



LIKE NO OTHER



Annual Report 2006

KNOWLEDGEABLE
PASSENGERS.

OUR

OVER 100
ENTERTAINMENT
OPTIONS



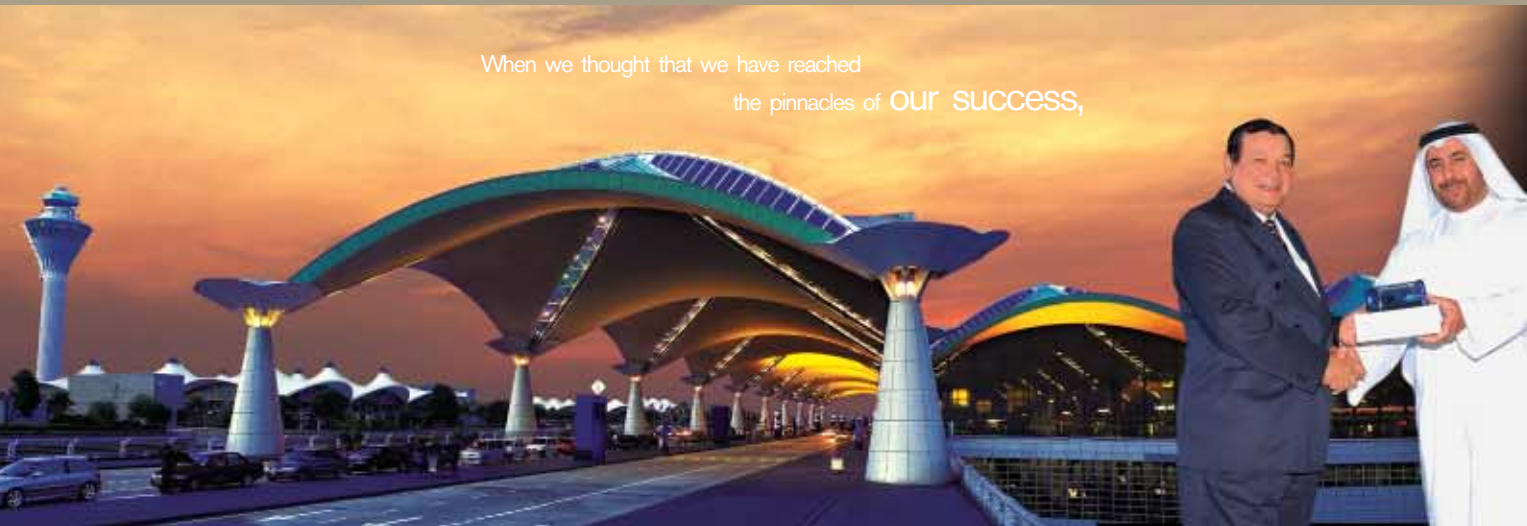


STORY

LUXURY IS IN THE AIR

Growing from strength to strength.

When we thought that we have reached
the pinnacles of our success,





we realised that there will always
be a **higher mountain** to climb...

and a **greater sky** to so

...a **wider ocean** to cross



In continuing the
momentum forward,
we will never stop for a moment.

As we strive in our endeavour to constantly
outperform ourselves,

achieving success is not our destination.



Rather it's the knowledge gained along
the miles traveled that mattered most.

As true competition is not out there
but one that comes from within.

We are unlike all others.

We are uniquely us.



Mission Statement

To provide aviation gateway to Malaysia with a network of airports that will facilitate development of tourism, and the economy as a whole, through **providing a cost effective aviation infrastructure and services** at the highest international standards, meeting the needs of all customers.



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8th

Annual General Meeting

The Pan Pacific Kuala Lumpur International Airport

Thursday, 31 May 2007

11.00 a.m.

232	Airports Operated By The Group	254	Cargo Movements 2006	275	Airlines Operating At KL International Airport
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- Asia Pacific's Premier Air Transportation and Cargo Transshipment hub.
- A greenfield site covering 10,000 hectares.
- Themed after the natural surrounding "An Airport in the Forest and Forest in the Airport".
- Capable to accommodate up to 25 million pax per annum & 1.2 million tonnes of cargo.
- 2 full service runways, 106 aircraft stands and 46 gates.

AT A

KL International Airport (KLIA)

- 216 check-in counters and 26 custom counters.
- The distance between the Main Terminal Building and the Satellite Building is 1.2 km, and linked by Aerotrain.
- 86 retail and 30 food and beverage outlets await visitors.
- Available from within the terminal is the Airside Transit Hotel with 80 rooms and The Pan Pacific KLIA with 441 rooms.
- The Total Airport Management System (TAMS) links more than 42 systems, which interfaces and integrates communication network.



Company Profile

Malaysia Airports Holdings Berhad

Malaysia Airports Holdings Berhad (MAHB) is in the business of managing and operating Malaysia's 39 airports as well as providing airport-related services. The airports under its ambit include five major international airports (KLIA, Pulau Pinang, Langkawi, Kuching and Kota Kinabalu), 16 domestic airports and 18 short take-off and landing ports that serve communities in Malaysia's less accessible areas.

GLANCE



Low Cost **Carrier** Terminal (LCCT-KLIA)

- Specifically built and custom-made to meet the Low-Cost Carrier Business Model.
- Constructed on a fast track basis beginning June 2005 at a cost of RM108 million with a simple set-up and centralised operations.
- The 35,290 square meters Terminal is designed and built to facilitate the passengers of international and domestic departures/arrival within a single floor operation area.
- LCCT-KLIA is capable of handling 10 million passengers a year and is fully air-conditioned.
- Facilities & Services include: Check-in Counters, Baggage Carousels, Car Park lots, Retail and F&B outlets, Service Counters, Foreign Exchange Counters, Auto Teller Machine (ATM), Duty Free Shops, pay phones, taxi & bus service, prayer rooms and Arrival & Departure Lounges.

Since 1 November 1992, MAHB (through subsidiary Malaysia Airports Sdn. Bhd.) has held a 30-year lease and license from Malaysia's Ministry of Transport to operate all the nation's existing airports. Another subsidiary, Malaysia Airports (Sepang) Sdn. Bhd. has been managing and operating the world-class KL International Airport (KLIA) under a 50-year concession and lease agreement with the Ministry of Transport since 5 May 1998. On 30 November 1999, MAHB became the first airport company in Asia and one of just six in the world to be listed.

MAHB's role in airport operations includes the development, management and maintenance of existing terminal buildings, runways, roads and car parks. It has been entrusted with overall responsibility for operational efficiency, passenger and aircraft safety and security and the fulfilment of environmental requirements.

Through its many subsidiaries, MAHB is also involved in the operations of duty free and non-duty free outlets; the provision of food and beverage related services at the airport; property

investment holding of the car parks, airside hotel and the Pan Pacific KLIA, the Free Commercial Zone and KLIA's Southern Common facilities, as well as palm oil plantations.

MAHB currently employs over 6,000 personnel across 39 offices in Malaysia, more than 2,000 safety and security personnel, over 700 fire and rescue personnel and 382 trained customer relations specialists.

voted World's Best Airport 2006

Malaysia Airports Holdings Berhad (MAHB) continues to soar to greater heights by taking top position as the World's Best Airport in the 15-25 million passengers category.

Other accolades that were presented to MAHB by the Airport Council International Airport Service Quality for its outstanding performance throughout the year include being third overall for the Best Airport Worldwide as well as Best Airport in the Asia Pacific region.

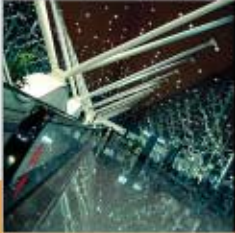
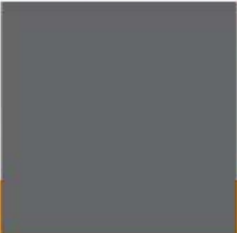
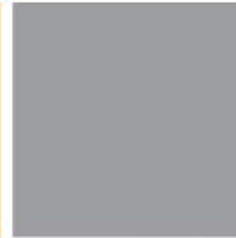
MAHB also secured top position when LCCT-KLIA was named the Centre for Asia Pacific Aviation Low Cost Airport of the Year.



WORLD'S
BEST
AIRPORT



05
06



2 CONSECUTIVE
YEARS



15-25
MILLION
PASSENGERS
PER ANNUM
CATEGORY

CONSOLIDATED INCOME STATEMENT

Year ended 31 December

	2006 RM Million	2005 RM Million	% Change
Revenue	1,146.8	1,112.8	3.1
Operating Profit	266.4	278.5	(4.3)
Financing Costs	(6.5)	(6.7)	(3.0)
Share of results of Associated Companies	3.4	5.3	(35.8)
Profit before taxation	263.3	277.1	(5.0)
Taxation	(92.4)	(94.8)	(2.5)
Profit for the Year	170.9	182.3	(6.3)
Attributable to:			
Equity holders of the Company	170.3	182.3	(6.6)
Minority interests	0.6	–	>100.0
	170.9	182.3	(6.3)
* Earnings per share (sen)	15.5	16.6	(6.6)

*Attributable to equity holders of the Company

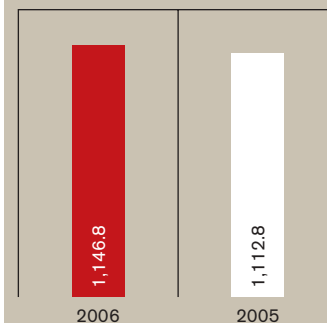
CONSOLIDATED BALANCE SHEET

As at 31 December

	2006 RM Million	2005 RM Million	% Change
ASSETS			
Property, Plant and Equipment	1,721.6	1,634.3	5.3
Investments	163.8	145.7	12.4
Other Non-Current Assets	1,258.3	1,281.0	(1.8)
Current Assets	1,188.0	979.3	21.3
TOTAL ASSET	4,331.7	4,040.3	7.2
EQUITY AND LIABILITIES			
Share capital	1,100.0	1,100.0	–
Share premium	822.7	822.7	–
Retained earnings	872.1	733.5	18.9
	2,794.8	2,656.2	5.2
Minority Interest	3.2	–	>100.00
TOTAL EQUITY	2,798.0	2,656.2	5.3
Non-Current Liabilities	129.2	207.1	(37.6)
Current Liabilities	1,404.5	1,177.0	19.3
TOTAL LIABILITIES	1,533.7	1,384.1	10.8
TOTAL EQUITY AND LIABILITIES	4,331.7	4,040.3	7.2
Net Tangible Assets Per Share (RM)	2.5	2.4	4.2

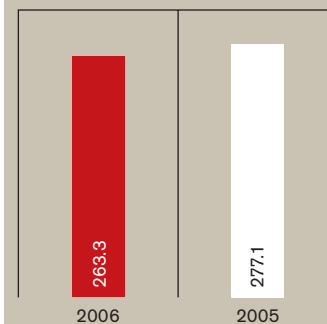
Revenue

RM Million



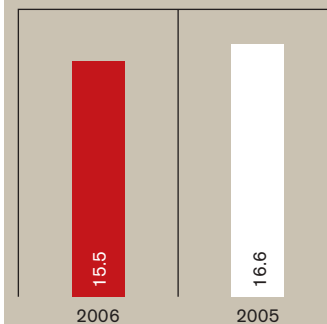
Profit Before Taxation

RM Million



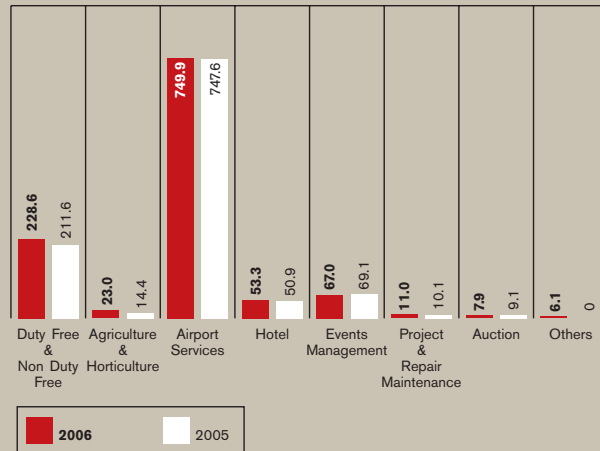
Earnings Per Share

Sen



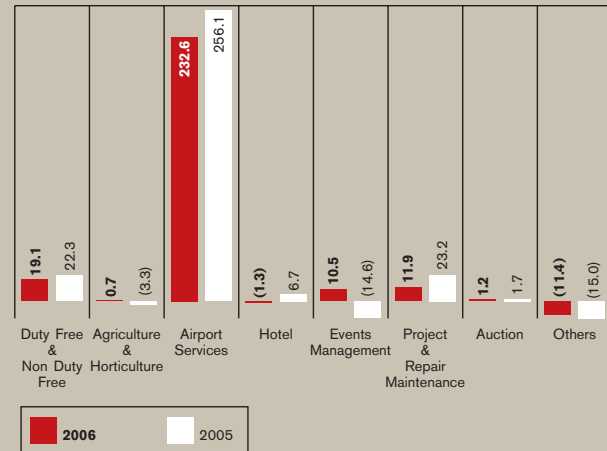
Revenue

RM Million



Profit Before Taxation

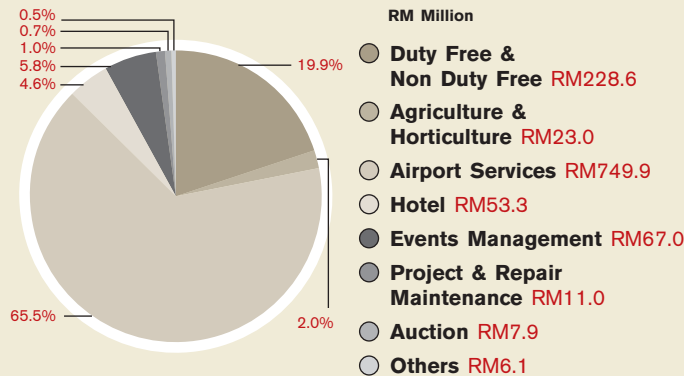
RM Million



Revenue

2006

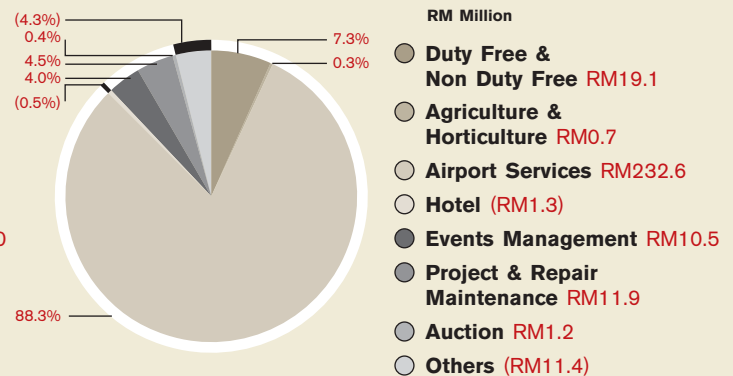
RM1,146.8 Million



Profit Before Taxation

2006

RM263.3 Million



GROUP REVENUE

For the financial year ended 31 December 2006 (FY 2006), the Group achieved a record turnover for the fourth consecutive year. The Group's revenue grew 3.1% to RM1.147 billion in comparison to RM1.113 billion in FY 2005.

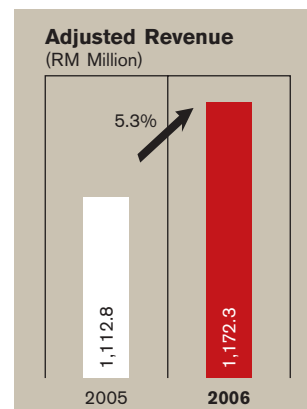
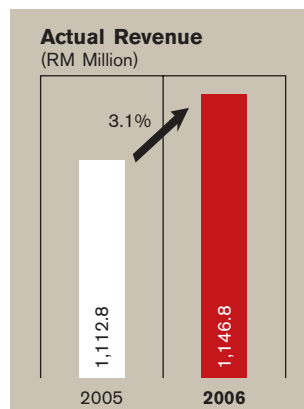
This revenue growth was attained despite a 1.6% decline in aircraft movements following a route rationalisation exercise in the domestic market and Malaysia Airlines Berhad's termination of unprofitable international routes in line with its turnaround plan. Despite the reduction in aircraft movements, passenger growth was 2.2% for FY 2006.

AERONAUTICAL REVENUE & NON-AERONAUTICAL REVENUE

The Group's revenue base is divided into aeronautical revenue and non-aeronautical revenue. Aeronautical revenue is mainly derived 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 operation of duty and non-duty free outlets, management of food and beverages outlets, management and operation of parking facilities, the Airside Transit Hotel, the Free Commercial Zone at KLIA and the lease of commercial spaces.

The Group also derives income from the operation of hotel, agriculture and horticulture activities, events management and other activities as described in the financial statements of the Group.

In FY 2006, there was stronger growth in the non-aeronautical revenue business, notably from retail operations. This development underscores the Group's strategy of boosting the contribution of its commercial operations. Excluding the issue of RM25.5 million worth of credit notes in relation to a long outstanding KLIA land rental and debt settlement agreement being achieved, revenue growth would have touched 5.3% or approximately RM1.172 billion.



SEGMENTAL REVENUE

In FY 2006, MAHB's five major business segments delivered the following results:

Duty Free and Non-Duty Free: The duty free and non-duty free business operates duty free and non-duty free outlets as well as manages food and beverage outlets at designated airports. This business segment recorded an increase in revenue by RM17.0 million or an 8.0% increase from FY 2005's revenue mainly due to the opening of outlets at LCCT-KLIA from 23 March 2006.

Agriculture: MAHB's agriculture and horticulture business activities include the cultivation and sale of oil palm and other agriculture products. The Agriculture segment recorded an RM8.6 million or 59.5% increase in revenue mainly due to higher total crop harvested and the increase in the average Fresh Fruit Bunch (FFB) price.

Airport Services: This business segment is tasked with operating, managing and maintaining designated airports in Malaysia and providing airport related services. The Airport Services segment's revenue decreased by RM2.3 million or 0.3% mainly due to the issuance of credit note in relation to a long outstanding KLIA land rental and debt settlement agreement.

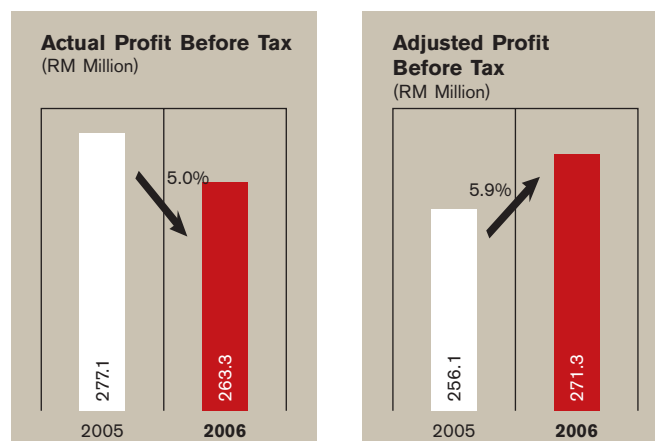
Hotel: The Hotel segment manages and operates the Pan Pacific Hotel KLIA. This segment recorded an increase in revenue of RM2.4 million or 4.8% as a result of higher average room rates in 2006.

Events Management: The events management business manages and operates the Sepang F1 Circuit and organises and promotes motor sports and entertainment events. FY 2006 saw this business segment recording a drop in revenue of RM2.1 million or a 3.0% decline due to lower F1 ticket sales.

GROUP PROFITABILITY

Profit before tax (PBT) for the year under review fell 5.0% to RM263.3 million from RM277.1 million in FY 2005. The decline in profitability was attributable to a one-off gain realised in FY 2005 following the disposal of MAHB's Cambodian investment, a write-back on provision for land premium and higher depreciation charges as a result of the new and revised Financial Reporting Standards adopted. Excluding these elements, PBT for FY 2005 and FY 2006, would have been registered at RM256.1 million and RM271.3 million respectively, which would have resulted in a 5.9% PBT growth for FY 2006.

It is also to be noted that, the Group had managed to record a zero percent increase in operating costs.



SEGMENTAL PROFITABILITY

Duty Free and Non-Duty Free: The duty free and non-duty free business segment recorded a RM3.2 million or 14.3% decrease in PBT mainly due to the increase in operating expenditure.

Agriculture: The agriculture business recorded PBT of RM0.7 million as compared to a loss of RM3.3 million in FY 2005 due to the significant increase in revenue resulting from a higher total crop harvested and increase in the average FFB price.

Airport Services: PBT for the Airport Services segment decreased by RM23.5 million or 9.2% mainly due to the issuance of credit notes.

Hotel: The hotel business recorded a loss of RM1.3 million as compared to PBT of RM6.7 million in FY 2005 due to higher depreciation charges of RM8.1 million in 2006 resulting from the adoption of FRS116.

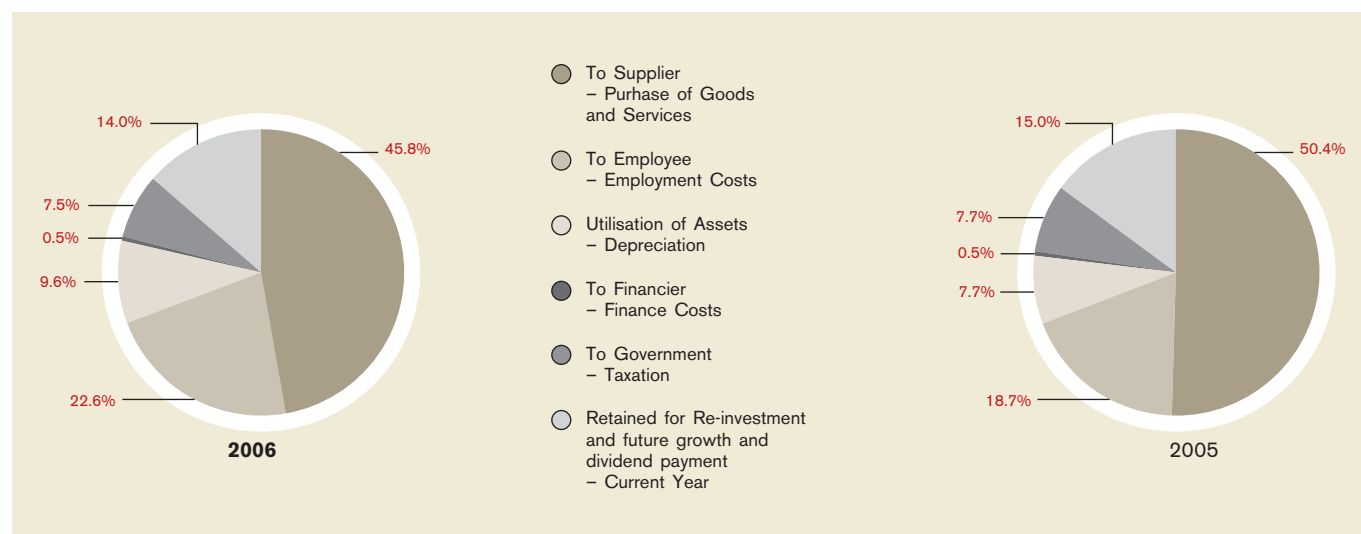
Events Management: The events management business recorded PBT of RM10.5 million as compared to a loss of RM14.6 million in FY 2005 due to lower event management costs incurred in 2006.

DIVIDENDS AND EPS

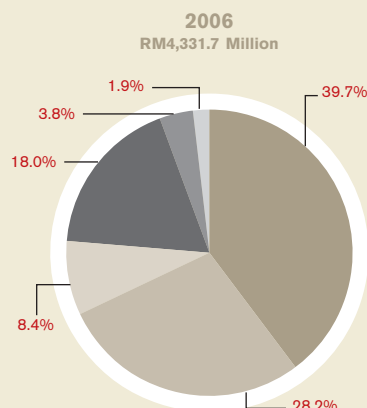
A final dividend of 4.0% (less 27.0% taxation) on 1.1 billion ordinary shares, amounting to a dividend payable of RM32.1 million has been proposed for FY 2006 subject to shareholders' approval.

Earnings per share (EPS) stood at 15.5 sen for FY 2006, a 6.6% decline over 16.6 sen in FY 2005.

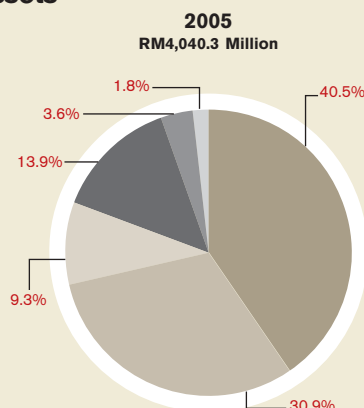
	2006 (in RM Million)	%	2005 (in RM Million)	%
Current income available for distribution	1,224.0		1,225.2	
Distribution:				
To supplier				
– Purchase of goods and services	560.7	45.8	617.7	50.4
To employees				
– Employment costs	276.1	22.6	229.4	18.7
Utilisation of assets				
– Depreciation	117.4	9.6	94.3	7.7
To Financier				
– Finance costs	6.5	0.5	6.7	0.5
To government				
– Taxation	92.4	7.5	94.8	7.7
Retained for re-investment and future growth and dividend payment				
– Current Year	170.9	14.0	182.3	15.0
	1,224.0	100.00	1,225.2	100.0



Total Assets

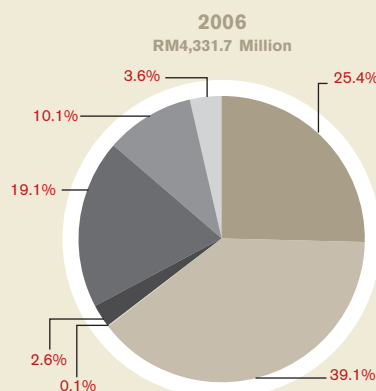


- RM Million**
- Property, Plant & Equipment
RM1,721.6
 - Concession Rights
RM1,221.1
 - Trade & Other Receivables
RM363.2
 - Cash & Cash Equivalents
RM781.8
 - Investments
RM163.8
 - Other Assets
RM80.2

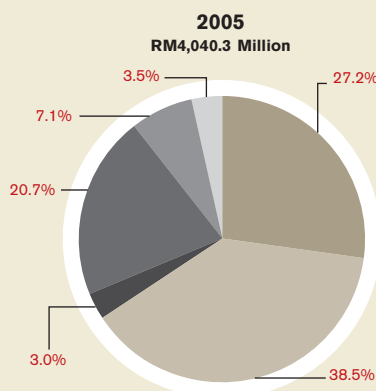


- RM Million**
- Property, Plant & Equipment
RM1,634.3
 - Concession Rights
RM1,250.2
 - Trade & Other Receivables
RM376.3
 - Cash & Cash Equivalents
RM561.3
 - Investments
RM145.7
 - Other Assets
RM72.5

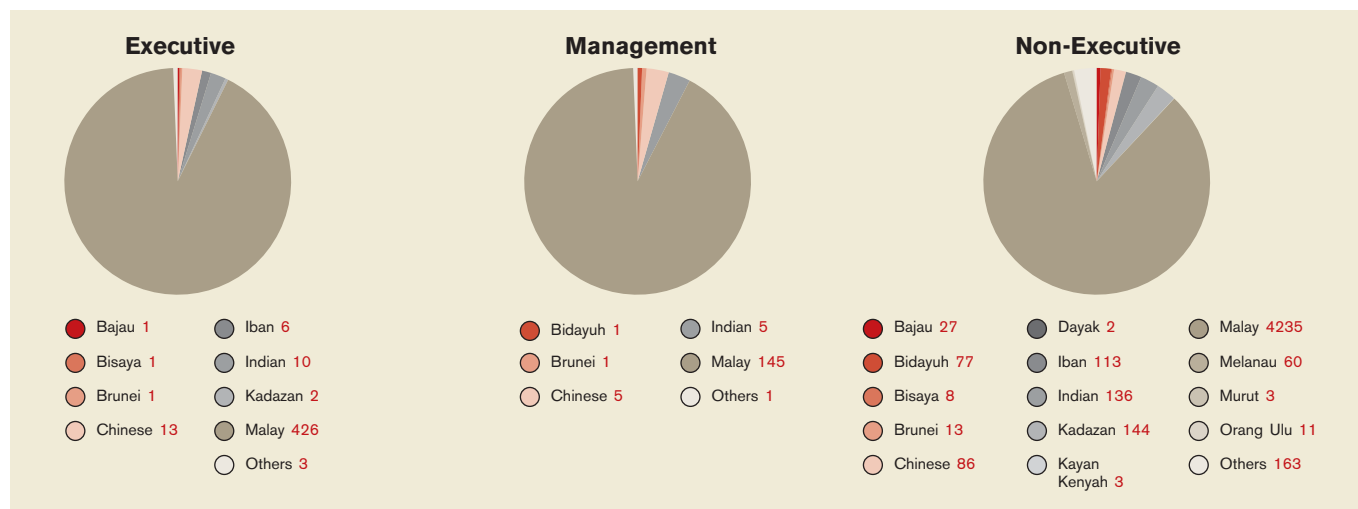
Total Equity And Liabilities



- RM Million**
- Share Capital
RM1,100.0
 - Reserves
RM1,694.8
 - Minority Interests
RM3.2
 - Borrowings
RM115.1
 - Concession Rights Payable
RM826.7
 - Trade & Other Payables
RM436.5
 - Other Liabilities
RM155.4



- RM Million**
- Share Capital
RM1,100.0
 - Reserves
RM1,556.2
 - Minority Interests
RM0
 - Borrowings
RM121.0
 - Concession Rights Payable
RM836.7
 - Trade & Other Payables
RM285.1
 - Other Liabilities
RM141.3



Group Quarterly Performance

Malaysia Airports Holdings Berhad

In RM Million	First Quarter	Second Quarter	2006 Third Quarter	Fourth Quarter	Year 2006
FINANCIAL PERFORMANCE					
Operating Revenue	311.3	283.7	253.5	298.3	1,146.8
Profit before tax	83.7	51.5	53.0	75.1	263.3
Profit after tax	61.2	31.3	18.4	60.0	170.9
Earnings per share (sen)	5.6	2.8	1.7	5.4	15.5

In RM Million	First Quarter	Second Quarter	2005 Third Quarter	Fourth Quarter	Year 2005
FINANCIAL PERFORMANCE					
Operating Revenue	297.6	266.3	263.5	285.4	1,112.8
Profit before tax	72.7	65.2	93.1	46.1	277.1
Profit after tax	49.4	41.0	60.3	31.6	182.3
Earnings per share (sen)	4.5	3.7	5.5	2.9	16.6

CONSOLIDATED INCOME STATEMENT**Year ended 31 December**

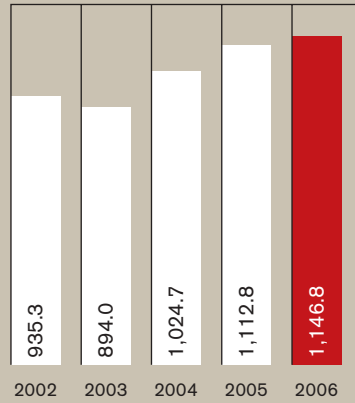
	2006	2005	2004	2003	2002
	RM Million	RM Million	RM Million	RM Million	RM Million
Revenue	1,146.8	1,112.8	1,024.7	894.0	935.3
Profit before taxation	263.3	277.1	195.6	151.6	221.8
Taxation	(92.4)	(94.8)	(70.4)	(66.9)	(71.0)
Profit for the Year	170.9	182.3	125.2	84.7	150.8
Attributable to:					
Equity holders of the Company	170.3	182.3	125.2	84.7	150.8
Minority interests	0.6	—	—	—	—
	170.9	182.3	125.2	84.7	150.8
* Earnings per share (sen)	15.5	16.6	11.4	7.7	13.7
<i>* Attributable to equity holders of the Company</i>					

CONSOLIDATED BALANCE SHEET**As at 31 December**

	2006	2005	2004	2003	2002
	RM Million	RM Million	RM Million	RM Million	RM Million
ASSETS					
Other Non-Current Assets	3,143.7	3,061.0	3,078.2	2,845.7	2,644.0
Current Assets	1,188.0	979.3	1,000.9	708.9	637.3
TOTAL ASSETS	4,331.7	4,040.3	4,079.1	3,554.6	3,281.3
EQUITY AND LIABILITIES					
Share capital	1,100.0	1,100.0	1,100.0	1,100.0	1,100.0
Share premium	822.7	822.7	822.7	822.7	822.7
Retained earnings	872.1	733.5	574.9	465.6	412.6
	2,794.8	2,656.2	2,497.6	2,388.3	2,335.3
Minority interests	3.2	—	—	—	—
TOTAL EQUITY	2,798.0	2,656.2	2,497.6	2,388.3	2,335.3
Non-current liabilities	129.2	207.1	1,076.7	813.6	570.0
Current liabilities	1,404.5	1,177.0	504.8	352.7	376.0
TOTAL LIABILITIES	1,533.7	1,384.1	1,581.5	1,166.3	946.0
TOTAL EQUITY AND LIABILITIES	4,331.7	4,040.3	4,079.1	3,554.6	3,281.3
Net Tangible Assets Per Share (RM)	2.5	2.4	2.3	2.2	2.1

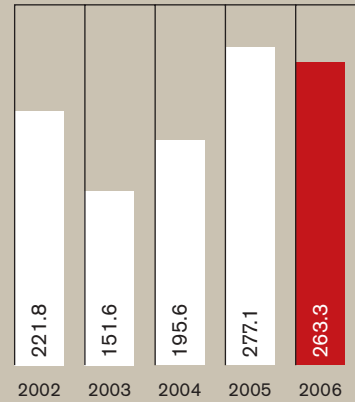
Revenue

RM Million



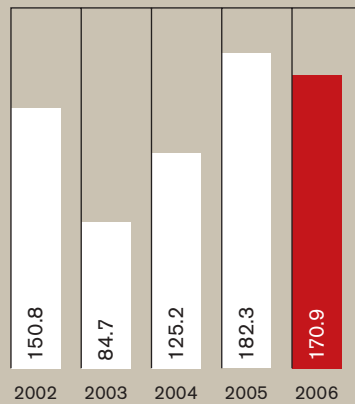
Profit Before Taxation

RM Million



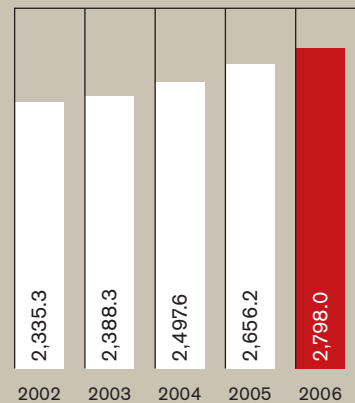
Profit for the Year

RM Million



Total Equity

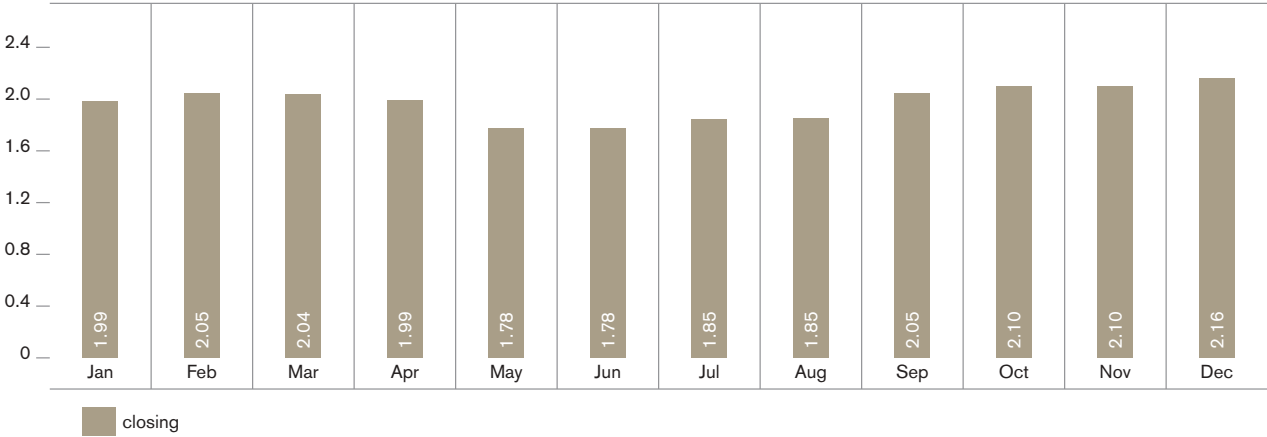
RM Million



2006 MONTHLY TRADING VOLUME & HIGHEST-LOWEST SHARE PRICE

	2006											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume	70,471	80,192	95,980	104,699	138,816	46,845	32,315	43,796	66,979	153,368	39,371	146,772
Highest	2.04	2.09	2.07	2.05	2.00	1.87	1.89	1.87	2.05	2.22	2.15	2.22
Lowest	1.88	1.95	1.98	1.96	1.77	1.70	1.79	1.79	1.83	2.06	2.00	2.03

SHARE PRICE MOVEMENT



24 FEBRUARY 2006

Announcement of the unaudited consolidated 4th quarter results for the twelve month ended 31 December 2005.

16 MAY 2006

Issuance of Notice of the 7th Annual General Meeting, Notice of Book Closure for payment of dividend and Annual Report for the financial year ended 31 December 2005.

26 MAY 2006

Announcement of the unaudited consolidated 1st quarter results for the three months ended 31 March 2006.

7 JUNE 2006

7th Annual General Meeting of the Company.

28 JUNE 2006

Book Closure for determining the entitlement of the final dividend of 4% less 28% taxation on 1,100,000,000 ordinary shares (2.88 sen net per share) for the financial year ended 31 December 2005.

18 JULY 2006

Date of payment of the final dividend for the financial year ended 31 December 2005.

30 AUGUST 2006

Announcement of the unaudited consolidated 2nd quarter results for the six months ended 30 June 2006.

30 NOVEMBER 2006

Announcement of the unaudited consolidated 3rd quarter results for the nine months ended 30 September 2006.

22 FEBRUARY 2007

Announcement of the unaudited consolidated 4th quarter results for the twelve months ended 31 December 2006.

9 MAY 2007

Issuance of Notice of the 8th Annual General Meeting, Notice of Book Closure for payment of dividend and Annual Report for financial year ended 31 December 2006.

31 MAY 2007

8th Annual General Meeting.

27 JUNE 2007

Book Closure for determining the entitlement of the final dividend for financial year ended 31 December 2006.

18 JULY 2007

Date of payment of dividend for financial year ended 31 December 2006.



Uniquely **personal**

Our hospitality anticipates your every desire



Uniquely **mobile**

Moving volumes with greater efficiency and better precision

Dear Shareholders,

The year under review ended 31 December 2006 was one of sustained growth for Malaysia Airports Holdings Berhad (MAHB). For the fourth consecutive year, MAHB achieved a record turnover despite a slew of internal as well as external challenges confronting the industry. Operationally, it has been a most gratifying year, capped by the KL International Airport (KLIA) winning the Airport Council International

Airport Service Quality (ACI-ASQ) Award for the World's Best Airport in the 15-25 million passengers per annum (mppa) category for the second consecutive year. KLIA was also voted third for the Best Airport Worldwide and Best Airport in the Asia Pacific region in the same award. MAHB scored another first when the Low Cost Carrier Terminal-KLIA (LCCT-KLIA) was named the Center for Asia Pacific Aviation (CAPA) Low Cost Airport of the Year.



LIKENOOTHER

TAN SRI DATUK DR. ARIS OTHMAN
CHAIRMAN



Winning these major industry awards speaks volumes about the journey MAHB has traveled as an airport operator, and this is reflected in the themes adopted for our annual reports. In my first report to you three years ago, MAHB was still Responding To Market Demands. Then we took a major step forward to take charge of our own destiny and chart our future directions when faced with Infinite Possibilities. With a clear direction of where we were heading, last year's report was based on the theme, The Journey Continues.

Today, underscored by the ACI and CAPA awards, we have reached the high point in our journey where we are in a league of our own. MAHB is also Like No Other in the range and depth of its operations. From the ultra-modern KLIA to Short Take-Off and Landing ports (STOLports), MAHB operates and manages a system of airports unmatched in the region. Beyond airport operations, we also manage a world-class Formula 1 racing circuit and a 'one-stop total clearance' integrated auction centre in addition to plantation management and aerospace development. As a corporation, MAHB wears different hats; balancing its role as a private entity to achieve growing returns for shareholders, while serving the national interest. Above it all, even as we spread our wings to become an international player, we remain uniquely Malaysian.

FINANCIAL PERFORMANCE

For the financial year under review ended 31 December 2006 (FY 2006), MAHB registered revenue growth of 3.1% to RM1.147 billion compared to RM1.113 billion posted the previous year. This was achieved despite an almost 1.6% decline in aircraft movements, attributable mainly to a route rationalisation exercise in the domestic market and Malaysia Airlines Berhad's (MAS) turnaround plan, which involved the termination of unprofitable international routes. An encouraging development is the stronger growth in non-aeronautical revenue, notably from our retail operations, which is in line with the Group's key strategy to boost the contribution of its commercial operations.

It is noteworthy to point out that revenue growth would be as high as 5.3% if not for RM25.5 million worth of credit notes issued in relation to a long outstanding KLIA land rental and debt settlement agreement being achieved.

Profit Before Tax (PBT) for the FY 2006 fell 5.0% to RM263.3 million from RM277.1 million recorded previously. By itself, these numbers do not reflect the true picture. The decline in profitability must be understood within the context of a one-off gain realised in 2005 following the disposal of MAHB's Cambodian investment, a write-back on provision for land premium and higher depreciation charges as a result of the new and revised Financial Reporting Standards adopted by the

Group in 2006. If we were to discount all these factors, MAHB would have achieved a Profit Before Tax growth of 5.9% for the year in review.

DIVIDENDS

As a reward to shareholders for their loyalty and support, the Board of Directors is pleased to propose a dividend of 4.0% less 27.0% taxation on 1.1 billion ordinary shares, amounting to a dividend payable of RM32.1 million. The quantum will be tabled for approval by shareholders at the coming Annual General Meeting.

OPERATIONAL HIGHLIGHTS

On the operational front, the year in review saw several upgrading projects completed and new initiatives launched to rev up the momentum. I will highlight some key events, which will be dealt with in greater detail in the review of operations that follow.

KLIA is now a Wireless 'Hotspot Airport', thanks to the launch of a wider WiFi service that allows the airport community and passengers easier access to the Internet for free. With the recent upgrade of the backbone network, KLIA is now one of the most advanced airport in the world in terms of network

infrastructure. Following its launch on 10 April 2007, LCCT-KLIA is the second airport in the country to be WiFi enabled after KLIA. MAHB is aiming to equip all its airports with WiFi technology within the next three years.

As a Group that places the interest of the nation and its people first, we have spared neither efforts nor resources in ensuring that our system of airports ranks among the best in the region. A new terminal building was opened at the Kuching International Airport on 17 April, while the newly developed Alor Star Airport was commissioned on 5 May. The upgrading of the Kota Kinabalu International Airport under Package Two was completed 29 months ahead of schedule on 15 February 2007. Following the groundbreaking ceremony on 1 April 2006, the Melaka Airport expansion programme is currently underway.

MAHB continued to strengthen its position in key areas of health, safety and the environment. Even before it became fashionable, we have always believed it pays to go green, and during the year, KLIA secured its Green Globe 21 Certification for the third consecutive year. Airport security has perennially been a paramount concern and new measures were introduced to boost already stringent measures in place. Even as we grow, MAHB has always taken pains to ensure its success is inclusive through its corporate social responsibility programmes. Besides helping out with the Johor flood relief efforts, we are also

participating in the 'Promoting Intelligence, Nurturing Talents, Advocating Responsibility' programme advocated by the Government as a Silver Book initiative.

REPRISING OUR SUCCESS

Whoever said that it was always easier the second time around got it wrong. If anything we worked even harder to prove to ourselves and the rest of the world that winning the ACI Award in 2005 was no mere flash in the pan. Winning this title back-to-back has surpassed all our expectations and speaks volumes about the hard work and concerted efforts we have put in during the year. Obviously, we could not have achieved the Number One ranking on our own. I want to thank all those individuals, agencies, tenants, service providers and organisations who shared our vision and aspirations to make KLIA the award-winning airport it is today.

My gratitude is also extended to all those who responded to my invitation last year to log in their suggestions and feedback at our official website. We received a total of 267 feedbacks from all over the world; most were complimentary, there were some enquiries for information and there were also complaints and suggestions for improvements. I assure you that MAHB takes such feedback seriously. All complaints were thoroughly

investigated and appropriate remedial action was taken where applicable. Direct responses were given to those who logged in, as appropriate.

Our commitment to low cost travel growth received enviable recognition. As I indicated earlier LCCT-KLIA was conferred the CAPA Low Cost Airport of the Year. The inaugural CAPA Award was given to LCCT-KLIA for being at the forefront of change in this region, in understanding and adapting to the needs of the low cost carrier sector. Considering the fact that LCCT-KLIA only began operations in March 2006, winning the CAPA Award barely seven months later was especially rewarding.

Throughout the year, KLIA continued to receive other awards, accolades and recognition. This included the Highly Commended Award from the Official Airline Guide (OAG) in conjunction with the 12th World Route Development Forum (Routes) in Dubai. KLIA won this award in recognition of its efforts in marketing its services to the airlines industry and the travelling public. Receiving this award has special significance, as there is no greater compliment one can receive than peer recognition. The key players in the industry, namely the airline community, voted for the winners. Our flagship airport was also awarded the Brand Laureate for the Best Brands Transportation-Airport and was voted 'The Most Outstanding Establishment in the Tourist,

Hotel, Restaurant and Catering Field for the year 2007' by the Madrid-based Trade Leaders' Club.

Our other establishments have garnered their share of accolades. MAHB's airport hotel, Pan Pacific KLIA (PPKLIA), has already won the Best Airport Hotel in Asia title five times and as we go into print, may win the title for yet another year when the 2006 results are announced by Business Asia Magazine.

PPKLIA is among the frontrunners in the Pan Pacific Hotels & Resorts group, having won the overall Best Hotel award for 2006. Meanwhile, our retail arm, Malaysia Airports (Niaga) Sdn. Bhd. or better known as Eraman Malaysia, is proving its pedigree as one of the top airport retailers in the region. Starting the year with the Malaysia Retailers Association's Service & Courtesy Excellence Award for 2005/2006, Eraman Malaysia has also won major plaudits in regional ratings. Besides clinching the Raven Fox Awards as one of the top five Asia Pacific Travel Retailers of the Year, our retail arm was also named Top 3 Best Fashion, Accessories & Jewellery Travel Retailer in Asia Pacific and Top 3 Best Confectionery & Food Travel Retailer in Asia Pacific.

I believe it is also a measure of reputation and trust MAHB has earned from the international aviation community when we won the bid to host the 2008 chapter of the World Route Development Forum. 'Routes', as the forum is popularly known, is the largest networking event that gathers airport and airline

network planners from around the globe. Malaysia will be the first Asian country to host this annual event, edging out other formidable contenders for this honour. Some 3,000 delegates are expected to attend Routes 2008, and this will mean an unprecedented opportunity to fast track our marketing efforts and to showcase Malaysia as a major tourist attraction.

As yet another indication that we have indeed arrived, MAHB was elected to the ACI Asia Pacific Regional Board in March 2006 and appointed as a Member of ACI's World Governing Board effective 2007. ACI is the worldwide professional association of airports, comprising 569 international airport operators and authorities. As the voice of the world's airports, the primary mission of ACI is to represent airport interests and foster cooperation among member airports and its partners in world aviation. MAHB has also won the bid to host ACI's General World Assembly and the ACI Asia Pacific Regional Assembly in 2009.

Last year marked the 14th and 8th Anniversary of MAHB and KLIA respectively. To commemorate the occasions, we decided it was only timely and appropriate for MAHB to launch the inaugural KLIA Awards to show our appreciation to all tenants, service providers and airline operators. At a Gala Dinner held on 1 November, the Minister of Transport presented awards for the different categories of carriers and service providers based on performance.

SUSTAINING GROWTH

An enterprise that takes a strategic view, has a clear and workable road map to see the vision through and keeps its focus, can succeed in today's tougher business climate. On balance, we are in a far better shape today to sustain growth, having proven ourselves as a capable airport operator and manager with a good track record on performance.

In the ongoing drive to sustain growth, one of our priorities is to ensure that our house is kept in order. In this regard, MAHB continued to make good progress in implementing the Government-led initiatives to transform government linked companies (GLCs) into world-standard organisations. As reported previously, MAHB has set up a Transformation Management Office (TMO) to spearhead the government initiatives and serve as a catalyst of change within the organisation. The Management also identified six Key Focus Areas (KFAs), from which seven Strategic Initiatives (SIs) were identified for implementation in FY 2006. The KFAs and SIs form the backbone of MAHB's 5-Year Transformation Strategy, 2006-2010. Incidentally, these SIs that we have identified also address the GLC transformation initiatives launched by Khazanah Nasional Berhad as a series of coloured books. All seven SIs have been rolled out and their progress is being closely monitored.

MAHB will continue to press ahead with its airport upgrading and expansion programme. Renovation and rehabilitation works are currently in progress at the Kota Kinabalu, Penang, Lahad Datu and Kota Bharu Airports. One of the most pressing needs is to expand LCCT-KLIA to catch up with rapid passenger growth. In the nine months since commencing operations, LCCT-KLIA has handled 4.6 million passengers, but this figure is expected to rise to 8 million passengers in 2007. With the completion of the expansion programme, the terminal's capacity will increase to 15 million passengers. Priority will also be given to the terminal's apron, where we are planning to reconfigure one dedicated wide body stand. Three existing wide body stands presently used by the cargo operator may be used for LCCT-KLIA's passenger operations depending on availability and flight schedule. All this has to be done on a fast-track basis within 2007 in time for AirAsia Berhad's budget long-haul service AirAsiaX to begin operations.

The expansion will include the rail link between the KLIA main terminal and the low cost terminal, which is a separate project still being finalised by the Treasury and Ministry of Transportation. Work on the rail link is expected to start this year and construction will take at least a year.

The immediate future will see no major expansion programmes at KLIA. However, as an integral part of MAHB's plan to increase the contribution of non-aeronautical revenue, we have drawn up a Retail Optimisation Plan for the Satellite Building. Under this plan, still under implementation, the commercial façade of KLIA is being transformed to provide a retail-cum-dining experience more in sync with the 21st Century.

On the marketing side of the business, MAHB has been aggressively courting airlines from all over the world with a range of incentives, that includes a waiver on landing and parking fees. At of end-2006, a total of 47 airlines were operating at KLIA. To encourage more airlines to operate into KLIA, MAHB is extending its existing range of incentives until year-end 2007. We are also reviewing a new set of incentives that will go into effect in 2007.

Our primary business is to sell KLIA and other international airports within our corporate stable, but to do this, our marketing strategy has to showcase Malaysia as a fascinating and unbeatable location. Apart from working closely with the Ministry of Tourism, on our part, we need to think outside the box to come up with creative and innovative ideas to market our airports and the country. As the gateway to Malaysia, we recognise that KLIA has a vital role to play in Visit Malaysia Year (VMY) 2007. Thus, on 19 June 2006, the maiden publication of

KLIA Times was launched as a free monthly newsletter that focuses on travel and lifestyle information about Malaysia. This newsletter is strategically placed in 18 locations around the airport for travelers to pick up. We hope in a small way it helps promote tourism in the country.

Since making its maiden overseas foray back in 1995, MAHB has made a quantum leap forward in its internationalisation efforts. We enjoy a good and solid reputation overseas, backed by our track record. Under a one-year programme, MAHB has been providing training for 238 personnel assigned to the new Hyderabad International Airport in India. As part of a consortium, MAHB has been awarded a contract for the restructuring and modernisation of the New Delhi Airport. More recently, as announced in April 2007, MAHB was awarded a 10-year deal to manage, operate and maintain the Astana International Airport at Kazakhstan.

OUTLOOK & PROSPECTS

Worldwide traffic results released by ACI point to an encouraging start for the FY 2007. International passenger demand is expected to grow by 5.7%, while the cargo growth rate is forecast to increase by 8.6%. Demand for air travel within the Asia Pacific region is projected to remain robust with a 7.4% growth in passenger numbers. According to CAPA, low cost

carriers are likely to play an even more dominant role in 2007 and the years to come, as they press ahead with their fleet expansion plans and begin serving long-haul routes.

MAHB will be a key beneficiary of increasing tourist arrivals arising from the VMY 2007 campaign. Tourist arrivals are expected to reach 20.1 million, which is 14.0% higher than the year before. With six additional airlines operating into KLIA, passenger arrivals across MAHB's system of airports are expected to increase by 5.6% to 44.9 mppa, with KLIA alone projected to register a 6.4% growth, handling 25.7 mppa in 2007. In line with the upward trend in passenger traffic, cargo movements for all MAHB airports have been forecast to rise by 8.5%, with KLIA registering a growth of 7.6%. Meanwhile, with AirAsia set to begin long-haul routes in 2007, it is an opportunity for LCCT-KLIA to enhance its position as a regional LCCT hub.

The Government's decision to allow MAHB to begin charging a security tax on both international and domestic passengers will also have a positive impact on FY 2007 revenue. Airport security is of concern not only to us as an operator but for the millions who pass through our airports. Since the 9/11 incident, we have substantially increased our expenditure on equipment, technology and human resources to boost security. As a result, the security measures we have in place are first-rate, and passengers feel

safe at our airports. Throughout the years, MAHB alone has borne the escalating costs of airport security as our contribution to serving the national interest.

It may surprise you to know that landing and parking charges at Malaysian airports have not been increased for 25 years and are the lowest in the region. This has helped the national carrier MAS and low-budget airline AirAsia as well as other airlines to contain their operations costs. However, MAHB has very little say in these matters as all aeronautical charges, including the recently introduced security tax, are decided and approved by the Government.

In the final analysis, the future of the MAHB Group will depend to a large extent on the outcome of discussions with the Government on the proposed corporate and financial restructuring plan. I know that this plan has been long overdue, but I call upon your indulgence and understanding to appreciate that coming up with a viable plan involves a holistic exercise that has to take into consideration the interests of the many important stakeholders. These include the various government ministries and agencies, airlines (notably MAS and AirAsia), regional airports, international aviation agencies such as the International Air Transport Association (IATA), the travelling public and of course you, our shareholders.

At this stage, I cannot go into the details of the plan, but suffice to say that it will address key issues that have plagued the Group for the past several years. At the end of the day, we hope that MAHB will emerge from the exercise a leaner, more focused entity, able to pursue expansion both at home and abroad. I am confident that the plan will be unveiled in the course of FY 2007, and I seek your patience and understanding for just a while longer.

In the meantime, spearheaded by the TMO, we remain focused in our efforts to be a world-class entity. In many respects, going by our track record and the awards won, we are already there. Still, as I have said before, our greatest danger is to be lulled into complacency. We cannot afford to let down our guard. As a reality check, if KLIA meets the forecasted 25.7 million passenger arrivals in 2007, it would mean that it would be competing in a different category for the coming ACI Awards. But having been placed third in the overall ranking for Best Airport Worldwide in the 2006 survey, I believe we are up to the challenge.

We are in a race where there is no finish line. If we want to stay up-front, we need to be more of everything. This is our assurance – you can expect more from us.

APPRECIATION

Given today's competitive business environment, maintaining the momentum will be no mean feat. But as we have demonstrated, hard work, dedication and professionalism are bedrock elements of success. If their performance of past years is anything to go by, our management and staff are definitely not lacking in any of these qualities. I know we can continue to count on them as we move on to greater things.

Our journey to success has been made possible by a great support group, comprising the Ministry of Transport, Ministry of Finance, Khazanah Nasional Berhad, Tourism Malaysia, Immigration, Customs and Quarantine, and the Fire and Police Departments. It is also impossible to imagine where MAHB would be without the support of the millions of passengers who use our airports, our clients and our loyal shareholders.

To my fellow members on the Board, I would just like to say that their contributions, insights and wise counsel have always made the difference and is deeply appreciated.

We will need the continuing support of all of you, in a spirit of common purpose and determination as we look forward to a challenging and exciting future ahead.

TAN SRI DATUK DR. ARIS OTHMAN

Chairman



Uniquely **pleasing**

Different choices for the many different occasions



Uniquely committed

Responding with care to every special need at all times

The year 2006 was a satisfying and rewarding one for MAHB Group. Capping the year's highlights was undoubtedly our unique double achievement when KLIA retained the World's Best Airport award while LCCT-KLIA was named Low Cost Airport of the Year. Winning these awards was a defining moment for MAHB and is a testimony of our capabilities and of the nation's coming of age.



Being conferred the World's Best Airport title is something we have always aspired to achieve. And to win the CAPA Award within the same year is a fine closure to the year under review. However, these awards would have just remained a dream had it not been for the support of agencies, service providers and organizations. I thank all of you for your efforts in making 2006 a truly remarkable and memorable year. I believe I speak for all of us within the KLIA community that this has only whetted our appetite for more and we will continuously increase our efforts to bring home more accolades.

LIKENOOTHER

DATO' SERI BASHIR AHMAD ABDUL MAJID
MANAGING DIRECTOR



Operating Environment

The performance of the Group is highly dependent on the growth in passenger numbers and aircraft movements. The year under review was generally a positive one for the aviation industry, with no major terrorist attacks or outbreak of pandemics to disrupt air traffic. Even though oil prices reached an unprecedented high of US\$78.40 during the Israeli-Lebanon war last July, the industry was able to take this in its stride when prices eventually settled to the US\$60.0 per barrel range. In a year of relative stability, the numbers say it all. People want to travel and global passenger demand continued to exceed expectations.

According to the ACI, world passenger traffic grew by 5.1% in 2006, with the Asia Pacific region continuing to lead the way with a traffic growth of 10.3%. Airlines generally had a good year with improved load factors and profitability. International freight traffic demand remained unchanged as the previous year's 3.0%, despite continued strength in the global economy and trade. However, cargo movements within the Asia Pacific region have continued to remain buoyant to register a 7.2% growth.

On the domestic front, sustained gross domestic product growth of 5.9% provided a favourable background for the aviation industry. However, a far-reaching turnaround business plan initiated by Malaysia Airlines Berhad (MAS) in early 2006, followed by a domestic route rationalisation programme in August, had a significant impact on domestic air traffic performance. As part of its turnaround plan, MAS reduced some of its international routes and retained only 24 trunk domestic routes as a strategy to strengthen the competitiveness of the national carrier. The rationalisation exercise has created some short-term impacts during the period of consolidation, leading to only a marginal growth in domestic traffic. As such traffic growth numbers across MAHB's system of airports that were not in par with the world and Asia Pacific numbers. This is despite the commissioning of LCCT-KLIA, which handled 4.7 million passengers in the nine months of operations for the year under review. In the longer term, MAS' rationalisation and route restructuring exercise is expected to bring sustained growth for KLIA and other airports.



ARRIVALS

TAN
RKS

BERLEPAS

NO. PESAWAT FLIGHT NO.	DESTINASI DESTINATION	CHECK-IN CHECK-IN	WAKTU TIME	CATATAN REMARKS
AK5212	KUCHING	R22	18:25	
AK0884	BANGKOK	R05	18:45	
AK6300	LANGKAWI	R26	18:50	
AK0956	JAKARTA	R03	18:50	
AK5258	MIRI	R18	19:00	
AK5120	K. KINABALU	R28	19:00	
AK5214	KUCHING	R30	19:40	
AK0938	MEDAN	R07	19:45	
AK6336	K. TERENGGANU	R32	20:05	
FD3574	BANGKOK	R09	20:20	
AK6328	KOTA BHARU	R34	20:20	
AK5218	KUCHING	R20	20:45	
AK6316	PENANG	R36	21:15	
AK5112	K. KINABALU	R28	21:15	
Q27605	JAKARTA	R05	02:50	UBAH MASA

DEPARTURES

Daftar Masuk
Check In

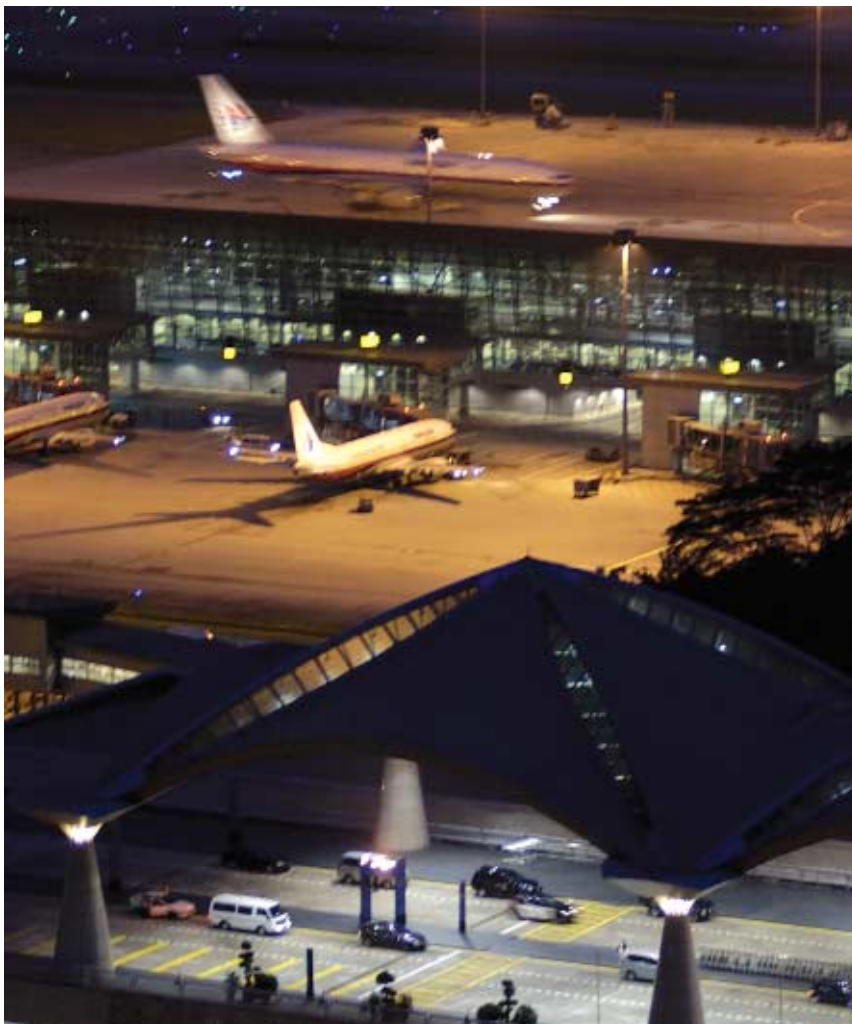
Tiket
Tickets

Perlepasan Antarabangsa
International Departures

Perlepasan Dalam Negeri
Domestic Departures



AERONAUTICAL Operations



For the year under review, passenger traffic across the MAHB system of airports grew by 2.2% to 42.5 million passengers. Total cargo traffic at all Malaysian airports rose by 5.1% to 1.0 billion kg while total aircraft movements declined by 1.6% to 462,263 for 2006. International passenger, cargo and aircraft movements all registered increases, except for domestic numbers which showed a decline.

As expected, the hub of activity was at KLIA, which alone handled 24.1 million passengers in 2006, a 3.9% increase from the previous year. International passenger movements grew by 4.8% while domestic traffic growth moderated to 2.4%. International cargo traffic grew 3.2% year-on-year whereas domestic cargo movements grew by a margined 0.6%. On the whole, KLIA recorded a 2.9% increase in freight traffic. A total of 182,548 commercial aircraft movements were recorded in 2006, representing a 0.7% growth.

Our efforts to attract new airlines continued. Besides attending the major aviation-related forums held all over the world, MAHB has been unrelenting in its

marketing and promotional efforts. During the year, MAHB participated in no less than 120 meetings with various airlines to present marketing proposals and route analysis. One of the key marketing initiatives we have put in place earlier is an incentive programme, whereby landing and parking charges are waived for both existing and new airlines operating into KLIA and our four other international airports. This incentive programme has now been extended to the end of 2007. MAHB, in the meantime, is working on a new set of incentives that will go into effect by 2008.

Cebu Pacific, the first Low Cost Carrier from Philipines began operations at LCCT-KLIA in December 2006. This was in addition to Kuwait Air which started

operations in November 2006. At end-December 2006, we had a total number of 47 airlines operating into KLIA, offering connectivity to more than 90 destinations world-wide. As to be expected, MAS had the lion's share of the passenger market at 49.1%. Although AirAsia Berhad came a distant second at 13.1%, this was a significant improvement from the 8.2% market share it achieved in 2005.

Revving Up the Momentum

By and large, MAHB has met most, if not all the growth targets listed in its Key Performance Indicators. As an airport manager and operator, our primary objective is to ensure that the operation of our airports is safe, secure and efficient while meeting the expectations of customers and complying with regulatory requirements. But we also aim for sustainable development and this takes into consideration important areas like health, safety and the environment, and our role as a responsible corporate citizen.

With the implementation of the transformation programme about a year ago, we have focused our attention on the operational front on attaining the following objectives:

- Improvement in business process engineering and cost control such as standardisation of standard operation procedures, standardisation of aircraft movement sheet, installation of energy-saving devices for selected airports and installation of telecommunication charges saving devices.
- Enhancing the competency of personnel in the operation and management of airports includes courses on Basic Airport Operations, Monitoring and Cleaning Services and Intermediate Airport Operations (2007).
- Enhancing the system of airports' service levels in monitoring of airport service level using monthly Airport Performance Report, implementation of Airport Customer Satisfaction and Performance Programme at the Penang International Airport and at the Kuching International Airport (beginning 2007).



- Increasing efficiency of airport facilities management with implementing of maintenance policies, centralised purchasing of spare parts as well monitoring of maintenance activities via SAP
- Aerodrome Certification and ISO accreditation for both international and domestic airports in ensuring compliance to International Civil Aviation Organisation (ICAO) standards as well as inspection and audit by the Airport Standard Division from the Department of Civil Aviation (DCA)

Aerodrome certification is a requirement of the ICAO to promote aviation safety by ensuring that all international airports provide uniform safety conditions for all aircraft. KLIA was the first to receive Aerodrome Certification in May 2004. Between 2004 and 2005, MAHB's four other international airports received similar certification. The Tawau Airport was our first domestic airport to be certified. Two other domestic airports, at Sibul and Bintulu received their certificates in 2006. The Sandakan Airport was certified in January 2007, while Miri Airport is presently waiting for DCA approval.

Five other airports at Ipoh, Alor Star, Kota Bharu, Melaka and Limbang have already completed the documentation phase.

In line with our objective to promote a high performance culture, MAHB has also sought accreditation to the internally recognised ISO quality management system. A total of 14 airports were already certified to ISO 9000:2000 in 2005. Five more airports joined MAHB's stable of ISO-certified airports in 2006. Several other key operating units and divisions have also earned their ISO certification, bringing the total number of ISO certified facilities within the MAHB Group to 29.

In serving the national interest, MAHB continued to invest significant resources to maintain and upgrade its system of airports across the country. The year in review saw the official opening of the new terminal building at the Kuching International Airport on 17 April. Built some 68 years ago, Kuching International Airport has now been transformed into one of the most modern in the region under a RM620 million airport expansion programme. The programme included a

new terminal building with the capacity to handle up to five million passengers annually. The airport runway has also been extended to cater for B747-400 operations, allowing the possibility for airlines to operate from Kuching to London directly.

On 5 May, the new terminal of Sultan Abdul Halim Airport in Alor Star commenced operations after a RM162.0 million upgrading programme. The scope of works included extension of the runway, construction of airside facilities and a new terminal building, control tower and other associated facilities. The double-storey new terminal has the capability to handle up to 800,000 passengers annually.



The other major project undertaken in 2006 was the upgrading of Kota Kinabalu International Airport under Package 2, which involved the development of a new low cost terminal and extension of the runway. The Terminal 2 which was upgraded as a low cost terminal was officially opened for operations on 15 February 2007. Terminal 2 is expected to serve an estimated 2.4 million passengers annually and cost RM69.0 million.

Meanwhile, one of the country's oldest airports, the Melaka Batu Berendam Airport, has been upgraded. The ground-breaking ceremony for the airport's RM120.0 million expansion project was held in April 2006. When completed, the airport will have a new terminal and control tower and an extended runway to accommodate bigger aircraft like the Boeing 737 and Airbus 320.

September last year saw the launch of a wider WiFi service at KLIA. The expanded Internet access service was facilitated by the recent upgrade of the backbone network, making KLIA one of the most powerful airports in the world in terms of network infrastructure. Implemented by our subsidiary, Malaysia Airports

Technologies Sdn. Bhd. (MA Tech) in collaboration with Cisco System, the upgraded infrastructure covers and supports more than 150 areas or sites including LCCT-KLIA, located some 15 km from the main terminal. This new infrastructure has enabled the airport community – comprising service providers, tenants and passengers to benefit from enhanced wired and wireless access. Internet kiosks have been set up at 18 strategic locations for passengers to access the Internet for free. On 10 April 2007, the WiFi service was extended to LCCT-KLIA.

MAHB has signed a Memorandum of Understanding (MoU) with Cisco Systems, that will pave the way for KLIA to provide even wider Internet access service. The MoU will allow MA Tech and Cisco Systems to collaborate and undertake various activities including:

- Planning for a versatile network for the future
- Enhancing the performance and security of the network
- Evaluating network convergence technologies to support data, voice and multimedia

The coming financial year is already shaping up to be a hectic one, with the expansion of LCCT-KLIA as one of our top priorities. When planning the low-cost terminal, MAHB's initial development strategy was to develop terminal catering for 10 mppa until such time there was sufficient demand to expand on a modular basis. However, as explained by the Chairman, due to the passenger demand observed at LCCT-KLIA, the following upgrading works need to be carried out immediately to address current operational issues:

- Construction of covered walkway (completed)
- Construction of food court (tendering stage)
- Extension of LCCT-KLIA's international wing and terminal reconfiguration
- Airside reconfiguration to accommodate wide-body aircraft

At a later stage, under Phase 2 expansion of LCCT-KLIA, additional works may involve a further extension of the international wing; extension to the public concourse; reconfiguration of check-in area; relocation of offices to a new mezzanine level; realignment of curbside

access (curbside road, bus and taxi lane, drop-off and pick-up areas, etc.) and construction of a mechanised car park building. Phase 2 will also include plans to upgrade the apron, which will be reconfigured and expanded while the bays will be relocated.

MAHB continued to make good progress on the international front, leveraging on its vast experience and expertise to sell its services overseas. On the strength of our track record, we have now earned recognition as a world-class company and an emerging key player in the region. We are now looking beyond national boundaries to potential markets in Southeast Asia, Middle East, Indian sub-continent and Central Asia.

On 8 August 2006, MAHB was appointed by GMR Hyderabad International Airport Limited to provide training for 238 personnel assigned to the new Hyderabad International Airport in India. The one-year training programme will cover areas such as airport fire and rescue services, airport operations, airport technical services and safety and compliance. Training has started in

January 2007 and is being conducted at the Malaysia Airports Training Centre in Penang as well as in KLIA.

MAHB is also part of a consortium that was awarded a contract for the restructuring and modernisation of the New Delhi Airport. The Shareholders Agreement was signed on 4 April 2006 by the various parties concerned.

As announced in April 2007, MAHB was awarded a 10-year deal to manage, operate and maintain the Astana International Airport at Kazakhstan under a Trust Management Agreement (TMA).

Having come this far, MAHB cannot afford to rest on past laurels. We continue to press ahead with our transformation programme began in 2005. If you recall, under this programme, key focus areas and strategic initiatives were identified and launched. These are now being closely monitored to ensure the successful transformation of MAHB into a more performance-driven Group. The transformation programme is aimed at enhancing people, process and system elements across the Group. The strategic



initiatives that we are implementing also address the transformation initiatives launched by the Government through a series of coloured books.

During the year, the Procurement & Contract Division launched two major initiatives covered under its Spend Analysis exercise and Material Requirement Planning (MRP) Optimisation exercise.



The implementation of these exercises stems from a pressing need to strategically centralise the Group's procurement activities and coincides with the launch of Khazanah's Red Book on Procurement and Best Practices in April 2006. The latter is aimed at transforming procurement practices in GLCs to be in line with the latest or best-in-class practices.

The key objective in the Spend Analysis exercise is two-fold: increase the visibility of the organisation's procurement spending pattern and thereafter, develop and implement an effective strategy for procurement process improvements resulting in cost savings. The Spend Analysis exercise was conducted for six companies during 2006 under a pilot project. The results obtained have been analysed and will be applied in the next procurement exercise.

MRP is a software-based production planning and inventory control system used to manage maintenance and manufacturing processes. Its primary objectives are to ensure availability of materials and products; maintain the lowest possible level of inventory and facilitate in the planning of maintenance and manufacturing activities, delivery schedules and purchasing activities. As a management tool it provides answers to: What items are required? How many? And When? An effective MRP would enhance the planning of work or job orders and allow for the efficient management of inventory. The KLIA was chosen for the pilot study,

and pending the findings, MAHB plans to extend the optimisation exercise to all international airports and selected domestic airports.

After a year of introducing and injecting changes, our focus for 2007 onwards will be on the deliverables. There will be a drastic change and paradigm shift across the organisation, particularly in terms of our operations and getting the most out of our human capital. Non-aeronautical and commercial initiatives, especially our retail optimisation plan, are being critically studied and implemented. Currently we are at Commercial:Aero 44:56 and we still have some way to go to reach our target. This is the trend in the global airport industry: to shift away from dependency on aeronautical revenue.

Like our shareholders, we too are awaiting the outcome of the discussions with the Government on the financial restructuring plan. Once this is cleared, we see the beginning of a strong and viable Company.

COMMERCIAL Activities



MAHB's aeronautical operations are complemented by the activities of the Commercial Services Division (CSD). The five business units of CSD are responsible for the management of commercial space for retail, food and beverage (F&B) outlets, lounges, offices, service areas, hotel and car park facilities in addition to a multitude of advertising and promotional activities. For FY2006, CSD generated total revenue of RM439.0 million, up 4.9% from the previous year. The bulk or 52.1% of revenue was derived from MAHB's retail and F&B arm, Eraman Malaysia.

CSD has a challenging responsibility to increase commercial revenue to achieve a targeted 50% non-aeronautical contribution to MAHB's turnover over the next several years. Its other major challenge is to transform KLIA into a more attractive shopping and dining destination for passengers and public. To achieve these goals, several initiatives were launched during the year in review:

- A Commercial Management Department was set up in September 2006 to oversee business development and manage the related policies and procedures for MAHB's system of airports.

- Under the Retail Optimisation Project (ROP), the shopping area of the KLIA Satellite Building and other international airports has been transformed to provide an incomparable shopping-cum-dining experience.
- Various facilities and services have been enhanced to increase average spending per passenger.
- World renowned and top-notch Malaysian brands have been enticed to operate at KLIA.
- Major promotional and publicity blitzes were organised throughout the year to enhance the shopping experience and present a microcosm of Malaysian culture, culinary delights and tourist attractions.

More people are flying now than ever before. Today's global travellers are more sophisticated and discerning. For these savvy travellers, they share one desire when they travel away from home: to enjoy a distinctive shopping and dining experience. And because airports are often their first and last port of call, MAHB made efforts to ensure that their airport experience is both unique and memorable.



In translating this objective into reality, the ongoing implementation of the ROP at the KLIA Satellite Building will increase the floor space allocated for retail by 30% when completed by mid-2009. CSD has also focused its efforts on redefining the shopping and dining experience, injecting a new vigour, attitude and a lifestyle more in sync with the 21st Century. Our latest offerings include the Gold Bazaar at the Satellite Building. Nearby, top international brands offer the latest in fashion and accessories at competitive duty-free prices. Market research has indicated that duty-free shopping is one of the major attractions

of the airport experience. Based on such empirical findings, three of the four wings at the Satellite Building now have duty-free outlets for the convenience of shoppers.

Meanwhile, The Flying Emporium is meeting expectations in attracting a fair share of business from domestic travellers. The emporium concept, with its wide-open malls and anchor tenants offering multiple products and brands, has proven to be a hit at the Kuching International Airport. Since its introduction, commercial revenue at this airport has improved by a hefty 36.5%.

Modelled along the lines of a one-stop centre, the concept has also been adopted at the newly-opened Kota Kinabalu Terminal 2. It will also be incorporated in ongoing and future re-development projects for other airports.

There are no shortages of F&B outlets at LCCT-KLIA, with something to suit every taste and every wallet. If alfresco dining is your preference, MAHB has plans to add a large food court with an open air dining area to the upper level. Come 2007, LCCT-KLIA will have a brand new air-conditioned Food Garden, with a capacity to handle 600 to 700 customers at any one time.

In the effort to boost commercial revenue, CSD has actively sought sponsors for the internal kiosks and a movie lounge at the KLIA Satellite Building. These efforts have brought in sponsorship revenue of RM1.1 million in 2006. Plans are in the pipeline to introduce new state-of-the-art advertising mediums to complement one of the most technologically advanced airports in the world and also generate a source of recurring revenue. Since the opening of LCCT-KLIA on 23 March 2006, CSD has been managing its retail

and F&B outlets, tenancy areas, services, facilities and advertising space. CSD has also secured lucrative advertising contracts amounting to RM2.7 million.

As KLIA and the airport community continued to expand, it was timely for it to have its own official newsletter. KLIA Times was launched amidst much fanfare by the Minister of Tourism on 19 June 2006 as a curtain raiser to Visit Malaysia Year (VMY) 2007. The newsletter highlights the promotions, events and various activities at KLIA and also the various tourist attractions Malaysia has to

offer. Moving into 2007, a series of events and campaigns have been planned around VMY 2007 that is designed to project Malaysia as a tourist destination. At the same time, we will promote KLIA on the world's tourism map as an airport like no other.



BUSINESS Activities

Malaysia Airports (Niaga) Sdn. Bhd. (Eraman Malaysia)

Malaysia Airports (Niaga) Sdn. Bhd. or better known as Eraman Malaysia, has certainly lived up to its tagline, 'A Promise of Excitement.' In 2006, the excitement began with a handful of awards and accolades proving its pedigree as one of the top retailers in the region. The year started on an auspicious note when Eraman Malaysia was given the Malaysia Retailers Association's Service & Courtesy Excellence Award for 2005/2006. MAHB's retailing arm has consistently ranked high in regional ratings, bagging the Raven Fox Awards as one of the top five Asia Pacific Travel Retailers of the Year; Top 3 Best Fashion, Accessories & Jewellery Travel Retailer in Asia Pacific and Top 3 Best Confectionery & Food Travel Retailer in Asia Pacific. In August 2006, the company was also accorded the Business Superbrands status for the third successive year.

With more than 30 outlets occupying a total retail space of 4,815.53 square metres under its wing, Eraman Malaysia is the country's largest airport retailer. Its standing in the industry comes from almost 13 years of experience in the business and an uncompromising stance on service excellence. MAHB is proud that Eraman Malaysia has gone down the record books



as the first airport retailer in Malaysia to receive the MS ISO 9001:2000 certification, the scope of registration being for the provision of frontline services for airport retail operations. In the dynamic environment in which Eraman Malaysia operates, it is constantly attuning itself to meet and anticipate ever-changing consumer tastes and tap into their spending power. Eraman Malaysia was the first operator to introduce high-fashion boutiques at the Subang International Airport, a trend that has since revolutionised the airport retail business.

In a bigger sense, Eraman Malaysia sees itself as more than just an operator of retail and F&B outlets. It takes its role in helping realise MAHB's dual objectives of increasing commercial revenue and transforming KLIA into a preferred shopping hub in the region very seriously. From giving inputs for the ROP being implemented to generating bold ideas, avant-garde lines and innovative product concepts, Eraman Malaysia is taking the shopping and F&B experience at KLIA to a new level. Strategic partnerships have been forged with world-renowned fashion houses to cater to the tastes of an increasingly up-market clientele. The international labels,

Lacoste and MANGO, are the latest additions to an expanding list of well-known brands such as Burberry, Tie Rack and Guy Laroche, among many others now operating at KLIA.

On the food and beverage front, Eraman Malaysia manages more than 30 F&B outlets at KLIA alone, occupying a total floor space of 5,315.35 square metres. As expected, the food and beverage offerings take on a cosmopolitan flavour to cater to every taste. There are familiar stalwarts such as McDonald's, Starbucks, Delifrance, Burger King and KFC. For those who wish to sample authentic local delights, there is the Asian Station while others opting for casual dining will not be disappointed with the aptly named Food Paradise.

Revving up the excitement at KLIA were a year-long series of promotional activities and celebrations. Competitions, prizes galore, live concerts, food sampling, ketupat during Hari Raya, Santarinas at Christmas, Chinese New Year angpows and thematic celebrations helped keep the buzz and excitement going throughout the year. In May, the month-long 'Greatest



'Love of All' campaign was organised in tribute to all moms and dads. The 'Flights of Shopping' campaign was jointly organised with Malaysia Airlines to promote tourism among eight ASEAN countries. To commemorate KLIA's 8th Anniversary, 'Jom Makan@KLIA' was launched in June, showcasing the food and beverage offerings at KLIA.

This is only the start of an exciting year. Travellers can expect even more, in terms of a wider selection of merchandise, greater variety of food and beverage offerings and even more innovative and

promotional events. Eraman Malaysia will ensure that the excitement at KLIA never ends.

Malaysia Airports Management & Technical Services Sdn. Bhd. (MAMTS)

MAMTS's strength as the consulting arm of the Group stems from MAHB's expertise and experience in managing 39 airports of varying capacities, ranging from less than 10,000 to 25 million mppa. An ISO-certified company since 2004, its scope of registration covers four broad areas: provision of technical advisory and consultancy services; management of cleaning services; monitoring of the quality of airport services; and provision of project management consultancy services.

MAMTS continued to play an important role in ensuring the high quality of cleaning services at the KLIA, and this has in no small measure, contributed to the KLIA's success in the ACI passenger survey. This service has been extended to LCCT-KLIA upon its commissioning on 23 March 2006. In its continual efforts to raise the bar, the following new initiatives were launched:

- The performance level for cleaning services at KLIA has been increased to 95.0%



- Washroom upgrading works for centrally located washrooms at KLIA terminal were carried out
- Improving the knowledge and skill level of personnel involved in the cleaning industry, up to the advance stage to qualify for BICS certification

The Services Monitoring Division of MAMTS continues to provide consultancy services to KLIA for the Airport Service Quality (ASQ) benchmarking programme. KLIA has been participating in this programme since 2002. Through MAMTS' consistent efforts in monitoring the performance of each of the 28 service elements under the ASQ programme, KLIA has reprised its success to emerge as 'The World's Best Airport' in the 15-25 mppa category for 2006. A similar airport benchmarking programme called the Customer Survey & Satisfaction Programme has been initiated by MAMTS for the Penang International Airport.

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<p>MAMTS has come a long way since it started its first overseas venture in October 1995, when it entered into a Management Services Agreement to provide a range of services in managing the Pochentong International Airport and Siem Reap International Airport in Cambodia. Since then, MAMTS has ventured further afield into regions as diverse as ASEAN, Indian sub-continent, Central Asia and the Middle East.</p>	<p>Apart from supporting MAHB's overseas ventures in the area of airport management, MAMTS also contributes in providing technical support at the planning and design stages. Having gained in-depth experience from conventional airport building projects, MAMTS has now broadened its expertise to cover the areas of airport pavement upgrading and airport retail and commercial development.</p>	<p>As emerging economies come into their own and continue to prosper, MAMTS is confident that there will be further opportunities coming its way. Empirical studies suggest that more people are taking to the skies and countries all over the developing world are upgrading existing airport facilities or building new ones to accommodate the expected surge in demand for air travel. Leveraging on its experience and solid reputation, MAHB is gearing up to play a bigger role in the international arena.</p>	
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Malaysia Airports Technologies Sdn. Bhd. (MA TECHNOLOGIES)



MA Technologies is the Information and Communication Technology (ICT) enabler for the Group. At KLIA, MA Technologies provides ICT solutions not only to meet the requirements of the Group but also manages the infrastructure for all tenants including government agencies operating at the airport.

Among the highlights of the year was the launch of an improved WIFI service at KLIA, making the airport one of the most advanced in the world in terms of network service. The expanded Internet access service, which is available at the satellite building, contact pier, arrival and departure halls, allows the airport community and passengers internet access for free.

The new service was facilitated by the recent upgrade of the backbone network, which among others, has positioned the infrastructure for future facilities such as IP telephony, wireless communications to the aircraft, and mobile check-in services. The mobile check-in facility is now available at KLIA. The gatelink or the wireless communication to the aircraft is for their

cockpit systems to have wireless connections so that they can upload and download information whilst they are in the bay.

MA Technologies was also involved in several other major projects. One was for the replacement of the PCPS with CINTA@KLIA for the check-in system, an industry-based solution that conforms with the system adopted by the airlines. The other involved the upgrading of the FIDS system and displays. The new and improved FIDS system has enabled airlines and KLIA to display short mpeg movies or trailers, besides enhancing graphical presentations and displays. MA Technologies has also upgraded the message broker from IBM DCE/ENCINA to IBM MQ series. This has paved the way for the move towards a Service Oriented Architecture, an integration platform enabling flexibility in managing business changes whilst maintaining legacy systems. MA Technologies also undertook a project to upgrade the online system for retailers that provide on-line and up to date status for duty free stock to Royal Custom Department. With the upgrading, the

Customs now know the level of duty-free stock that can be held by retailers without necessitating a stock-take.

As reported last year, MAHB became the first airport operator in Southeast Asia to sign an MoU with IATA for IATA's Simplifying the Business (StB) programme. MAHB is adopting three components of the programme, namely the implementation of Common Use Self Service (CUSS) ticketing kiosks, Bar-Coded Boarding Passes (BCBP) and Radio Frequency Identification (RFID) for baggage management. CUSS is awaiting deployment by the airlines expected some time in mid-2007. Although the infrastructure is ready, the airlines' systems need to be integrated to CUSS. BCBP are now already in use while we have carried out tests for RFID on domestic routes.

As part of a Group committed to excellence, MA Technologies has already earned accreditation to ISO 9001:2000 and OHSAS 1800:1999. Apart from these, MA Technologies has been certified to BS7799 Part 2:2002, which



was subsequently upgraded to ISO/IEC 27001:2005, the standard for Information Security Management Systems. For 2007, we will be embarking on an Integrated Management System that combines all three certifications, an indication of how far we have arrived as a matured institution. In the continual quest for excellence, we are embarking on the use of IT Infrastructure Library (ITIL) for best practices and Control Objectives for IT and Technical-related (CoBIT) implementation for operational effectiveness.

MAB Agriculture- Horticulture Sdn. Bhd. (MAAH)

MAHB's significant land bank of 7,910.42 hectares located around KLIA and Kota Bharu airport has been put to productive use with agriculture and horticulture activities. The principal activity of MAAH is the cultivation and management of oil palm and coconut trees planted on the land. Under a replanting programme carried out in stages, some of the replanted hectares have come into maturity, thereby increasing revenue earnings for the company.

For 2006, MAAH achieved a turnover of RM22.8 million, of which 86.4% was generated by sales of fresh fruit bunches. The remaining RM3.6 million was contributed by horticulture activities, mainly landscaping services for the MAHB Group of companies



K.L. Airport Hotel Sdn. Bhd. (KLAH)



MAHB has extended the contract for Pan Pacific Hotels and Resorts (PPHR) to manage the Pan Pacific KLIA (PPKLIA) for another 10 years. PPHR was part of the planning group that has been managing the hotel since it began operations in June 1998.

With its brand message of 'Personalised Care, Because We Genuinely Care', PPKLIA aspires to be like no other airport hotel in the region. And it has the awards to prove it, having being voted Best Airport Hotel in Asia five times by Business Asia Magazine. As we go into print, the 2006 results are yet to be announced, although PPKLIA is most likely to win the title for yet another year when the 2006 results are announced.

PPKLIA is also among the frontrunners in the Pan Pacific Hotels & Resort group, having won the overall Best Hotel award for 2006. The luxury-class hotel renders the best

services it can offer to create a matchless experience for its guests. Over the past year, PPKLIA has been refurbished and upgraded in stages to offer the best possible state-of-the-art facilities to valued customers. As part of the makeover, all the bathrooms in the guestrooms have been upgraded. In a country that prides itself on the quality and range of its culinary offerings, PPKLIA offers sustenance at differently-themed watering holes and dining facilities. The 24-hour restaurant has been completely refurbished with a fresh new concept and has opened its doors under a new name : Degrees. Spicing things up is the newly-opened Ashoka, a new north Indian restaurant. The Travellers' Bar & Grill has been renovated, where besides liquid sustenance, guests can also partake of something more substantial. The Pacific Floor Lounge has been renovated with a new look that fuses local traditions with a modern and international sensibility.

Malaysia Airports (Properties) Sdn. Bhd. [MA(P)]

An investment holding company, the principal activities of MA(P) are management and operation of the Airside Transit Hotel (ATH), car parks and the Southern Common Amenities and Facilities (SCAF) at KLIA.



Two new parking facilities at the KLIA-LCCT and the SCAF commenced operations during the year. Upgraded with automated payment stations and a level-counting system, these new features allow for greater efficiency and convenience. The level counting system informs users of the number of parking lots still available at the respective levels. To further enhance safety and security, a camera is placed at both the entrance and exit points of the parking lots. Meanwhile, the ATH has undergone upgrading, repair and maintenance works.

Asia Pacific Auction Centre Sdn. Bhd. (APAC)



APAC is a world-class 'one-stop total clearance' integrated auction centre. It has dedicated facilities, unique in the region, to conduct auction sales for various products ranging from heavy construction machinery/equipment, trucks, motor vehicles, industrial and engineering machinery to household appliances. Since commencing business in late 2000 to date, APAC has conducted over 400 auctions with a transacted sales value of RM650.0 million.

67 auctions were conducted in 2006 with a sales value of RM120.0 million. This included a very successful international machinery auction held in Bintulu, Sarawak in August, which attracted buyers not only from Malaysia but also the United States, Europe, Africa and Australasia. In just a matter of hours, APAC achieved record sales of over RM31.0 million. APAC also hosted the bi-annual Defence Services Asia Exhibition & Conference 2006 and the Export Furniture Exhibition 2006.

Going into 2007, APAC will continue to build and enhance its brand value as the leading auction centre in Malaysia and in the region.

Sepang International Circuit Sdn. Bhd. (SIC)



For the year in review, SIC achieved a profit before tax of RM10.5 million on the back of total revenue of RM67.5 million. This marked SIC's return to profitability after posting a RM14.6 million loss before tax in 2005. The turnaround was mainly attributed to a prudent financial management exercise, which included significant cost-cutting measures to safeguard the company's coffers. A major contributor to revenue in 2006 was from rental of the Sepang track, which has grown in prominence and popularity among the international corporate and motorsports fraternity worldwide.

2006 was a hectic year for the circuit with the A1 GP making its second appearance in Malaysia, attracting more than 36,000 spectators. The Formula 1 Petronas Malaysian Grand Prix remained the circuit's biggest business and a major tourist attraction. A total of 107,634 spectators attended the 2006 race where almost 40% were foreigners. The just concluded 2007 race attracted an even larger crowd, with 157,219 spectators in attendance. An impressive turnout was also seen in the other events such as the Japan GT Championship Malaysia, the Malboro Malaysian Grand Prix and the Merdeka Millennium Endurance Race.



With 2007 marked as Visit Malaysia Year, the significance of the SIC as a key tool in generating national revenue in tourism receipts for Malaysia is expected to be even greater.

Developing The Human Side Of Enterprise

In a world of change, people are the ultimate source of competitive advantage. The primary purpose of the human resource function at MAHB is to develop the human side of the business that wins in the marketplace. Human resource and manpower development practices must be designed to lend support towards the attainment of business goals and drive the implementation of business strategies.

MAHB's training facilities are spread out in three locations: KLIA, Subang and Penang. The Malaysia Airports Training Centre (MATC) KLIA sits on four acres of landscaped grounds, providing a conducive and professional environment to conduct training programmes. MATC KLIA has all the facilities to meet most training requirements. Apart from training rooms, it also houses a resource centre, cafeteria, surau and lounges for trainees to relax during breaks. Naturally, it is equipped with the latest audio-visual and media gizmo that one would expect of a first-rate facility. MATC KLIA is dedicated as an ICAO Aviation Security Training Centre and an ACI Global Training Hub.

MATC Penang is certified to the ISO 9001:2000 quality management system, the scope of registration being the provision of aviation security and fire services training at all airports. Programmes conducted by MATC Penang include those endorsed by ICAO as well as its own in-house curriculum tailored to meet the training needs of AVSEC and AFRS personnel.

Our training facilities at the old Subang Airport cater more for operational and maintenance personnel, where they need to acquire hands-on experience working with simulation models and equipment. The training syllabus and content have been drawn up specifically to meet this objective.

Every year, MAHB sets aside a significant percentage of its operating expenditure for training. For 2006, a sum of RM6.0 million was invested in training and human resource development. Based on the number of employees who attended programmes versus the total number of days training was conducted, each employee received an average of 1:1.4 training man-hours. MAHB's training curricula for 2006 remained focused on addressing competency gaps, giving particular attention to the areas of emerging technologies, technical knowledge, new regulatory requirements and leadership development.

In playing its part to support organisational goals and objectives, Human Resource Division (HRD) also developed programmes related to contract management, project management, OSHA, quality management and airport operations. The year in review also saw the formal launching of our Courtesy & Care Programme (C&C) to inculcate a strong customer service culture among frontline employees. Under this programme, we conducted in joint collaboration with other agencies, a total of 60 training sessions for 1,657 frontline employees. To ensure success, we have established internal committees at each participating airport to monitor progress and make certain the long-term sustainability of the programme. As MAHB's internationalisation efforts continue to take flight, HRD has also worked closely with MAMTS in developing and providing training programmes for the GMR Hyderabad International Airport in India. The programme content covers the key areas of airport rescue and fire fighting operations, technical support and airport operations.

HRD is also playing a key role in implementing two of the 10 initiatives launched as a series of coloured books by Khazanah Nasional Berhad as part of its GLC transformation programme. Under the Blue Book initiative on Performance Management, HRD has already drawn up and implemented the

guidelines. HRD will also champion the Orange Book initiative on strengthening talent management practices and is currently designing the framework. Other activities suggested by Khazanah are already at various stages of implementation.

As reported last year, MAHB was among the first GLCs to introduce a career development programme as an integral part of its human resource development efforts. Phase 1 of the Succession Planning Programme (SPP) for executives, comprises the following 10 modules:

- **Fast-Track Airport Managers Development Programme**
To equip current Airport Managers with the prerequisite skills, knowledge and attitude to reach world-class standing
- **Airport Managers Development Programme (AMDP)**
To develop a pool of competent Airport Managers through basic and intermediate learning and training
- **Specialist Development Programme – Engineering/Technical (SDP)**
To upgrade the knowledge, skills and expertise of airport engineering and technical personnel so as to be better equipped to manage specialised airport systems and facilities

- **Corporate Career Pathing (CCP)**
To develop employees in disciplines other than their own so as to broaden their career progression opportunities
- **Employee Exchange Programme (EEP)**
To enhance the personal development of employees, while providing opportunities to broaden their experience in their particular area of expertise
- **Management Trainee Programme (MTP)**
To develop undergraduates with fresh ideas and talents and groom them to become well-rounded airport management personnel

HRD is currently at Phase 2 of the SPP. Some of the modules under Phase 1 such as AMDP, SDP (Engineering/Technical), CCP, EEP and MTP have been carried over to Phase 2. The new modules under Phase 2 include a SDP specifically targeted at commercial personnel to create a corps of employees proficient in airport commercial management activities. Phase 2 also introduces a Master of Enterprise Management programme. This programme is geared towards the development of a reservoir of future leaders with the knowledge and competency to operate across business functions.

The coming financial year will see new initiatives being rolled out to get the best out of MAHB's 6,693 employees. HRD is keen to implement other training methodologies and introduce new platforms to create the human capital edge. Among others, these would include job attachment, job shadowing and job assignments to address specific skill gaps or on a case-by-case basis.



Technology permeates virtually every sphere of airport operations. Over the years, MAHB has invested considerable resources to ensure that its system of airports, and KLIA in particular, is ranked among the world's most technologically advanced.

KLIA was a trail-blazer in implementing the Total Airport Management System (TAMS), a technologically superior computer-based distributed management overlay that makes the airport one of the most operationally efficient in the world today. Having had an early start, we have now advanced further than many other airports in the area of technology deployment. MAHB is continually improving the TAMS system and we are moving into the second generation, addressing value-added services to improve operations and to better serve the public at large.

In our Airport Operations Centre (AOC), IT plays a key role in overseeing all aspects of operations and can anticipate problems before it becomes a crisis. The use of Operational Information System (OIS), CCTV for monitoring and Incident Management System, to cite a few examples, are all part and parcel of tools for AOC operations. The various operational systems are integrated to provide

The Technology Edge

accurate and timely information to the AOC for effective monitoring, thereby facilitating better management of the airport.

KLIA employs a high-end network not only to serve the airlines, but also the airport community as a whole. Recently, the backbone infrastructure was upgraded to support more than 150 sites, including the recently commissioned LCCT-KLIA. Under this network upgrade project, KLIA was fitted with a 10 Gigabit Ethernet network to replace the Asynchronous Transfer Mode network. This new network is equipped with the latest technology to meet the requirements of KLIA for many years to come.

MAHB's Technical Research & Planning Division is currently using Total Airspace and Airport Modeller (TAAM), the only fast-time gate-to-gate simulator of airspace and airport operations. This sophisticated software tool simulates realistic 4D models of aircrafts and passenger movements to facilitate decision support, planning, design and analysis. A complete simulation can therefore be cost-effectively examined to achieve capacity planning on airspace, airport and infrastructure requirements for better planning.

The use of fast-time simulation helps achieve quicker results and better cost efficiencies. The results from the current TAAM study will be used for the construction of KLIA's Satellite B terminal.

Another prime example of cutting-edge technology employed by MAHB to improve efficiency and service levels is the use of Simulation System. The graphics-based computer programme used for the fast-time simulation of passenger and baggage flows inside the airport terminal building and on the tarmac using the actual number of passengers for each flight, or if unavailable, the average aircraft seating capacity and load factors to generate the flow of departing and arriving passengers. The programme employs sophisticated algorithms to simulate realistic passenger behaviour. As such, it provides management with critical information that can be used to decrease overall operational costs and create a more efficiently managed terminal area.

Raising Safety & Security Standards

In the aftermath of 9/11, safety and security in the world's aviation industry was never the same again. The recent approval by the Government on new security charges is an acknowledgment that airport security is a very critical and important service. As far as MAHB is concerned, we have always taken an uncompromising stand on the two related issues. Besides meeting national and international industry standards, we are continually raising the bar, preferring to err on the side of caution. Safety and security are among the key parameters taken into consideration in the ACI passenger survey for the world's best airport ranking. The very fact that KLIA has won the award for two consecutive years is undoubtedly a reflection of the measures we have in place.

Nonetheless, MAHB is taking no chances. Besides enhancing safety and security measures, we are continually testing our preparedness to cope with an emergency situation. All five international airports have been awarded the Aerodrome Certification as required under Annex 14, International Civil Aviation Organisation (ICAO). This certificate is a requirement to ensure the safety of aerodromes. MAHB has on two occasions appointed a United Kingdom-based independent security consultant, Airlock Aviation PLC, to conduct security audits at KLIA. The auditors made a thorough and extensive survey of KLIA's security system and certified that it met all international regulatory requirements. Their findings were reaffirmed in 2006, when the ICAO



Universal Security Audit Programme (USAP) certified KLIA to be in full compliance with the Annex 17 requirement. From time to time, MAHB's airports are also subjected to an AETRA or ASQ audit conducted by airport consultants drawn from all over the world. These experts conduct surveys on security elements benchmarked against other airports all over the world. MAHB's system of airports has always fared well in these surveys.

MAHB also complies with ICAO's requirement on Airport Emergency Planning, which requires three exercises to be carried out:

- Full-scale exercise to be conducted once every two years
- Partial exercise to be conducted at least once each year that a full-scale exercise is not held, or as required to maintain proficiency
- Table-top exercise to be conducted at least once every six months, except when a full-scale exercise is held

Additionally, we are also meeting the national requirement which makes it mandatory for an evacuation drill exercise to be conducted annually. Four such major exercises were carried out at KLIA in 2006 involving the following scenarios:

- Evacuation drill at the Main Terminal Building
- Evacuation drill at LCCT-KLIA
- Partial exercise involving an aircraft crash at the LCCT-KLIA
- Evacuation drill at MAS Hangar and MAS Kargo

In addition to these drills, safety awareness programmes such as Basic Fire Fighting and Fire Prevention were conducted for all airport staff throughout the country.

By and large, the year 2006 passed by without any untoward security or safety incident. However, we continued to crack down on touts operating at KLIA. A special taskforce was formed to conduct round-the-clock operations to rout out the touts. The number of incidents involving baggage tampering and pilferage has been significantly reduced due to constant vigilance and enforcement by another taskforce unit working closely with the airlines and the police. Newly recruited security personnel have also been deployed to undertake security-patrolling duties at the terminal buildings, public-access areas and along the perimeter fences of the airport.

Since January 2007, additional x-ray facilities have been installed to screen passengers, staff and visitors before they are allowed to enter the security-restricted areas of KLIA. In line with major airports all over the world, MAHB will soon be implementing a restriction on the amount of liquid, gel or aerosol that can be carried by all international bound passengers departing from or changing planes at any airport in Malaysia. New measures will be introduced proactively or in response to a particularly need or situation, each time raising the bar on the safety and security standards we have set ourselves and ultimately, for the benefit of airlines and passengers.



Airside Security

On the airside safety front, we continued to undertake safety measures to ensure strict compliance with stringent international standards. Our efforts saw us receiving ISO 9001-2000 certification for third year in a row as well as Aerodrome Certification following the annual audit by DCA Airport Standards.

All KLIA related agencies and our ground handler worked hard throughout 2006 to ensure that untoward incidents were kept to a bare minimum. The following airside safety measures were undertaken:

- To prevent accidents happening between catering trucks and aircraft, a special lane was created for the catering trucks while LSG Catering conducted extra safety classes for its staff to reinforce safety messages
- To prevent passenger loading bridge accidents, special classes and hands-on training were conducted while random audits by airside trainers were carried out to ensure strict compliance
- To prevent ground vehicle accidents, apron staff were given extra classes and competency tests to ensure full compliancy before their annual driving permits were renewed
- Airside safety staff continued to highlight road safety requirements, inspect the condition of road vehicles and equipment as well as undertake enforcement measures



- Airside safety staff conducted internal safety audits together with airlines, ground handlers and other airport agencies
- A safety campaign involving exhibitions, professional safety talks and a safety competition was targeted at the ramp staff with an emphasis on fire safety, vehicle safety and defensive driving
- Contractor safety briefings were carried out for all new contractors to ensure they had a proper understanding of airside safety measures to be complied with

At MAHB, continuous measures and audits are undertaken to detect the number of possible accidents out of 1000 aircraft movements. October 2006 showed up an Aircraft Ground Index of 0.022 while the overall Actual Index for KLIA in 2006 stood at 0.016. This translates into a ratio of 0.016 accidents per aircraft out of 1,000 aircraft movements. Over the course of 2006, there were three minor aircraft-related ground accidents out of a total of 184,073 total movements (i.e. $3/184073 \times 1000 = 0.016$) which involved relatively minor incidents on the ground like vehicles hitting stationary aircraft. The index excludes major accidents in the air, such as engines on fire.

Reinforcing Occupational Safety & Health



Occupational Safety and Health (OSH) have been given a new emphasis at MAHB. During the year, an Occupational Safety and Health Department was established under the Human Resource Division. Headed by an experienced Senior Manager and a team of trained executives, one of the priorities of the new department is to draw up a more structured and systematic occupational health and safety programme for the Group. With adequate human resources, comprehensive monitoring to ensure compliance with OSH requirements can now be carried out more effectively. This is a prerequisite in striving towards continual improvements in mitigating safety risks and hazards at the workplace.

The seeds for an OSH culture have been planted over the years through various activities and programmes such as training, inspections, accident investigations and safety campaigns. We are already seeing the makings of an OSH culture, but more

needs to be done to ensure that OSH is ingrained into the mindset and work attitudes of employees. The ultimate goal is to ensure that 'safety first' becomes a matter of practice rather than a mere slogan.

A number of initiatives were launched in 2006 to reinforce the OSH culture. These included Accident Investigation Training attended by 214 staff members; Occupational Safety and Health Awareness Training for all airports attended by 1620 staff; and a City Survival Course for Ladies attended by 300 KLIA staff. A brainstorming session was also organised during the year, attended by 96 representatives from the respective Safety and Health Committees. The Department also participated in the KLIA Joint Safety Campaign and also coordinated the Noise Monitoring and Audiometric Test conducted at KLIA and Kuching International Airport. These exercises resulted in various improvement measures that will eventually be implemented.

For 2007, the department has prioritised a series of awareness programmes designed to increase the level of OSH awareness and competencies among staff, and hence accelerate the development of an OSH culture. The existing OSH Policy will be revised to incorporate essential elements of leadership, management commitment, workers' cooperation and the best practices to ensure optimal safety and health at the workplace. An OSH Management was developed and will serve as the main source of reference in future. More training programmes will also be developed, including sessions on Safety and Health Committee Training, Basic First Aid and CPR Training, among others. Among new initiatives planned for 2007 include the launch of a Safety Passport System and a Contractor Safety Management Programme. Such initiatives will enable us to manage the activities of contractors and third-party occupants more effectively.

GG 21: The Green Imperative



MAHB has long believed it pays to go green and there is no better manifestation of this commitment than KLIA itself. 'Airport in the forest, Forest in the airport' just about sums up the vision of the master-planners in designing an airport like no other in the world. Visitors will be struck by the man-made tropical forest that surrounds the airport, home to more than 500,000 tropical trees, palms, ferns and bamboo representing some 400 species of flora endemic to Malaysia's jungles. The overall green theme is carried through to the airport terminal, where a sealed seven-metre high glass arboretum holds a lush cultured jungle of nearly 4,500 trees and plants. The result is a feast for the eyes and a fresh and soothing effect on the overall atmosphere. This is the uniqueness of KLIA – a dynamic symbiosis between Malaysia's green identity and high-tech imagery of an airport built for the 21st Century.

Our commitment to the environment has been translated into a slew of high-profile initiatives that has earned KLIA the distinction of being the first environmentally friendly airport in the Asia Pacific region. This came about in 2004 when it received the Green Globe 21 (GG 21) Certification for the first time. GG 21 is a global environmental programme endorsed by 182 governments for the travel and tourism industry. It provides a framework of reference for the responsible and sustainable development of world tourism. KLIA's Green Globe Certification was renewed for the third time in 2006 after successfully undergoing an independent onsite assessment audit.

KLIA's re-certification to GG 21 required the implementation of an integrated environmental management system incorporating the following parameters: energy consumption; potable water consumption; water quality; solid waste production; cleaning chemicals used; storm water management; social commitment and resource utilisation.

In addition to these, MAHB also took steps to address other areas of concern such as air quality and visibility, noise pollution and energy conservation.

Using the GG 21 parameters as a guide, MAHB has established a benchmark for each performance indicator. Taking energy consumption as an example, the actual amount of electricity or diesel consumed over a period is measured against the benchmark established. The variance is an indication of where we stand and what remedial actions may be required.

In dealing with the problem of poor air quality and visibility, particularly during the dry months of August and September, various corrective actions have been taken. Besides prohibiting open burning on airport grounds, all garbage collected is compacted before sending for safe disposal in a landfill, thereby lessening the impact of our carbon footprints. MAHB has also requested the assistance of the local council to take action against farmers who carried out open burning within the vicinity of the airport.

Even at the planning stage, MAHB had adopted various measures to mitigate the problem of noise pollution at KLIA. Firstly, a great deal of thought and planning had gone into the selection of the site to ensure that the airport is built away from populated areas. This has been reinforced by the gazetting of a land area measuring 10-km x 10-km as a 'no build zone'. Finally, a green belt comprising palm oil plantations and natural forests surrounding the airport was left remaining to serve as acoustics barriers. Our efforts have paid off; since commencing operations, MAHB has received no complaints of noise infringement from the nearby community. Nonetheless, as required by the

Department of Environment, MAHB has appointed a consultant to monitor noise levels within a 20-km radius of the airport.

MAHB has also embarked on various energy conservation measures, incorporating recommendations from the Malaysia Energy Centre. These included the use of chilled water in place of CFCs as a cooling agent in the KLIA's air-conditioning system. By using a co-generation system, we are conserving energy and at the same time, reducing carbon dioxide emissions. All lighting and air-conditioning systems at the KLIA Terminal Building have been installed with energy-saving features.

In meeting the criteria for GG 21 re-certification, our attention was also focussed on water management. Waste water from KLIA is treated at a treatment plant before it is discharged into the river and waterways. Being located in the tropics, we have also made provisions for run-off water to be collected at two balancing ponds, where sediments are allowed to settle before the water is discharged. We have also installed grease traps in drains and outlets at aircraft bays and ramp areas to trap any oil or fuel discharged from aircraft or vehicles. These traps are checked and cleaned regularly. To ensure that KLIA is not the source of any water pollution, water samples collected from the treatment plant and balancing ponds are tested periodically to ensure water quality before it is channeled into the river.

KLIA has also started a compost pile project, the objective being to recycle into compost, waste material from landscaping activities and sludge from the waste water treatment plant. The compost so obtained can be used as organic fertilizers to reduce the current dependence on chemical fertilizers. By demanding energy and environmentally friendly practices from our contractors and suppliers, we hope to start a green wave across Malaysian businesses.

In these and a myriad other ways, we are helping to make Planet Earth a better place to live in for our generation and generations yet unborn.

Cultivating Business Relations

The road to entrepreneurial success is never easy. Today, more than ever, success depends on our ability to cultivate, retain and grow profitable and enduring relationships with the many parties with whom we do business. MAHB enjoys a mutually satisfying and rewarding relationship with a diversity of entities from all over the world. Together, they have contributed in no small measure to our success over the years.

In cultivating business relations, we aim to reach out to four major target groups: key players in the global aviation industry; members of the media; government ministries and agencies; our tenants and the many agencies operating within the MAHB system of airports. For each different category, we have mapped different strategies, be it to break the ice or strengthen the bonds already established.

During the year, MAHB presented marketing proposals and route analyses to more than 30 international airlines. This is in addition to regular visits to the local and regional marketing and planning departments of these airlines. One of the most important platforms for establishing ties with the global airlines is through participation in the major international aviation forums such as Regional Asia, IATA Schedules Conference, World Route Development Forum, Airport Service Quality Conference, Arabian Travel Mart and the Malacca International Trade and Investment Fair.

Of these forums, the World Route Development Forum is the world's largest airport-airline gathering of its kind. The 2006 edition was hosted by Dubai and was attended by a record 2,000 delegates representing 300 airlines and 650 airports, including industry organisations and manufacturers. As Malaysia will be the first Asian country to host the next edition of Routes in 2008, the MAHB delegation's mission was not only to market KLIA but the country as a whole. The Malaysian chalet, which presented a microcosm of the country's culinary and cultural offerings under the theme 'Destination Malaysia', was a hit among delegates and visitors alike. We also invited all our strategic partners such as KLAS, Tourism Malaysia, Express Rail Link and Malaysia Airlines strategic partners to join us in a concerted and integrated marketing effort to showcase Malaysia and the various facilities that would ensure the success of Routes 2008. MAHB's efforts in including its strategic partners as part of its delegation in Dubai have garnered much praise.

Away from the meeting and boardrooms, we are also cultivating business relations in a more informal and convivial setting. In August, MAHB organised a 'Go Kart Endurance Race 2006' to enhance networking with business partners and clients. The Second Annual Airports Golf Challenge attracted more than 100 participants comprising our business partners, clients, members of the media, government agencies, airlines and representatives from the private sector. The 'Media Hunt 2006 – Northern Trail' saw the largest number of participants, with 65 cars filled with scribes and pixmen in search of 'treasure' planted by MAHB.

When it comes to accolades and awards, MAHB has for the most part been only at the receiving end. On the occasion of our 14th Anniversary, we thought it only fitting that we show our appreciation to all our service providers and operators at KLIA. After all, we owe our success to the support and cooperation they have given us over the years. The inaugural annual KLIA Awards was launched at the Pan Pacific KLIA on 1 November by the Minister of Transport with more than 600 guests in attendance. Awards were presented for different categories of carriers and service providers at KLIA.



Enhancing The Passenger Experience

KLIA may be one of the most technologically advanced airports in the world, but we are proud to maintain all our Malaysian value and hospitality. Courtesy, care, thoughtfulness and attention to details are the pillars on which our service is founded because we realise that even the most advanced airport means very little to its users if it is not backed up by some very human service. There is no better yardstick of our success in enhancing the passenger experience and meeting their expectations than winning the ACI Award for the World's Best Airport not once but twice in a row. The awards are based on annual results of overall satisfaction of international passengers in surveys conducted by the ACI.

We understand that arriving at a strange city can pose tremendous problems for a first-time visitor. Through strategically placed signboards, we have tried to make it convenient for travellers to find their way around the airport. Since March 2005, we have also started our airport ambassador programme. Students from local institutions of higher learning, who are conversant in Mandarin or Arabic participated to serve as airport-cum-goodwill ambassadors. As many as eight Middle Eastern airlines are now flying to KLIA, while the number of tourist arrivals from China has been steadily rising. Wearing a prominent 'May I Help You' vest and a friendly smile, our ambassadors have proven a hit with visitors from China and the Arab world. As testament to their resounding success, our roving ambassadors have been roped in to help with the Visit Malaysia Year campaign where they now serve as 'Friends of VMY 2007'.

MAHB continues to invest in infrastructure and facilities to enhance the passenger experience. As

mentioned in this report, the entire commercial area of KLIA is being upgraded for a shopping and dining experience second to none. During the year, KLIA was transformed into a wireless hotspot airport, allowing passengers to access the Internet for free. As an alternative, travellers can also while away their time at the movie lounge.

Among the key initiatives in our efforts to serve our customers better was the launch of the Courtesy and Care Programme (C&C) on 21 April 2006. Kicking-off this programme, MAHB has established 'Excellent Customer Service Practices' to serve as a standard reference and behavioural norm for front-line personnel in their interactions with external and internal customers. A total of 60 training sessions were conducted during 2006 attended by 1,657 participants. Following the implementation of the C&C programme at KLIA and Penang International Airport, there was a noticeable improvement in the overall satisfaction index according to the findings of the ACI survey. The C&C programme is being implemented in stages at other airports, domestic as well as international.

With the knowledge that the customer is the main arbiter of our success, we listen to their feedbacks and suggestions. More importantly, we respond by doing the necessary to make things better. Thanks to such feedback, the waiting time for the last baggage to arrive at the carousel has been shortened to 40 minutes from the previous 50 minutes. As of 1 July, we have also introduced a 'count-down' system whereby passengers are informed via a display board the exact time when their baggage will arrive at the carousel. To ease congestion at immigration control, special lanes have been created for disabled travellers and those travelling as a family. While the head of the family deals with immigration control, members of his entourage can wait along the aisle where comfortable seats have been provided. No complaint or suggestion is so insignificant that it does not merit our attention. Our baggage trolleys now come with rubber guards as an additional safety precaution.

Friendly smile, an acknowledgement or a simple greeting, may be a small act of courtesy. However, these are the courtesy practices that performed naturally by all the service providers at KLIA.

How do we know? That's because we are travellers too. Don't you think you deserve such service?

Embracing Corporate Social Responsibility

"To achieve the first challenge of a moral and ethical society, enterprises should embrace CSR best practices that help to maintain and raise ethical standards in business decision-making. Enterprises that are conscious of CSR will not just consider their own well-being but also that of the society and environment in which they operates..."

YAB Dato' Seri Najib Tun Abdul Razak

Deputy Prime Minister of Malaysia

MAHB believes that CSR is an integral part of our vision. Our social policy has been developed over the years. In MAHB, our CSR reflects our values and principles that have been our roadmap in our business dealings. For our discerning stakeholders, there is a need to focus beyond businesses in order to respond to dynamic economic, societal and environmental changes. Thus, our CSR initiative takes on projects which have long term sustainability.

MAHB has supported many registered charities in the country but we believe community involvement does not always take the form of cash donations. For us a simple act of volunteering our services for a worthy cause is more meaningful. And, in many ways, big and small, we touch the lives of Malaysians, earning their respect as a friend and trusted neighbour.

Regular visits to KLIA organised for orphans, school children, undergrads and even our other business peers has become a regular fixture in our CSR palate. And, we do have a soft spot for orphans. In July last year, in conjunction with KLIA's 8th Anniversary, we hosted a Fun Charity Visit for Asrama Damai Rumah Anak-Anak Yatim Kuang. About 40 students from the orphanage came to learn and explore KLIA. In November, 109 orphans from four homes are feted at Pan Pacific KLIA at our Mesra Aidil Fitri. The Charity event was also participated by Eraman, who sponsored a gazebo at the orphanage and lend a hand in spring-cleaning the premises.

The spirit of sharing and caring has always been embraced by all MAHB employees. As our contribution to society, we organised a Blood Donation Campaign in conjunction with KLIA's 8th Anniversary Celebration. Whenever disaster strikes example floods that inundated parts of Johore, we are quick to respond to the plight of the many thousands affected. A sum of RM15,000 from MAHB staff was donated to the flood victims where the money collected were used to purchase essential items such as food, mattresses, blankets, pillows and diapers. To further aid the flood victims, we went to one of the affected areas and helped them to clean up their homes. Our hearts also go out to the victims of the earthquake that struck central Java. To help alleviate the suffering of the victims, cash donation boxes were strategically placed at the KLIA Terminal to raise funds for the victims.

As part of our GLC contribution, we supported the Ministry of Finance and Khazanah Nasional's, Project PINTAR, the acronym for Promoting Intelligence, Nurturing Talents, Advocating Responsibility. The project was inceptioned to encourage GLC's to play a more active role in helping raise awareness of the importance of education and to improve the academic standards of under-privileged children. The Pintar Programme has been outlined in the Silver Book

as one of the 10 initiatives identified under the GLC Transformation Programme. Pulau Pinang has been chosen as the first state to implement this programme, with each of the 17 participating GLCs required to adopt two schools each.

MAHB launched its Pintar Programme in February 2007. Our Pintar programme is unique as we are the only GLC that branded our programme as our own with the theme 'Beyond Borders'. We believe there should be no limits to education, regardless of obstacles and each of us are responsible to chart our own destiny. MAHB adopted SK Batu Maung & SMK Batu Maung for this Programme. In conjunction with the launch, MAHB donated three computers to each school and further assistance will be rendered from time to time based on the schools' needs and performance. As staff participation is an integral part of the programme, we are committed to volunteer our staff time and efforts where they will contribute as mentors to work with and motivate the children. Through this three year programme, we are helping them improve their English and charts their students future. A lot of activities are in store for the students, teachers and parents such as motivational talk, book donation drive, language week and even setting up their own language lab.

The world's only Flying Eye Hospital (FEH) landed at Kuching International Airport for a two-week stint beginning 29 January 2007. The FEH is operated by Orbis, a voluntary organisation with a pool of 400 pilots, doctors, anaesthetists, nurses and medical technologists who have committed themselves to saving sight worldwide. Orbis has already made four visits to Malaysia, but this is the first time it is landing in Sarawak. In support of the FEH, MAHB waived the landing and parking charges for the DC 10 aircraft.

Fulfilling our corporate social responsibility will always be MAHB's operating philosophy. After all, we are all here to achieve and change to gain stability in our dealings, prosperity and to achieve a better quality of life for us and of our stakeholders. Though our CSR has evolved over the years, the one thing that has not changed is our genuine desire to make a difference.

Contributions To The Nation

Malaysia has come a long way since the first successful flight was recorded back in 1911. Airfields started to be constructed all over the country in the 1930s, which were at that time little more than rudimentary runways covered by grass. The first proper airport, with a 950-yard runway was constructed in Penang in 1935. And the rest, as they say, is history.

Today, MAHB manages and operates 39 airports in Malaysia: 5 international, 16 domestic and 18 Short Take-Off and Landing Ports (STOLports). Our system of airports has been a catalyst for the promotion of tourism, trade, regional development and social integration. Thanks to our airports that rank among the best in the region in terms of services and geographical reach, more Malaysians are flying now than ever before. Airports, than just an infrastructure facility, have now come into their own as a major commercial entity in their own right, generating revenue and providing employment for thousands.

In the run-up to VMY 2007, MAHB has worked closely with all the relevant ministries and agencies to ensure a coordinated effort in selling Malaysia to the world. This was the mission of the MAHB delegation at the World Route Development Forum 2006 (Routes) hosted in Dubai. Routes is the world's largest airport-airline gathering of its kind and attended by a record 2,000 delegates representing 300 airlines and 650 airports, including

industry organisations and manufacturers. The Malaysian chalet presented a microcosm of the country's culinary and cultural offerings under the theme 'Destination Malaysia', and attracted an impressive stream of visitors.

Winning the ACI Award for the World's Best Airport and the CAPA Award has sent a strong message to the world that Malaysia has indeed come of age and is well on the way to achieving the aspirations of Vision 2020. Winning the ACI Award back-to-back is testimony of the nation's capabilities of achieving world-standard performance. This has earned us to be the first Asian nation to host Routes 2008. Malaysia was further honoured when MAHB was elected to the ACI Asia-Pacific Regional Board in March 2006 and appointed a Member of ACI's World Governing Board in November 2006.

No stone will be left unturned to ensure that the nation remain competitive to maintain its position in the forefront of aviation. Both the Kuching and Kota Kinabalu Airports have been upgraded and are expected to play key roles in the further development of East Malaysia under the 9th Malaysia Plan. Under a RM120.0 million expansion project, the Melaka Batu Berendam Airport is set to become the Southern gateway for tourists from the ASEAN region and China.

We do not take our role in nation building for granted. For airline to grow, our facilities planning always have to be ahead so as not to curtail tourism and trade growth, both of which are lifeline of the national economy. In the interest of basic integration, travel and transportation of basic needs, we continue to operate all airports in same diligence. Hence, our initiatives for capacity accommodation have to start as early as the design stage of an airport. We have to ensure that the nation remain current and continue to be in the race.

Dato' Seri Bashir Ahmad Abdul Majid

Managing Director

Malaysia Airports Holdings Berhad