities at KLIA and KLIA2 to reduce the emission from mobile ground-power-unit that produces bigger carbon emission
- Malaysia Airports are also exploring through feasibility studies the following options to be implemented in our airports
 - Solar Energy for Short Take Off and Landing (STOL) ports in Sabah and Sarawak
 - Biodiesel project of utilising used cooking oil
 - Rainwater harvesting

WATER

Water Management in MAHB is closely related to three aspects. They are:

- Consumption of fresh water
- Storm water quality
- Waste water discharged from sewage treatment plant

At MAHB, we monitor the quality of portable, recycled and reused water in its totality, with test criteria that include physical, chemical and bacteriological content.

The consumption of fresh water is monitored through water supply bill and consequently an annual target is set to reduce the amount of fresh water we use at our airports.

Total Water Withdrawal

All Airports + KLIA

1130974.60 m3 + 3958411.11 m3

5089385.71 m3

Initiatives to minimise amount of pollutants and chemicals entering storm water

Our airports have fuel and oil traps on the aprons to prevent run off contaminants from entering our water systems. All our fire fighting equipment and materials used for both actual incidents and for training purposes are biodegradable.

KLIA also features two balancing ponds in order to trap storm water sediments from being discharged into the environment.

Strategies that are adopted to achieve reduction are as follows;

- Regular maintenance schedule and readiness in breakdown maintenance
- Installation of dual flush toilet
- Installation of low flow tap/faucet fittings

To curb water wastage, we are also implementing awareness programs at all airports as well.

Water Sources Significantly Affected by Withdrawal of Water Source

No water source is significantly affected by withdrawal of water for use of any of our facilities.

Initiatives to capture and reuse storm water

The Malaysia Airports Corporate Office and KLIA are equipped to capture and filter rainwater. This water is used for landscaping purposes.

In terms of storm water management, we have a collection of run-off water at two balancing ponds to allow sediments to settle before being released into nearby rivers. To ensure oil and grease discharge from aircraft and vehicles do not enter the rivers, oil water separators at the integrated drainage systems are also monitored.

Monitoring for storm water is carried out to avoid contamination with litter (garbage), oil and grease as well as erosion and siltation. Water samples from storm water outlets and balancing ponds are also collected to ensure no pollution is occurring. Furthermore, there are spillage control procedures in place to tackle incidents that involve hazardous materials, chemicals, detergents, fuels, oils and waste water.

As for waste water from sewage treatment plant, MAHB monitors the effluent as to comply with EQ (Sewage) Regulation 2005. There are five parameters which include BOD, COD, Suspended Solid, Ammoniac Nitrogen and Oil and Grease.

There are no use of any aircraft and pavement de-icing/ anti-icing fluid at any airports operated and managed by MAHB.

OFFICE MATERIALS

In efforts to reduce consumption of materials in the MAHB Corporate Office, our procurement Division has measured our use of paper and print toner for the 2010 Sustainability Report.

Since the move to our Corporate Office in KLIA, a new system of office material request and acquisition has been put in place in order to monitor and track use of paper and toner among the different departments in the office.

Materials used by weight and volume

Materials	Consumption (RM)	%
Other Office Supplies	1,692,869	76.65
Paper	164,325	7.44
Toner	351,264	15.9
Total	2,208,458	100

MAHB uses only eco-label or paper produced by 100% cultivated plantation fiber. MAHB does not use any recycled input materials.

LAND USE & BIODIVERSITY

Little research has been put into the impact of our airports onto the biodiversity of areas whereby they are located.

While all of our international airports are located in developed areas and outside areas of high biodiversity value, some of our domestic airports and most of our STOL ports do operate nearby protected areas. Among these airports are Mulu Airport, which provides air access to Mulu National Park, Bario STOL port which is located near Pulong Tau National Park and Bintulu Airport which is just 55km from Similajau National Park.

Almost all MAHB STOLs provide access to areas within Malaysia which are not accessible by roads. Further research needs to be done to ascertain the viability of this.

KLIA is located in the southern part of Sepang which covers an area of 10km x 10km with an area of 9,844.00 hectares. The areas which are bordered with the airport are: Sg. Labu, Labu lanjut, Pekan Sepang, Ulu Chuchoh, Kg. Batu Satu, part of North East Sepang and Amcorp and Kuala Langat District - RTB Bukit Changgang, Bandar Sri Ehsan, South Kuala Langat Forest Reserve, Kg. Bukit Changgang, Kg. Labuhan Dagang, Kg. Sungai Kelambu and Megasteel industrial area. The land is leased from the Federal Land Commissioner (FLC) of the Government of Malaysia.

Existing Land Use

Overall current land use for KLIA can be classified as transportation and plantation and specifically divided into 2 main physical areas:

Airside areas with a total of 2,429.00 hectares.

Landuse	Hectare	%
Airport Operational -runway and taxiway	1,746.00	17.74
Airport operational – Airside support facilities	641.20	6.51
Support Facilities	41.80	0.42
Total	2,429.00	24.67

Landside areas with a total of 7,415.00 hectares.

Landuse	Hectare	%
Institution and community facilities	115.34	1.17
Land transportation	148.00	1.50
Infrastructure and utilities	4.00	0.04
Commercial	53.00	0.54
Open space and recreational	240.34	2.45
Plantation, river and retention pond	6,854.32	69.63
Total	7,415.00	75.33

WASTE MANAGEMENT

Scheduled waste (SW) management is related to proper handling, storage and disposal of hazardous waste generated from MAHB sites. Land contamination, monetary compound by local authority (DOE) and negative media coverage are the risk factors that associated with improper scheduled waste management. Awareness training with collaboration of Department of Environment has been conducted at various airports as to provide understanding on Environment Quality (Scheduled Waste) Regulation 2005.

In the meantime, SHE Department is in the mid of establishing specific standard operating procedure to guide the staff on the proper scheduled waste management.

Scheduled waste management was developed to control hazardous waste disposal at airports. Under ISO 14001:2004 certification, the following airports have embarked on the program.

Ambient Air Quality Levels According to Pollutant Concentrations in Microgram per m3 or parts per million (ppm) by Regulatory Regime.

No calculation conducted in 2010.

Total Water Discharge by Quality & Destination.

KLIA

Quality Standard B by DOE

Average 5260 m3/day

Discharge to Sungai Sepang Kecil

Average permonth 157,800m3

- Kota Kinabalu International Airport
- Penang International
- Langkawi International Airport
- Miri Airport
- Kuching International Airport
- Sultan Mahmud Airport
- Sultan Abdul Halim Airport
- Labuan Airport

Total Weight of Waste by Type and Disposal Method.
KLIA
Domestic Waste = 1600 tonne/month
Sludge cake (waste generated after WWTP process)= Average 110/mth
Vessel (Kitchen/liquid) = Average 9 tonnes
Total weight of waste = Average 1719 tonne/mth

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SW management for remaining airports is to be developed whilst on-going implementation of certification program.

The type of SW identified are as follows:-

- SW 305 - Engine oil
- SW 306 - Hydraulic oil
- SW 102 - Used Lead Acid Battery
- SW 103 - Sealed/Nickel Cadmium battery
- SW 410 - Oil / Air filter
- SW110 – E- Waste
- SW 409 - Used Chemical Container

Till to date, only Miri Airport manage to dispose SW through DOE approved contractor. Total weight of hazardous waste for Miri Airport is 400 kg of Spent Lubricating Oil (SW 305) and 10 kg of Used Oil Filter (SW 410).

AIRPORT NOISE

One of the environmental issues that is a concern of airports during operations or any airport development i.e. expansion, upgrading, renovation, redevelopment, or construction of a new airport is the impacts on the noise environment from increased aircraft movements.

Number & Percentage Change of People Residing in Areas Affected by Noise.
Not measured for year 2010.

Therefore, MAHB has established a Land Use Plan for all of its International and Domestic airports. The Land Use planning was made in such a way that residential areas are only allowed at areas where the noise exposure is lower than 65 dB.

In terms of noise control, all activities must meet and support the Environmental Impact Assessment (EIA) of KLIA. A gazetted 10km by 10km 'no residential build zone' has been implemented around the airport, while the creation of an acoustic barrier with a green belt of palm plantation and forests surrounding the airport also helps monitor noise levels in noise sensitive areas.

COMPLIANCE

Environmental Legal Compliance Issue in Airports

The environmental aspect-impact exercise for airport in operation has been carried out at various locations to identify its environmental issues and legal implication. Potential environmental issue for all airports is as follows;

- Air quality
- Water quality including effluent discharge from sewage treatment plant and storm water
- Scheduled Waste
- Noise level

Malaysia Airports refers to Environmental Quality Act 1974 (Act 127), Regulation, Rules and Orders. Based on internal environmental aspect-impact assessment and study on legal compliance issues, legality is closely tied with the risk of pollution as follows;

- Excessive noise level generated by aircraft,
- Probable discharge of sub standard effluent from oxidation pond or sewage treatment plant,
- Probable discharge of sub-standard runoff water to sea or river
- Improper disposal of hazardous waste by various parties in airport
- Potential emission of dark smoke from power generator set and vehicle
- Usage of prohibited refrigerant in building or vehicle air condition system

Apart from the above, legal compliance issues are also relates to fulfilling Department of Environment (DOE) administrative requirements for instance registration of certain facilities and submission of document or record to DOE office.

In 2010, Malaysia Airports received one instruction notice from DOE which refer to excessive noise level exposed to nearby residential area at Subang Airport. DOE, Selangor has recorded numbers of public nuisance complaint due to exposure of aircraft noise from Subang Airport to Ara Damansara and Tropicana resident area since early year 2009. This is possibly owing to the aircraft manoeuvring and maintenance at the hanger especially at night time.

On 14 and 28 February 2009, DOE has performed an inspection at the same measures the noise level at respective area and found out that it exceeded the permissible limit. In view of the above, an instruction notice by law has been issued to Subang Airport on 4th December 2009 to provide the following;

- To conduct noise level monitoring at the airport as per 'The Planning Guidelines For Environmental Noise Limits and Control'.
- To submit monthly noise monitoring report to DOE with effect from February 2010.
- To provide plan and methodology to DOE for proposed noise level monitoring by two (2) weeks from the notice.

Risk to Air Pollution

No	Environmental Aspect at Airport	Legal Implication
1.	Potential emission of dark smoke from generator set	- EQ (Clean Air) Regulations 1978
2.	Potential emission of dark smoke from vehicle of all units i.e. Operation, AFRS, AVSEC, Engineering and Administration	-EQ (Control of Emission from Diesel Engine) Regulations 1996 -EQ (Control of Emission from Petrol Engine) Regulation 1996
3.	Emission of dark smoke from open burning during AFRS training or crash practice	-EQA, Section 29A and 29B -EQ (Compounding of Offence) (Open Burning) Rules 2000
4.	Potential use of CFC refrigerant in building's air-condition system	-EQ (Prohibition of the Use of Chlorofluorocarbons and Other Gasses as Propellants and Blowing Agents) Order 1993 -EQ(Refrigerants Management)Regulations 1999
5.	Potential use of CFC refrigerant in vehicle's air-condition system	-EQ (Prohibition of the Use of CFC and Other Gasses as Propellant and Blowing Agent Order 1993 -EQ(Refrigerants Management)Regulations 1999
6.	Potential use of Halon in fire fighting system	-EQ (Halon Management) Regulations 1999

Risk to Water Pollution

No	Environmental Aspect at Airport	Legal Implication
1.	Discharge of potential substandard effluent from sewage treatment plant (output)	-EQ (Sewage)Regulations 2009 -EQA, Section 25
2.	Discharge of sanitary waste from toilet facilities	-EQ (Sewage)Regulations 2009 -EQA, Section 25
3.	Discharge of waste water from cleaning activities	-EQ (Sewage)Regulations 2009 -EQA, Section 25
4.	Potential disposal of used cooking oil into wash basin by food outlet operators	-EQ (Sewage)Regulations 2009 -EQA, Section 25
5.	Probable poor maintenance of kitchen grease trap by food outlet operators	-EQ (Sewage)Regulations 2009 -EQA, Section 25
6.	Potential discharge of waste water from cleaning activities by food outlet operator	-EQ (Sewage)Regulations 2009 -EQA, Section 25
7.	Possible flushing of fuel spillage at airside or landside to airport's drainage system	-National Water Quality Standards -EQA, Section 25 -EQA, Section 27 (for airport adjacent to the sea)
8.	Potential disposal of hazardous/scheduled waste into drainage system	-National Water Quality Standards -EQA, Section 25

-EQA, Section 27 (for airport adjacent to the sea)

Risk to Land Contamination due to Hazardous Waste

No	Environmental Aspect at Airport	Legal Implication
1.	Potential disposal of hazardous/scheduled waste from maintenance activities to normal refuse area <ul style="list-style-type: none"> • Spent mineral oil • Spent hydraulic oil • Used oil filters • Used chemical container • Paint container • Contaminated rag • Electronic waste – fluorescent tube, bulb, battery, circuit board, etc 	-EQ (Scheduled Waste)Regulations 2005 -EQA , Section 24
2.	Potential disposal of hazardous/scheduled waste by tenants i.e. fluorescent lamp, bulbs, etc to normal refuse area	-EQ (Scheduled Waste)Regulations 2005 -EQA , Section 24
3.	Potential disposal of confiscated hazardous item to normal refuse area	-EQ (Scheduled Waste)Regulations 2005 -EQA , Section 24
4.	Possible fuel spillage from fuel / chemical storage area	-EQ (Scheduled Waste)Regulations 2005 -EQA , Section 24

Risk to Noise Pollution

No	Environmental Aspect at Airport	Legal Implication
1.	Noise generation from aircraft	-The Planning Guidelines For Environmental Noise Limits and Control -EQA Section 23
2.	Noise generation from generator set	-The Planning Guidelines For Environmental Noise Limits and Control -EQA Section 23
3.	Noise generation from chiller room	-The Planning Guidelines For Environmental Noise Limits and Control -EQA Section 23

TRANSPORT

In airports operation, vehicle is mainly used for aerodrome inspection, maintenance activity as well aviation security. Ranges of vehicles are also used by Airport Fire Rescue Services. As for other support services i.e. Human Resource and Finance, etc, vehicles are used for taxing people and for other administrative matters.

Significant Environmental Impacts of Transportation

In principle, disposal of vehicle effluent is centralized under scheduled waste management at airports. The risk of spillage has been recognised due to the following factors;

- Fuel storage
- maintenance activity
- Poor maintenance of vehicle.

At this moment, there are no reports on chemical spillage from storage areas well as from maintenance activity.

As far as effluent is concerned, disposal of effluent from vehicle maintenance are centralised under scheduled waste management. However data is not available as the operation of scheduled waste control at various airports are still under development.

As far as solid waste is concerned, disposal of solid waste from vehicle maintenance will be centralised under Recycle program which is still under development.

Determining Environmental Impacts

Environmental impact is determined via environmental aspect-impact assessment methodology verified by SIRIM. The assessment is based on input and output of business activity which interact with environment.

The severity of the impact is determined via quantitative metric. Please refer to the attachment i.e. probability and severity table and aspect-impact table

Ambient noise monitoring was conducted at airports i.e. PEN, LGK, BKI, KCH, MYY and the result shows that the exposure level is below the permissible limits.

Number of vehicles used by MAHB – 40 units

Fuel consumption – 108 559.85 L

CO2 emission – 253 020.45 kg

Number of vehicles used by MASB – 47 units

Fuel consumption – 446 133.37 L

CO2 emission – 1 086 417.05 kg

Number of vehicles used by MA(Sepang) – 54 units

Fuel consumption – 274 097.79 L

CO2 emission – 638 839.72 kg

Formula used : 2.33070kg CO2 eq/litre

Mitigating Environmental Impact from Transportation

Schedule Waste Management

Scheduled waste management was developed to control hazardous waste generated from various activity including effluents from vehicle. The system encompasses of a procedure for storage/segregation/labelling, inventory trekking and disposal by approved contractor.

Fuel Usage Tracking

Database for fuel usage was established to trek the trend of usage. Upon baseline data, target was set to reduce the usage of fuel.

Environmental Quality Monitoring

Baseline environmental quality monitoring was conducted to measure the compliance of noise level generated by aircraft and other mode of transportation in airports. Boundary noise measurement by DOE standards use to oversee exposure of noise to residential area.

Disclosure on Management Approach to upholding Human Rights

As employers to over 7,00 members of staff, and servicing over 55 million passengers in 2010 alone, MAHB considers the preservation of human rights as paramount importance, not only to the vitality of our business, but also as a responsibility.

Investment agreements and contracts that includes human rights screening

As a prerequisite to all procurement activity, all investment agreements and contracts should abide to Malaysian employment and labour law which protects against forced labour, child labour and other aspects of human rights.

As over 99% of our procurement transactions are awarded to Malaysian vendors and suppliers, we believe that it is important that national standards for employment and labour practices are reflected by our company. For this reason, these aspects of the law are a crucial prerequisite to doing business with us.

Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening

As a prerequisite to all procurement activity, all investment agreements and contracts should abide to Malaysian employment and labour law which protects against forced labour, child labour and other aspects of human rights.

No incidents of discrimination or violation involving the rights of indigenous people reported in year 2010.

Due to the nature of travel, there are many aspects of Human Rights that revolve around the airport business.

Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

No specific training on policies and procedures concerning aspects of human rights conducted in MAHB. All employees are explained on their rights as an employee during an orientation program conducted upon being hired. Employees are also given a Code of Ethics handbook.

As guardians of five of Malaysia's international gateways, Malaysia Airports works closely with the Malaysian Government and its agencies to ensure that Human Rights are upheld at the national level.

Percentage of security personnel trained in the organization's policies and procedures concerning aspects of human rights that are relevant to operations.

No specific training on policies and procedures concerning aspects of human rights conducted in MAHB.

These agencies include the Police (PDRM), immigration and custom authorities, local communities and NGOs.

PREVENTION OF FORCED AND COMPULSORY LABOUR: HUMAN TRAFFICKING

Current Malaysian laws does not specifically address trafficking of persons, neither does it recognise trafficked persons as victims. There are no comprehensive Malaysian laws at the moment that penalises the range of offenses involved with trafficking.

Relevant Malaysian laws that do support these sentiments, however, are as follows:

- Women and Girls Protection Act, Act 106 (1973)
- The Child Act: Prohibits all forms of trafficking of children under age 18
- Anti Money Laundering Act: Used to seize assets of businesses involved in trafficking
- The Penal Code: Prohibits the buying or selling of any persons and comprehensively addresses trafficking for the purpose of prostitution
- Immigration Act

Malaysia Airports engages and co-operates with the all relevant Government enforcement agencies and authorities on the issue of human trafficking prevention.

Among the agencies that we continuously work with are the Royal Malaysian Police (PDRM), Immigration Department, National Government Security Office (NGSO) and the Royal Malaysian Customs.

Malaysia Airports also co-operates with the Malaysian Human Rights Commission (SUHAKAM), a non-governmental organisation on this issue.

Operationally, our engagement with authorities on this issue is made through the following channels:

- Central and State level Vital Installation Security Committee
- National and Airport level Facilitation Committee
- National and Airport Level Security Committee
- Airport Coordination Committee Meeting

SECURITY PRACTICES

The function of the Malaysia Airports' AVSEC Security Operation Centre (SOC) is to act as a strategic co-ordinating centre for security operations and to carry out general surveillance, recording and monitoring of access to airside.

The Centre's jurisdiction encompasses the following areas:

- Areas of Restricted Access (priority), and
- Other areas (with focus on x-ray screening points)

AVSEC SOC carries out general surveillance, camera tours and the presetting of camera positions for our airports. Some techniques may be employed in this process with the objective of ensuring that cameras are focused on strategic areas. In detecting suspicious movement, specific analytic surveillance is carried out.

All activities are recorded in our CCTV Hard Disk. For incidents that occurred or are reported within 24 hours, our CCTV officers are responsible to attempt to trace the events in our CCTV Hard Disk. Series of such events will then be recorded in a separate VCD. All these events and incidents will also be lodged in the station diary and log book.

Responses to incidents

Malaysia Airports AVSEC operations takes preventive measures to address pertinent issues by vigilant patrols and by performing regular airport pass inspections on random basis at access points.

In 2010, AVSEC records show that there were 16 incidents defined as "suspicious" or "potential to be." All these incidences pertained to the falsification of personal or travel documents. All suspects were reported to the police.

BIL.	AIRPORT	2010
1	KLIA	3
2	KOTA KINABALU	1
3	SANDAKAN	12
	TOTAL	16

Raising awareness among suppliers and other business partners on human trafficking

Malaysia Airports engages with suppliers and business partners on the issue of human trafficking presentation through the following platforms.

- National and Airport level Facilitation Committee
- National and Airport Level Security Committee

Quality Standard (SOC)

To ensure effective surveillance to prevent any act of unlawful interference

Security Data (Quality Records - CCTV)	Retention Time
Station Diary (SD)	6 years
Log Book	1 year
Incident Report	1 year
VCD	3 months

Malaysia Airports' AVSEC Screening Process (SOP/AV/01) functions to establish a standard method of screening process to prevent entry of unauthorised persons and carriage of dangerous goods/prohibited items into the aircraft and the airside area.

This procedure covers the screening process of all passengers (including VIP, staff, vendors and visitors), baggage and hand luggage before entering the sterile/airside area.

Quality Standard (SOP/AV/01)
 To conduct x-ray screening and a hand search on all passengers / staff / visitors and cabin luggage to prevent acts of unlawful interference

Security Data (Quality Records – XRay Screening)	Retention Time
Station Diary (SD)	6 years
Incident Report	3 year
Borang Penahanan Barang	1 month

Type of training provided to certify screener:

- Basic Police Training at National Police Training Centre (PULAPOL)
- Basic Aviation Security Course at Malaysia Airports Training Centre (MATC), Penang
- Screener Certification – Passenger Security Screening (PSS) – Level 1, Level 2 and Level 3 at Computer-Based Training Lab, Malaysia Airports Training Centre (MATC), KLIA

While no training specifically addressing human rights issues are organised, these elements are already encompassed in existing training programs such as in the following courses offered to Malaysia Airports AVSEC:

- Basis Police Training – Malaysia Laws, Police Roles and Responsibilities, Firearms Training, Physical Drills etc.
- Basic Aviation Security Course – Civil Aviation Legislative Framework (International and Local), Pre-Boarding Screening Process including Boarding Pas Checking, Profiling, Self Defence on T- Baton Technique, Access Control (checking / inspection on vehicles and airport passes) etc
- Screener Certification - Passenger Security Screening (PSS) – Level 1, Level 2 and Level 3
- AVSEC Supervisory Course
- AVSEC Crisis Management Course
- AVSEC Instructor's Course
- AVSEC Air Cargo Course
- AVSEC Management Course

At lease one private room search facility is provided at every passenger security screening work station for privacy on medical grounds or in response to cultural sensitivity or disability. This facility may be utilised based of special request by passengers and/or on acceptable reasons of security sensitivity grounds with the present of appropriate eye-witnesses. As a matter of policy, approval from security supervisor at site must be obtained before performing this obligation.

Disclosure on Management Approach to Labour Affairs

MAHB is powered 100% by Malaysians.

MAHB is committed to preserving the rights of every individual within its workforce regardless of age, gender, religion, social origin, ethnicity, sexual orientation, gender identity or disability. This is in accordance with the Malaysia's Employment Act and statutory requirements. In the case of Rewards and Recognitions for employees, the criteria for these decisions will be solely based on performance in terms of KPI and competency levels.

Our records show that our staff turnover is highest among staff whom have been with us under two years. Exit and goodwill interviews show that their primarily reason for leaving is to take up better offers elsewhere.

Many efforts have been taken to reduce turnover among staff, namely a comprehensive rewards and recognition programme, career pathing, job rotation, overseas assignments, cross fertilisation programmes with Malaysian Government agencies, talent development, and various leadership enhancement programmes.

Our hiring is conducted strictly on qualifications and merit, based on the applicants received by our Human Resources Division. The only areas whereby Malaysia Airports exercises gender discrimination is in the recruitment of AFRS, in compliance with ICAO which requires all personnel to be male. AVSEC personnel tasked to conduct security body checks are also subject to selection by gender as an operation requirement.

The welfare of our staff is the direct concern of Malaysia Airports' Board of Directors and Members of Exco. Among some of the company's major areas of interest are issues regarding collective bargaining, union matters and policies on human resource.

In 2010, the Malaysian Government held discussions contemplating the raising of the general retirement age from 55 to 60. This issue has been a major concern to Malaysia Airports, particularly where our AFRS personnel are concerned. Both physical and mental agility of our AFRS personnel are our top priority and the raise in the general retirement age may be costly and risky to our operations. While the Government has yet to put forth an official ruling on this matter, Malaysia Airports is actively in discussions with conditions that need to be considered by all parties concerned.

MAHB is an equal opportunity employer.

Policy against Child Labour

Abiding strictly to the Malaysian Employment Act (1956), MAHB does not employ any staff below the age of 16.

Policy against Forced / Compulsory Labour

Abiding strictly to the Malaysian Employment Act (1956), MAHB does not tolerate any form of forced / compulsory labour.

Policy and systems for records management and retention of sensitive data on staff

7 years. On soft and hardcopy. Working on e-filing.

HR4U

HR4U is an annual all-out employee engagement exercise conducted by the Malaysia Airports Human Resource Division. Over a period of one week, the entire Human Resource team embark on roadshows and set up booths to meet with staff at every location and all work shifts.

The purpose of HR4U is primarily to listen to feedback and grievences by staff members and to solve their issues, if not on the spot, then within the month. HR4U also serves to disseminate staff on new company policies and ethics.

HR4U is a part of the Human Resource Division's KPI.

PERFORMANCE MANAGEMENT SYSTEM (PMS)

In 2010, MAHB embarked on a new Performance Management System (PMS) that consists of two performance measures, namely KPI and competency.

In this new system, the behavioural competencies of all staff will be assessed using MAHB's Leadership Competency Model, which has two clusters, specifically "Managing Self" and "Managing Others".

In the "Managing Self" cluster, individuals will be assessed on their capabilities in terms of business acumen, strategic thinking, driving performance excellence, change and continuous improvement, initiative, organisational commitment and analytical thinking.

In the "Managing Others" cluster, individuals will be assessed on their capabilities in terms of managing stakeholders, team leadership, teamwork, developing others, customer service orientation as well as their impact and influence in certain scenarios. As part of the communication plan, HR conducted sessions with various stakeholders through multiple channels such as awareness training and HR bulletins. In a related development, MA Technologies Sdn Bhd was appointed to collaborate with HR on implementing ePMS, an electronic version of the system.

TOTAL WORKFORCE BY EMPLOYMENT TYPE, EMPLOYMENT CONTRACT AND REGION

Employee Group	Personnel Subarea	Total
Permanent	HO-Head Office	124
	KBI - Sabah	43
	KCH - Sarawak	40
	KUL - KLIA	251
	LGK - Kedah	3
	LT Alor Setar	19
	LT Bintulu	36
	LT Ipoh	9
	LT Kota Bharu	20
	LT Kuala T'ganu	38
	LT Kuantan	15
	LT Labuan	27
	LT Lahad Datu	6
	LT Melaka	22
	LT Miri	58
	LT P. Langkawi	65
	LT P. Pangkor	1
	LT P. Redang	11
	LT P. Tioman	13
	LT Sandakan	16
	LT Sibul	29
	LT Tawau	18
	LTAB K.Kinabalu	165
	LTAB Kuching	105
	LTAB P.Pinang	199
	LTAB SAAS	50
	MA Holdings Bhd	434
	MA Properties	5
	MA Technologies	240
	MAAH	26
	MACS	30
	MASB	18
MA-Sepang	1849	
MATC-Penang	8	
PEN - Penang	24	

	PT Bakelalan	1
	PT Bario	1
	PT Lawas	2
	PT Limbang	19
	PT Long Akah	1
	PT Long Banga	1
	PT Long Lellang	1
	PT Long Seridan	1
	PT Marudi	2
	PT Mukah	3
	PT Mulu	9
	UTW-Ancillary	55
	UTW-Bursa M'sia	9
	UTW-HQ	40
	UTW-KLCC	8
	UTW-KLIA	154
	UTW-Kota Bharu	2
	UTW-Penang	1
	UTW-SIC	8
	UTW-Subang	3
Permanent Total		4338

Employee Group	Personnel Subarea	Total
Permanent (DCA)	HO-Head Office	1
	LT Alor Setar	52
	LT Bintulu	42
	LT Ipoh	46
	LT Kota Bharu	70
	LT Kuala T'ganu	52
	LT Kuantan	31
	LT Labuan	37
	LT Lahad Datu	28
	LT Melaka	18
	LT Miri	65
	LT P. Langkawi	57
	LT P. Pangkor	2
	LT P. Tioman	4
	LT Sandakan	67
	LT Sibu	50
	LT Tawau	73
	LTAB K.Kinabalu	338
	LTAB Kuching	235
	LTAB P.Pinang	222
	LTAB SAAS	87
	MA Holdings Bhd	98
	MA Properties	2
	MA Technologies	4
	MAAH	5
	MACS	3
	MASB	7
	MA-Sepang	418
	MATC-Penang	1
	PT Bakelalan	1
	PT Bario	1
	PT Kudat	2
	PT Lawas	2

	PT Limbang	11
	PT Long Seridan	1
	PT Mukah	1
	PT Mulu	5
	UTW-HQ	1
Permanent (DCA) Total		2140

127

Employee Group	Personnel Subarea	Total
Contract	HO-Head Office	33
	KBI - Sabah	6
	KUL - KLIA	133
	LT Kuala T'ganu	1
	LT Melaka	1
	LT Miri	5
	LT P. Redang	2
	LT Sandakan	3
	LT Tawau	1
	LTAB K.Kinabalu	15
	LTAB Kuching	12
	LTAB P.Pinang	1
	LTAB SAAS	1
	MA Holdings Bhd	52
	MA Technologies	1
	MAAH	1
	MACS	5
	MA-Sepang	10
	PT Limbang	1
	UTW-Bursa M'sia	8
	UTW-HQ	2
	UTW-KLCC	5
	UTW-KLIA	4
UTW-Penang	2	
UTW-SIC	3	
UTW-Subang	3	
Contract Total		311

Employee Group	Personnel Subarea	Total
Probation	HO-Head Office	7
	KCH - Sarawak	1
	KUL - KLIA	22
	LT Alor Setar	1
	LT Kota Bharu	1
	LT Kuala T'ganu	1
	LT Kuantan	2
	LT Labuan	1
	LT Lahad Datu	1
	LT P. Langkawi	5
	LTAB K.Kinabalu	4
	LTAB Kuching	2
	LTAB P.Pinang	4
	LTAB SAAS	7
	MA Holdings Bhd	41
	MA Technologies	3
	MASB	2
	MA-Sepang	31

	PT Marudi	1
	UTW-KLIA	1
Probation Total		138
Trainee	MA Holdings Bhd	227
Trainee Total		227

Grand Total Workforce : 7154

128

BREAKDOWN OF EMPLOYEES PER CATEGORY ACCORDING TO GENDER, AGE GROUP, MINORITY GROUP MEMBERSHIP AND OTHER INDICATORS OF DIVERSITY

BY GENDER:

GENDER	TOTAL EMPLOYEES	PERCENTAGE
MALE	5027	70.27%
FEMALE	2127	29.73%
TOTAL	7154	100.00%

BY AGE GROUP:

AGE	TOTAL EMPLOYEES	PERCENTAGE
18-29	2734	38.22%
30-39	1785	24.95%
40-49	1445	20.20%
50-59	1186	16.58%
60-69	4	0.06%
TOTAL	7154	100.00%

BY RELIGION:

RELIGION	TOTAL EMPLOYEES	PERCENTAGE
Buddhist	76	1.06%
Christian	548	7.66%
Free religion of the den	1	0.01%
Hindu	138	1.93%
Islam	6372	89.07%
Roman Catholic	3	0.04%
Others	16	0.22%
TOTAL	7154	100.00%

BY ETHNIC ORIGIN :

ETHNIC ORIGIN	TOTAL EMPLOYEES	PERCENTAGE
Bajau	47	0.66%
Bidayuh	107	1.50%
Bisaya	11	0.15%
Brunei	22	0.31%
Chinese	122	1.71%
Iban	170	2.38%
Indian	156	2.18%
Kadazan	160	2.24%
Kayan Kenyah	7	0.10%
Malay	6067	84.81%
Melanau	66	0.92%
Murut	6	0.08%
Orang Ulu	11	0.15%
Others	202	2.82%
TOTAL	7154	100.00%

TOTAL NUMBER AND RATE OF EMPLOYEE TURNOVER BY AGE GROUP, GENDER AND REGION

Staff's Gender	Age Group	PSubarea	Total	
Male	18-29	HO-Head Office	47	
		KBI - Sabah	4	
		KUL - KLIA	77	
		LT Bintulu	3	
		LT Kuala T'ganu	1	
		LT Melaka	1	
		LT Miri	1	
		LT P. Langkawi	1	
		LT Sandakan	1	
		LT Sibul	1	
		LT Tawau	1	
		LTAB K.Kinabalu	1	
		LTAB Kuching	2	
		LTAB P.Pinang	8	
		LTAB SAAS	2	
		MA Holdings Bhd	4	
		MA Technologies	1	
		MA-Sepang	58	
		PEN - Penang	1	
		UTW-HQ	1	
		UTW-KLIA	3	
	18-29 Total			219
	30-39	30-39	HO-Head Office	3
			KBI - Sabah	1
			KUL - KLIA	3
			LT Bintulu	3
			LT Miri	1
			LTAB K.Kinabalu	3
			LTAB Kuching	1
			LTAB P.Pinang	1
			LTAB SAAS	1
			MA Holdings Bhd	8
			MA Technologies	2
			MA-Sepang	9
			UTW-HQ	1
			UTW-KLCC	1
			UTW-Subang	2
	30-39 Total			40
	40-49	40-49	KUL - KLIA	1
			LT Bintulu	1
			LT Labuan	1
			LT Lahad Datu	1
			LT Miri	1
			LT P. Langkawi	1
			LTAB P.Pinang	1
			MA Holdings Bhd	2
MA-Sepang			2	
40-49 Total			11	

50-60	LT Alor Setar	4
	LT Ipoh	2
	LT Kota Bharu	3
	LT Kuala T'ganu	2
	LT Kuantan	1
	LT Melaka	2
	LT Miri	2
	LTAB K.Kinabalu	8
	LTAB Kuching	3
	LTAB P.Pinang	15
	LTAB SAAS	4
	MA Holdings Bhd	10
	MACS	1
	MA-Sepang	23
50-60 Total		80
Male Total		350

Staff's Gender	Age Group	PSubarea	Total
Female	18-29	HO-Head Office	18
		KBI - Sabah	5
		KCH - Sarawak	2
		KUL - KLIA	110
		LT P. Langkawi	1
		LT Tawau	1
		LTAB P.Pinang	1
		MA Holdings Bhd	7
		MA Technologies	1
		MASB	1
		MA-Sepang	17
	18-29 Total		164
	30-39	KCH - Sarawak	1
		KUL - KLIA	8
		LTAB Kuching	1
		MA Holdings Bhd	7
		MASB	1
		MA-Sepang	3
		PEN - Penang	2
	30-39 Total		23
	40-49	LT Labuan	1
MA Holdings Bhd		2	
40-49 Total		3	
50-60	LT Sibul	1	
	LTAB K.Kinabalu	2	
	LTAB P.Pinang	2	
	MA Holdings Bhd	5	
	MA-Sepang	5	
UTW-HQ	1		
50-60 Total		16	
Female Total		206	

Grand Total Employee Turnover : 556

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENT

Total number of Executives : 833 (12%)
 Total Number of Non Executives : 6,321 (88%) – Covered by Collective Agreement

MAHB also practices formal discussions on wage and benefits via Collective Bargaining every three years for both union and executive staff. It also practices market benchmarking in its pay policy which is aligned to performance, and this applies to the company as well as the individuals within it.

There are four labour groups directly engaging with the Malaysia Airports management. They are:

- KESMA: In house union for non executive staff (Peninsular Malaysia)
- KEPEMAB: In house union for non executive staff (Sabah)
- KEPMAS: In house union for non executive staff (Sarawak)
- MAESA: Malaysia Airports Executive Association

MAHB management holds monthly engagements with all these groups.

MAHB has also embarked on its fifth Employee Engagement Survey, in order to have a better understanding of what employees think and feel about the company, to delve deeper into the complexities of their job requirements and responsibilities as well as identifying factors that 'engage' the employees and what motivates them to drive business related goals and objectives.

There are three key behaviours that indicate strong 'Engagement', Say, Stay and Strive. 'Say' denotes the ability to consistently speak positively about the organisation to co-workers, potential employees and customers. 'Stay' denotes the intense desire to be a member of the organisation. While 'Strive' denotes the exertion of extra effort and the engagement in behaviours that contribute to business success.

The results of the 2010 'Engagement Study' indicate that 74% of employees at MAHB are engaged, which is an increase of 9% from 2009.

MAHB had also participated in the Leadership Development Audit, which was one of the initiatives outlined in the Orange Book by Khazanah Nasional Berhad. The audit was focused on 132 positions in the upper management divisions. The audit focused on MAHB leadership activities, outcomes and design plans for improvement. The overall outlook of the audit indicated a general compliance to the Orange Book initiatives. Nonetheless, there are several areas that need to be addressed by the Management.

- a. Relationship with union is important and we work closely to mitigate sparks of unhappiness
- b. Intervention has been conducted where our IR department steps in to address concerns such as

<p>Malaysia Airports Executive Association (MAESA)</p> <p>Objectives:</p> <ul style="list-style-type: none"> • As a communication bridge between the company and members • To contribute ideas to the company for mutual benefit • To check and balance the company direction in line with the law • To improve ties between members and non-members • To oversee the career development and social welfare of members • To organise association activities based on current regulations
<p>Issues discussed year 2010:</p> <ul style="list-style-type: none"> • Discussions on current employee issues and benefits • To resolve problems based on company policies • Calculation of 2010 bonus • Company direction and how executives could contribute • Communications and information delivery between HR and staff • Discussion on employment terms and conditions etc.

like abuse. Disciplinary actions taken seriously.

- c. Communication, two way, HR arbitrates or whistle blowing or unions or MAESA
- d. Code of ethics
- e. Performance management
- f. Arbitration when dissatisfaction

Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.

Assistance Programs

	Education/Training		Counselling		Preventive/Risk Control		Treatment	
	Yes	No	Yes	No	Yes	No	Yes	No
Program recipients'								
Workers		√		√		√		√
Workers' families		√		√		√		√
Community members		√		√		√		√

TRAINING & DEVELOPMENT

A major component of Human Resources (HR) responsibilities is the development of its human capability in the field of certifications and in-house programs. Towards this, active steps were taken to equip trainers with certifications that allowed them to conduct an in-house program. To date a total of 18 staff from HR, AVSEC, AFRS and the Engineering Division have received their trainer's certification from Perbadanan Sumber Manusia Berhad (PSMB) under the Ministry of Human Resources.

In 2010, a total of 379 training programs were delivered by our own internal and appointed external trainers that involved a total of 6,596 employees being trained with an investment of RM6.8 million. HR conducted a number of collaborative programmes. 10 International Civil Aviation Organisation programmes were hosted at MATC KLIA involving 107 participants from 21 Contracting States. In terms of ACI GTH, five training programmes were conducted in 2010.

For 2010, a total of 26 new AVSEC Officers and 200 AVSEC Assistants completed their training to accommodate operational requirement at airports. In a related development, Malaysia Airports Training Centre (MATC) Penang has trained 21 Airport Rescue and Fire Fighting (ARFF) personnel from Male International Airport, Maldives.

Human Capital Development 2010

Malaysia Airports invested a substantial fund for its Human Capital Development in 2010 and has embarked on the Leadership Development Program to develop leaders within MAHB.

The target group for this development is Managers, Senior Managers and selected Executives. To enhance their capability as leaders, several workshop were conducted, namely the Leadership Feedback Workshop, Business Acumen, Strategic Thinking and Action Based Learning.

The program objective is to establish a strong team of leaders to create the multiplier effect for massive growth and deliver breakthrough performance.

Average hours of training per year per employee by employee category

Average training hour per employee in 2011 = Total no of training hours in 2010/ Total no of Employee in 2010

$$= 242,640/7,154$$

$$= 33.91 \text{ hours per employees}$$

Employee Categories in MAHB is divided into the follows:

Moreover, we registered three more staff for the Employee Exchange Program (EEP), a collaboration between MAHB and Incheon International Airport.

In addition to this, Education Sponsorship Program (ESP) is a new initiative which aims to provide sponsorship for individuals with potential and excellent education backgrounds to continue their studies at selected Colleges and Universities.

For the year 2010, MAHB had financed eleven eligible students under this program. Apart from ESP, MAHB also places a high value on employee education, and the Education Assistance Program (EAP) is part of the organization's aspiration to promote continuing education for its employees to maintain and improve their job-related competencies.

- Top Management – General Manager and above (Grade 28 -30)
- Executive - Executive up to Senior Manager (Grade 20 -27)
- Non-Executive - Officer and below (Grade 16 and below)

Total training hours per employee categories:

Top Management = 1,250 hours/30 employees = 41.66 hours per employees

Executive = 52,200hrs/ 803 employees = 65 hours per employees

Non executive = 189,136 hours/6,321 employees = 29.92 hours per employees

MAHB continues to send employees to attend the Airport Management Professional Accredited Program (AMPAP). AMPAP is the world's only course-based accreditation programme for airport executives that are delivered both in a face-to-face and online manner.

For airport management professionals, the International Airport Professional (IAP) designation is the affirmed global standard of excellence. At this juncture, a total of five MAHB staff have earned their IAP designation during graduation held in 2010.

The Malaysia Airports Career Development Programme (MACDP) is another comprehensive program and utilizes a holistic approach to develop a pool of talent to ensure a continuous supply of highly competent airport personnel for its immediate and future needs. For this purpose, MAHB had collaborated with Universiti Teknologi MARA (UiTM) to conduct two main programs under MACDP. The Corporate Diploma in Airport Management (CDAM) is designed for executive staff whereas the Executive Diploma in Airport Management (EDAM) is for non-executive staff. For 2010, a total of 97 staff has started their studies that commenced in August and be slated for completion by July 2011.

Furthermore, the Pre-retirement programme is a new initiative designated for MAHB employees who will be retiring within three years. The program is an avenue for staff to be prepared for a happy and successful retirement based on four dimensions, namely in the Spiritual, Intellectual, Emotional and Physical sense of things with financial planning and management as added value for this quest. In 2010, 28 staff attended the first session.

In line with the GLC Transformation Programme, MAHB embarked on the third cycle, namely strengthening leadership development. This was achieved by having Cross Assignment and Cross Fertilisation programs with the goal of building a new generation of high performing business leaders through the transfer of knowledge and expertise. As the host of the program in 2010, MAHB received eight new cross assignees, with two from other GLC and one from a Government Ministry.

One of the key attributes of a World- Class Airport business is its concern for the standard of professionalism in the workforce to deliver service level standards of the highest quality. Among HR objectives is to ensure that MAHB has a capable and professional workforce to meet, if not exceed customer expectations through quality delivery.

HR is always looking for new approaches to reach the Company's business goals. The ability to attract, optimise, and retain top talent is a vital component to achieve this objective. Branding the organisation to

local campuses is the key focus of recruiting programs, and the career fair appears to be the most effective tool to achieve that goal. HR scouts for talent not only from local universities, but also from other universities overseas.

BRINGING OVERSEAS TALENT HOME

In 2010, HR participated in 5 local career fairs which were organized by the Ministry of Higher Education in collaboration with Jobstreet.com, Ministry of Transport, Ministry of Human Resources, Khazanah Nasional and MARA Professional College. HR has also participated in the career fair at University College London and Arrows on Swanston in Melbourne as part of the Company's strategic initiative to become the "Employer of Choice" and part of Employer Branding. The aim of the career fair is to have an exclusive opportunity to reach Malaysian graduates in UK and Australia in order to have an advantage in recruiting these high-achieving Malaysian graduates ahead of other companies.

In addition, the career fair also offered an exclusive branding opportunity as students will recognize MAHB's role in providing them with relevant information on career choices. The career fair was organized by Biz-Connection-GRADUAN in a joint collaboration with the United Kingdom Executive Council (UKEC), Malaysian Students' Council of Australia (MASCA) and the Malaysian Students' Department in London and Australia.

Disclosure on Management Approach to Society

The Society Section of our second Sustainability Report, is focused on three primary aspects. These aspects are:

- Local Communities
- Vendor / Entrepreneur Development
- Corruption

Foremost of these aspects however, it is imperative to note other community related efforts undertaken by MAHB.

In responding to national calls for blood donors, a number of blood donation drives have been set up at our airports, in collaboration with the National Blood Bank (PDN) and local hospitals. These blood donation drives are open to public and has successfully attracted staff, business partners, tenants and vendors to contribute to saving lives.



MAHB is a strong supporter of education and has adopted a number of schools within the vicinity of our airport locations. Under the banner of the Khanazah-led Pintar Foundation, we formed 'Beyond Borders,' an in-house program that has gone on to win a number of national awards for promoting education among primary schools in both Peninsular and Borneo Malaysia.

BEYOND BORDERS

Our flagship community program, Beyond Borders, a nationwide school adoption program aims to promote a healthy, competitive and creative spirit within the minds of the students among the adopted school community.

This initiative also aims to give an opportunity for underprivileged students to challenge themselves. In 2010, the main focus of Beyond Borders is to have improvements in the subject of Science, English and Mathematics. This has been proven by the increasing of passing rate for UPSR in all adopted schools.



12 schools in rural area were adopted for the period of three years (2010- 2012). With the completion of the 1st phase of Beyond Borders at the end of 2009, Malaysia Airports has ignited the second phase of Beyond Borders by expanding the program to 12 new schools throughout the region. The schools are, SK Seri Cheras, W.P. Kuala Lumpur, SK Olak Lempit, Banting, Selangor, SK Labu Ulu Batu 8, Negeri Sembilan, SK Semabok, Melaka, SK Batu 3, Kuantan, Pahang, SK Mengabang Telipot, Terengganu, SK Parang Puting, Pengkalan Chepa, Kelantan, SK Sungai Raya, Kinta, Perak, SK Titi Gajah, Alor Setar and SK Sungai Batu, Teluk Kumbar, Pulau Pinang, SK Temenggong Datuk Muip, Sarawak and SK Wakuba in Sabah.

The official initiation of the second phase was conducted in the month of July and August 2010 in presence of MAHB senior management as well senior officials and representatives from the State Education Department (JPN) of the respective states to commemorate the launch event.

New enhanced framework and program pillars encompassing interschool competitions, tuition classes, academic clinics, motivational talks, trainings and workshops were subsequently conducted at the new adopted schools throughout the year. Beyond Borders 2010 was concluded in October with its annual Beyond Borders Awards dedicated to give appreciation and recognition to committed students and teachers. The event was conducted at MAHB's adopted schools located at three venues in the Central, Northern and Eastern region. The schools were SK Olak Lempit, Selangor who played host for the Central region followed by SK Sungai Raya, Perak for Northern region and SK Batu Tiga, Pahang for Eastern region.

Under the Beyond Borders Awards banner, 5 categories were presented namely the Beyond Borders Interschool Project Competition category, Beyond Borders Planet Green Project Competition category, Golden Pen Awards: Essay Writing Competition category, 'Act it Up' Interschool Drama Competition category and the Special Awards category. The Special Awards are Best Principal, Best Single Point of Contact (SPOC), Best Presenter for Beyond Border Project Interschool Competition, Best Presenter for Beyond Border Planet Green Interschool Competition, Best Actor, Best Actress and Best Director for 'Act it Up' Interschool Drama Competition. Winners for each category from every region received cash prize were accompanied by trophies and certificates.

As a result of the dedication and support shown by the teachers, the students showed a positive result in the 2010 UPSR examination with a higher percentage of passes and more students getting 5As as compared to the previous year. Moving forward, Beyond Borders will continue its aspiration to empower the lives of the underprivileged children inline with its tagline 'Give Them Wings, Let Them Fly'.

PAN PACIFIC KLIA: A year of good deeds

PPKLI also did their bit by contributing provisions to the Persatuan Kebajikan Agathiar Sanmarka Sanggam (PKASS) Dengkil. PKASS provides a wide range of community services, from feeding the poor, famine relief and offering medical services. Currently, PKASS provides food rations to over 200 families on a monthly basis. The centre's major activity is to provide a full month's food supply on 7 essential items such as rice, sugar, wheat flour, dhal, bee hoon, cooking oil and milk powder to the 200 families around the Klang Valley and Negeri Sembilan.

The hotel also participated in Earth Hour on the 27th of March 2010 from 8.30pm to 9.30pm, joining the climate change initiative that is committed towards creating a global platform of support for climate change. Over a thousand cities and towns turned off their lights worldwide, and within the hotel, most lights were switched off or literally dimmed to the minimum.

The 2010 eruption of the 'Ejafjallajokull' volcano in Iceland caused enormous disruption to air travel across Western and Northern Europe, and the effects were felt here in KLIA, with a whole host of stranded passengers unable to make their connecting flights. In a gesture of goodwill, PPKLIA worked together with the British High Commission to provide complimentary rooms for them during this interim period.

During the Christmas period, PPKLIA's community care committee together with the Learning & Development (Education) team gathered three homes namely Persatuan Kanak Kanak Istimewa Kajang, Persatuan Kebajikan Thirumular Malaysia and Pertubuhan Rumah Anak Yatim Mary for a Christmas party on 23rd December 2010. A total of 80 kids and their guardians participated in this event. The children were entertained by 'Peanut' the clown, treated to a scrumptious lunch and musical performance by the choir group of Church of St Theresa in Nilai. After the lunch, we presented individual cheques of RM1000

to each home along with a host of essentials such as recycled linen, face towels, bath mats, hand towels, pillow cases and bed sheets. The children also received three gifts each by hotel representatives dressed in their best Christmas costumes.

These initiatives are part and parcel of an institution that respects and cares for our wider community through connecting and sharing whilst also recognising the value of diversity in the present context. PPKLIA can definitely be classified as an establishment that believes in the greater good and one that cherishes the spirit of volunteerism in this day and age.

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ZAKAT REDISTRIBUTION

In a related development, it should also be noted that MAHB initiated the payment of 'zakat' in order to fulfil its societal obligation to the Muslim community. Lembaga Zakat Selangor (LZS) has reimbursed Malaysia Airports 1/3 of the zakat amount paid in 2010 to be redistributed to Malaysia Airports employees, the underprivileged children of its adopted schools as well as the underprivileged community living within the vicinity of KLIA. Verified and endorsed by LZS, these recipients fall within the definition of the eight 'asnaf' eligible to receive the zakat. In addition, a total of 165 MAHB's employees and 933 students from MAHB adopted schools have been identified to receive the zakat allocation.

VENDOR DEVELOPMENT PROGRAMME

MAHB establishes strategic partnerships with suppliers and provides the necessary support for local vendor development. The Vendor Development Programme aims to reduce the total cost of ownership, shorten cycle time, minimise corruption, increase value adding benefits and better management of suppliers. We also assist potential suppliers to initiate partnership with well-established or incumbent suppliers. This will promote valuable transfer of knowledge and collaboration in areas such as Research and Development (R&D). In addition, potential suppliers will be able to expand their businesses and enjoy the assurance of quality and price

ENTREPRENEUR DEVELOPMENT PROGRAM

We have partnered with MECD to support to the development of SMEs (Small Medium Enterprise), by providing retail and F&B (Food and Beverages) businesses opportunities in an international airport such as KLIA. This programme will also help to showcase and market Malaysian products and local delicacies produced by local SMEs. A prime example is the Food Garden at the LCCT whereby MAHB through a collaboration with the former Ministry of Entrepreneur Development and Co-operative Development (MECD) has provided chances and opportunities to Bumiputera Entrepreneurs to further develop their business at LCCT-KLIA by allocating five F&B kiosks.

Corruption

As of 31 December 2010, more than 50 business units and 2 mega project risk assessment went through the risk assessment process. The result of the risk assessment process is a generic risk profile which is segregated into:-

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- Project Risk Profiles.
- Airport Risk Profiles.
- Subsidiaries / Departmental / Divisional Risk Profiles.
- Corporate Risk Profile.

In assessing risks for each business units / projects, the risk of corruption is included as one of the risk factor. In addition to this formal risk assessment process, the Company continuously addresses the risk of corruption through various measures. Some of the measures are:

- Declaration of interest for members of Tender Evaluation Committee.
- Enforcement of Procurement Policy and Procedure (3Ps).
- Internal auditing of various sections within the organisation.
- Establishment of Financial Limit of Authority.
- Whistle-blowing programme.
- Declaration of assets by all employees.

WHISTLE BLOWING PROGRAMME

In order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, whilst at the same time being an entity that serves the interest of the nation, the Company has instituted the whistle-blowing programme which acts as a formal internal communication channel, where the staff can communicate concerns in cases where the Company's business conduct is deemed to be contrary to the Company's common values. The categories of concern may cover the following:-

- Commission of fraud, bribery and/or corruption;
- Unauthorised use of Company's properties, facilities, information etc;
- Failure to comply with the professional standards or legal requirements;
- Actions that may result in danger to the health and/or safety of people or may cause damage to the environment;
- Miscarriage of justice;
- Unethical practice in accounting, internal controls, financial reporting and auditing matters;
- Any other legal or ethical concerns.

All concerns should be addressed to the Whistle-blowing Independent Committee ("WIC") which is comprised of respectable individuals from various levels of management chaired by Dato' Che Azmi bin Murad, Senior General Manager, Operations, MAHB whereby the Committee would assess all concerns reported and act accordingly in accordance to their terms of reference. Subsequently, the WIC will submit a report to the Board Risk Management Committee on a quarterly basis. All details pertaining to the name and position of the whistleblower will be kept strictly confidential throughout the investigation proceedings.

During the year, a total of six (6) concerns were reported, which cover broad areas of concerns as mentioned above, and where appropriate, actions have been taken to address the issues raised.

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CORE INDICATORS

ADDITIONAL INDICATORS

AOSS CORE INDICATORS

*NEW INDICATORS G3.1

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