

A BREAKTHROUGH YEAR

FINANCIAL STATEMENTS 2023

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

Principal activities

The principal activity of the Company is investment holding.

Details of the subsidiaries are disclosed in Note 15 to the financial statements.

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

Information in respect of the Group's Operating Agreements, Land Lease Agreement and Development Agreement with the Government of Malaysia ("GoM") and the foreign subsidiary's Implementation Agreement, including both the obligations and operations are disclosed in Notes 1.2, 1.3 and 1.4 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit net of tax	543,167	214,542
Profit attributable to:		
Owners of the Company	543,167	214,542

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than those as disclosed in the notes to the financial statements.

Share capital

On 26 May 2023, the Company increased number of its paid-up share capital to 1,668,554,432 (excluding 1 Special Rights Redeemable Preference Share) by the issuance of 9,362,604 new ordinary shares. The increase arose from the Dividend Reinvestment Plan ("DRP") relating to electable portion (for those shareholders electing for the re-investment) of the single-tier final dividend of 3.91 sen, on 1,659,191,828 ordinary shares for the financial year ended 31 December 2022, as disclosed in Note 26.

DIRECTORS' REPORT

Dividends

The amount of dividends declared or paid by the Company since 31 December 2022 were as follows:

	RM'000
In respect of the financial year ended 31 December 2022 as reported in the directors' report of that year:	
Single-tier final dividend of 3.91 sen, on 1,659,191,828 ordinary shares, declared on 28 February 2023 and paid on 25 May 2023 and partially re-invested on 26 May 2023	64,876

A single-tier final dividend of 3.91 sen per ordinary share in respect of the financial year ended 31 December 2022 was approved by the Board of Directors on 28 February 2023. The final dividend amounting to RM64,875,586 of which RM8,137,007 was paid on 25 May 2023 and the remaining balance of RM56,738,579 less RM329,711 share issuance expenses arising from the Dividend Reinvestment Plan ("DRP"), was re-invested on 26 May 2023, as disclosed in Note 11.

On 29 February 2024, the Company declared a single-tier final dividend in respect of the current financial year ended 31 December 2023 of 10.80 sen per ordinary share amounting to dividend payable of RM180,203,879 (based on 1,668,554,432 ordinary shares issued as at 31 December 2023).

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Datuk Zainun binti Ali
 Dato' Ir. Mohamad bin Husin
 Dato' Normah binti Osman (resigned on 25 April 2023 and re-appointed on 20 October 2023)
 Dato' Zamzuri bin Abdul Aziz (appointed on 5 June 2023)
 Datuk Amran Hafiz bin Affifudin (appointed on 1 September 2023)
 Dato' Seri Ir. Koe Peng Kang (appointed on 12 December 2023)
 Cheryl Khor Hui Peng
 Ramanathan a/l Sathiamutty
 Rohaya binti Mohammad Yusof
 Mohd Nizam bin Mohd Khir [alternate director to Dato' Zamzuri bin Abdul Aziz] (appointed on 5 June 2023)
 Dato' Sri Iskandar Mizal bin Mahmood (resigned on 24 October 2023)
 Wong Shu Hsien (resigned on 1 September 2023)
 Datuk Johan bin Mahmood @ Johan Mahmood Merican (resigned on 22 May 2023)
 Tan Sri Mohamad Salim bin Fateh Din (resigned on 22 May 2023)
 Datuk Azailiza binti Mohd Ahad (resigned on 19 May 2023)

DIRECTORS' REPORT

Directors of subsidiaries

The following is a list of directors of the subsidiaries (excluding directors who are also directors of the Company) in office since the beginning of the financial year to the date of this report:

Ahmad Farid bin Ahmad
Azlin binti Ismail @ Shamsuddin
Hadiyatul Hayati binti Khalil (appointed on 12 October 2023)
Mohamad Radzuan bin Mazlan
Mohamed bin Rastam Shahrom
Gordon Andrew Stewart (appointed on 12 October 2023)
Hani Ezra binti Hussin
Megat Ardian Wira bin Mohd Aminuddin
Mohd Arif bin Jaafar
Nornajihah binti Ismail
Randhill Singh a/l Amrick Singh
Ahmad Tarmizi bin Mohd Hashim
Fatima Darwish A D Al-Darwish
Amer S B Sbeihi
Abdurrahman Seref Can
Halil Ucarer
Shameem Kureemun
Georges Valery Magon
Mohammad Nazli bin Abdul Aziz (resigned on 18 September 2023)
Datin Suryani binti Ahmad Sarji (resigned on 6 September 2023)
Mohd. Asrul bin Ab. Rahim (resigned on 6 September 2023)
Stien Van Lutam (resigned on 30 June 2023)

Directors' benefits

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

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

The directors and officers of the Group and of the Company are covered by the Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance is maintained on a group basis and the total premium paid by the Group during the current financial year amounted to RM193,135.

DIRECTORS' REPORT

Directors' remuneration

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are as follows:

	Group RM'000	Company RM'000
Fees	1,428	1,101
Salaries and other emoluments	2,455	2,372
Defined contribution plans	244	244
Estimated money value of benefits-in-kind	258	258
	4,385	3,975

Directors' interests

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

Other statutory information

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.



DIRECTORS' REPORT

Other statutory information (cont'd.)

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Subsequent events after the reporting date

Subsequent events after the reporting date are disclosed in Note 37 to the financial statements.

Auditors

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

DIRECTORS' REPORT

Auditors (cont'd.)

The details of the auditors' remuneration for the financial year are as follows:

	Group RM'000	Company RM'000
Auditors' remuneration:		
Statutory audit		
- Ernst & Young PLT	1,368	490
- Other than Ernst & Young PLT	295	24
Other services		
- Ernst & Young PLT	192	39
- Other than Ernst & Young PLT	204	-
	2,059	553

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 February 2024.



Tan Sri Datuk Zainun binti Ali

Kuala Lumpur, Malaysia



Cheryl Khor Hui Feng

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

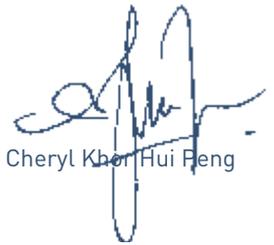
We, Tan Sri Datuk Zainun binti Ali and Cheryl Khor Hui Peng, being two of the directors of Malaysia Airports Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 178 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and the financial performance and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 February 2024.



Tan Sri Datuk Zainun binti Ali

Kuala Lumpur, Malaysia



Cheryl Khor Hui Peng

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Mohamed bin Rastam Shahrom (MIA Number: 24197), being the officer primarily responsible for the financial management of Malaysia Airports Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 178 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Mohamed bin Rastam Shahrom at Kuala Lumpur in the Federal Territory on 29 February 2024.



Mohamed bin Rastam Shahrom

Before me,



di/TUAN N. BALQIS GUZALI & CO
No. 3-1 (1) Jalan Rancangan Niaga 3
Rampar Business Park
68100 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

To the members of Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Malaysia Airports Holdings Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including material accounting policies information, as set out on pages 16 to 178.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the year ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters in respect of audit of the financial statements of the Group

Impairment of intangible assets

The intangible assets represent a significant amount on the statement of financial position of the Group as disclosed in Note 14 to the financial statements. Under Malaysian Financial Reporting Standards ("MFRS"), the Group is required to test the amount of intangible assets with finite useful life for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication that the intangible assets may be impaired. COVID-19 has resulted in challenging operating environments in Malaysia and Türkiye, whereby the Group still in recovery period. This is an indication that the assets in Malaysia Airports (Sepang) Sdn. Bhd. ("MA Sepang"), Malaysia Airports Sdn. Bhd. ("Malaysia Airports"), and Istanbul Sabiha Gokcen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. ("ISG") may be impaired.

We focused on this area because the determination of whether or not an impairment charge for intangible assets is necessary involves significant judgements by the directors about the future results of the business and assessment of future plans for the Group's assets.

Malaysia's Operations

We evaluated the directors' impairment assessment, which includes assessment of the cash flow forecasts and projections used in the models, the process by which they were drawn up and testing the underlying calculations. We challenged:

- The key assumptions for long-term growth rates in the forecasts by comparing them to historical results, and economic and industry forecasts; and
- The discount rate by assessing the weighted average cost of capital and that of comparable organisations.

We have also performed sensitivity analysis around the key drivers of the growth rates of the cash flow forecasts including the revenue growth. We have assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Türkiye's Operations

In addressing the risk, the Component team considered the objectivity, independence and expertise of the firm of independent valuer engaged by the ISG. We evaluated the Component team's procedures, which included the evaluation of the directors' impairment calculations, assessment of the cash flow forecasts and projections used in the models, and the process by which they were drawn up and testing the underlying calculations. The Component team challenged:

- The key assumptions for long-term growth rates in the forecasts by comparing them to historical results, and economic and industry forecasts which were supported by an independent valuation report; and
- The discount rate by assessing the weighted average cost of capital and that of comparable organisations.

The Component team also performed sensitivity analysis around the key drivers of growth rates of the cash flow forecasts, including revenue growth. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the assets to be impaired, the Component team considered the range of outcomes from changes to the key assumptions. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters in respect of audit of the financial statements of the Group (cont'd.)

Amortisation of intangible assets

As at 31 December 2023, the net book value of intangible assets amounted to RM14.7 billion as disclosed in Note 14 to the financial statements. The useful lives of the intangible assets are amortised based on usage.

We focused on this area because the Group's amortisation policy in respect of intangible assets are determined using the method which reflects the asset's usage based on passenger volume and usage of airport activities over the concession period which involves significant judgements made by the directors.

Malaysia's Operations

We evaluated the directors' amortisation calculations, assessing the future passenger volume forecasts used in the models over the extended operating period, and the process by which they were drawn up and testing the underlying calculations. In testing the underlying calculations, we challenged the key assumptions for long-term growth rates of the passenger volumes in the forecast by comparing them to historical actual results, and economic and industry forecasts.

We also evaluated directors' estimates of the passenger growth and maximum capacity of passengers by taking into consideration external studies and industry benchmarks.

Türkiye's Operations

We evaluated the Component team's evaluation of the directors' amortisation calculations and the process by which they were drawn up and testing the underlying calculations. The Component team challenged the key assumptions for long-term growth rates of the passenger volumes in the forecasts by comparing them to historical actual results, and economic and industry forecasts.

Recoverability of deferred tax assets

As at 31 December 2023, the Group's deferred tax assets amounted to RM769.0 million as disclosed in Note 22 to the financial statements. We focused on this area as the recognition of these assets involves judgement by directors as to the likelihood of the realisation of these deferred tax assets, which is based on a number of factors, including whether there will be sufficient taxable profits in future periods to support recognition.

The assessment of future taxable profits is a complex process and required significant management's judgements, in particular the judgements applied in respect of the expected future economic conditions of the industry which impact the revenue growth rates and operating costs of the Group.



INDEPENDENT AUDITORS' REPORT

To the members of Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters in respect of audit of the financial statements of the Group (cont'd.)

Recoverability of deferred tax assets (cont'd.)

Our procedures in relation to directors' assessment about the recoverability of deferred tax assets included:

- Understanding and assessing the identification process of temporary differences and calculating deferred tax assets;
- Evaluating directors' assessment and Türkiye component team's evaluation of the directors' on the sufficiency of future taxable profits in support of the recognition of deferred tax assets by comparing director's forecasts of future profits to historical results; and
- Evaluating the key assumptions applied in determining the profit forecasts and projections, supplemented by expectations of the future economic conditions, business plans and approved budgets of the Group.

Key audit matters in respect of audit of the financial statements of the Company

Impairment assessment on investments in subsidiaries

The Company is required to perform an impairment test on its investments in subsidiaries whenever there is an indication that these investments may be impaired.

There is an indication that the carrying amount of the Company's cost of investments in subsidiaries may be impaired as these entities met the impairment triggers during the year.

Based on the impairment assessment performed by the management of the Company, there was no impairment loss recognised on the investments in subsidiaries during the year.

We consider this to be an area of focus for our audit as the amounts involved are significant, the assessment process is complex and involves significant management's judgements about future market and economic conditions and changes in assumptions may lead to a significant change in the recoverable amount of the investments in subsidiaries.

Our procedures to address this area of focus included, amongst others, the following:

- Obtaining an understanding of the relevant process and controls over management's assessment of the impairment of the investments in subsidiaries;
- Evaluating the appropriateness of the methodology and approach applied; and
- Evaluating whether key assumptions were reasonable, taking into consideration the current and expected operating outlook for the Group and its subsidiaries.



INDEPENDENT AUDITORS' REPORT

To the members of Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

To the members of Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the members of Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
29 February 2024



Ahmad Qadri Bin Jahubar Sathik
No. 03254/05/2024 J
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS

for the financial year ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	3	4,914,188	3,127,023	179,342	194,080
Cost of inventories sold		(283,444)	(128,125)	-	-
Other income	4	493,854	259,597	424,063	394,186
Employee benefits expenses	5	(953,465)	(751,424)	(177,963)	(156,248)
Depreciation and amortisation		(1,148,242)	(837,150)	(11,782)	(12,253)
Other expenses		(1,885,563)	(1,320,712)	(71,136)	(40,426)
Finance costs	6	(666,312)	(193,601)	(127,982)	(175,951)
Share of results of associates	16	29,416	16,802	-	-
Share of results of joint ventures	17	5,672	12,211	-	-
Profit before tax and zakat	7	506,104	184,621	214,542	203,388
Taxation and zakat	9	37,063	2,575	-	-
Profit net of tax		543,167	187,196	214,542	203,388
Profit attributable to:					
Owners of the Company		543,167	187,196	214,542	203,388
Earnings per share attributable to Owners of the Company					
(sen per share)					
- Basic, for profit for the year	10	29.17	7.82		

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit net of tax		543,167	187,196	214,542	203,388
Other comprehensive income:					
Foreign currency translation		115,025	(6,251)	-	-
Unrealised (loss)/gain on derivative financial instruments	31	(15,731)	52,327	-	-
Actuarial loss on retirement benefits	28(b)(iii)	(3,025)	(1,905)	-	-
Other comprehensive profit for the year, net of tax		96,269	44,171	-	-
Total comprehensive income for the year		639,436	231,367	214,542	203,388
Total comprehensive income attributable to:					
Owners of the Company		639,436	231,367	214,542	203,388

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	Group	
		2023 RM'000	2022 RM'000
Assets			
Non-current assets			
Property, plant and equipment	12	461,976	418,272
Right-of-use assets	13	141,338	132,128
Intangible assets	14	14,662,718	14,579,700
Investments in associates	16	171,337	141,921
Investments in joint ventures	17	97,447	109,085
Derivative financial instruments	31	5,785	24,159
Financial assets at fair value through profit or loss	18	462,014	351,475
Trade and other receivables	20	362,083	409,507
Employee loans	21	11,814	14,766
Deferred tax assets	22	768,918	684,017
		17,145,430	16,865,030
Current assets			
Inventories	23	127,366	97,726
Biological assets	24	2,342	1,986
Trade and other receivables	20	789,149	535,973
Tax recoverable		26,963	10,547
Derivative financial instruments	31	16,688	16,572
Financial assets at fair value through profit or loss	18	501,951	392,574
Cash and cash equivalents	25	1,845,101	1,529,590
		3,309,560	2,584,968
Total assets		20,454,990	19,449,998

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	Group	
		2023 RM'000	2022 RM'000
Equity and liabilities			
Equity attributable to Owners of the Company			
Share capital	26	5,170,749	5,114,341
Perpetual Sukuk	30	997,842	997,842
Retained earnings	27	1,671,446	1,250,655
Hedging reserve	31	16,854	32,585
Foreign exchange reserve	28(a)	139,703	24,678
Other reserves	28(b)	3,573	6,243
Total equity		8,000,167	7,426,344
Non-current liabilities			
Borrowings	29	3,337,690	4,144,439
Lease liabilities	32	104,728	96,287
Trade and other payables	33	4,538,971	4,356,813
Deferred tax liabilities	22	560,985	568,729
		8,542,374	9,166,268
Current liabilities			
Borrowings	29	1,249,450	697,319
Lease liabilities	32	30,702	33,487
Trade and other payables	33	2,589,974	2,116,524
Income tax payable		42,323	10,056
		3,912,449	2,857,386
Total liabilities		12,454,823	12,023,654
Total equity and liabilities		20,454,990	19,449,998

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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	Company	
		2023 RM'000	2022 RM'000
Assets			
Non-current assets			
Property, plant and equipment	12	19,838	25,157
Right-of-use assets	13	1,179	17
Intangible assets	14	22,885	15,036
Investments in subsidiaries	15	2,301,999	2,275,899
Investments in joint ventures	17	53,718	53,718
Financial assets at fair value through profit or loss	18	3,085	17,660
Other receivables	20	5,150,899	4,999,860
		7,553,603	7,387,347
Current assets			
Other receivables	20	2,306,909	2,337,358
Tax recoverable		389	392
Financial assets at fair value through profit or loss	18	9,860	177,233
Cash and cash equivalents	25	78,495	79,816
		2,395,653	2,594,799
Total assets		9,949,256	9,982,146



STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	Company	
		2023 RM'000	2022 RM'000
Equity and liabilities			
Equity attributable to Owners of the Company			
Share capital	26	5,170,749	5,114,341
Perpetual Sukuk	30	997,842	997,842
Retained earnings	27	420,691	328,525
Total equity		6,589,282	6,440,708
Non-current liabilities			
Borrowings	29	2,296,781	2,895,738
Lease liabilities	32	920	-
		2,297,701	2,895,738
Current liabilities			
Borrowings	29	885,000	435,000
Lease liabilities	32	268	24
Other payables	33	177,005	210,676
		1,062,273	645,700
Total liabilities		3,359,974	3,541,438
Total equity and liabilities		9,949,256	9,982,146

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2023

Group	Note	Attributable to Owners of the Company					Total equity RM'000	
		Share capital RM'000 (Note 26)	Perpetual Sukuk RM'000 (Note 30)	Foreign exchange reserve RM'000 (Note 28(a))	Hedging reserve RM'000 (Note 31)	Other reserves RM'000 (Note 28(b))		Distributable retained earnings RM'000 (Note 27)
At 1 January 2022		5,114,341	997,842	30,929	(19,742)	8,170	1,120,959	7,252,499
Total comprehensive (loss)/income		-	-	(6,251)	52,327	(1,905)	187,196	231,367
Legal reserve	28(b)(ii)	-	-	-	-	(22)	-	(22)
Distribution to Perpetual Sukuk holder	30	-	-	-	-	-	(57,500)	(57,500)
At 31 December 2022		5,114,341	997,842	24,678	32,585	6,243	1,250,655	7,426,344
At 1 January 2023		5,114,341	997,842	24,678	32,585	6,243	1,250,655	7,426,344
Total comprehensive income / (loss)		-	-	115,025	(15,731)	(3,025)	543,167	639,436
Legal reserve	28(b)(ii)	-	-	-	-	355	-	355
Distribution to Perpetual Sukuk holder	30	-	-	-	-	-	(57,500)	(57,500)
Transactions with Owners of the Company								
Issuance of new shares pursuant to DRP	26	56,408	-	-	-	-	-	56,408
Dividends	11	-	-	-	-	-	(64,876)	(64,876)
Total transactions with owners		56,408	-	-	-	-	(64,876)	(8,468)
At 31 December 2023		5,170,749	997,842	139,703	16,854	3,573	1,671,446	8,000,167

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2023

	← Attributable to Owners of the Company →				Total equity RM'000
	Non-distributable	Share capital RM'000 (Note 26)	Perpetual Sukuk RM'000 (Note 30)	Distributable retained earnings RM'000 (Note 27)	
Note					
Company					
At 1 January 2022		5,114,341	997,842	182,637	6,294,820
Total comprehensive income		-	-	203,388	203,388
Distribution to Perpetual Sukuk holder	30	-	-	(57,500)	(57,500)
At 31 December 2022		5,114,341	997,842	328,525	6,440,708
At 1 January 2023		5,114,341	997,842	328,525	6,440,708
Total comprehensive income		-	-	214,542	214,542
Distribution to Perpetual Sukuk holder	30	-	-	(57,500)	(57,500)
Transactions with Owners of the Company:					
Issuance of new shares pursuant to DRP	26	56,408	-	-	56,408
Dividends	11	-	-	(64,876)	(64,876)
Total transactions with owners		56,408	-	(64,876)	(8,468)
At 31 December 2023		5,170,749	997,842	420,691	6,589,282

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities				
Profit before tax and zakat	506,104	184,621	214,542	203,388
Adjustments for:				
Interest income	(71,720)	(51,242)	(154)	(253)
Net unrealised (gain)/loss on fair value for:				
- quoted unit trust	(1,328)	(1,457)	448	(1,575)
- unquoted shares (Note 19)	(125,185)	(16,728)	-	-
Dividend income (Note 3)	-	-	(179,342)	(194,080)
Interest expense	685,174	186,694	127,982	175,951
Swap (gain)/expenses (Note 6)	(18,862)	6,907	-	-
Net unrealised loss/(gain) on forex translation	66,495	29,321	(261)	(1,947)
Provision for liabilities (Note 33)	7,270	8,828	269	1,110
Writeback of provision for liabilities (Note 33)	(2,117)	-	-	-
Provision/(writeback) for inventories (Note 7)	1,277	(2,060)	-	-
(Gain)/loss on fair value of biological assets (Note 24)	(356)	1,441	-	-
Gain on lease modification (Note 32)	-	(41)	-	-
Amortisation of:				
- intangible assets (Note 14)	1,064,330	758,583	6,101	4,551
Depreciation of:				
- property, plant and equipment (Note 12)	43,422	49,241	5,549	7,591
- right-of-use assets (Note 13)	40,490	29,326	132	111
Net (writeback)/allowances of impairment on receivables (Note 7)	(10,094)	26,399	(1,271)	2,677
Gain on disposal of:				
- property, plant and equipment	-	(9)	-	(9)
- intangible assets	(228)	(7)	-	-
Property, plant and equipment written off	96	92	-	-
Intangible assets written off	54	94	-	-
Inventories written off	221	4,530	-	-
Investment income	(44,774)	(33,229)	(5,034)	(26,745)
Balance carried forward	2,140,269	1,181,304	168,961	170,770

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities (cont'd.)				
Adjustments for: (cont'd.)				
Balance brought forward	2,140,269	1,181,304	168,961	170,770
Share of results of:				
- associates	(29,416)	(16,802)	-	-
- joint ventures	(5,672)	(12,211)	-	-
Operating profit before working capital changes	2,105,181	1,152,291	168,961	170,770
(Increase)/decrease in inventories	(30,698)	16,145	-	-
(Increase)/decrease in receivables	(208,454)	(202,632)	21,359	(1,451)
(Decrease)/increase in payables	(234,680)	157,843	(32,877)	(10,448)
Increase/(decrease) in concession liabilities	133,684	(32,098)	-	-
Decrease in provisions for liabilities	(4,959)	(5,889)	-	-
Changes in related company balances	-	-	(145,806)	(496,058)
Cash generated from/(used in) operations	1,760,074	1,085,660	11,637	(337,187)
Taxes and zakat paid	(80,728)	(45,802)	(217)	(105)
Net cash generated from/(used in) operating activities	1,679,346	1,039,858	11,420	(337,292)
Cash flows from investing activities				
Purchase of:				
- property, plant and equipment	(63,651)	(37,972)	(132)	(26)
- intangible assets	(246,055)	(101,908)	(4,066)	(3,960)
- quoted unit trust	(977,496)	(2,202,328)	(198,188)	(1,701,084)
Proceeds from disposal of:				
- property, plant and equipment	-	135	-	135
- intangible assets	228	7	-	-
- quoted unit trust	884,094	2,516,598	379,688	2,079,746
- quoted bond	-	4,689	-	4,689
Investment income received	43,864	32,408	4,039	25,825
Interest received	54,654	26,874	154	253
Additional investment in subsidiary	-	-	(26,100)	-
Dividend received from:				
- joint ventures	17,310	-	17,310	-
Dividend received from subsidiaries	-	-	142,032	194,080
Net cash (used in)/generated from investing activities	(287,052)	238,503	314,737	599,658

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from financing activities				
Drawdown of borrowings	100,000	1,273,279	100,000	1,273,279
Repayment of borrowings	(505,183)	(1,750,350)	(250,000)	(1,540,000)
Swap payment	-	(6,932)	-	-
Concession payment	(533,691)	(564,759)	-	-
Lease liabilities payment	(48,892)	(32,935)	(149)	(117)
Interest paid	(214,602)	(220,954)	(111,692)	(166,037)
Dividends paid to shareholders of the Company	(8,137)	-	(8,137)	-
Distribution paid to Perpetual Sukuk holder	(57,500)	(57,500)	(57,500)	(57,500)
Net cash used in financing activities	(1,268,005)	(1,360,151)	(327,478)	(490,375)
Net movement in cash and cash equivalents	124,289	(81,790)	(1,321)	(228,009)
Effects of foreign currency translation	191,222	28,160	-	-
Cash and cash equivalents at beginning of year	1,529,590	1,583,220	79,816	307,825
Cash and cash equivalents at end of year (Note 25)	1,845,101	1,529,590	78,495	79,816

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. Corporate information and Operating Agreements

1.1 Corporate information

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 15. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 February 2024.

1.2 Operating Agreements

On 12 February 2009, the Group signed the following:

- (i) Operating Agreement for K.L. International Airport ("KLIA") - between the Company, Malaysia Airports (Sepang) Sdn. Bhd. ("MA (Sepang)") and the Government of Malaysia ("GoM"); and
- (ii) Operating Agreement for Designated Airports - between the Company, Malaysia Airports Sdn. Bhd. ("MASB") and the GoM.

The Operating Agreements include the following salient terms:

- (a) To restate the Group's respective rights and commitments with respect to the operation, management, maintenance and development of KLIA and the Designated Airports, and to terminate all prior rights and commitments arising from the concession agreement and lease agreement for KLIA entered into earlier between the GoM and MA (Sepang) save for rights and commitments expressly provided in the Operating Agreements for KLIA and the Designated Airports;
- (b) The settlement of Residual Payment owing by MA (Sepang) to the GoM in a manner that could not significantly deplete the cash reserves of the Group, and that would take into consideration the Group's financial resources and business plans;
- (c) MA (Sepang) and MASB ("Malaysia Airports") have been granted a lease of the airport lands co-terminus with the operating period of 25 years commencing from 12 February 2009 via Lease Agreements signed between Federal Land Commissioner ("FLC") and Malaysia Airports, respectively on 12 February 2009;

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. Corporate information and Operating Agreements (cont'd.)

1.2 Operating Agreements (cont'd.)

The Operating Agreements include the following salient terms: (cont'd.)

- (d) In consideration for the GoM entering into the Operating Agreements for KLIA and Designated Airports, MA (Sepang) and MASB agree to pay the GoM a User Fee. User Fee is equal to a specified percentage of revenue that the Group derives from activities carried out at KLIA and Designated Airports;
- (e) Under the Operating Agreement, the GoM shall assist Malaysia Airports Holdings Berhad ("MAHB") in bearing its socio-economic obligations by compensating MA (Sepang) and MASB with a marginal cost support sum ("MARCS") as disclosed in Note 2.4(aa)(iv) for marginal losses suffered, arising from the undertaking of socio-economic activities and GoM policies;
- (f) The Operating Rights are granted by the GoM to further define and augment the rights of MA (Sepang) as a licensed airport operator and manager of KLIA, and MASB as a licensed airport operator and manager of the Designated Airports, and the Operating Rights shall run for a period of 25 years from 12 February 2009. In 2016, the GoM via a letter from the Ministry of Transport, dated 28 December 2016, has granted the Group an extension of the Operating Agreements for a period of 35 years on top of the existing 25 years from 12 February 2009. On 9 February 2023, the GoM had approved in principle the new material terms for the Operating Agreements between the GoM and MAHB to operate, manage, maintain and develop 39 airports and STOLports until 2069 ("OA 2023"). Pursuant to the above approval, MAHB and the GoM will proceed to finalise the relevant documents to effect the OA 2023 and the relevant terms to be incorporated prior to their execution; and
- (g) Under the Operating Agreements, these rights may be terminated by the GoM for certain prescribed reasons, including any default on the MAHB Group's obligations, any order being made, or a resolution being passed, for the winding-up, liquidation, or receivership of MAHB or its principal subsidiaries, MA (Sepang) or MASB, the execution of any judgement against a substantial portion of the assets of MAHB or MA (Sepang) or MASB, if MAHB, MA (Sepang) or MASB were to make an assignment or enter into an arrangement or composition with its creditors or the licenses held by MA (Sepang) or MASB to operate airports being revoked or suspended by the GoM. The Operating Agreements permit the GoM to expropriate the rights with three months' written notice if they determine, in their sole discretion, that it is in the national interest or in the interest of national security. Upon the GoM exercising its rights of termination, the GoM shall pay an amount to be determined by an independent valuer appointed by the GoM and the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. Corporate information and Operating Agreements (cont'd.)

1.2 Operating Agreements (cont'd.)

The Operating Agreements include the following salient terms: (cont'd.)

- (h) A second Supplemental Agreement was executed on 17 November 2022, pursuant to a Land Lease Agreement and a Development Agreement between KLIA Aeropolis Sdn. Bhd. ("KASB"), a wholly-owned subsidiary of the Company, the GoM and FLC respectively which granted KASB with the right to develop and sublease 41 lots of KLIA Aeropolis Lands for 99 years. As such, MA (Sepang) will now retain the remaining 47 lots of land for the continued purposes of KLIA airport operations held under the Operating Agreement and Lease Agreement mentioned above.

1.3 Implementation Agreement relating to Istanbul Sabiha Gokcen Uluslararası Havalimani Yatırım Yapım ve İşletme A.Ş. ("ISG")

ISG, via the Implementation Agreement signed with the Undersecretariat for Defence Industries, Türkiye (the "Administration") has been given the rights to operate Istanbul Sabiha Gokcen International Airport ("ISGIA") for a period of 22 years commencing 1 May 2008. On 20 October 2017, ISG has signed an additional agreement with the Administration and gained an additional right to operate Facility for an extended period of 2.5 years until 27 August 2032. ISG would be entitled for a further extension until April 2034 if it fulfils the condition as stipulated in Article 9 of the Implementation Agreement.

The Implementation Agreement includes the following salient information:

- (a) The right to operate the ISGIA is transferred to ISG in exchange for the amount offered at the tender and completion of the construction with regards to establishment of ISGIA's New International Terminal Building and its Complementaries (the "Construction"), which include the construction of all infrastructures and superstructures, their connections to the main-system within the framework of the implementation including detailed projects to be drafted in accordance with tender specifications;
- (b) ISG is responsible for operating the domestic and international terminals currently available in the ISGIA in accordance with the principles and requirements of International Civil Aviation Organization ("ICAO"), European Civil Aviation Conference ("ECAC"), Airports Council International ("ACI"), European Organization for the Safety of Air Navigation ("EUROCONTROL"), Joint Aviation Authorities ("JAA") and International Air Transport Association ("IATA"), principles and procedures set forth by the Airport Authority and other criteria set forth in the relevant legislation of the Directorate of Air Transportation of the Ministry of Transportation, Türkiye. In respect of this operation, ISG charges all airlines with departing passenger service fee. In addition, the occupiers of the areas within the ISGIA, other than public entities and agencies are charged for general utilities (such as heating, cooling and ventilation);

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. Corporate information and Operating Agreements (cont'd.)

1.3 Implementation Agreement relating to Istanbul Sabiha Gokcen Uluslararası Havalimani Yatırım Yapım ve İşletme A.S. ("ISG") (cont'd.)

The Implementation Agreement includes the following salient information: (cont'd.)

- (c) The passenger service fees for international and domestic lines are determined by the Ministry of Transportation, Türkiye. In the event the passenger service fees increases above the amounts set in the Implementation Agreement, ISG shall pay 50% of the incremental increase to the Administration. In the event the passenger service fees decreases below the amounts set in the Implementation Agreement, 50% of the difference shall be deducted from the Utilisation Fee;
- (d) In accordance with the Implementation Agreement, the tariff regarding the counter, bridge revenues (bridge, 400 Hz, water), commercially important person ("CIP"), general aviation terminal, meeting, conference hall revenues (except for space allocation, lease and advertisement revenues) together with ticket sales, office allocation, left luggage offices, parking area, luggage carrying (porter), telephone, diaphone, public announcement, aviation information and monitor utilisation, medical examination, treatment, electricity and water revenues shall be determined based on the tariff applied in İstanbul Airport;
- (e) ISG is responsible for:
 - taking all measures to ensure that the operation continues without interruption during the operation period;
 - providing insurance coverage for the Construction and the ISGIA; and
 - regular and continuous repair of all systems and equipment it possesses, keeping them in working order, replacement of the assets subject to depreciation during the operation period, whose economic useful lives determined by the Turkish Tax Procedural Law have ended or which have become out of order.
- (f) According to the Implementation Agreement, ISG is responsible for ensuring the security of the ISGIA (including the New International Terminal and its Complementaries), maintenance, periodic maintenance and repairs, and transfer of the ISGIA to the Administration at the end of the operation period free from any obligation and liability and free of charge in operational condition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. Corporate information and Operating Agreements (cont'd.)

1.4 Land Lease and Development Agreements

On 17 November 2022, the Group signed the following:

- (i) Land Lease Agreement (“LLA”) for KLIA Aeropolis - between KLIA Aeropolis Sdn. Bhd. (“KASB”), a wholly-owned subsidiary of the Company and the Federal Lands Commissioner (“FLC”); and
- (ii) Development Agreement for KLIA Aeropolis - between KLIA Aeropolis Sdn. Bhd. (“KASB”), a wholly-owned subsidiary of the Company and the Government of Malaysia (“GoM”).

The Land Lease Agreement includes the following salient terms:

- (a) FLC granted KASB a ninety-nine (99) years lease of the KLIA Aeropolis Lands commencing from 17 November 2022, subject to the terms and conditions of the LLA, which, among others, give the rights to KASB to occupy, use, control, manage and sublease the KLIA Aeropolis Lands;
- (b) KASB shall have the right to assign the lease or sub-lease, sub-lease the lease or transfer the sub-lease, carry out the construction, subdivide, amalgamate and partition any part of the KLIA Aeropolis Lands subject to prior written consent by FLC, which consent shall not be unreasonably delayed or withheld for a period of not more than forty-five (45) days or such other extended period agreed by the both parties;
- (c) KASB has the right to charge the lease, including proceeds derived thereon, or create any other security interest over the lease including right of any sub-lessee to charge or create any other security interest over the said sub-lease, with prior notification to FLC;
- (d) FLC may opt for early termination of the lease of the unoccupied KLIA Aeropolis Lands for the purpose of protecting the national interest, national security, public safety and public health. FLC to give 6 months prior notice to KASB and FLC shall pay to KASB the value of completed works for the unoccupied KLIA Aeropolis Lands; and
- (e) In the event of termination of Development Agreement, LLA will be terminated (“co-terminus”) and all commercial contracts such as rental of premises, tenancies and sub-leases, entered into or granted by KASB with any third party shall be novated to the GoM.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. Corporate information and Operating Agreements (cont'd.)

1.4 Land Lease and Development Agreements (cont'd.)

The Development Agreement includes the following salient terms:

- (a) KASB shall have the full development rights for the KLIA Aeropolis Lands, to develop the KLIA Aeropolis Lands in accordance with the KLIA Aeropolis Development Plan and as may be amended or supplemented from time to time by KASB and as may be approved by the Relevant Authority for a term of 99 years commencing from 17 November 2022 and subject to any extension as may be mutually agreed;
- (b) KASB has been granted a lease of the KLIA Aeropolis Lands co-terminus with the development period of 99 years and subject to any extension as may be mutually agreed commencing from 17 November 2022 via a Land Lease Agreement signed between Federal Lands Commissioner and KASB, respectively on 17 November 2022;
- (c) Throughout the terms of the Development Agreement, KASB shall develop five hundred (500) acres from the gross development area of KLIA Aeropolis Lands within twenty (20) years from 17 November 2022 and this shall be used as a performance measurement for the development of KLIA Aeropolis ("KPI"). In the event such KPI is not achieved, the GoM may impose a penalty to KASB of up to ten per centum (10%) per annum at the prevailing market rate to be determined by a certified professional valuer only in respect of the remaining undeveloped land area from the said five hundred (500) acres and shall discontinue until such time that the five hundred (500) acres is fully developed by KASB; and
- (d) Under the Development Agreement, these rights may be terminated by the GoM for certain prescribed reasons, including any default on the KASB's obligations, any order being made, or a resolution being passed, for the winding-up, liquidation, or receivership of KASB, the execution of any judgement against a substantial portion of the assets of KASB, unless it has instituted proceedings in good faith to set aside such execution. The Development Agreement permits the GoM to expropriate the rights with thirty (30) days written notice if they determine, in their sole discretion. Upon the GoM exercising its rights of termination, the GoM shall pay the Value of Completed Works, an amount to be determined by an independent valuer appointed by the GoM and KASB.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information

2.1 Basis of preparation

The financial statements of the Group and of the Company are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared under the historical cost basis unless otherwise disclosed in the respective material accounting policies information below.

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency and all values are rounded to the nearest thousand ("RM'000"), except when otherwise indicated.

2.2 Changes in accounting policies

On 1 January 2023, the Group and the Company adopted new and amended MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2023.

Effective for financial periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 Comparative Information)
Amendments to MFRS 112	Income taxes (Deferred Tax related to Asset and Liabilities arising from a Single Transaction)

The adoption of the above amendments did not have any material impact on the financial performance or position of the Group and of the Company.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to date of issuance of the Group's financial statements are disclosed below:

Effective for financial periods beginning on or after 1 January 2024

Amendments to MFRS 16	Leases (Lease Liability in a Sale and Leaseback)
Amendments to MFRS 101	Presentation of Financial Statements (Non-current Liabilities with Covenants)
Amendments to MFRS 107	Statement of Cash Flows (Supplier Finance Arrangements)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

The standards and interpretations that are issued but not yet effective up to date of issuance of the Group's financial statements are disclosed below: (cont'd.)

Effective for financial periods beginning on or after 1 January 2024 (cont'd.)

Amendments to MFRS 7	Financial Instruments - Disclosure (Supplier Finance Arrangements)
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Effective for financial periods beginning on or after 1 January 2025

Amendments to MFRS 121	The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)
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Effective date yet to be determined

Amendments to MFRS 10	Consolidated Financial Statements (On Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)
Amendments to MFRS 128	Investments in Associates and Joint Ventures (On Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

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

2.4 Summary of material accounting policies information

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(i) Subsidiaries (cont'd.)

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Business combination and goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(b) Business combination and goodwill (cont'd.)

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments ("MFRS 9"), is measured at fair value with the changes in fair value recognised in the statements of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date through profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(b) Business combination and goodwill (cont'd.)

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

(c) Investments in associates and joint ventures

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

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

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

The Group's investments in associates or joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment in associate or joint venture is measured in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture. Goodwill relating to associate or joint venture included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate or joint venture identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate or joint venture profit or loss for the period in which investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(c) Investments in associates and joint ventures (cont'd.)

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

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

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

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

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

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(d) Intangible assets (cont'd.)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on usage based method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

(i) Concession rights

(a) Airport operation rights in Malaysia

As disclosed in Note 1.2, the Group signed Operating Agreements on 12 February 2009 for a period of 25 years ending 2034 (which was further extended for an additional 35 years ending 2069) and the consideration paid to the GoM is classified as concession rights.

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

(b) Airport operations right in Türkiye

As disclosed in Note 1.3, ISG via the Implementation Agreement signed with the Administration has given the rights to operate ISGIA for the period of 22 years commencing 1 May 2008. On 20 October 2017, ISG has signed an additional agreement with the Administration and gained an additional right to operate Facility for an extended period of 2.5 years, until 27 August 2032. ISG would be entitled for a further extension until April 2034 if it fulfils the condition as stipulated in Article 9 of the Implementation Agreement.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(d) Intangible assets (cont'd.)

(i) Concession rights (cont'd.)

(b) Airport operations right in Türkiye (cont'd.)

The right to charge users of an airport for services is recognised as an intangible asset. The airport operations right is initially recognised at cost, being the fair value of Utilisation Fee liability at the date of transfer of control of the ISGIA to ISG and the fair value of other consideration transferred to acquire the asset, which is the fair value of the consideration receivable for the construction services delivered.

ISG estimates the fair value of the consideration receivable to be equal to the construction costs, plus 10% margin. Other costs (including travel and consultancy costs) incurred in regards to the project covered by the Implementation Agreement are regarded as part of the consideration paid by ISG, and therefore included in the cost of airport operations right. The airport has been operational since 31 October 2009.

The airport operations right is amortised over the operation period, starting from the date the right is available for use. Accordingly, ISG started to amortise the first phase of the airport operations right, cost of which is measured as the fair value of Utilisation Fees payable, on 1 May 2008 (for extended period of 2 years on 15 October 2009), whereas the second phase, cost of which is measured as the fair value of the consideration receivable for the construction services delivered started to be amortised following the completion of the construction by October 2009. ISG's amortisation policy in respect of airport operations right is determined based on the method reflecting the asset's usage based on passengers volume to reflect the usage of airport activities over the operation period. Amortisation method and underlying assumptions are reviewed for validity at each period.

The concession rights also includes identifiable intangible asset of SGC Havalimani Isletmeleri Ticaret ve Turizm A.S. ("SGC") long-term service contract with ISG to operate the food and beverage operations, CIP lounges and the hotel. The contract expired at the end of 2019 and MAHB intends to extend this contract until the end of the operation period in 2030, which was further extended for an additional 2.5 years ending 2032.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(d) Intangible assets (cont'd.)

(ii) Infrastructure and construction assets

Infrastructure and construction assets comprise of assets which are constructed by the Group in exchange for the right of the Group to charge users of the public service infrastructure that it has constructed or upgraded and are stated at the fair value of construction services delivered including certain mark-up on the actual costs incurred and are amortised over the respective economic useful lives. The capital work in progress relating to these assets is not amortised until the assets are fully completed and brought to use. Similar to concession rights, the infrastructure and construction assets are amortised based on passengers volume and usage of airport activities over the operation period.

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

(e) Fair value measurement

The Group measures financial instruments, such as, derivatives, unit trusts, at fair value at each reporting date. Fair values of financial instruments are disclosed in Note 19.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(e) Fair value measurement (cont'd.)

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

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

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

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

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

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

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

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

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

The Group formulate policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(e) Fair value measurement (cont'd.)

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

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

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

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

(f) Property, plant and equipment and depreciation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(f) Property, plant and equipment and depreciation (cont'd.)

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

- (i) it is probable that future economic benefits associated with the asset will flow to the enterprise;
- (ii) the cost of the asset to the enterprise can be measured reliably; and
- (iii) ready for its intended use.

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

Freehold land	Not depreciated
Buildings and building renovation	2% - 20%
Hotel property	2%
Infrastructure, safety equipment and motor vehicles	4% - 50%
Office, communication and electronic equipment	10% - 50%
Furniture and fittings	5% - 20%
Plant and machinery	5% - 20%
Crockery, glassware, cutlery and linen	20%
Capital improvements	13%
Plantation development expenditure	4%

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(g) Impairment of non-financial assets

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(h) Inventories

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

(i) Biological assets

Biological assets comprise of produce growing on bearer plants. Biological assets are classified as current assets and measured at fair value for bearer plants that are expected to be harvested and sold or used for production on a date not more than 1 month after the reporting date.

Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss.

(j) Planting development expenditure

New planting expenditure incurred on land clearing and upkeep of trees is capitalised under plantations.

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

(k) Replanting expenditure

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

(l) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss ("FVTPL").

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(l) Financial assets (cont'd.)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(I) Financial assets (cont'd.)

(i) Financial assets at amortised cost (debt instruments) (cont'd.)

The Group's financial assets at amortised cost includes trade and other receivables, employee loans and cash and cash equivalents.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes quoted unit trust and bonds in Malaysia.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(l) Financial assets (cont'd.)

(iii) Derecognition (cont'd.)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(m) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. The ECLs is based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(n) Derivative financial instruments and hedging activities

Derivative financial instruments are recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the statement of profit or loss at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of profit or loss within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the statement of profit or loss within 'other gains or losses - net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the statement of profit or loss within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the statement of profit or loss over the period to maturity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(n) Derivative financial instruments and hedging activities (cont'd.)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statements of profit or loss within 'other gains or losses - net'.

Amounts accumulated in equity are reclassified to the statements of profit or loss in the periods when the hedged item affects the statements of profit or loss. The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in the statements of profit or loss within 'finance cost'.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the statements of profit or loss.

(o) Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statements of cash flows, cash and cash equivalents include cash on hand and at banks and deposits.

(p) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(p) Leases (cont'd.)

(i) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentive received. Right-of-use assets are depreciated on a straight-line basis over the lease term of the assets, as follows:

Airport equipment	3 - 12 years
Office equipment	3 years
Motor vehicles	3 - 5 years
Land use rights	Over lease period

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.4(g).

The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and these contracts do not require the Group to maintain certain financial ratios.

The Group's right-of-use assets are included in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(p) Leases (cont'd.)

(i) As lessee (cont'd.)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease also includes exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date or the interest rate implicit if it is determined in the contract. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Note 32.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases have a lease term of 12 months or less). The Group also applies the leases of low-value assets recognition exemption to leases of airports and office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(p) Leases (cont'd.)

(ii) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(q) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(r) Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include downpayments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(s) Income tax and zakat

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2 Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(s) Income tax and zakat (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except: (cont'd.)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Zakat

Zakat payable by the Group and the Company is a form of contribution according to the principles of Shariah.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(t) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(u) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(u) Financial liabilities (cont'd.)

Other financial liabilities (cont'd.)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(v) Concession liabilities

Concession liabilities are in respect of concession contracts and are recognised for the following arrangements:

- (i) Annual charges and land usage charges payable to GoM;
- (ii) Privatisation of the Development of a Generation Plant at KLIA Terminal 2; and
- (iii) Privatisation of the Development of a Generation Plant at KLIA Terminal 1.

(w) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(w) Employee benefits (cont'd.)

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). For companies in Türkiye, the contributions are made to a publicly administered Social Security Fund.

(iii) Defined benefit plans

In accordance with the existing social legislation in Türkiye, ISG and SGC are required to make lump-sum termination indemnities to each employee who has completed one year of service and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Provision for unemployment termination benefits is provided as requirement of Turkish Labour Law to each employee who has completed one year of service and retires, whose employment is terminated without due cause, who is called up for military service, or who dies; and represents the present value of the estimated total reserve of the future probable obligation of the Group.

Malaysia Airports Consultancy Services Middle East L.L.C. ("MACS ME") provides end of service benefits to its expatriate employees in accordance with Qatar Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of minimum service period. The expected costs of these benefits are accrued over the period of employment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(x) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated at exchange rates ruling at the statement of financial position date. All exchange differences are recognised in the statement of profit or loss within the category of foreign exchange gain or loss.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statements of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each profit or loss are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(x) Foreign currencies (cont'd.)

(iii) Foreign operations (cont'd.)

The principal exchange rates used for every unit of foreign currency ruling at the reporting date are as follows:

	2023 RM	2022 RM
United States Dollar (USD)	4.59	4.39
Great Britain Pound (GBP)	5.85	5.29
Singapore Dollar (SGD)	3.48	3.27
Euro (EUR)	5.08	4.68
Qatari Riyal (QAR)	1.23	1.18
Switzerland Swiss Franc (CHF)	5.45	4.75
Turkish Lira (TRY)	0.16	0.25

(y) User Fee

User Fee is payable to the GoM and equal to a specified percentage of all revenue the Group derived from activities at KLIA and other airports in Malaysia that involves the use of airport infrastructure, assets provided by or financed by the GoM or land belonging to the GoM. The User Fee increases over time by 0.25% per annum and is payable on quarterly basis and increases further depending on the capital expenditure borne by the GoM based on the criteria set out in the Operating Agreements. The revenue base used in calculating the User Fee does not include any construction revenue, reimbursements, interest income, recovery of bad debt or inter-company transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(z) Utilisation Fee

The Utilisation Fee liability represents the present value of amounts payable to the Administration in accordance with the Implementation Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period. In the prior year, ISG has obtained a second extension of the Implementation Agreement for another 2.5 years to year 2032. The Utilisation Fee liability is discounted to present value, at a rate of 8.6% for payments until January 2015, and at a rate of 9% for the remaining payments, whereas the payments for the first extension period is discounted to present value at a rate of 10.5% and the payments for the second extension period is discounted to present value at a rate of 8.55%.

On 12 December 2022, ISG received a letter from the Administration on the reduction of Utilisation Fees related to force majeure situation as per the Implementation Agreement. The key terms were issued on 8 December 2022 to the Administration under the President Executive Order, in turn on 12 December 2022 the Administration issued the aforesaid letter to ISG. Accordingly, ISG has re-assessed the fair value of the Utilisation Fees liability discounted at effective interest rate of 9.35% for the Utilisation Fees payments until the end of the concession period.

(aa) Revenue recognition

Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(ii) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(aa) Revenue recognition (cont'd.)

(iii) Revenue from services

Revenue from airport operations and horticulture services rendered are recognised net of service taxes and discounts as and when the services are performed.

Revenue from contracts are recognised by reference to the stage of completion at the reporting date. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iv) Marginal Cost Support Sum ("MARCS")

Under the Operating Agreements, the GoM shall assist the Group in bearing its socio-economic obligations by compensating the Group with a MARCS for marginal losses suffered, arising from the undertaking of socio-economic activities and GoM policies.

The MARCS support is recognised in the financial statements throughout the concession year as revenue when recovery is probable and the amount that is recoverable can be measured reliably. Further details are disclosed in Notes 1.2 and 3.

As stipulated in the Operating Agreement, the Benchmark Passenger Service Charge ("PSC") rate is revised every 5 years based on the agreed calculation. The 3rd Tariff Cycle revision became effective on 12 February 2019. MARCS PSC of RM252,390,000 (2022: RM53,950,000) was recognised during the year for the difference between actual PSC and Benchmark PSC rate.

Apart from this, included in MARCS is MARCS Express Rail Link ("MARCS ERL") as disclosed in Note 3.

(v) Revenue from hotel operations

Revenue from rental of hotel rooms, sale of food and beverages and other related income are recognised when the services are performed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(aa) Revenue recognition (cont'd.)

(vi) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(vii) Construction revenue

Under such concession agreements, the Group is engaged to build, operate and construct airport buildings and related infrastructure. The Group recognises construction revenue over time as the project being constructed has no alternative uses to the Group and it has an enforceable right to the payment for performance completed to date. The stage of completion is measured using the input method, which is based on the total actual construction cost incurred to date as compared to the total budgeted costs for the respective construction projects. Where the outcome of the construction cannot be estimated reliably, revenue is recognised to the extent of construction costs incurred if it is probable that they will be recoverable. Construction costs are recognised as expenses in the year in which they are incurred.

(ab) Concession contracts

A substantial portion of the Group's assets are used within the framework of concession contracts/Operating Agreements granted by the GoM ("the grantor"). The characteristics of the Operating Agreements generally provide, directly or indirectly, for customer involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract.

In order to fall within the scope of concession contract, a contract must satisfy the following two criteria:

- The grantor controls or regulates what services the operator must provide with the infrastructure/assets, to whom it must provide them, and at what price; and
- The grantor controls the significant residual interest in the infrastructure/assets at the end of the term of the arrangement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(ab) Concession contracts (cont'd.)

Such assets are not recognised by the Group as property, plant and equipment but as intangible assets as described in Note 2.4(d)(i) and (ii). The intangible asset model applies where the operator is paid by the users or where the concession grantor has not provided a contractual guarantee in respect of the amount recoverable. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service.

Intangible assets resulting from the application of this policy are recorded in the statement of financial position under the heading 'Intangible assets' and are amortised on the method reflecting the asset's usage based on passengers volume to reflect the usage of airports activities over the concession period. Under the intangible asset model, revenue includes revenue from the construction of the infrastructure/assets and operating revenue of the infrastructure.

(ac) IC Interpretation 12 - Service Concession Arrangements

IC Interpretation 12 - Service Concession Arrangements ("IC 12") adopted by the Group applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Depending on the contractual terms, this interpretation requires the operator to recognise a financial asset if it has an unconditional contractual right to receive cash or an intangible asset if it receives a right (license) to charge users of the public service. Some contractual terms may give rise to both a financial asset and an intangible asset.

The IC 12 considered the nature of the rights conveyed to the operator in a service concession arrangement. It first examined whether the infrastructure used to provide public services could be classified as property, plant and equipment of the operator under MFRS 116. It started from the principle that infrastructure used to provide public services should be recognised as property, plant and equipment of the party that controls its use. This principle determines which party should recognise the property, plant and equipment as its own.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.4 Summary of material accounting policies information (cont'd.)

(ac) IC Interpretation 12 - Service Concession Arrangements (cont'd.)

The interpretation also concluded that treatment of infrastructure that the operator constructs or acquires or to which the grantor gives the operator access for the purpose of the service arrangement should be determined by whether the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor control through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under IC 12, the operator may provide construction services to the grantor in exchange for an intangible asset, i.e. a right to collect revenue in accordance with the Operating Agreements. In accordance with MFRS 138 Intangible Assets, the operator recognises the intangible asset at its fair value. The fair value of the intangible asset is calculated by including a certain mark-up on the actual cost incurred, estimated to reflect a margin consistent where possible with other similar construction works.

In addition, pursuant to the Airport Facilities Arrangement ("AFA") where the agreement is dependent on a specified asset, the Group recognised an asset and a liability at an amount equal to the value of the underlying asset as determined in the AFA and subsequently the liability shall be reduced as payments are made and an imputed finance charge on the liability recognised using the purchaser's incremental borrowing rate of interest.

(ad) Equity instruments and related expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares and Perpetual Sukuk are classified as equity instruments.

Dividends on ordinary shares and distribution on Perpetual Sukuk are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.5 Material accounting judgements and estimates

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

(i) Amortisation of concession rights and infrastructure and construction assets

The carrying amount of the concession rights and infrastructure and construction assets are amortised over the concession period determined by the method where the amortisation method used shall reflect the pattern which the concession's future economic benefits are expected to be consumed by the Group based on the expected number of passengers and the utilisation of the airports over the concession period.

The variable factors in determining the estimated amortisation includes projected total number of passengers for subsequent years to the end of concession period. The assumptions to arrive at the passenger volume projections and usage of airports also take into consideration the growth rate based on current market and economic conditions. Changes in the expected passenger volume and usage of airports could impact future amortisation charges.

(ii) Revenue recognition

Judgement is applied to determine the accrued revenue for aeronautical debtors based on the number of airlines, landing, parking, aerobridge, counter check-in and timing of billings.

As at reporting date, the amount of accrued revenue for aeronautical debtors as disclosed in Note 20 comprised approximately 2% (2022: 3%) of the total revenue.

(iii) Land use rights

The Group has assessed that the previous amount paid was in relation to the rights to occupy the land leased by the Federal Land Commissioner, and accordingly the prepaid land lease payments was classified as right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.5 Material accounting judgements and estimates (cont'd.)

(iv) Contingent liabilities - litigation

As disclosed in the Note 35(b), the Group has several pending litigations with various parties as at current financial year end. The Group, after due consultation with the Group's solicitors, assesses the merit of each case, and makes the necessary provision for liabilities in the financial statements if their crystallisation are deemed as probable.

(v) Impairment of intangible assets

The Group tests periodically whether the intangible assets is required to be impaired, by measuring the recoverable amount of the CGU based on the value-in-use ("VIU") method, which requires the use of estimates of future cash flow projections, terminal growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment.

(vi) Expected credit losses ("ECL")

The Group applies a simplified approach in calculating ECL. The ECL is based on lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(vii) Valuation of unquoted investments designated as FVTPL

As the fair value of the investments designated as FVTPL cannot be derived from active market, fair value is determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as discount for lack of marketability. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(viii) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.5 Material accounting judgements and estimates (cont'd.)

(ix) Deferred taxation

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 9 and 22.

(x) Impairment of investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures ("investments") are for a long-term basis and the Group and the Company determine whether the carrying amounts of its investments are impaired at least on an annual basis at reporting date. This requires an estimation of the value-in-use ("VIU") of the CGU which is attributable to those investments. Estimating a VIU amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(xi) Concession liabilities

As disclosed in Notes 2.4(v) and 2.4(ac), the Group recognised an asset and a liability at an amount equal to the fair value of the underlying asset as determined in the agreement and subsequently the liability shall be reduced when payments are made.

The imputed finance charges estimated are as follows:

(i) Annual charges and land usage charges payable to GoM

5.8% per annum over the period of 60 years ending 2069. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM77,000 or lower by RM101,000 respectively.

(ii) Privatisation of the Development of a Generation Plant at KLIA Terminal 2

5.5% per annum over the period of 20 years ending 2033. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM1,615,000 or lower by RM1,564,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policies information (cont'd.)

2.5 Material accounting judgements and estimates (cont'd.)

(xi) Concession liabilities (cont'd.)

The imputed finance charges estimated are as follows: (cont'd.)

(iii) Privatisation of the Development of a Generation Plant at KLIA Terminal 1

3.9% per annum over the period of 18 years ending 2041. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged for the financial year would be higher by approximately RM221,000 or lower by RM220,000 respectively.

(xii) Financial liability relating to the Utilisation Fee recognised in ISG

The Utilisation Fee liability represents the present value of amounts payable to the Administration in accordance with the Implementation Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period. In the prior year, ISG has obtained a second extension of the Implementation Agreement for another 2.5 years to year 2032. The Utilisation Fee liability is discounted to present value, at a rate of 8.6% for payments until January 2015, and at a rate of 9% for the remaining payments, whereas the payments for the first extension period is discounted to present value at a rate of 10.5% and the payments for the second extension period is discounted to present value at a rate of 8.55%.

On 12 December 2022, ISG received a letter from the Administration on the reduction of Utilisation Fees related to force majeure situation as per the Implementation Agreement. The key terms were issued on 8 December 2022 to the Administration under the President Executive Order, in turn on 12 December 2022 the Administration issued the aforesaid letter to ISG. Accordingly, ISG has re-assessed the fair value of the Utilisation Fees liability discounted at effective interest rate of 9.35% for the Utilisation Fees payments until the end of the concession period.

(xiii) Fair value of biological assets

The fair value of biological assets are computed based on the estimated quantity of forecasted fresh fruits bunches ("FFB"), coconut, pineapples and banana and the observable current market price of each of the produce at each point of fair value.

(xiv) Impairment of goodwill

The Group determines whether goodwill is impaired at least once annually. This requires an estimation of the value-in-use ("VIU") of the cash-generating units ("CGU") to which the goodwill is allocated. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and also to apply a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 December 2023 is RM1,427,000.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

3. Revenue

Revenue comprises of the following:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue from contracts with customers (a)	4,914,188	3,127,023	-	-
Revenue from other source:				
- dividend income from subsidiaries	-	-	162,032	194,080
- joint ventures	-	-	17,310	-
	4,914,188	3,127,023	179,342	194,080

(a) Breakdown of the Group's revenue from contracts with customers as follows:

	For the year ended 31 December 2023		
	Malaysia RM'000	Overseas RM'000	Total RM'000
Airport operations:			
- Airport services:			
- Aeronautical	1,676,526	1,056,835	2,733,361
Less: Airline incentives	(29,331)	-	(29,331)
	1,647,195	1,056,835	2,704,030
- Non-aeronautical	642,949	680,844	1,323,793
- Duty free and non-dutiable goods	571,095	-	571,095
Non-airport operations:			
- Agriculture and horticulture	31,600	-	31,600
- Hotel operations	105,330	23,599	128,929
- Project and repair maintenance	54,559	100,059	154,618
- Others	123	-	123
Total revenue from contracts with customers	3,052,851	1,861,337	4,914,188
Timing of revenue recognition			
- at a point in time	2,998,169	1,761,278	4,759,447
- over time	54,682	100,059	154,741
Total revenue from contracts with customers	3,052,851	1,861,337	4,914,188

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

3. Revenue (cont'd.)

(a) Breakdown of the Group's revenue from contracts with customers as follows: (cont'd.)

	For the year ended 31 December 2022		
	Malaysia RM'000	Overseas RM'000	Total RM'000
Airport operations:			
- Airport services:			
- Aeronautical	884,442	789,328	1,673,770
Less: Airline incentives	(16,393)	-	(16,393)
	868,049	789,328	1,657,377
- Non-aeronautical	423,855	520,233	944,088
- Duty free and non-dutiable goods	262,375	-	262,375
Non-airport operations:			
- Agriculture and horticulture	45,889	-	45,889
- Hotel operations	72,267	16,103	88,370
- Project and repair maintenance	30,452	98,352	128,804
- Others	120	-	120
Total revenue from contracts with customers	1,703,007	1,424,016	3,127,023
Timing of revenue recognition			
- at a point in time	1,672,435	1,325,664	2,998,099
- over time	30,572	98,352	128,924
Total revenue from contracts with customers	1,703,007	1,424,016	3,127,023

Included in the current year aeronautical revenue is income from MARCS PSC and ERL total of RM322,346,000 (2022: RM87,206,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. Other income

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest income:				
- Unquoted investments	1,255	699	154	253
- Employee loans	657	782	-	-
- Other loans and receivables	69,808	49,761	-	-
Unrealised gain on fair value for:				
- quoted unit trust	2,203	1,936	275	1,575
- unquoted shares	125,185	16,728	-	-
Investment income:				
Fair value through profit or loss:				
- quoted in Malaysia	36,633	29,426	4,022	25,826
- unquoted short-term investments	8,141	3,803	1,012	919
Unrealised gain on forex translation	2,447	469	261	1,950
Net realised foreign exchange gain	2,199	4,586	-	2
Rental income:				
- Minimum lease payments	667	2	-	-
Gain on disposal of:				
- property, plant and equipment	-	9	-	9
- intangible assets	228	7	-	-
Management fee charged to subsidiaries	-	-	240,839	178,179
Recoupment of expenses	205,974	118,280	174,815	181,357
Miscellaneous	38,457	33,109	2,685	4,116
	493,854	259,597	424,063	394,186

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

5. Employee benefits expenses

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Wages and salaries	522,263	467,898	99,121	95,419
Bonus	165,582	-	32,885	-
Contributions to defined contribution plans	89,575	74,924	22,489	17,223
Social security contributions	6,905	6,107	1,003	906
Net additional of provision for short-term accumulating compensated absences (Note 33)	365	2,763	269	1,110
Other employee benefits	168,775	199,732	22,196	41,590
	953,465	751,424	177,963	156,248

Included in the employee benefits expenses of the Group and of the Company are executive director's remuneration amounting to RM1,623,000 (2022: RM1,434,000) and RM1,623,000 (2022: RM1,434,000), respectively as further disclosed in Note 8.

6. Finance costs

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest expense on:				
- concession payables and borrowings	261,956	262,196	127,962	175,947
- financial liabilities	398,466	(101,939)	-	-
- interest arising from revenue contract	18,738	18,405	-	-
- lease liabilities (Note 32)	6,014	8,032	20	4
Swap (gain)/expenses (Note 31)	(18,862)	6,907	-	-
	666,312	193,601	127,982	175,951

Included in the previous year financial liabilities is the impact of the reduction of Utilisation Fees as disclosed in Note 2.4(z) and Note 33(e).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

7. Profit before tax and zakat

The following items have been included in arriving at profit before tax and zakat:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-executive directors' remuneration excluding benefits-in-kind (Note 8)	2,504	2,848	2,094	2,296
Auditors' remuneration:				
- statutory				
- auditors of the Company (Malaysia operations)	1,168	1,034	490	420
- auditors of the Company (Overseas operations)	200	188	-	-
- other auditors (other than Ernst & Young PLT)	295	237	24	24
- other services				
- auditors of the Company	192	201	39	104
- other than Ernst & Young PLT	204	178	-	-
User fee expenses	394,852	216,945	-	-
Quit rent and assessment	33,120	34,520	133	145
(Gain)/loss on fair value of biological assets (Note 24)	(356)	1,441	-	-
Unrealised loss on forex translation	68,942	29,790	-	3
Unrealised loss on fair value for quoted unit trust	875	479	723	-
Gain on lease modification	-	(41)	-	-
Depreciation of:				
- property, plant and equipment (Note 12)	43,422	49,241	5,549	7,591
- right-of-use assets (Note 13)	40,490	29,326	132	111
Amortisation of:				
- intangible assets (Note 14)	1,064,330	758,583	6,101	4,551
Property, plant and equipment written off	96	92	-	-
Intangible assets written off	54	94	-	-
Inventories written off	221	4,530	-	-
Provision/(writeback) for inventories	1,277	(2,060)	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

7. Profit before tax and zakat (cont'd.)

The following items have been included in arriving at profit before tax and zakat: (cont'd.)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net (writeback)/allowance of impairment of receivables (Note 20)	(10,094)	26,399	(1,271)	2,677
Expenses relating to short-term leases (Note 32)	148,226	6,168	2,031	136
Expenses relating to leases of low-value assets (Note 32)	11,915	9,299	3,408	2,838
Expenses relating to variable lease payments not included in the measurement of lease liabilities (Note 32)	6,836	3,572	-	-
Utility charges	466,692	315,659	2,677	2,557
Repair and maintenance costs	357,675	262,681	19,005	14,854
Legal and other professional fees	29,789	16,983	13,362	3,227

User fee expenses amounting to RM394,852,000 (2022: RM216,945,000) relate to payments made to the GoM for operating rights. User fee rates range from 13.01% to 13.20% (2022: 12.76% to 12.95%) and are calculated on gross revenues of the Group from activities carried out at KLIA and other Designated Airports excluding reimbursements, interest income, recovery of bad debts or inter-company transactions.

8. Directors' remuneration

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Executive director's remuneration (Note 5):				
- Salary and other emoluments	1,623	1,434	1,623	1,434
Non-executive directors' remuneration (Note 7):				
- Fees	1,428	1,838	1,101	1,351
- Other emoluments	1,076	1,010	993	945
	2,504	2,848	2,094	2,296

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

8. Directors' remuneration (cont'd.)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Total directors' remuneration	4,127	4,282	3,717	3,730
Estimated money value of benefits-in-kind	258	75	258	75
Total directors' remuneration including benefits-in-kind	4,385	4,357	3,975	3,805

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Executive:				
- Salaries and other emoluments	1,379	1,226	1,379	1,226
- Defined contribution plans	244	208	244	208
- Estimated money value of benefits-in-kind	94	33	94	33
Non-executive:				
- Fees	1,428	1,838	1,101	1,351
- Other emoluments	1,076	1,010	993	945
- Estimated money value of benefits-in-kind	164	42	164	42
	4,385	4,357	3,975	3,805

Included in the Group non-executive directors' fees and other emoluments were the subsidiaries directors' fees and other emoluments of RM327,000 (2022: RM487,000) and RM83,000 (2022: RM65,000) respectively.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

8. Directors' remuneration (cont'd.)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands are analysed below:

	Number of directors	
	2023	2022
Executive director:		
RM1,450,001 – RM1,500,000	-	1
RM1,500,001 – RM1,550,000	-	-
RM1,550,001 – RM1,600,000	-	-
RM1,600,001 – RM1,650,000	-	-
RM1,650,001 – RM1,700,000	-	-
RM1,700,001 – RM1,750,000	1	-
Non-executive directors:		
Less than RM50,000	7	3
RM50,001 – RM100,000	2	2
RM100,001 – RM150,000	3	4
RM150,001 – RM200,000	-	1
RM200,001 – RM250,000	1	3
RM250,001 – RM300,000	1	1
RM300,001 – RM350,000	2	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9. Taxation and zakat

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current income tax:				
- Malaysian income tax	16,691	14,440	-	-
- Foreign tax	75,029	27,815	-	-
- Under/(over) provision of income tax in prior years	3,712	(1,922)	-	-
	95,432	40,333	-	-
Deferred tax (Note 22):				
- Relating to origination and reversal of temporary differences	(129,433)	48,966	-	-
- Overprovision of deferred tax in prior years	(4,209)	(93,269)	-	-
	(133,642)	(44,303)	-	-
	(38,210)	(3,970)	-	-
Income tax credit	(38,210)	(3,970)	-	-
Zakat	1,147	1,395	-	-
Total income tax credit and zakat	(37,063)	(2,575)	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9. Taxation and zakat (cont'd.)

Reconciliation between tax credit and accounting profit

The reconciliations between tax credit and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2023 and 2022 are as follows:

	2023 RM'000	2022 RM'000
Group		
Profit before tax and zakat	506,104	184,621
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	121,465	44,309
Different tax rates in other countries	3,748	(6,434)
Tax effects of share of results of associates and joint ventures	(8,421)	(6,963)
Income not subject to tax	(36,941)	(13,038)
Expenses not deductible for tax purposes	35,171	48,340
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	404	89,674
Utilisation of previously unrecognised tax losses, unabsorbed capital allowances and investment tax allowances	(153,139)	(64,667)
Under/(over) provision of income tax in prior years	3,712	(1,922)
Overprovision of deferred tax in prior years	(4,209)	(93,269)
Income tax credit for the year	(38,210)	(3,970)
Company		
Profit before tax and zakat	214,542	203,388
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	51,490	48,813
Income not subject to tax	(57,609)	(65,153)
Expenses not deductible for tax purposes	5,981	14,616
Deferred tax assets not recognised in respect of current year's unabsorbed capital allowances	138	1,724
Income tax expense for the year	-	-

Current income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9. Taxation and zakat (cont'd.)

MFRS 112 requires the disclosure on applying the exception to recognise and disclose information about deferred tax assets and liabilities related to tax law enacted to implement the Pillar Two income taxes for annual reporting periods beginning on or after 1 January 2023.

The Group's entities operate in jurisdictions where the Pillar Two legislation of certain countries have been substantially enacted. It has applied the temporary exception to recognise and disclose information about deferred tax assets and liabilities related to the Pillar Two model rules for year 2023 annual financial statements.

In view that the legislation was substantively enacted close to the reporting period, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes as at 31 December 2023. The potential exposure of Pillar Two income taxes, if any, is currently not reasonably estimable. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual financial statements when the said legislation is in effect.

Deferred tax assets of the Group and of the Company have not been recognised in respect of the following items:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unutilised tax losses	409,050	454,539	81,795	86,103
Unabsorbed capital allowances	23,638	18,756	23,524	18,643
Other deductible temporary differences	1,940	597,728	-	-
	434,628	1,071,023	105,319	104,746

Deferred tax assets have not been recognised where it is not probable that future taxable profits will be available against which the Company or subsidiaries can utilise the benefits.

Malaysia operations

The unabsorbed tax losses carried forward is allow to offset against subsidiaries' future business income subject to there is no substantial changes in the shareholdings of the subsidiaries under Section 44 (5A) and (5B) of the Income Tax Act, 1967 and guidelines issued by the tax authorities. The unabsorbed tax losses can be carried forward for a maximum of ten (10) consecutive years of assessment against it's business income, while unabsorbed capital allowance has no restrictions and can be carried forward until fully utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9. Taxation and zakat (cont'd.)

Türkiye operations

The unabsorbed tax losses can be carried forward for a maximum period of five (5) years following the year in which the losses were incurred. However, there is no unabsorbed tax losses for the subsidiaries of Türkiye as of 31 December 2023.

ISG performed voluntary asset revaluation based on 31 December 2022 balance sheet position as of 30 November 2023 in its local statutory accounts based on the Provisional Article 32 of the Tax Procedures Code of Türkiye. Provisional Article 32 provides the opportunity for companies to bring the Fixed Assets recorded on the balance sheet which are subject to depreciation to their actual value by performing a revaluation based on Domestic-Producer Price Index ("PPI") values. The increases in the value of fixed assets as a result of the revaluation are recorded in a Revaluation Reserve Fund Account under the Equity Section of the local statutory balance sheet. The application of Article 32 is subject to an additional tax amount of 2% which is applicable over the revaluation difference. The tax is declared to the tax office on 26 December 2023 amounting to EUR8,599,000 equivalent to RM43,683,000.

Subsequently, ISG performed inflation accounting adjustments as of 31 December 2023 in its local statutory accounts based on the General Communiqué on the Tax Procedure Law related to the procedures and principles of Turkish Statutory Financial Statements which will be subjected to inflation adjustment. Inflation adjustment is the adjustment of the Turkish Lira value of the non-monetary assets and liabilities included in the statutory financial statements to their actual value at the date of the financial statements. The adjustment is made by multiplying the original acquisition amounts of the non-monetary assets and liabilities with the adjustment coefficients based on Domestic-PPI values. The difference arising as a result of the revaluation done based on the inflation accounting principles are recorded in a Previous Years Gain/Loss Account under the Equity Section of the local statutory balance sheet for the year 2023. The inflation adjustment will be continued to be applied into 2024 accounting period and the following periods depending on the inflationary conditions of the country.

Following both the above exercises performed during the year, there was a potential corporate tax benefits amounting to EUR201,900,000, equivalent to RM1,025,650,000. However, considering the historical trend, uncertain and frequent changing tax regime in the country, ISG opted to recognise deferred tax assets up to EUR35,500,000, equivalent to RM180,340,000, based on anticipated future taxable profits. The unrecognised deferred tax asset has no expiry period and will be reassessed in the future as and when there are more clarity or certainty in the recognition criteria.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

10. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2023 RM'000	2022 RM'000
Profit attributable to Owners of the Company	543,167	187,196
Distribution to Perpetual Sukuk holders	(57,500)	(57,500)
Net profit attributable to Owners of the Company	485,667	129,696
Weighted average number of ordinary shares in issue ('000)	1,664,835	1,659,192
	sen	sen
Basic earnings per share for:		
- Basic, for profit for the year	29.17	7.82

(b) Diluted

Weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

There was no issuance of shares or outstanding shares between the current financial year end and the date of the report.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

11. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Recognised during the year:				
Final dividend for 2022: on 1,659,191,828 ordinary shares				
- single-tier 3.91 sen, per ordinary share	-	64,876	64,876	-

Proposed Final Dividend

Subsequent to the financial year end, on 29 February 2024, the Company declared a single-tier final dividend in respect of the current financial year ended 31 December 2023 of 10.80 sen per ordinary share amounting to dividend payable of RM180,203,879 (based on 1,668,554,432 ordinary shares issued as at 31 December 2023).

Dividend Reinvestment Plan ("DRP")

The DRP was approved by the Board of Directors on 28 February 2023. The DRP provides Shareholders an option to elect to re-invest their cash dividend(s) declared by the Company (whether interim, final, special or any other cash dividend) (Dividend(s)) in new ordinary shares in MAHB ("MAHB Shares").

Details of the DRP are disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

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12. Property, plant and equipment

	Property and buildings RM'000	Hotel property RM'000	Safety equipment and motor vehicles RM'000	Office, communication and electronic equipment, furniture and fittings RM'000	Plant and machinery, crockery, glassware, cutlery and linen RM'000	Plantation development expenditure RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
At 31 December 2023								
Cost								
At 1 January 2023	348,863	126,398	42,893	490,236	47,167	106,225	39,470	1,201,252
Additions	81	-	-	11,301	1,138	357	73,460	86,337
Written off	-	-	-	(12,824)	(2,872)	-	-	(15,696)
Transfers	3,159	-	54	8,870	3,587	(305)	(15,365)	-
Foreign currency translation	803	-	77	6,269	998	-	-	8,147
At 31 December 2023	352,906	126,398	43,024	503,852	50,018	106,277	97,565	1,280,040
Accumulated depreciation and impairment								
At 1 January 2023	158,138	75,668	16,713	432,312	37,364	60,289	2,496	782,980
Charge for the year (Note 7)	14,289	4,078	906	16,800	2,326	5,023	-	43,422
Written off	-	-	-	(12,730)	(2,870)	-	-	(15,600)
Foreign currency translation	360	-	65	5,974	863	-	-	7,262
At 31 December 2023	172,787	79,746	17,684	442,356	37,683	65,312	2,496	818,064
Analysed as:								
Accumulated depreciation	171,596	79,746	8,174	420,450	37,683	65,312	1,248	784,209
Accumulated impairment loss	1,191	-	9,510	21,906	-	-	1,248	33,855
	172,787	79,746	17,684	442,356	37,683	65,312	2,496	818,064
Net carrying amount	180,119	46,652	25,340	61,496	12,335	40,965	95,069	461,976

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31 December 2023

12. Property, plant and equipment (cont'd.)

	Property and buildings RM'000	Hotel property RM'000	Safety equipment and motor vehicles RM'000	Office, communication and electronic equipment, furniture and fittings RM'000	Plant and machinery, crockery, glassware, cutlery and linen RM'000	Plantation development expenditure RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
At 31 December 2022								
Cost								
At 1 January 2022	334,667	123,581	42,723	490,481	51,081	104,979	36,200	1,183,712
Additions	132	1,459	249	5,772	1,355	1,278	32,457	42,702
Written off	-	-	(38)	(9,536)	(1,729)	(20)	-	(11,323)
Transfers	23,188	1,358	110	4,866	238	(12)	(29,748)	-
Transfer (to)/from intangible assets (Note 14)	(8,794)	-	152	1,845	(3,321)	-	(385)	(10,503)
Disposal	-	-	(316)	(1,553)	-	-	-	(1,869)
Foreign currency translation	(330)	-	13	(1,639)	(457)	-	946	(1,467)
At 31 December 2022	348,863	126,398	42,893	490,236	47,167	106,225	39,470	1,201,252
Accumulated depreciation and impairment								
At 1 January 2022	140,828	71,578	15,913	426,644	39,020	56,025	1,248	751,256
Charge for the year (Note 7)	19,266	4,090	906	18,599	2,108	4,272	-	49,241
Written off	-	-	(38)	(9,460)	(1,725)	(8)	-	(11,231)
Transfer (to)/from intangible assets (Note 14)	(2,403)	-	110	(41)	(1,728)	-	-	(4,062)
Disposal	-	-	(190)	(1,553)	-	-	-	(1,743)
Foreign currency translation	447	-	12	(1,877)	(311)	-	1,248	(481)
At 31 December 2022	158,138	75,668	16,713	432,312	37,364	60,289	2,496	782,980
Analysed as:								
Accumulated depreciation	156,947	75,668	7,203	410,406	37,364	60,289	1,248	749,125
Accumulated impairment loss	1,191	-	9,510	21,906	-	-	1,248	33,855
	158,138	75,668	16,713	432,312	37,364	60,289	2,496	782,980
Net carrying amount	190,725	50,730	26,180	57,924	9,803	45,936	36,974	418,272

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

12. Property, plant and equipment (cont'd.)

	Building RM'000	Motor vehicles RM'000	Office equipment RM'000	Capital work-in- progress RM'000	Total RM'000
Company					
At 31 December 2023					
Cost					
At 1 January 2023	31,985	1,868	163,999	776	198,628
Additions	-	-	107	102	209
Written off	-	-	(3,031)	-	(3,031)
Transfers	-	-	102	(102)	-
Intercompany transfer	47	18	198	-	263
At 31 December 2023	32,032	1,886	161,375	776	196,069
Accumulated depreciation					
At 1 January 2023	15,323	1,610	156,538	-	173,471
Charge for the year (Note 7)	1,069	71	4,409	-	5,549
Written off	-	-	(3,031)	-	(3,031)
Intercompany transfer	26	18	198	-	242
At 31 December 2023	16,418	1,699	158,114	-	176,231
Net carrying amount	15,614	187	3,261	776	19,838
At 31 December 2022					
Cost					
At 1 January 2022	31,985	2,184	164,266	1,401	199,836
Additions	-	-	32	97	129
Written off	-	-	(550)	-	(550)
Transfers	-	-	192	(192)	-
Intercompany transfer	-	-	59	-	59
Disposal	-	(316)	-	-	(316)
Transfer to intangible assets	-	-	-	(530)	(530)
At 31 December 2022	31,985	1,868	163,999	776	198,628
Accumulated depreciation					
At 1 January 2022	14,219	1,706	150,636	-	166,561
Charge for the year (Note 7)	1,104	94	6,393	-	7,591
Written off	-	-	(550)	-	(550)
Intercompany transfer	-	-	59	-	59
Disposal	-	(190)	-	-	(190)
At 31 December 2022	15,323	1,610	156,538	-	173,471
Net carrying amount	16,662	258	7,461	776	25,157

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

12. Property, plant and equipment (cont'd.)

Included in the cost of property, plant and equipment of the Group and of the Company are cost of fully depreciated assets which are still in use amounting to RM426,290,000 (2022: RM409,779,000) and RM150,059,000 (2022: RM136,813,000), respectively.

The addition in property, plant and equipment were acquired by way of:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash	63,651	37,972	132	26
Payables	22,686	4,730	77	103
Total additions	86,337	42,702	209	129

13. Right-of-use assets

	Land use rights RM'000	Airport equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group					
At 31 December 2023					
Cost					
At 1 January 2023	63,145	120,052	505	41,022	224,724
Additions	-	8,848	-	38,301	47,149
Remeasurement	-	1,630	-	(317)	1,313
Written off	-	(2,453)	(268)	(6,885)	(9,606)
Foreign currency translation	-	2,138	-	-	2,138
At 31 December 2023	63,145	130,215	237	72,121	265,718
Accumulated depreciation					
At 1 January 2023	2,712	79,230	409	10,245	92,596
Depreciation during the year (Note 7)	665	25,775	78	13,972	40,490
Written off	-	(2,453)	(268)	(6,885)	(9,606)
Foreign currency translation	-	900	-	-	900
At 31 December 2023	3,377	103,452	219	17,332	124,380
Net carrying amount	59,768	26,763	18	54,789	141,338

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

13. Right-of-use assets (cont'd.)

	Land use rights RM'000	Airport equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (cont'd.)					
At 31 December 2022					
Cost					
At 1 January 2022	9,101	125,045	505	22,617	157,268
Additions	54,044	9,833	-	36,154	100,031
Remeasurement	-	(14,191)	-	(59)	(14,250)
Written off	-	(387)	-	(17,690)	(18,077)
Foreign currency translation	-	(248)	-	-	(248)
At 31 December 2022	63,145	120,052	505	41,022	224,724
Accumulated depreciation					
At 1 January 2022	2,547	71,874	328	20,738	95,487
Depreciation during the year (Note 7)	165	21,883	81	7,197	29,326
Remeasurement	-	(14,046)	-	-	(14,046)
Written off	-	(387)	-	(17,690)	(18,077)
Foreign currency translation	-	(94)	-	-	(94)
At 31 December 2022	2,712	79,230	409	10,245	92,596
Net carrying amount	60,433	40,822	96	30,777	132,128

	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
At 31 December 2023			
Cost			
At 1 January 2023	116	1,409	1,525
Additions	-	1,294	1,294
Written off	(116)	(1,409)	(1,525)
At 31 December 2023	-	1,294	1,294

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

13. Right-of-use assets (cont'd.)

	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company (cont'd.)			
At 31 December 2023 (cont'd.)			
Accumulated depreciation			
At 1 January 2023	99	1,409	1,508
Depreciation during the year (Note 7)	17	115	132
Written off	(116)	(1,409)	(1,525)
At 31 December 2023	-	115	115
Net carrying amount	-	1,179	1,179
At 31 December 2022			
Cost			
At 1 January 2022/At 31 December 2022	116	1,409	1,525
Accumulated depreciation			
At 1 January 2022	73	1,324	1,397
Depreciation during the year (Note 7)	26	85	111
At 31 December 2022	99	1,409	1,508
Net carrying amount	17	-	17

In the previous financial year, the Group has additional land use right of RM54,044,000 pertaining to the Land Lease Agreement as disclosed in Note 1.4.

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31 December 2023

14. Intangible assets

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Computer and peripheral software RM'000	Capital work-in-progress RM'000	Goodwill RM'000	Total RM'000
Group						
At 31 December 2023						
Cost						
At 1 January 2023	11,107,806	12,405,385	23,123	210,542	1,427	23,748,283
Additions	-	201,328	37	413,843	-	615,208
Written off	-	(6,365)	-	-	-	(6,365)
Transfers	-	281,549	10,692	(292,241)	-	-
Disposal	-	(444)	-	-	-	(444)
Foreign currency translation	775,339	207,921	-	62	-	983,322
At 31 December 2023	11,883,145	13,089,374	33,852	332,206	1,427	25,340,004
Accumulated amortisation and impairment						
At 1 January 2023	4,375,090	4,780,273	13,220	-	-	9,168,583
Charge for the year (Note 7)	527,805	530,424	6,101	-	-	1,064,330
Written off	-	(6,311)	-	-	-	(6,311)
Disposal	-	(444)	-	-	-	(444)
Foreign currency translation	335,859	115,269	-	-	-	451,128
At 31 December 2023	5,238,754	5,419,211	19,321	-	-	10,677,286
Analysed as:						
Accumulated amortisation	4,738,374	5,419,211	19,321	-	-	10,176,906
Accumulated impairment loss	500,380	-	-	-	-	500,380
	5,238,754	5,419,211	19,321	-	-	10,677,286
Net carrying amount	6,644,391	7,670,163	14,531	332,206	1,427	14,662,718

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. Intangible assets (cont'd.)

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Computer and peripheral software RM'000	Capital work-in- progress RM'000	Goodwill RM'000	Total RM'000
Group						
At 31 December 2022						
Cost						
At 1 January 2022	11,172,061	12,164,831	22,530	309,504	-	23,668,926
Additions	-	18,580	63	143,666	-	162,309
Acquisition of a subsidiary (Note 15)	-	-	-	-	1,427	1,427
Written off	(6,105)	(15,766)	-	-	-	(21,871)
Transfers	-	243,182	-	(243,182)	-	-
Transfer from property, plant and equipment (Note 12)	-	9,420	530	553	-	10,503
Disposal	-	(134)	-	-	-	(134)
Foreign currency translation	(58,150)	(14,728)	-	1	-	(72,877)
At 31 December 2022	11,107,806	12,405,385	23,123	210,542	1,427	23,748,283
Accumulated amortisation and impairment						
At 1 January 2022	3,991,734	4,453,110	8,669	-	-	8,453,513
Charge for the year (Note 7)	408,658	345,374	4,551	-	-	758,583
Written off	(6,105)	(15,672)	-	-	-	(21,777)
Transfer from property, plant and equipment (Note 12)	-	4,062	-	-	-	4,062
Disposal	-	(134)	-	-	-	(134)
Foreign currency translation	(19,197)	(6,467)	-	-	-	(25,664)
At 31 December 2022	4,375,090	4,780,273	13,220	-	-	9,168,583
Analysed as:						
Accumulated amortisation	3,874,710	4,780,273	13,220	-	-	8,668,203
Accumulated impairment loss	500,380	-	-	-	-	500,380
	4,375,090	4,780,273	13,220	-	-	9,168,583
Net carrying amount	6,732,716	7,625,112	9,903	210,542	1,427	14,579,700

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. Intangible assets (cont'd.)

	Computer and peripheral software RM'000	Capital work-in- progress RM'000	Total RM'000
Company			
At 31 December 2023			
Cost			
At 1 January 2023	23,123	5,133	28,256
Additions	37	13,912	13,949
Transfers	10,692	(10,692)	-
Intercompany transfer	3	-	3
At 31 December 2023	33,855	8,353	42,208
Accumulated amortisation			
At 1 January 2023	13,220	-	13,220
Charge for the year (Note 7)	6,101	-	6,101
Intercompany transfer	2	-	2
At 31 December 2023	19,323	-	19,323
Net carrying amount	14,532	8,353	22,885
At 31 December 2022			
Cost			
At 1 January 2022	22,530	-	22,530
Additions	63	5,133	5,196
Transfer from property, plant and equipment	530	-	530
At 31 December 2022	23,123	5,133	28,256
Accumulated amortisation			
At 1 January 2022	8,669	-	8,669
Charge for the year (Note 7)	4,551	-	4,551
At 31 December 2022	13,220	-	13,220
Net carrying amount	9,903	5,133	15,036

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. Intangible assets (cont'd.)

The addition in intangible assets were acquired by way of:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash	246,055	101,908	4,066	3,960
Payables	369,153	60,401	9,883	1,236
Total additions	615,208	162,309	13,949	5,196

Included in the cost of intangible assets of the Group and of the Company is cost of fully amortised intangible assets which are still in use amounting to RM1,651,709,000 (2022: RM1,540,976,000) and RM550,000 (2022: nil) respectively.

The Group's intangible assets comprises fair value of the consideration receivable for the construction service delivered during the stage of construction, including certain mark-up on the actual costs incurred.

Goodwill is arising from the acquisition of a subsidiary in the prior year as disclosed in Note 15.

Impairment test for intangible assets

- (i) The recoverable amounts for the concession rights of ISG have been determined based on Value-In-Use ("VIU") calculation using cashflow projection of the existing concession. Based on the assessment no additional impairment loss is recognised for the current year. The key assumptions used in the VIU calculation are as follows:
- (a) Traffic projection

Traffic projection is based on external market study by an independent consultant.
 - (b) Revenue growth

Management has taken into consideration the traffic projection, passenger service fees and other non-aeronautical revenue in determining the revenue growth of ISGIA.
 - (c) Forecast margin

Operation margins are based on management's expectation and past experience of the airport terminal operational cost structure.
 - (d) Discount rate

The discount rate used reflects the specific risk relating to the airport industry. The post-tax discounted rate used by the Group is 12.50% (2022: 11.80%).
- (ii) No impairment loss is recognised for concession rights in Malaysia's operation based on the cash flow forecasts. Furthermore, as disclosed in Note 1.2(f), the long term operating period up to 2069 will allow adequate time to ensure the viability of the business.
- (iii) No impairment loss is recognised for goodwill arising from the acquisition of a subsidiary based on the cashflow forecast.

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15. Investments in subsidiaries

	Company	
	2023 RM'000	2022 RM'000
Unquoted shares at cost	2,275,899	2,275,899
Additional investment in subsidiaries	26,100	-*
	2,301,999	2,275,899

During the current financial year, the Company had made additional equity injection of ordinary share in BP Malaysia Airports Subang Aerotech Sdn. Bhd. ("BP MASA") via subscription of Redeemable Convertible Preference Shares ("RCPS").

* The additional cost of investment is RM7.

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held		Principal activities
			2023 %	2022 %	
Malaysia Airports Sdn. Bhd. 199101020335 (230646-U)	Malaysia	360,113,847	100	100	Management, operations, maintenance and provision of airport related services of Designated Airports in Malaysia other than KLIA Terminal 1 and KLIA Terminal 2.
Malaysia Airports (Sepang) Sdn. Bhd. 199401034797 (320480-D)	Malaysia	300,000,002	100	100	Management, operations, maintenance and provision of airport related services in KLIA Terminal 1 and KLIA Terminal 2.
Malaysia Airports (Niaga) Sdn. Bhd. 199301026572 (281310-V)	Malaysia	5,000,002	100	100	Operating duty free, non-duty free outlets and providing management services in respect of food and beverage outlets at airports.
Malaysia Airports Consultancy Services Sdn. Bhd. ("MACS") 199601002899 (375245-X)	Malaysia	500,002	100	100	Investment holding.
Malaysia Airports (Properties) Sdn. Bhd. ("MAP") 199901009756 (484656-H)	Malaysia	2	100	100	Provision of non- passenger related services which involves property management.
MAB Agriculture-Horticulture Sdn. Bhd. 199801011774 (467902-D)	Malaysia	10,000,000	100	100	Cultivation and selling of oil palm and other agricultural products, and engaging in horticultural activities.

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31 December 2023

15. Investments in subsidiaries (cont'd.)

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held		Principal activities
			2023 %	2022 %	
K.L. Airport Hotel Sdn. Bhd. 199501001669 (330863-D)	Malaysia	10,900,000	100	100	Owner of the hotel known as Sama-Sama Hotel, Sama-Sama Express KLIA Terminal 1 and KLIA Terminal 2.
Malaysia Airports Technologies Sdn. Bhd. 200001009656 (512262-H)	Malaysia	1,150,002	100	100	Dormant since 2016.
MAHB (Mauritius) Pte. Ltd. [®]	Mauritius	USD2	100	100	Investment holding.
Eraman (Malaysia) Sdn. Bhd. 199401038644 (324329-K)***	Malaysia	1,000,000	100	100	Dormant. Intended principal activity is general trading.
Malaysia International Aerospace Centre Sdn. Bhd. 199701022747 (438244-H)	Malaysia	2	100	100	Planning, management and marketing for the development of Malaysia International Aerospace Centre at Sultan Abdul Aziz Shah Airport and other airports in Malaysia.
Airport Ventures Sdn. Bhd. 200001009921 (512527-U)	Malaysia	2	100	100	Investment holding.
Malaysia Airports MSC Sdn. Bhd. ("MAMSC") 200001014248 (516854-V)	Malaysia	500,000	100	100	Investment holding.
Malaysia Airports (Labuan) Pte. Ltd. (LL05298)	Malaysia	USD1,000	100	100	Investment holding.
Urusan Teknologi Wawasan Sdn. Bhd. 199801003752 (459878-D)	Malaysia	750,000	100	100	Provision of mechanical, electrical and civil engineering services and facility management.
Malaysia Airports Capital Berhad 201001022823 (906593-U)	Malaysia	2	100	100	Investment holding.
Malaysia Airports Consultancy Services Middle East LLC ^{®^} (62645)	Qatar	QAR200,000	49	49	Facilities maintenance services at airports.
Malaysia Airports Cities Sdn. Bhd. ("MA Cities") 201401037916 (1114062-X)	Malaysia	3,000	100	100	Investment holding.

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31 December 2023

15. Investments in subsidiaries (cont'd.)

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held		Principal activities
			2023 %	2022 %	
Istanbul Sabiha Gokcen Uluslararası Havalimani Yatırım Yapım ve İşletme A.S. * ^⑩ ** (“ISG”)	Türkiye	€178,741,000	100	100	Operation, management and development and provision of airport related services.
SGC Havalimani İşletmeleri Ticaret ve Turizm A.S. * ^⑩ (“SGC”)	Türkiye	€22,629,619	100	100	Provision of management services in respect of transportation, parking, food and beverages, cleaning at the airport and construction of hotel and car park within the airport.
KLIA Aeropolis Sdn. Bhd. (“KASB”) 201601041450 (1212392-H)	Malaysia	1,000,000	100	100	To manage all landside and off-terminal real estate development for all airports under MAHB.
Malaysia Airports International Sdn. Bhd. 201701006660 (1220825-V)	Malaysia	2	100	100	Investment holding.
MA Elogistics Sdn. Bhd. (“MA Elogistics”) 201701039513 (1253685-H)	Malaysia	62,000,100	100	100	Investment holding.
Malaysia Airports (Subang) Sdn. Bhd. 201801044711 (1306743-T)	Malaysia	100	100	100	Undertake all business relating to Subang Airport Regeneration.
BP Malaysia Airports Subang Aerotech Sdn. Bhd. (“BP MASA”) 201901014024 (1323352-W)	Malaysia				Undertake the development of an aerospace and high tech park within Subang Aerotech Park in Subang.
- ordinary shares		10	100	100	
- preference shares****		26,100,000	100	100	
BPMA HS Sdn. Bhd. 202001003539 (1359859-H)	Malaysia	1	100	100	Dormant.

^⑩ Audited by a member firm of Ernst & Young Global

^{⑩⑩} Audited by PricewaterhouseCoopers (PwC) Türkiye

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

15. Investments in subsidiaries (cont'd.)

* Effective interest held in each subsidiary through:

	2023	2022
	%	%
Company	20	20
MAMSC	40	40
MA Cities	40	40
	100	100

** Investment in ISG with carrying amount of RM726,403,000 (2022: RM669,206,000) is pledged to financial institutions for credit facilities granted to the subsidiary as disclosed in Note 29.

*** During the current financial year, Eraman (Malaysia) Sdn. Bhd. has increased its issued and paid-up capital to RM1,000,000, which is fully subscribed by Malaysia Airports (Niaga) Sdn. Bhd.

**** During the current financial year, the Company has subscribed the Redeemable Convertible Preference Shares ("RCPS") issued by BP MASA amounting to RM26,100,000.

^ Even though the proportion of ownership is 49%, MAHB's effective interest held is 100% due to certain terms and conditions as stipulated in the shareholder's agreement.

Acquisition of a subsidiary

On 11 October 2022, Malaysia Airports (Subang) Sdn. Bhd., a wholly-owned subsidiary of the Company, completed the Share Sale and Purchase Agreement ("SSPA") with BP Aerotech (Subang) Sdn. Bhd. for the acquisition of the remaining 70% equity in BP Malaysia Airports Subang Aerotech Sdn. Bhd. ("BP MASA") for a total sale consideration of RM7.

The fair values of the identifiable assets and liabilities of BP MASA as at the date of acquisition were:

	RM'000
Assets	
Cash and cash equivalents	1,275
Other receivables	1,131
	2,406
Liabilities	
Other payables	3,833
Total identifiable net assets at fair value	(1,427)
Goodwill arising on acquisition (Note 14)	1,427
Cost of the business combination	-*

* The purchase consideration of the acquisition is RM7.

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16. Investments in associates

		Group	
		2023 RM'000	2022 RM'000
Unquoted shares at cost:			
- in Malaysia	(a)	107,945	107,945
Share of post-acquisition reserve	(b)	63,392	33,976
		171,337	141,921
Analysed as:			
(a) Unquoted shares at cost:			
At 1 January		107,945	107,945
Reclassified to investment in subsidiaries (Note 15)		-	-*
At 31 December		107,945	107,945
(b) Share of post-acquisition reserve:			
At 1 January		33,976	17,174
Share of results		29,416	16,802
Reclassified to investment in subsidiaries (Note 15)		-	-*
At 31 December		63,392	33,976

Acquisition of additional equity interest in BP MASA

In the previous financial year, Malaysia Airports (Subang) Sdn. Bhd. has acquired the remaining 70% equity interest from BP Aerotech (Subang) Sdn. Bhd., and subsequently BP MASA became wholly-owned subsidiary as disclosed in Note 15.

* The cost of investment is RM3.

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31 December 2023

16. Investments in associates (cont'd.)

Details of the associates are as follows:

Name of associate	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held		Financial year end	Principal activities
			2023 %	2022 %		
Held through a subsidiary:						
Kuala Lumpur Aviation Fuelling System Sdn. Bhd. ("KAF") ^	Malaysia	3,000,000	20	20	31 December	Development, management and operation of aviation fuelling system at KLIA.
MFMA Development Sdn. Bhd. ("MFMA") ^	Malaysia	98,800,000	30	30	31 December	Development, operation and maintenance of a factory outlet centre and its complementary components known as Mitsui Outlet Park KLIA.
Alibaba KLIA Aeropolis Sdn. Bhd.^^	Malaysia	206,667,000	30	30	31 December	Development of a regional e-Commerce and logistics hub.
Cooling Energy Supply Sdn. Bhd.**^^^	Malaysia	52,350,000	30	30	31 December	Operate a district cooling plant and supply energy at KLIA Terminal 1.

** On 23 December 2020, Airport Ventures Sdn. Bhd. ("AVSB"), a subsidiary of MAHB, had entered into a Shareholders' Agreement with TNB Engineering Corporation Sdn. Bhd. ("TNEC"), to participate in a joint venture company under the name of Cooling Energy Supply Sdn. Bhd. ("CES").

TNEC has been commissioned to operate a district cooling plant at Kuala Lumpur International Airport and supply energy in the form of chilled water and electricity to KUL's Main Terminal and its associated facilities under CES. Pursuant to the Shareholders' Agreement, AVSB holds 30% equity while TNEC holds the remaining 70% equity in CES.

^ Audited by KPMG KL

^^ Audited by Deloitte KL

^^^ Audited by PwC KL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

16. Investments in associates (cont'd.)

(a) The summarised financial statements of associates are as follows:

	Group									
	2023					2022				
	KAF RM'000	MFMA RM'000	Aeropolis RM'000	Alibaba KLIA RM'000	Total RM'000	KAF RM'000	MFMA RM'000	Aeropolis RM'000	Alibaba KLIA RM'000	Total RM'000
Assets and liabilities										
Current assets	117,035	60,446	38,008	72,698	288,187	51,582	65,357	23,973	45,943	186,855
Non-current assets	203,498	463,833	327,814	196,081	1,191,226	189,436	431,876	336,923	107,498	1,065,733
Current liabilities	(24,264)	(114,304)	(36,907)	(114,272)	(289,747)	(12,446)	(137,807)	(17,279)	(53,665)	(221,197)
Non-current liabilities	(101,617)	(181,847)	(126,575)	(143,614)	(553,653)	(101,635)	(184,111)	(146,565)	(83,701)	(516,012)
Equity	194,652	228,128	202,340	10,893	636,013	126,937	175,315	197,052	16,075	515,379
Results										
Revenue	127,274	99,281	35,375	111,483	373,413	81,455	82,088	33,224	102,799	299,566
Cost of sales	(21,737)	(33,897)	(4,359)	(117,466)	(177,459)	(19,433)	(26,044)	(3,387)	(124,502)	(173,366)
Other income	7,884	21,292	189	3,900	33,265	829	558	88	-	1,475
Administrative expenses	(18,066)	(18,174)	(14,878)	(1,286)	(52,404)	(14,985)	19,125	(14,011)	(6,856)	(16,727)
Finance costs	(6,134)	(4,319)	(6,382)	(1,954)	(18,789)	(6,319)	(7,906)	(5,141)	(2,877)	(22,243)
Profit/(loss) before tax for the year	89,221	64,183	9,945	(5,323)	158,026	41,547	67,821	10,773	(31,436)	88,705
Income tax	(21,503)	(11,371)	(4,666)	139	(37,401)	(10,125)	(8,879)	(1,122)	(2,098)	(22,224)
Profit/(loss) for the year	67,718	52,812	5,279	(5,184)	120,625	31,422	58,942	9,651	(33,534)	66,481
Group's share of profit/(loss) for the year	13,544	15,843	1,584	(1,555)	29,416	6,284	17,683	2,895	(10,060)	16,802
Cost of investment of the Group	600	29,640	62,000	15,705	107,945	600	29,640	62,000	15,705	107,945

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

16. Investments in associates (cont'd.)

- (b) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associates recognised in the consolidated financial statements:

	Group									
	2023					2022				
	KAF RM'000	MFMA RM'000	Alibaba KLIA Aeropolis RM'000	CES RM'000	Total RM'000	KAF RM'000	MFMA RM'000	Alibaba KLIA Aeropolis RM'000	CES RM'000	Total RM'000
Proportion of net assets at date of recognition	20%	30%	30%	30%		20%	30%	30%	30%	
Carrying amount at beginning of the financial year	25,385	52,595	59,118	4,823	141,921	19,101	34,912	56,223	14,883	125,119
Share of net results for the financial year	13,544	15,843	1,584	(1,555)	29,416	6,284	17,683	2,895	(10,060)	16,802
Carrying amount at the end of the financial year	38,929	68,438	60,702	3,268	171,337	25,385	52,595	59,118	4,823	141,921

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

17. Investments in joint ventures

		Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unquoted shares at cost:					
- in Malaysia	(a)	53,718	53,718	53,718	53,718
Share of post-acquisition reserve	(b)	43,729	55,367	-	-
		97,447	109,085	53,718	53,718

Analysed as:

(a) Unquoted shares at cost:

At 1 January/31 December		53,718	53,718	53,718	53,718
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(b) Share of post-acquisition reserve:

At 1 January		55,367	43,156	-	-
Share of results		5,672	12,211	-	-
Distribution of profits		(17,310)	-	-	-
At 31 December		43,729	55,367	-	-

Details of the joint ventures are as follows:

Name of entity	Country of incorporation	Issued and paid-up capital RM	Effective interest held		Financial year end	Principal activities
			2023 %	2022 %		
Held by the Company:						
Segi Astana Sdn. Bhd. ("SASB")*	Malaysia				31 December	Development, management and operations of property.
- ordinary shares		106,060,000	30	30		
- redeemable preference shares		85,846,000	-	-		

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

17. Investments in joint ventures (cont'd.)

Details of the joint ventures are as follows: (cont'd.)

Name of entity	Country of incorporation	Issued and paid-up capital RM	Effective interest held		Financial year end	Principal activities
			2023 %	2022 %		
Held by the Company: (cont'd.)						
Airport Cooling Energy Supply Sdn. Bhd. ("ACES")**^	Malaysia				31 December	Development, management and operations of chilled water plant.
- ordinary shares		19,040,000	23	23		
- redeemable preference shares		761,600	23	23		

* On 22 September 2011, the Company entered into a Joint Venture Agreement with WCT Land Sdn. Bhd. to provide ancillary and complementary support services and facilities to the KLIA Terminal 2, Terminal Building, through SASB.

In the prior financial year, SASB issued its redeemable preference shares of RM26,000,000 of which it was not subscribed by the Company.

** On 27 October 2011, the Company entered into a Joint Venture Agreement with TNB Engineering Corporation Sdn. Bhd. ("TNEC") and incorporated ACES for the operation and maintenance of a generation plant for the supply of chilled water and power at KLIA Terminal 2.

^ Audited by PwC KL

Both SASB and ACES are deemed to be joint ventures of the Group as the parties involved have the ability to jointly control the key decisions affecting strategic decisions and operations of these companies pursuant to the shareholders agreements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

17. Investments in joint ventures (cont'd.)

(a) The summarised financial statements of joint ventures are as follows:

	Group					
	2023			2022		
	SASB RM'000	ACES RM'000	Total RM'000	SASB RM'000	ACES RM'000	Total RM'000
Assets and liabilities						
Current assets	77,242	53,179	130,421	74,711	107,329	182,040
Non-current assets	457,947	295,330	753,277	478,997	312,057	791,054
Current liabilities	(19,980)	(16,735)	(36,715)	(42,737)	(33,660)	(76,397)
Non-current liabilities	(312,020)	(61,151)	(373,171)	(334,793)	(62,929)	(397,722)
Equity	203,189	270,623	473,812	176,178	322,797	498,975
Results						
Revenue	123,845	62,636	186,481	58,568	61,820	120,388
Cost of sales	(71,366)	(29,180)	(100,546)	(33,417)	(17,789)	(51,206)
Other income	9,590	88	9,678	13,734	422	14,156
Administrative expenses	(38,769)	(80)	(38,849)	(6,474)	1,104	(5,370)
Finance costs	(15,931)	(18)	(15,949)	(17,845)	(1,619)	(19,464)
Profit before tax for the year	7,369	33,446	40,815	14,566	43,938	58,504
Income tax	(6,168)	(10,350)	(16,518)	(975)	(8,572)	(9,547)
Profit for the year	1,201	23,096	24,297	13,591	35,366	48,957
Group's share of profit for the year	360	5,312	5,672	4,077	8,134	12,211
Cost of investment of the Group	31,818	21,900	53,718	31,818	21,900	53,718

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

17. Investments in joint ventures (cont'd.)

- (b) Reconciliation of the summarised financial information to the carrying amount of the interest in the material joint ventures recognised in the consolidated financial statements:

	Group					
	2023			2022		
	SASB RM'000	ACES RM'000	Total RM'000	SASB RM'000	ACES RM'000	Total RM'000
Proportion of net assets at date of recognition	30%	23%		30%	23%	
Carrying amount at beginning of the financial year	34,844	74,241	109,085	30,767	66,107	96,874
Share of net results for the financial year	360	5,312	5,672	4,077	8,134	12,211
Distribution of profits	-	(17,310)	(17,310)	-	-	-
Carrying amount at the end of the financial year	35,204	62,243	97,447	34,844	74,241	109,085

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

18. Financial assets at fair value through profit or loss

	Group	
	2023 RM'000	2022 RM'000
Current		
Quoted unit trust in Malaysia at fair value	501,951	392,574
Non-current		
Quoted bond in Malaysia at fair value	3,014	3,013
Quoted unit trust in Malaysia at fair value	-	14,647
Unquoted shares at fair value outside Malaysia*	459,000	333,815
	462,014	351,475
Total	963,965	744,049

* The unquoted shares at fair value outside Malaysia is in respect of 11% equity interest in GMR Hyderabad International Airport Limited ("GHIAL"). On 25 October 2023, the Company and its wholly owned subsidiary, MAHB (Mauritius) Private Limited ("MAMPL") have entered into a Sale and Purchase Agreement ("SPA") with GMR Airports Singapore Private Limited ("GASPL") for the disposal of the entire 41,580,000 equity shares of Rs.10 each, representing 11% of the issued and paid-up share capital of GHIAL to GASPL, for a cash consideration of USD100,000,000, equivalent to RM459,000,000 subject to the terms and conditions of the SPA.

On 17 January 2024, the Group, GASPL and GMR Airports Limited ("GAL") have entered into an amendment agreement ("Amendment Agreement") to the SPA and mutually agreed that GAL as an Affiliate of GASPL shall act as the 'Buyer' and shall purchase the Sale Shares from the Group in accordance with the terms of the SPA and the Amendment Agreement.

On 25 January 2024, the Group completed its proposed disposal with the fulfillment of all the Conditions Precedent pursuant to the Agreements, receipt of the Consideration in full and the transfer of Sale Shares to GAL.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

18. Financial assets at fair value through profit or loss (cont'd.)

	Company	
	2023 RM'000	2022 RM'000
Current		
Quoted unit trust in Malaysia at fair value	9,860	177,233
Non-current		
Quoted bond in Malaysia at fair value	3,014	3,013
Quoted unit trust in Malaysia at fair value	-	14,647
Unquoted shares at fair value outside Malaysia*	71	-
	3,085	17,660
Total	12,945	194,893

19. Fair value measurement

The disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

- (a) Valuation principles;
- (b) Valuation technique;
- (c) Fair value measurements and classification within the fair value hierarchy; and
- (d) Movements of Level 3 instruments.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer liability in an orderly transaction between market participants in the principal or most advantageous market as of measurement date.

Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

Level 1

Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2

Inputs other than quoted price included within Level 1 that are observable for asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3

Valuation techniques for which significant inputs are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

19. Fair value measurement (cont'd.)

(b) Valuation technique

The valuation technique used for the financial instruments not determined by reference to quoted prices (Level 1) are described below:

Quoted bond and quoted unit trust

The fair value of financial assets are determined by reference to prices quoted by independent data providers and independent brokers.

Unquoted equity shares

The fair value of financial asset is derived from market approach using available market multiples derived from the guideline public company method ("GPCM").

(c) Fair value measurements and classification within the fair value hierarchy

	Fair value measurement using			
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Group				
As at 31 December 2023				
Financial assets at FVTPL (Note 18)				
Quoted bond	3,014	-	3,014	-
Quoted unit trust	501,951	-	501,951	-
Unquoted equity shares	459,000	-	-	459,000
	963,965	-	504,965	459,000
Biological assets (Note 24)	2,342	-	-	2,342

Note: The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Notes 2.4(e). There were no transfers between Level 1, Level 2 and Level 3 for the Group and Company during the financial year ended 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

19. Fair value measurement (cont'd.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Group (cont'd.)			
As at 31 December 2022			
Financial assets at FVTPL (Note 18)			
Quoted bond	3,013	-	3,013
Quoted unit trust	407,221	-	407,221
Unquoted equity shares	333,815	-	333,815
	744,049	-	410,234
Biological assets (Note 24)	1,986	-	1,986

Description of significant unobservable inputs to valuation:

Investments designated as fair value through profit or loss - unquoted equity shares

Valuation technique	Significant unobservable inputs	Sensitivity of input to fair value	Fair value	
			2023 RM'000	2022 RM'000
Offer price			459,000	-
Market comparable	(i)	(ii)	-	333,815

(i) Discount rate for 2022 at 10%. Discount for lack of marketability represents the amounts that the Company has determined that market participants would take into account when pricing the instruments.

(ii) Equity price/valuation risk

Equity price/valuation risk is the risk that the fair value or future cash flows of the Group's equity instrument will fluctuate because of changes in the valuation. The Group is exposed to equity price/valuation risk primarily through its investment in the unquoted equity shares.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

19. Fair value measurement (cont'd.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

(ii) Equity price/valuation risk (cont'd.)

Sensitivity analysis for equity price/valuation risk

The following table demonstrates the sensitivity of the Company's profit or loss to a reasonable possible change in valuation, with all other variables held constant.

	Change in rate	Effect on Fair value RM'000
2023		
Increase in 5% adjusted market multiple range	-	-
Decrease in 5% adjusted market multiple range	-	-
2022		
Increase in 5% adjusted market multiple range	+5%	307
Decrease in 5% adjusted market multiple range	-5%	356

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Company			
As at 31 December 2023			
Financial assets at FVTPL (Note 18)			
Quoted bond	3,014	-	-
Quoted unit trust	9,860	-	-
Unquoted equity shares	71	-	71
	12,945	-	71

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

19. Fair value measurement (cont'd.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

	Fair value measurement using			
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Company (cont'd.)				
As at 31 December 2022				
Financial assets at FVTPL (Note 18)				
Quoted bond	3,013	-	3,013	-
Quoted unit trust	191,880	-	191,880	-
	194,893	-	194,893	-

(d) Movements of Level 3 instruments

The following table presents additional information about Level 3 financial assets and financial liabilities measured at fair value:

	Note	2023 RM'000	2022 RM'000
Group			
At 1 January		333,815	317,087
Unrealised gain recognised in profit or loss	4	125,185	16,728
At 31 December		459,000	333,815

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

20. Trade and other receivables

	Group	
	2023 RM'000	2022 RM'000
Current		
Trade receivables		
Third parties	622,585	556,275
Due from GoM	164,825	47,147
Accrued revenue	120,459	79,177
Contract asset	16,103	16,262
	923,972	698,861
Less:		
Accumulated allowances of impairment on receivables	(248,741)	(252,172)
Trade receivables, net	675,231	446,689
Other receivables		
Due from GoM	89	1,429
Employee loans (Note 21)	1,860	2,274
Deposits	22,874	18,590
Prepayments	16,677	10,968
Sundry receivables	84,671	69,588
	126,171	102,849
Less:		
Accumulated allowances of impairment on receivables	(12,253)	(13,565)
Other receivables, net	113,918	89,284
Total current	789,149	535,973
Non-current		
Other receivables		
Due from GoM	276,237	309,873
Sundry receivables	85,846	99,634
	362,083	409,507
Total non-current	362,083	409,507
Total trade and other receivables (current and non-current)	1,151,232	945,480
Add: Cash and cash equivalents (Note 25)	1,845,101	1,529,590
Less: Prepayments	(16,677)	(10,968)
Total financial assets at amortised cost	2,979,656	2,464,102

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

20. Trade and other receivables (cont'd.)

	Company	
	2023 RM'000	2022 RM'000
Current		
Other receivables		
Amounts due from subsidiaries	2,298,566	2,329,110
Deposits	673	84
Prepayments	4,519	2,930
Sundry receivables	7,663	11,017
	2,311,421	2,343,141
Less:		
Accumulated allowances of impairment on receivables	(4,512)	(5,783)
Other receivables, net	2,306,909	2,337,358
Non-current		
Other receivables		
Amounts due from a subsidiary	5,150,899	4,999,860
Total trade and other receivables (current and non-current)	7,457,808	7,337,218
Add: Cash and cash equivalents (Note 25)	78,495	79,816
Less: Prepayments	(4,519)	(2,930)
Total financial assets at amortised cost	7,531,784	7,414,104

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

20. Trade and other receivables (cont'd.)

Ageing analysis of trade receivables

The ageing analysis of the Group's total trade receivables, but excluding accrued revenue and contract asset is as follows:

	Group	
	2023 RM'000	2022 RM'000
Current	415,948	294,834
1 to 30 days	56,134	29,363
31 to 60 days	15,254	12,952
61 to 90 days	18,789	5,831
91 to 120 days	15,069	7,510
More than 121 days	17,475	760
	122,721	56,416
Impaired	248,741	252,172
	787,410	603,422

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 68% (2022: 82%) of the Group's trade receivables arise from customers with more than 5 years of experience with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are impaired

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group considers a financial asset in default when contractual payment are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

20. Trade and other receivables (cont'd.)

Movement of impairment for trade and other receivables:

	Group	
	2023 RM'000	2022 RM'000
Trade receivables		
At 1 January	252,172	223,831
Net (writeback)/allowance of impairment on receivables (Note 7)	(8,782)	24,896
Foreign currency translation	5,351	3,445
At 31 December	248,741	252,172

Other receivables		
At 1 January	13,565	12,062
Net (writeback)/allowance of impairment on receivables (Note 7)	(1,312)	1,503
At 31 December	12,253	13,565

	Company	
	2023 RM'000	2022 RM'000
Other receivables		
At 1 January	5,783	3,106
Net (writeback)/allowance of impairment on receivables (Note 7)	(1,271)	2,677
At 31 December	4,512	5,783

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor the Group's credit risk.

Overdue balances are reviewed regularly by senior management and bears interest at 1% (2022: 1%) per month on overdue balances. As at reporting date, the concentration of credit risk in the form of outstanding balances is mainly due to six (2022: six) customers representing approximately 39% (2022: 53%) of the total trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

20. Trade and other receivables (cont'd.)

(b) Amounts due from subsidiaries

(i) Current

Amount due from subsidiaries are non-interest bearing and are repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

(ii) Non-current

Amount due from a subsidiary is unsecured and bear interest at 4.38% (2022: 4.65%) per annum.

(c) Sundry receivables (Non-current)

Included in sundry receivables is Value Added Tax ("VAT") receivable of RM77,186,000 (2022: RM96,544,000) classified as long-term receivables. These amounts arose from the Utilisation Fee liability to the Administration, and will not be refunded in cash or allowed to offset against other tax liabilities. ISG will be offsetting these long-term receivables when it generates such a level of revenue that the VAT payable arising would exceed VAT paid for other operational and investing activities.

(d) Due from GoM

	Group	
	2023 RM'000	2022 RM'000
Current		
Trade receivable		
MARCS (Note 2.4 (aa)(iv))	164,825	47,147
Other receivables		
Expansion and development	89	1,429
Non-current		
Other receivables		
Racing circuit	276,237	309,873
Total amount due from GoM	441,151	358,449

Other information on financial risks of trade and other receivables are disclosed in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

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21. Employee loans

	Group	
	2023 RM'000	2022 RM'000
Employee loans	13,674	17,040
Less: Current portion (Note 20)	(1,860)	(2,274)
Non-current portion	11,814	14,766
Analysed as:		
Current	1,860	2,274
Non-current:		
Later than 1 year but not later than 2 years	1,751	2,032
Later than 2 years but not later than 5 years	3,847	4,876
Later than 5 years	6,216	7,858
	11,814	14,766
	13,674	17,040

The employee loans attract interest rate at 4% (2022: 4%) per annum.

22. Deferred tax (assets)/liabilities

	Group	
	2023 RM'000	2022 RM'000
At 1 January	(115,288)	(76,205)
Recognised in the statements of profit or loss (Note 9)	(133,642)	(44,303)
Recognised in equity	5,461	8,113
Foreign currency translation	35,536	(2,893)
At 31 December	(207,933)	(115,288)
Presented in the statements of financial position as follows:		
Deferred tax assets	(768,918)	(684,017)
Deferred tax liabilities	560,985	568,729
	(207,933)	(115,288)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

22. Deferred tax (assets)/liabilities (cont'd.)

	Company	
	2023 RM'000	2022 RM'000
At 1 January	-	-
Recognised in the statements of profit or loss (Note 9)	-	-
At 31 December	-	-
Presented in the statements of financial position as follows:		
Deferred tax assets	(6,814)	(6,708)
Deferred tax liabilities	6,814	6,708
	-	-

The component and movement of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment and intangibles RM'000	Borrowings RM'000	Total RM'000
At 1 January 2023	1,628,187	(2,689)	1,625,498
Recognised in the statements of profit or loss	131,591	561	132,152
Foreign currency translation	100,402	2,968	103,370
At 31 December 2023	1,860,180	840	1,861,020
Less: Offset against deferred tax assets			(1,300,035)
			560,985
At 1 January 2022	1,682,975	1,864	1,684,839
Recognised in the statements of profit or loss	(46,501)	(4,400)	(50,901)
Foreign currency translation	(8,287)	(153)	(8,440)
At 31 December 2022	1,628,187	(2,689)	1,625,498
Less: Offset against deferred tax assets			(1,056,769)
			568,729

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

22. Deferred tax (assets)/liabilities (cont'd.)

Deferred tax assets of the Group:

	Investment tax allowances RM'000	Fair value of the interest swap RM'000	Unutilised tax losses and unabsorbed capital allowances RM'000	Receivables RM'000	Retirement benefits RM'000	Payables RM'000	Total RM'000
At 1 January 2023	(347,235)	8,147	(635,017)	(93,595)	(1,024)	(672,062)	(1,740,786)
Recognised in the statements of profit or loss	2,833	(3,138)	67,663	(1,995)	520	(331,677)	(265,794)
Recognised in equity	-	5,461	-	-	-	-	5,461
Foreign currency translation	-	(4,851)	(740)	170	(88)	(62,325)	(67,834)
At 31 December 2023	(344,402)	5,619	(568,094)	(95,420)	(592)	(1,066,064)	(2,068,953)
Less: Offset against deferred tax liabilities							<u>1,300,035</u> <u>(768,918)</u>
At 1 January 2022	(347,235)	(4,937)	(599,597)	(79,544)	(172)	(729,559)	(1,761,044)
Recognised in the statements of profit or loss	-	4,884	(36,114)	(13,931)	(846)	52,605	6,598
Recognised in equity	-	8,113	-	-	-	-	8,113
Foreign currency translation	-	87	694	(120)	(6)	4,892	5,547
At 31 December 2022	(347,235)	8,147	(635,017)	(93,595)	(1,024)	(672,062)	(1,740,786)
Less: Offset against deferred tax liabilities							<u>1,056,769</u> <u>(684,017)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

22. Deferred tax (assets)/liabilities (cont'd.)

Deferred tax liability of the Company:

	Property, plant and equipment RM'000
At 1 January 2023	6,708
Recognised in the statements of profit or loss	106
At 31 December 2023	6,814
At 1 January 2022	7,721
Recognised in the statements of profit or loss	(1,013)
At 31 December 2022	6,708

Deferred tax assets of the Company:

	Receivables RM'000	Payables RM'000	Unutilised tax losses and capital allowances RM'000	Total RM'000
At 1 January 2023	(1,387)	(4,384)	(937)	(6,708)
Recognised in the statements of profit or loss	305	(6,037)	5,626	(106)
At 31 December 2023	(1,082)	(10,421)	4,689	(6,814)
At 1 January 2022	(745)	(167)	(6,809)	(7,721)
Recognised in the statements of profit or loss	(642)	(4,217)	5,872	1,013
At 31 December 2022	(1,387)	(4,384)	(937)	(6,708)

The unutilised tax losses are available for offsetting against future taxable profits for a maximum period of ten (10) years of assessment of the Company under the Income Tax Act, 1967 and guidelines issued by the tax authority.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

23. Inventories

	Group	
	2023 RM'000	2022 RM'000
Cost		
Spares and consumables	37,197	35,562
Merchandise goods	89,285	61,412
Food and beverages	884	752
	127,366	97,726

The cost of inventories relating to merchandise goods and food and beverages recognised as an expense during the current financial year amounted to RM283,444,000 (2022: RM128,125,000).

24. Biological assets

	Group	
	2023 RM'000	2022 RM'000
At 1 January	1,986	3,427
Gain/(loss) on changes in fair value of biological assets (Note 7)	356	(1,441)
At 31 December	2,342	1,986

The biological assets comprise of FFB, coconut, pineapple and banana prior to harvest. The change in fair value of the biological assets in each accounting period is recognised in profit or loss.

To arrive at the fair value of FFB, the management considered oil content of the unripe FFB prior to more than 1 month to harvest to be negligible, therefore quantity of unripe FFB on bearer plants of up to 1 month prior to harvest was used for valuation purposes. The total unripe FFB that are 1 month prior to harvest was estimated to be 3,042 tonne (2022: 2,423 tonne). Costs to sell, which include transport cost, are deducted from the price of FFB in arriving to the fair value.

To arrive at the fair value of coconuts, pineapples and banana, the management has considered the fair value of the unripe coconuts, pineapples and banana prior to more than 1 month to harvest to be negligible, therefore the quantity of unripe coconuts, pineapples and banana of up to 1 month prior to harvest was used for valuation purposes.

The Group's biological assets were fair valued within Level 3 of fair value hierarchy as disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

24. Biological assets (cont'd.)

The key assumptions used to determine the fair value are as follows:

(i) Oil Palms

	Group	
	2023 Tonne	2022 Tonne
FFB forecasted tonnage		
- KLIA	2,892	2,287
- Sarawak	150	136

	Group	
	2023 RM/tonne	2022 RM/tonne
FFB price as at 31 December		
- KLIA	753	814
- Sarawak	630	698

(ii) Coconuts

	Group	
	2023 Nut	2022 Nut
Forecasted harvest		
- Old Nut	4,763	6,102
- Young Nut	19,054	24,406

	Group	
	2023 RM/Nut	2022 RM/Nut
Nut price as at 31 December		
- Old Nut	0.65	0.65
- Young Nut	0.75	0.75

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

24. Biological assets (cont'd.)

The key assumptions used to determine the fair value are as follows: (cont'd.)

(iii) Pineapples

	Group	
	2023 Fruit	2022 Fruit
Forecasted harvest	12,621	5,400

	Group	
	2023 RM/Fruit	2022 RM/Fruit
Price as at 31 December	2.16	1.00

(iv) Banana

	Group	
	2023 Kg	2022 Kg
Forecasted harvest	6,525	-

	Group	
	2023 RM/Kg	2022 RM/Kg
Price as at 31 December	3.80	-

Sensitivity Analysis

A 10% increase/decrease in the average oil palm fresh fruit bunches (FFB) selling price (RM/tonne), average selling price of coconuts (RM/nut), pineapples (RM/fruit) and banana (RM/Kg) would result in the following to the fair value of the biological assets:

	Group	
	2023 RM'000	2022 RM'000
10% increase	234	199
10% decrease	(234)	(199)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

25. Cash and cash equivalents

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash on hand and at banks	388,048	309,665	78,415	79,738
Deposits with licensed banks	1,457,053	1,219,925	80	78
Cash and bank balances	1,845,101	1,529,590	78,495	79,816

Other information on financial risks of cash and cash equivalents are disclosed in Note 38.

For the purpose of consolidated statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and bank balances	1,845,101	1,529,590	78,495	79,816

26. Share capital

	Number of shares	
	2023	2022
Issued and fully paid:		
At 1 January 2023		
Special Rights Redeemable Preference Share	1	1
Ordinary shares	1,659,191,828	1,659,191,828
Dividend Reinvestment Plan ("DRP") issued on 26 May 2023	9,362,604	-
At 31 December 2023	1,668,554,433	1,659,191,829

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

26. Share capital (cont'd.)

	Group/Company	
	2023 RM'000	2022 RM'000
Issued and fully paid:		
<u>Ordinary shares</u>		
At 1 January 2023	5,114,341	5,114,341
Dividend Reinvestment Plan ("DRP") issued on 26 May 2023	56,408	-
At 31 December 2023	5,170,749	5,114,341

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Dividend Reinvestment Plan ("DRP")

The DRP was established upon the approval from the Board of Directors on 30 November 2012. The DRP provides Shareholders an option to elect to re-invest their cash dividend(s) declared by the Company (whether interim, final, special or any other cash dividend) [Dividend(s)] in new ordinary shares in MAHB ("MAHB Shares").

The DRP provides Shareholders with an opportunity to re-invest their Dividends in new MAHB Shares ("New Shares") in lieu of receiving cash. Shareholders are expected to benefit from their participation in the DRP as the New Shares may be issued at a discount and their subscription of such New Shares will be free from any brokerage fees and other related transaction costs. In addition, the DRP also provides the Shareholders with greater flexibility to meet their investment objectives as they would have the choice of receiving Dividends in cash or reinvesting into the Company through the subscription of additional Shares.

The DRP has capital management benefits to MAHB as the reinvestment of Dividends by Shareholders in New Shares will enlarge MAHB's share capital base and strengthen MAHB's capital position. Under the DRP, any cash so retained within MAHB, that would otherwise be made payable by way of dividend, will be preserved to fund the Group's continuing growth and expansion plan, and/or for the Group's working capital (including payment for general corporate activities and to defray expenses incurred in the course of day-to-day business operations). The issue of New Shares under the DRP is also expected to improve the liquidity of MAHB Shares currently listed on the Main Market of Bursa Securities.

In relation to Dividends declared, the Board may, at its absolute discretion, determine whether to offer Shareholders an option to re-invest such Dividend in New Shares ("Reinvestment Option") and where applicable, the size of the portion of such Dividend to which the Reinvestment Option applies ("Electable Portion").

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

26. Share capital (cont'd.)

Dividend Reinvestment Plan ("DRP") (cont'd.)

Shareholders will have the following options in respect of a Reinvestment Option:

- (a) elect to participate and thereby re-invest the entire Electable Portion (or a part thereof) at the Issue Price (as defined below) for New Shares and to receive in cash on:
 - (i) the portion of the Dividend to which the Reinvestment Option does not apply, as determined by the Board ("Non-Electable Portion"); and
 - (ii) the remaining portion of the Electable Portion not re-invested (if any) ("Remaining Portion"); or
- (b) elect not to participate in the Reinvestment Option and thereby receive the entire Dividend wholly in cash.

The issue price of such New Shares shall be the higher of the following ("Issue Price"):

- (a) the adjusted volume weighted average market price ("VWAMP") of MAHB Shares for the five market days immediately before the price fixing date (i.e. a date on which the Issue Price will be determined) after applying a discount of not more than 10%. The VWAMP shall be adjusted for Dividends before applying the aforementioned discount in fixing the Issue Price; or
- (b) the par value of MAHB Shares at the material time.

Special Rights Redeemable Preference Share

- (a) The Special Rights Redeemable Preference Share ("Special Share") of RM1 enables the GoM, through the Ministry of Finance, to ensure that certain major decisions affecting the operations of the Company are consistent with GoM policies. The Special Shareholder, which may only be the GoM or any representative or person acting on its behalf, is entitled to receive notices of meetings but not entitled to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings. The Special Shareholder has the right to appoint any person, but not more than six at any time, to be directors.
- (b) The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate.
- (c) The Special Shareholder shall be entitled to repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member.
- (d) The Special Shareholder does not have any right to participate in the capital or profits of the Company.
- (e) Certain matters which vary the rights attached to the Special Share can only be effective with the written consent of the Special Shareholder, in particular matters relating to the creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, merger and takeover.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

27. Retained earnings

The Company may distribute dividends out of its entire retained earnings under the single-tier system.

28. Other reserves and foreign exchange reserve

(a) Foreign exchange reserve

Foreign exchange reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) Other reserves

	Note	Group	
		2023 RM'000	2022 RM'000
Reserve arising from acquisition of non-controlling interest			
As at 1 January/31 December	(i)	2,546	2,546
Legal reserve			
As at 1 January		4,213	4,235
Foreign currency translation		355	(22)
As at 31 December	(ii)	4,568	4,213
Actuarial (loss)/gain on retirement benefits			
As at 1 January		(516)	1,389
Actuarial loss during the year	(iii)	(3,025)	(1,905)
As at 31 December		(3,541)	(516)
		3,573	6,243

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

28. Other reserves and foreign exchange reserve (cont'd.)

(b) Other reserves (cont'd.)

(i) Reserve arising from acquisition of non-controlling interest

This relates to the discount on acquisition of non-controlling interest in prior years.

(ii) Legal reserve

(1) In accordance with Qatar Commercial Companies' Law No. 11 of 2015, (the Qatari Law) and the Articles of Association of MACS ME, 10% of the MACS ME's profit for the period is required to be transferred to a Legal Reserve until such time the reserve equals 50% of MACS ME's paid-up capital. This reserve is not available for distribution except in the circumstances stipulated under the Qatari Law.

(2) According to Turkish Commercial Code ("TCC"), legal reserve comprise first and second legal reserves. The first legal reserve is generated by annual appropriations amounting to 5% of income disclosed in the SGC's statutory accounts until it reaches 20% of paid-in share capital. If the dividend distribution is made in accordance with Dividend Distribution Communiqué II-19.1, a further 1/10 of dividend distributions, in excess of 5% of paid-in capital is to be appropriated to increase second legal reserve.

If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5% of paid-in capital is to be appropriated to increase second legal reserve. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. As at 31 December 2023, total legal reserves in SGC amounts to EUR874,000, equivalent to RM4,440,000 (2022: EUR874,000, equivalent to RM4,090,000).

(iii) Actuarial (loss)/gain on retirement benefits

Under the Turkish Labor Law, ISG is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, or who retires or resigns. The indemnity is one month's salary for each working year and is limited to TL23,490, equivalent to EUR723 or RM3,673 (2022: TL15,371, equivalent to EUR819 or RM3,833).

ISG made calculation for the retirement pay liability by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel. The provision has been calculated by estimating the present value of the future probable obligation of ISG arising from the retirement of employees. Accordingly, the following actuarial assumptions have been used in the calculation of the total liability:

	2023	2022
Discount ratio	2.73%	0.54%
Retention rate to estimate to probability of retirement	98.00%	97.00%



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

28. Other reserves and foreign exchange reserve (cont'd.)

(b) Other reserves (cont'd.)

(iii) Actuarial (loss)/gain on retirement benefits (cont'd.)

Movements of the provision for retirement pay liability:

	2023 RM'000	2022 RM'000
Group		
As at 1 January	9,383	5,898
Service cost	3,410	1,392
Interest cost	1,977	1,164
Actuarial loss	3,025	1,905
Payment	(8,600)	(777)
Foreign currency translation	1,798	(199)
As at 31 December	10,993	9,383

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. Borrowings

	Maturity	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current					
Unsecured:					
Revolving Credit Facility	2023	-	435,000	-	435,000
Revolving Credit Facility	2024	285,000	-	285,000	-
4.15% p.a. fixed rate RM IMTN	2024	600,000	-	600,000	-
Secured:					
Euribor + 3.0% p.a. Senior Term Loan Facility	2023	-	262,319	-	-
Euribor + 3.0% p.a. Senior Term Loan Facility	2024	364,450	-	-	-
		1,249,450	697,319	885,000	435,000
Non-current					
Unsecured:					
4.15% p.a. fixed rate RM IMTN	2024	-	600,000	-	600,000
3.30% p.a. fixed rate RM Senior Sukuk	2027	480,000	480,000	480,000	480,000
3.60% p.a. fixed rate RM Senior Sukuk	2030	220,000	220,000	220,000	220,000
3.87% p.a. fixed rate RM475,000,000 Senior Sukuk	2026	473,785	473,376	473,785	473,376
4.14% p.a. fixed rate RM225,000,000 Senior Sukuk	2028	224,277	224,158	224,277	224,158
4.25% p.a. fixed rate RM100,000,000 Senior Sukuk	2031	99,649	99,611	99,649	99,611
3.79% p.a. fixed rate RM500,000,000 Senior Sukuk	2025	499,513	499,158	499,513	499,158
3.98% p.a. fixed rate RM300,000,000 Senior Sukuk	2027	299,557	299,435	299,557	299,435
Secured:					
Euribor + 3.0% p.a. Senior Term Loan Facility	2024 - 2025	-	1,248,701	-	-
Euribor + 3.0% p.a. Senior Term Loan Facility	2025	1,040,909	-	-	-
		3,337,690	4,144,439	2,296,781	2,895,738

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. Borrowings (cont'd.)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Total borrowings				
Revolving Credit Facility	285,000	435,000	285,000	435,000
4.15% p.a. fixed rate RM IMTN	600,000	600,000	600,000	600,000
3.30% p.a. fixed rate RM Senior Sukuk	480,000	480,000	480,000	480,000
3.60% p.a. fixed rate RM Senior Sukuk	220,000	220,000	220,000	220,000
3.87% p.a. fixed rate RM475,000,000 Senior Sukuk	473,785	473,376	473,785	473,376
4.14% p.a. fixed rate RM225,000,000 Senior Sukuk	224,277	224,158	224,277	224,158
4.25% p.a. fixed rate RM100,000,000 Senior Sukuk	99,649	99,611	99,649	99,611
3.79% p.a. fixed rate RM500,000,000 Senior Sukuk	499,513	499,158	499,513	499,158
3.98% p.a. fixed rate RM300,000,000 Senior Sukuk	299,557	299,435	299,557	299,435
Euribor + 3.0% p.a. Senior Term Loan Facility	1,405,359	1,511,020	-	-
	4,587,140	4,841,758	3,181,781	3,330,738

The movement in the borrowings is as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	4,841,758	5,311,803	3,330,738	3,596,687
Interest accrual	122,676	73,221	1,043	772
Drawdown of principal	100,000	1,273,279	100,000	1,273,279
Repayment of principal	(505,183)	(1,750,350)	(250,000)	(1,540,000)
Repayment of interest	(102,910)	(54,917)	-	-
Foreign currency translation	130,799	(11,278)	-	-
At 31 December	4,587,140	4,841,758	3,181,781	3,330,738

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. Borrowings (cont'd.)

The remaining maturities of the borrowings are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Within 1 year	1,249,450	697,319	885,000	435,000
More than 1 year and less than 2 years	1,540,422	892,417	499,513	600,000
More than 2 years and less than 5 years	1,477,620	2,708,254	1,477,620	1,751,970
5 years or more	319,648	543,768	319,648	543,768
	4,587,140	4,841,758	3,181,781	3,330,738

(a) Short-Term Revolving Credit Facilities (collectively referred to as the RCF)

The Company has undertaken revolving credit facilities ("RCF") from several financial institutions with a total amount of RM1,325,000,000 in nominal value.

Details of RCF drawn down during the current financial year are as follows:

Coupon rate	Issue size (RM'000)	Issue date	Maturity date
3.65%	70,000	8.11.2023	7.02.2024
3.89%	50,000	16.11.2023	14.02.2024
3.67%	100,000	17.11.2023	16.02.2024
3.93%	65,000	23.11.2023	23.02.2024

(b) ICP Programme and IMTN Programme (collectively referred to as the Sukuk Programmes)

Malaysia Airports Capital Berhad ("MACB or the Issuer"), a wholly-owned subsidiary of MAHB, is a special purpose vehicle and its principal activity is to undertake the issuance of Ringgit-denominated Islamic Commercial Papers ("ICPs") and Islamic Medium Term Notes ("IMTNs") pursuant to an Islamic Commercial Paper Programme ("ICP Programme") and an Islamic Medium Term Notes Programme ("IMTN Programme"), respectively in accordance with Shariah Principles ("collectively referred to as the Sukuk Programmes").

The Sukuk Programmes have a combined aggregate nominal value of up to RM3,100,000,000 (with a sub-limit of RM1,000,000,000 in nominal value for the ICP Programme).

Proceeds raised from the Sukuk Programmes were utilised by MAHB to part finance the construction of a new terminal ("Terminal 2") and/or to refinance MAHB's existing borrowings/financing which were utilised for Shariah-compliant purposes and/or for MAHB's Shariah-compliant general corporate purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. Borrowings (cont'd.)

(b) ICP Programme and IMTN Programme (collectively referred to as the Sukuk Programme) (cont'd.)

The Sukuk Programmes has been accorded a short-term rating of P1 and long-term rating of AAA/Stable respectively by RAM Rating Services Berhad ("RAM"). The Sukuk Programmes are issued under the Shariah Principle of Ijarah and Murabahah utilising Commodity ("Commodity Murabahah").

On 30 August 2010, MACB completed the issuance of the first tranche comprising RM1,000,000,000 nominal value IMTNs under the Shariah Principle of Ijarah pursuant to the IMTN Programme. The IMTNs issued under the first tranche have a tenure of ten (10) years from the date of issuance with a periodic distribution (coupon) rate of 4.55% per annum.

On 17 December 2010, MACB completed the issuance of the second tranche comprising RM1,500,000,000 nominal value IMTNs pursuant to the IMTN Programme based on the Shariah Principle of Commodity Murabahah. The IMTNs issued under the second tranche have a tenure of twelve (12) years from the date of issuance with a periodic distribution (coupon) rate of 4.68% per annum.

On 28 December 2012, MACB completed the issuance of the final tranche comprising RM600,000,000 nominal value IMTNs pursuant to the IMTN Programme based on the Shariah Principle of Commodity Murabahah. The IMTNs issued under the final tranche have a tenure of twelve (12) years from the date of issuance with a periodic distribution (coupon) rate of 4.15% per annum.

On 28 August 2020, the Company had paid the first tranche of ten (10) years IMTN amounting to RM1,000,000,000.

On 14 December 2022, the Company had paid the second tranche of twelve (12) years IMTN amounting to RM1,500,000,000.

This note with total face value of RM600,000,000 is unsecured. Details of the note is as follows:

Coupon rate	Issue size (RM'000)	Issue date	Maturity date
4.15%	600,000	28.12.2012	27.12.2024

(c) Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme (collectively referred to as the Sukuk Musharakah Programmes)

The Company also undertook a Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme with a combined aggregate limit of up to RM2,500,000,000 under the Shariah Principle of Musharakah ("collectively referred to as the Sukuk Musharakah Programmes"). MAHB is the issuer for the Sukuk Musharakah Programmes.

The proceeds from the Sukuk Musharakah Programmes issuance shall be utilised for the working capital requirements, general investments and/or refinance any borrowings/financing of MAHB and/or its subsidiaries, which are Shariah-compliant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. Borrowings (cont'd.)

(c) Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme (collectively referred to as the Sukuk Musharakah Programmes) (cont'd.)

The Senior Sukuk Programme has been accorded long-term rating of AAA/Stable respectively by RAM while the Perpetual Subordinated Sukuk Programme has been accorded with long-term rating of AA2/Stable. Both the Senior Sukuk Programme and the Perpetual Subordinated Sukuk Programme are issued under the Shariah Principle of Musharakah.

On 6 September 2013, MAHB has completed the issuance of RM500,000,000 Senior Sukuk ("Sukuk Musharakah") via a dual tranche offering pursuant to the Senior Sukuk Programme. The Senior Sukuk offering comprises a three years, RM250,000,000 tranche and a five years, RM250,000,000 tranche with a periodic distribution rate (per annum, payable semi-annually) of 3.85% and 4.15% respectively.

On 15 December 2014, the Company has completed the issuance of RM1,000,000,000 Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The Perpetual Subordinated Sukuk is structured as a Perpetual Sukuk and accounted as equity (as stated in Notes 2.4(ad) and 30).

The dual tranches of Senior Sukuk with total face value of RM500,000,000, which were issued on 6 September 2013 had been repaid on 6 September 2016 and 6 September 2018.

On 6 November 2020, MAHB had completed the issuance of RM700,000,000 Senior Sukuk ("Sukuk Musharakah") via a dual tranche offering pursuant to the Senior Sukuk Programme. The Senior Sukuk offering comprises a seven (7) years, RM480,000,000 tranche and a ten (10) years, RM220,000,000 tranche with a periodic distribution rate (per annum, payable semi-annually) of 3.30% and 3.60% respectively.

Details of the Senior Sukuk are as follows:

Coupon rate	Issue size (RM'000)	Issue date	Maturity date
3.30%	480,000	06.11.2020	05.11.2027
3.60%	220,000	06.11.2020	06.11.2030

The terms of the Sukuk Programmes and the Sukuk Musharakah Programmes contain various covenants including the following:

MAHB shall maintain a Debt to Equity Ratio ("D:E Ratio") not exceeding 1.25 times throughout the tenure of the Sukuk Programmes. The D:E Ratio is the ratio of indebtedness of the Group represented by:

- (i) the aggregate face value of all outstanding ICPs, and all outstanding principal amount payable under the IMTNs and the Senior Sukuk Programme; and

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. Borrowings (cont'd.)

(c) Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme (collectively referred to as the Sukuk Musharakah Programmes) (cont'd.)

- (ii) all other indebtedness of the Company for borrowed monies (be it actual or contingent) for principal only, hire purchase obligations, finance lease obligations, fair value of financial derivatives in connection with borrowed monies recognised by the Company in its audited consolidated financial statements and other contingent liabilities of the Company calculated in accordance with the applicable accounting standards; but excluding any inter-company loans which are subordinated to the Sukuk, to the equity of the Group including, if any, preference equity, subordinated shareholders' advances/loans and retained earnings or accumulated losses less goodwill (if any).

The D:E Ratio shall be calculated on a yearly and half yearly basis and as and when such calculations are required to be made under the terms of the transaction documents during the tenure of the Sukuk Programmes. In the case of D:E Ratio calculated on a yearly basis, such calculations shall be based on the latest audited consolidated financial statements of the Company and in the case of D:E Ratio calculated at any other times, the calculations shall be based on the latest consolidated management accounts of the Company.

(d) Senior Sukuk Wakalah Programme and Perpetual Sukuk Wakalah Programme (collectively referred to as the Sukuk Wakalah Programme)

On 8 November 2021, the Company established a Sukuk Wakalah Programme, which has a perpetual programme tenure and provides the Company with flexibility to issue the Senior Sukuk Wakalah and/or Perpetual Sukuk Wakalah ("collectively referred to as the Sukuk Wakalah") from time to time, subject to the aggregate outstanding nominal value of the Sukuk Wakalah not exceeding RM5,000,000,000 at any point of time.

The Senior Sukuk Wakalah and the Perpetual Sukuk Wakalah under the Sukuk Wakalah Programme have been assigned an initial credit rating of AAA and AA2 respectively, with a stable outlook by RAM.

The proceeds from the issuance of the Sukuk Wakalah shall be utilised for the working capital requirements, capital expenditure, general investments, general corporate purposes, refinancing of existing borrowings or financings of MAHB Group and/or defrayment of fees and expenses under the Sukuk Wakalah Programme, all of which shall be Shariah compliant.

On 30 December 2021, MAHB has completed the issuance of RM800,000,000 Senior Sukuk Wakalah from its Sukuk Wakalah Programme. The Senior Sukuk Wakalah offering comprises a five (5) years RM475,000,000 tranche, a seven (7) years RM225,000,000 tranche and a ten (10) years RM100,000,000 tranche with a periodic distribution rate (per annum, payable semi-annually) of 3.87%, 4.14% and 4.25% respectively.

On 27 April 2022, MAHB has completed the issuance of RM800,000,000 Senior Sukuk Wakalah from its Sukuk Wakalah Programme. The Senior Sukuk Wakalah offering comprises a three (3) years RM500,000,000 tranche and a five (5) years RM300,000,000 tranche with a periodic distribution rate (per annum, payable semi-annually) of 3.79% and 3.98% respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. Borrowings (cont'd.)

(d) Senior Sukuk Wakalah Programme and Perpetual Sukuk Wakalah Programme (collectively referred to as the Sukuk Wakalah Programme) (cont'd.)

Details of the Senior Sukuk Wakalah are as follows:

Coupon rate	Issue size (RM'000)	Issue date	Maturity date
3.87%	475,000	30.12.2021	30.12.2026
4.14%	225,000	30.12.2021	29.12.2028
4.25%	100,000	30.12.2021	30.12.2031
3.79%	500,000	27.04.2022	25.04.2025
3.98%	300,000	27.04.2022	27.04.2027

The terms of the Sukuk Wakalah Programme contain various covenants including the following:

The issuance of Sukuk Wakalah on 30 December 2021 and 27 April 2022 were recognised after offsetting incidental cost of RM3,313,000 and RM1,721,000 respectively.

MAHB shall maintain a Finance to Equity (F:E) Ratio not exceeding 1.25 times throughout the tenure of the Sukuk Wakalah Programme. The F:E Ratio is the ratio of indebtedness of the Group represented by:

- (i) all outstanding principal amount payable under the Sukuk Wakalah; and
- (ii) all other indebtedness of the MAHB Group for financed/borrowed monies including amounts arising from Islamic financing (be it actual or contingent) for principal only, hire purchase obligations, finance lease obligations, fair value of financial derivatives in connection with financed/borrowed monies recognised by Company in its audited consolidated financial statements and other contingent liabilities of the Company calculated in accordance with the applicable accounting standards; but excluding any inter-company loans/advances which are subordinated to the Sukuk Wakalah, to the equity of the Group including, if any, preference equity, subordinated shareholders' advances/loans and retained earnings or accumulated losses less goodwill (if any).

The F:E Ratio shall be calculated on a yearly and half yearly basis and as and when such calculations are required to be made under the terms of the transaction documents during the tenure of the Sukuk Wakalah Programme. In the case of F:E Ratio calculated on a yearly basis, such calculations shall be based on the latest annual audited consolidated financial statements of the Company and in the case of F:E Ratio calculated at any other times, the calculations shall be based on the latest consolidated management accounts of Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. Borrowings (cont'd.)

(e) Senior Term Loan Facility

ISG has signed a facility agreement on 21 December 2014 with three financial institutions which provided a total credit line of EUR500,000,000, equivalent to RM2,125,000,000 to refinance the Project Loan, YKB Subordinated Loan, Trigen Loan, SGC Subordinated Loan and all subordinated shareholder loans and payables.

According to the facility agreement, the re-pricing dates for the Senior Term Loan are set semi-annually. However, the first re-pricing date has been agreed to be on a monthly basis until the mandated banks syndicate the Senior Project Loan in the first half of 2015.

The Senior Term Loan was syndicated on 26 March 2015 and the margin on the loan was reduced from 2.75% to 2.50%.

ISG is required to maintain a minimum Debt Service Reserve Account ("DSRA") corresponding to the interest payable in the next interest period amounting to EUR6,585,000, equivalent to RM33,452,000 (2022: EUR6,585,000, equivalent to RM30,817,000).

On 23 June 2017, ISG signed an amendment and restatement agreement relating to the facility agreement dated 21 December 2014. With the new agreement, the repayment schedule was revised with an extension of the facility maturity by two (2) years until end of 2023.

In addition, 80% of the shares, MAMSC and MA Cities shares, are pledged for the benefit of the Senior Term Loan creditors and MAHB has provided a 100% Corporate Guarantee for the Senior Term Loan.

ISG has, as security for fulfilment of its obligations to the financial institutions, assigned all of its present and future receivables, rights, incomes, claims, interests and benefits in, to and under its receivables, as well as any and all kinds of receivables arising out of or in connection with other agreements that ISG has entered into, as well as ISG's VAT refunds, to the security agent of the agreement.

On 1 December 2020, ISG signed an amendment and restatement agreement relating to the facility agreement dated on 21 December 2014 (as amended and restated agreement dated on 23 June 2017) for its EUR385,000,000, equivalent to RM1,955,800,000 loan facility. With the new agreement, the repayment schedule has been revised with an extension of the loan facility's maturity by two (2) years until the end of 2025.

The financial covenants of the Loan Facility have been amended as below:

Historic debt service coverage ratio: Minimum of 1.05:1.00.

Loan life cover ratio: Minimum of 1.05:1.00.

ISG to maintain a minimum unencumbered cash balance of EUR105,000,000, equivalent to RM533,400,000 from June 2022 onwards.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. Borrowings (cont'd.)

(e) Senior Term Loan Facility (cont'd.)

The Senior Term Loan Facility are secured with the remaining balances as follows:

Coupon rate	EUR'000	RM'000	Issue date	Maturity amount (RM'000)	Maturity date
Euribor + 3.0% p.a.	276,645	1,405,359	24.12.2014	184,654	24.06.2024
				179,796	24.12.2024
				192,170	24.06.2025
				848,739	24.12.2025
				<u>1,405,359</u>	

Other information on financial risks of borrowings are disclosed in Note 38.

30. Perpetual Sukuk

	Group/Company	
	2023 RM'000	2022 RM'000
Nominal value	997,842	997,842

On 15 December 2014, the Group completed the issuance of RM1,000,000,000 Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The Perpetual Subordinated Sukuk is structured as a Perpetual Sukuk and accounted as equity.

The salient features of the Perpetual Sukuk are as follows:

- The Perpetual Sukuk is issued under the Islamic Principle of Musharakah;
- The Perpetual Sukuk is a perpetual non-call ten (10)-year with no fixed tenure and carries a fixed initial periodic distribution rate of 5.75% (per annum, payable semi-annually) up to the 10th year anniversary of the issue date, after which and for every 10 year onward the periodic distribution rate will be reset. The periodic distribution rate will be reset to the prevailing 10 – year MGS benchmark rate plus 1.867% (Initial Spread) plus 1.00% step up rate. As at 31 December 2023, a periodic distribution for Perpetual Sukuk was paid amounting to RM57,500,000 (2022: RM57,500,000);
- Deferred periodic distribution, if any, will be cumulative and accrued at the prevailing periodic distribution rate. MAHB, at its discretion, has the option to defer the periodic distribution in perpetuity;

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

30. Perpetual Sukuk (cont'd.)

- (d) The Perpetual Sukuk has no fixed redemption date;
- (e) MAHB has the option to redeem the Perpetual Sukuk in whole under the following circumstances:
 - i) Option of issuer – at the option of MAHB on each Call Date (the first Call Date i.e. 13 December 2024 and every semi-annual periodic distribution date thereafter);
 - ii) Tax reasons – if MAHB is obliged to pay additional amount due to change in tax laws or regulations in Malaysia;
 - iii) Rating Event – if there is change in equity credit criteria, guidelines or methodology of rating agency which results in lower equity credit of the Perpetual Sukuk;
 - iv) Accounting reasons – if there is change in accounting standards which results in the Perpetual Sukuk no longer be classified as equity;
 - v) Tax deductibility – if there is change in tax laws or regulations in Malaysia which results in the periodic distribution amount no longer eligible for full tax deductibility under corporate income tax;
 - vi) Minimal outstanding amount – if the outstanding Perpetual Sukuk is less than 10% of the nominal value originally issued;
 - vii) Change of control – if the GoM ceases to hold the Special Share issued by MAHB; and
 - viii) Revocation of license – if the licenses issued by Minister of Transport to MAHB Group is being revoked/ terminated which results in the cessation of MAHB operations for a period more than 30 consecutive days.
- (f) Payment obligations on the Perpetual Sukuk will at all times, rank in priority to other share capital instruments for the time being outstanding, but junior to the claims of present and future creditors of MAHB (other than obligations ranking pari passu with the Perpetual Sukuk);
- (g) The Perpetual Sukuk is rated AA2 by RAM; and
- (h) The Perpetual Sukuk is unsecured.

31. Derivative financial instruments

The derivative contract has been signed between a foreign bank and ISG with starting date of 29 December 2015.

ISG uses interest rate derivatives to manage its exposure to interest rate fluctuations in regard to funds utilised from the project finance facility (pay fixed, receive float).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

31. Derivative financial instruments (cont'd.)

Amendment of the Interest Rate Swap Contract which covers 50% of outstanding loan amount was completed by rescheduling the cash flow structure of the swap in line with the loan has been set as of 8 December 2020. The details are provided below:

Due date of transaction	IRS Swap Contract	
	Notional amounts (RM'000)	Fixed Euribor (%)
24 June 2024	711,200	0.9400
24 December 2024	635,000	0.9400
24 June 2025	558,800	0.9400
24 December 2025	469,900	0.9400

The Euribor rates was negative until the beginning of June 2022, however it reached 3.59% as of 31 December 2023.

As a result, ISG recorded its derivative contract as financial asset amounting to fair value of EUR4,424,000, equivalent to RM22,473,000 (2022: EUR8,703,000, equivalent to RM40,731,000).

Movement of hedging reserve:

	Group	
	2023 RM'000	2022 RM'000
At 1 January	32,585	(19,742)
Recognised in other comprehensive income	(15,731)	52,327
At 31 December	16,854	32,585

The interest rate swaps that is recognised in the consolidated statement of profit or loss as at 31 December 2023 is as follows:

	Group	
	2023 RM'000	2022 RM'000
Recognised in profit or loss (Note 6)	(18,862)	6,907

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

32. Lease liabilities

	Land use rights RM'000	Airport equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group					
At 1 January 2023	54,040	43,837	94	31,803	129,774
Additions	-	7,360	168	30,973	38,501
Remeasurement	-	1,906	-	6,488	8,394
Accretion of interest (Note 6)	2,221	1,771	11	2,011	6,014
Payment	(2,266)	(31,769)	(135)	(14,722)	(48,892)
Foreign currency translation	-	1,639	-	-	1,639
At 31 December 2023	53,995	24,744	138	56,553	135,430
Analysed as:					
Current	2,755	9,677	81	18,189	30,702
Non-current	51,240	15,067	57	38,364	104,728
At 31 December 2022					
At 1 January 2022	-	53,716	173	1,299	55,188
Additions	54,044	9,833	-	36,154	100,031
Remeasurement	-	(363)	-	3	(360)
Accretion of interest (Note 6)	185	7,369	6	472	8,032
Payment	(189)	(26,536)	(85)	(6,125)	(32,935)
Gain on modification	-	(41)	-	-	(41)
Foreign currency translation	-	(141)	-	-	(141)
At 31 December 2022	54,040	43,837	94	31,803	129,774
Analysed as:					
Current	731	26,384	73	6,299	33,487
Non-current	53,309	17,453	21	25,504	96,287

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

32. Lease liabilities (cont'd.)

	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
At 1 January 2023	24	-	24
Additions	-	1,293	1,293
Accretion of interest (Note 6)	-	20	20
Payment	(24)	(125)	(149)
At 31 December 2023	-	1,188	1,188
Analysed as:			
Current	-	268	268
Non-current	-	920	920
At 1 January 2022			
At 1 January 2022	46	91	137
Accretion of interest (Note 6)	2	2	4
Payment	(24)	(93)	(117)
At 31 December 2022	24	-	24
Analysed as:			
Current	24	-	24

The following are the amounts recognised in profit or loss:

	Group	
	2023 RM'000	2022 RM'000
Depreciation expense of right-of-use assets	40,490	29,326
Interest expense on lease liabilities	6,014	8,032
Expenses relating to short-term leases	148,226	6,168
Expenses relating to leases of low-value assets	11,915	9,299
Expense relating to variable lease payments not included in the measurement of lease liabilities	6,836	3,572
	213,481	56,397



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

32. Lease liabilities (cont'd.)

The following are the amounts recognised in profit or loss: (cont'd.)

	Company	
	2023 RM'000	2022 RM'000
Depreciation expense of right-of-use assets	132	111
Interest expense on lease liabilities	20	4
Expenses relating to short-term leases	2,031	136
Expenses relating to leases of low-value assets	3,408	2,838
	5,591	3,089

The Group and the Company had total cash outflows for leases of RM48,892,000 (2022: RM32,935,000) and RM149,000 (2022: RM117,000) respectively.

The discount rates of the lease obligation for the Group and the Company are as follows:

	2023	2022
Airport equipment	3.9%-8.9%	3.9%-8.9%
Office equipment	3.9%-5.0%	4.0%-5.0%
Motor vehicles	3.9%-5.0%	4.0%-5.0%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

33. Trade and other payables

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current				
Trade payables				
Third parties	871,822	684,307	-	-
Utilisation fee liability (Note 33(e))	680,217	536,609	-	-
	1,552,039	1,220,916	-	-
Other payables				
Amounts due to subsidiaries	-	-	21,214	47,337
Accruals	189,573	179,539	16,875	18,700
Provision for liabilities	11,983	11,790	1,809	1,540
Sundry payables	639,554	526,250	127,488	133,507
Deferred income (Note 33(c))	23,368	26,999	-	-
Distribution to Perpetual Sukuk holder	2,572	2,572	2,572	2,572
Deposits received	135,243	111,127	7,047	7,020
Contract liabilities	8,479	17,989	-	-
Concession liabilities (Note 33(d))	27,163	19,342	-	-
	1,037,935	895,608	177,005	210,676
Total current	2,589,974	2,116,524	177,005	210,676
Non-current				
Trade payables				
Utilisation fee liability (Note 33(e))	3,767,112	3,720,553	-	-
	3,767,112	3,720,553	-	-
Other payables				
Sundry payables	2,481	1,701	-	-
Deferred income (Note 33(c))	244,857	249,130	-	-
Contract liabilities	61,028	61,565	-	-
Retirement benefit obligations	15,902	12,961	-	-
Concession liabilities (Note 33(d))	447,591	310,903	-	-
	771,859	636,260	-	-
Total non-current	4,538,971	4,356,813	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

33. Trade and other payables (cont'd.)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Total trade and other payables (current and non-current)	7,128,945	6,473,337	177,005	210,676
Add: Borrowings (Note 29)	4,587,140	4,841,758	3,181,781	3,330,738
Less: Provisions for liabilities	(11,983)	(11,790)	(1,809)	(1,540)
Deferred income	(268,225)	(276,129)	-	-
Total financial liabilities carried at amortised cost	11,435,877	11,027,176	3,356,977	3,539,874

Set out below is the movement in the contract liabilities:

	Group	
	2023 RM'000	2022 RM'000
Other payables		
At 1 January	79,554	48,117
Movement	(10,047)	31,437
At 31 December	69,507	79,554

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

33. Trade and other payables (cont'd.)

Movement of provisions for liabilities during the year is as follows:

	Short-term accumulating compensated absences RM'000	Assessment fees RM'000	Total RM'000
Group			
At 31 December 2023			
At 1 January 2023	9,479	2,311	11,790
Additional provision during the year (Note 5)	742	6,528	7,270
Writeback of provision during the year	(377)	(1,740)	(2,117)
Utilised during the year	(12)	(4,948)	(4,960)
At 31 December 2023	9,832	2,151	11,983
At 31 December 2022			
At 1 January 2022	6,729	13,534	20,263
Additional provision during the year (Note 5)	2,763	6,065	8,828
Utilised during the year	(13)	(17,288)	(17,301)
At 31 December 2022	9,479	2,311	11,790
		Short-term accumulating compensated absences	
		2023 RM'000	2022 RM'000
Company			
At 1 January		1,540	430
Additional provision during the year (Note 5)		269	1,110
At 31 December		1,809	1,540



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

33. Trade and other payables (cont'd.)

Movement of retirement benefit obligations during the year is as follows:

	Retirement benefit obligations	
	2023 RM'000	2022 RM'000
Group		
At 1 January	12,961	8,931
Recognised in the statement of profit or loss	6,565	3,541
Utilised during the year	(8,600)	(1,294)
Actuarial loss (Note 28(b)(iii))	3,025	1,905
Foreign currency translation	1,951	(122)
At 31 December	15,902	12,961

The foreign subsidiary companies maintained separate unfunded retirement plans for its eligible employees in accordance with the respective countries' Labour Law.

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2022: 30 to 90) days.

(b) Amounts due to subsidiaries

Amounts due to subsidiaries are non-interest bearing and are repayable on demand. The amounts are unsecured and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

33. Trade and other payables (cont'd.)

(c) Deferred income

Deferred income are analysed as follows:

	Group	
	2023 RM'000	2022 RM'000
Analysed as:		
Current	23,368	26,999
Non-current:		
Later than 1 year but not later than 2 years	42,113	44,321
Later than 2 years but not later than 5 years	60,735	57,414
Later than 5 years	142,009	147,395
	244,857	249,130
	268,225	276,129

Deferred income are in respect of deferred lease rental from commercial activities.

(d) Concession liabilities

Concession liabilities are in respect of the following:

- (i) Lease rental payable to the GoM for all airports managed by the Group;
- (ii) Privatisation of the Development of a Generation Plant at KLIA Terminal 2; and
- (iii) Privatisation of the Development of a Generation Plant at KLIA Terminal 1.

Note (ii) and (iii) above relates to Airport Facility Arrangements ("AFA"), where the arrangement with service providers in supplying chilled water utility contains a lease arrangement and the fulfilment of the arrangement is dependent on a specified asset pursuant to an Operating Agreement upon the adoption of IC 12.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

33. Trade and other payables (cont'd.)

(d) Concession liabilities (cont'd.)

Concession liabilities are analysed as follows:

	Group			
	Lease rental payable to GoM		Airport Facility Arrangements ("AFA")	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Analysed as:				
Current	363	434	26,800	18,908
Non-current:				
Later than 1 year but not later than 2 years	384	456	28,198	19,975
Later than 2 years but not later than 5 years	1,278	1,517	93,744	66,942
Later than 5 years	76,027	80,120	247,960	141,893
	77,689	82,093	369,902	228,810
Total minimum lease payment	78,052	82,527	396,702	247,718

	Group	
	2023 RM'000	2022 RM'000
Current	27,163	19,342
Non-current	447,591	310,903
Total concession liabilities	474,754	330,245

The AFA obligation is arrived at after discounting the future estimated finance charge of RM126,430,000 (2022: RM75,560,000).

The lease rental payable to GoM for the extended period of Operating Agreements as disclosed in Note 1.2(f) has been accounted for in concession liabilities.

Other information on financial risks of other payables are disclosed in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

33. Trade and other payables (cont'd.)

(e) Utilisation Fee liability

The Utilisation Fee liability represents the present value of amounts payable to the Administration in accordance with the Implementation Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period, being the first extension period. In the prior year, ISG has obtained second extension period of 2.5 years after the first extension. The Utilisation Fee liability is discounted to present value, at a rate of 8.6% for payments until January 2015, and at a rate of 9% for the remaining payments, whereas the payments for first extension period is discounted to present value at a rate of 10.5% and the payments for the second extension period is discounted to present value at a rate of 8.55%.

On 28 December 2022, ISG and the Administration have signed an Amendment to the Implementation Agreement ("Contract Amendment") following the Presidential Executive Order issued on 8 December 2022. According to the key terms of the Contract Amendment, ISG is granted a reduction in Utilisation Fees for the years 2020 and 2021 based on recalculated ratio agreed with the Administration. In addition, the Administration also granted a deferral of remaining 2022 Utilisation Fees until 31 December 2025 with interest at 6.524% per annum.

The Utilisation Fees applicable to 2021 and 2022 amounting to EUR229,600,000, equivalent to RM1,069,936,000. Under the Contract Amendment the total concession fees calculated reductions for 2020 and 2021 amounted to EUR116,700,000, equivalent to RM543,822,000, whilst the remaining balance amount of EUR112,900,000, equivalent to RM526,114,000 and interest of EUR7,280,000, equivalent to RM33,924,800, totalling to EUR120,200,000, equivalent to RM560,132,000 was fully paid to Administration on 29 December 2022.

	Group	
	2023 RM'000	2022 RM'000
Analysed as:		
Current	680,217	536,609
Non-current:		
Later than 1 year but not later than 2 years	621,294	572,513
Later than 2 years but not later than 5 years	1,562,919	1,439,854
Later than 5 years	1,582,899	1,708,186
	3,767,112	3,720,553
	4,447,329	4,257,162



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

34. Commitments

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
Group			
31 December 2023			
(i) Approved and contracted for:			
Capital expenditure ^(a)	1,120,600	612,092	1,732,692
(ii) Approved but not contracted for:			
Capital expenditure	558,132	-	558,132
(iii) Other investment:			
Investment in MFMA ^(b)	30,450	-	30,450
	1,709,182	612,092	2,321,274
31 December 2022			
(i) Approved and contracted for:			
Capital expenditure ^(a)	1,049,793	767,777	1,817,570
(ii) Approved but not contracted for:			
Capital expenditure	429,260	-	429,260
(iii) Other investment:			
Investment in MFMA ^(b)	34,950	-	34,950
	1,514,003	767,777	2,281,780

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

34. Commitments (cont'd.)

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
Company			
31 December 2023			
(i) Approved and contracted for:			
Capital expenditure	17,777	-	17,777
(ii) Approved but not contracted for:			
Capital expenditure	36,121	-	36,121
	53,898	-	53,898
31 December 2022			
(i) Approved and contracted for:			
Capital expenditure	318	-	318
(ii) Approved but not contracted for:			
Capital expenditure	12,547	-	12,547
	12,865	-	12,865
	Group	Company	
	2023	2022	2023
	RM'000	RM'000	RM'000
Analysed as:			
Not later than 1 year	1,709,182	1,514,003	53,898
Later than 1 year but not later than 5 years	612,092	767,777	-
	2,321,274	2,281,780	53,898
			12,865

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

34. Commitments (cont'd.)

- (a) The Group has entered into a series of deferred payment arrangements for major capital commitments namely Baggage Handling System ("BHS") whereby the payment will commence upon completion of these major projects.
- (b) MFMA had on 10 November 2014 entered into a loan facility agreement for amounts up to USD60,000,000, equivalent to RM257,400,000 with Sumitomo Mitsui Banking Corporation Labuan Branch and Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad (collectively known as "Lenders") to fund the development of Mitsui Outlet Park KLIA. The loan facility is structured into two facilities namely Facility A and Facility B as per MFMA shareholdings between Mitsui Fudosan Co. Ltd. ("Mitsui") (70%) and MAHB (30%), with the loan amount of USD42,000,000, equivalent to RM180,180,000 and USD18,000,000, equivalent to RM77,220,000, respectively for Facility A and Facility B.

In order to facilitate the loan financing arrangement, an Equity Contribution Agreement ("ECA") dated 10 November 2014 was entered between MAHB, MA (Sepang), Mitsui, MFMA and the Lenders.

Under the ECA, Mitsui is to provide a corporate guarantee to the Lenders to repay all the outstanding aggregate principal amount of the loans under the Facility A in the event of default by MFMA. However for Facility B, MAHB and MA (Sepang) shall make to MFMA an additional capital injection or a shareholder loan (as the case may be) of an amount equal to the outstanding aggregate principal amount of the loans under the Facility B, upon Capital Acceleration Event.

On 17 November 2014, MFMA has drawdown USD43,600,000, equivalent to RM145,428,000, out of the total loan facility of USD60,000,000, equivalent to RM257,400,000. On 15 September 2017, MFMA has further drawdown USD2,340,000, equivalent to RM9,840,000. On 16 November 2017, the loan has been extended for an additional six months to 14 May 2018. On 14 May 2018, the loan was refinanced with a 1- year fixed rate MYR denominated loan of RM150,000,000, namely Facility C, with an extension option of one year (1+1). On 14 May 2019, Facility C was extended for another year to 14 May 2020. On May 2020, Facility C had been refinanced with a 3-year fixed rate term loan of RM130,000,000, namely Facility D, with an extension option of one year (3+1). As of December 2021, the outstanding loan of Facility D is RM107,500,000.

MFMA had, on 17 September 2021, entered into another 3-year floating rate term loan facility amounting to RM24,000,000 (known as Facility E) with the Lenders to fund the Phase 3 development of Mitsui Outlet Park KLIA. MFMA has fully drawn down Facility E on 22 March 2022.

The outstanding loan as of 31 December 2023 for Facility D is RM77,500,000 (total repayment of RM15,000,000 in February, May, August and November), and Facility E is RM24,000,000, which bring up to a total outstanding loan of RM101,500,000. The commitments by MAHB in respect of the Facility D and E amounted to RM23,250,000 and RM7,200,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

35. Financial guarantees and contingencies

(a) Guarantees

- (i) ISG has given five (2022: five) letters of guarantee to the Administration (representing 6% of the total amount payable to the Administration for the right to operate the Facility as set out in the Implementation Agreement) as follows:

	2023		2022	
	EUR'000	RM'000	EUR'000	RM'000
Guarantee Letter 1	47,170	239,624	60,829	284,680
Guarantee Letter 2	13,009	66,086	13,009	60,882
Guarantee Letter 3	1,629	8,275	1,629	7,624
Guarantee Letter 4	20,118	102,199	20,118	94,152
Guarantee Letter 5	315	1,600	315	1,474

- (ii) ISG has given 18 letters of guarantee to Tax Authority in Türkiye for Value Added Tax ("VAT") refund amounting to EUR972,000, equivalent to RM4,938,000 (2022: EUR1,181,000, equivalent to RM5,527,000).
- (iii) As of 31 December 2023, SGC has given a letter of guarantee to Havaalani Isletme ve Havacilik Endustrileri A.S. ("HEAS") amounting to EUR452,000, equivalent to RM2,296,000 (2022: EUR469,000, equivalent to RM2,195,000) for the rental of the hangar operations.
- (iv) MACS has provided the following guarantees for customers of MACS ME:
- (a) Performance Bank Guarantee totalling to QAR41,250,000, equivalent to RM50,738,000 (2022: QAR41,250,000, equivalent to RM48,675,000).

The Group has assessed the guarantee contracts and concluded that the guarantees are more likely not to be called upon and accordingly not recognised as financial liability as at 31 December 2023.

(b) Contingent liabilities

- (i) On 20 August 2015, Malaysia Airports (Properties) Sdn. Bhd. ("MAP") received a Notice of Arbitration from Kuala Lumpur Aviation Fuelling System Sdn. Bhd. ("KAF") in respect of the alleged losses and damages in the sum of RM28,277,000 pertaining to among others, design changes under AFA dated 26 September 2007. Both parties have appointed an arbitrator. The hearing session for the arbitration has been conducted from 2 to 6 October 2017 and the parties had filed their respective closing submission by 8 December 2017. The oral hearing of parties' submission was conducted on 22 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

35. Financial guarantees and contingencies (cont'd.)

(b) Contingent liabilities (cont'd.)

(i) (cont'd.)

On 25 September 2018, MAP had received the award from the Arbitral Tribunal which is in favour of KAF. The award is only in respect of liability and the quantum will be decided by the Arbitral Tribunal in a separate proceeding at a later stage, subject to KAF providing further documents to substantiate the amount claimed.

On 5 December 2019, KAF had submitted further documents to substantiate the amount claimed. On 24 February 2020, a discussion was held with KAF to clarify the documents and KAF is to provide the document as requested during the discussion.

On 7 August 2020, a discussion was held with KAF to go through the documents submitted. Based on the discussion, MAHB Technical required further documents to assess the claim. It was agreed that both Technical teams would convene another discussion to enable MAHB Technical team to clarify on the required documents.

MAP via letter dated 28 June 2021 submitted the list of required information and documents and KAF requested further time to provide such information and documents. MAP has agreed with a request from KAF for an extension till 31 July 2021. Subsequently, KAF via letter dated 31 July requested for a further extension till 30 September 2021. MAP had agreed with KAF's request.

On 7 September 2021, a meeting was held between KAF and MAP for a further discussion on the documents required. On 8 and 24 November 2021, KAF submitted some of the documents required by MAP.

Currently, both MAHB and KAF are still in discussion to reach a mutually agreed settlement sum. Management have been informed by KAF that following their Board of Directors' instruction in December 2022, they will be appointing a third party Quantity Surveyor to assist them before any further negotiation with MAHB. MAP has made an additional RM6,212,000 in the previous financial year totalling to RM27,870,000 that has been recognised, subject to final Arbitral Tribunal decision.

(ii) On 26 February 2016, MAP received a Notice of Arbitration from KAF in respect of the alleged losses and damages in the estimated claim amount of RM456,000,000 pertaining to inter alia, the changes of the concession period under the AFA dated 26 September 2007. MAP has obtained a preliminary view from its solicitors who consider that MAP has a reasonably good prospect of defending the claims as MAP has complied with all the terms and conditions under the AFA. On 13 February 2017, MAP has informed KAF on the Operating Agreements' extension as disclosed in Note 1.2(f) and requested KAF to withdraw the arbitration notice.

However, KAF refused to withdraw the arbitration notice and grants MAP an extension until 30 May 2017 to facilitate further negotiations on the matter. MAP had requested from KAF for further extension to 30 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

35. Financial guarantees and contingencies (cont'd.)

(b) Contingent liabilities (cont'd.)

(ii) (cont'd.)

On 9 August 2017, KAF agreed to withhold the arbitration proceedings until 30 June 2018 pending the negotiations between MAHB and the GoM. MAP has sent a letter to request for an extension of time to KAF to withhold proceedings until 31 December 2019. KAF has agreed with MAP's request to withhold the commencement of the arbitration proceeding against MAP until 31 December 2019 to facilitate the negotiation on the Operating Agreements between MAHB and GoM.

Since then various extensions were granted based on MAP's request. Recently, MAP via letter dated 6 December 2023, requested for a further extension till 30 June 2024 to facilitate the negotiation on the Operating Agreements between MAHB and GoM.

(iii) Syarikat Pembinaan Anggerik Sdn. Bhd. ("SPASB") via a Writ of Summons claims from MAHB for the sum of RM44,000,000 for damages and other claims and interest in respect of the alleged losses and damages pertaining to the works carried out by SPASB for the 'Proposed Development and Upgrading Works at Penang International Airport, Bayan Lepas, Pulau Pinang' and the 'Proposed Construction and Completion of Site Office, Central Utilities Building and Airside Drainage Works at Penang International Airport'.

MAHB has filed an application for stay of proceedings in light of the arbitration provisions in the contract and on 23 August 2017, the court had allowed MAHB's 'Stay Application' with cost of RM10,000 to be paid by SPASB to MAHB.

On 21 September 2017, SPASB filed its Notice of Appeal in respect of the court's decision on the 'Stay Application'. The Court of Appeal however had allowed SPASB's appeal with costs on 30 March 2018.

In furtherance to the Court of Appeal's decision, MAHB had filed the 'Application for Leave to Appeal' ("Application") at the Federal Court on 27 April 2018. Such Application nonetheless was dismissed by the Federal Court on 1 August 2018 and therefore SPASB's claim against MAHB shall be heard in the High Court instead of arbitration.

On 9 August 2018, SPASB had filed its Amended Statement of Claim ("Amended SOC"). In the Amended SOC, SPASB had raised its claim to RM59,853,000. MAHB had later filed its Statement of Defence on 21 September 2018 and SPASB filed its reply to MAHB's Statement of Defence on 10 October 2018.

During the Case Management on 8 July 2019, the Court maintained the previously arranged trial dates on 11 to 15 November 2019. The court further directed both parties to exchange witness statements.

On 12 July 2019, SPASB had increased its amount of claim from RM59,853,000 to RM66,834,000. Subsequently, on 31 July 2019 MAHB has filed its Amended Statement of Defence and Counterclaim. The amount claimed is not expected to have any material impact on the financial statements of the Group since it is subject to strict proof at the full trial. Subsequently, the trial took place in April and May 2021.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

35. Financial guarantees and contingencies (cont'd.)

(b) Contingent liabilities (cont'd.)

(iii) (cont'd.)

On 15 September 2021, the Court delivered its decision whereby out of the total sum of RM66,834,000 claimed by SPASB, the Court only awarded SPASB the sum of RM9,930,000 plus interest for balance of work payments. There is no material financial impact as this amount has been fully provided in the financial statements. The awarded sum take into account a deduction of RM750,000 in liquidated ascertained damages awarded to MAHB and SPASB's delays in completing the airport's airside drainage works. The Court dismissed the entirety of SPASB's claims for acceleration cost and prolongation costs.

SPASB and MAHB have filed their Notice of Appeal in respect of the Court's decision on 11 October 2021 and 14 October 2021, respectively.

On 18 October 2021, SPASB has issued a demand letter requesting for MAHB to pay within 10 days on all High Court's judgement items which are not subjected to SPASB appeal, amounting to approximately RM8,262,000 (including interest) which was paid to SPASB on 1 November 2021.

On 12 November 2021, the Court has awarded net cost of RM95,000 and allocator of RM3,800 to SPASB. On 29 November 2021, SPASB filed Notice of Appeal in respect of Court's decision on the cost. On 30 November 2021, SPASB issued a letter to MAHB to demand the cost and allocator in the sum of RM98,800 of which MAHB has paid it accordingly.

On 7 December 2021, MAHB has filed Notice on Appeal in respect of Court's decision on the cost. The Court of Appeal has on 4 February 2022, allowed SPASB's application for the consolidation of the appeals with no order as to costs. Case management was set on 16 March 2022.

Subsequently, the next case management was set on 29 August 2022. The hearing date for SPASB and MAHB's consolidated appeals and cost appeals that has been set on 12 September 2022, postponed to 7 December 2022.

On 7 December 2022, the Court has fixed a date on 21 February 2023 for its decision and to hear submission on costs, which was subsequently postponed to 6 April 2023.

On 6 April 2023, the Court of Appeal awarded SPASB a further principal sum of RM8,709,000. With the said decision, the overall principal sum awarded to SPASB by the Shah Alam High Court and the Court of Appeal is RM18,638,000 plus interest out of SPASB's total claim of RM66,834,000. On 1 November 2021, an amount of RM6,320,000, representing the principal sum and RM1,943,000 interest has been paid towards the claim. Subsequently, on 29 May 2023, MAHB has paid the remaining awarded sum amounting to RM17,202,000 (inclusive of interest), along with the costs of RM115,000. This is the final payment towards the legal action and no further appeal by the parties on the Court's decision.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

35. Financial guarantees and contingencies (cont'd.)

(b) Contingent liabilities (cont'd.)

- (iv) Tax Authorities of Türkiye has requested ISG to revise the Value Added Tax ("VAT") refund requests and apply a different methodology for the periods from 1 July 2012 to 30 September 2014. ISG has submitted the revised refund request and filed the court case contesting the claim arising out of the revised refund request as the management of ISG is of the opinion that the initial refund request for the said period is valid. The Court decided that the tax office cannot reject ISG's calculation without conducting a tax investigation therefore the litigations are concluded in favour of ISG and ISG collected the missing VAT refund amounts. The tax office took a further action at Supreme Court level and in the meantime carried out comprehensive VAT audits for ISG in year 2016 and 2017 covering periods from 2012 to 2014.

The tax auditors claimed a principal of TL7,100,000, equivalent to EUR218,000 or RM1,110,000, late payment interest of TL5,500,000, equivalent to EUR169,000 or RM860,000 and tax penalties of TL10,700,000, equivalent to EUR329,000 or RM1,672,000 for that tax issue mentioned above. ISG booked a provision of late payment interest TL5,500,000, equivalent to EUR169,000 or RM860,000 in statement of profit or loss for the year 2017.

ISG applied to the Tax Authority for settlement of the tax penalty. However, the Tax Authority postponed the ISG's settlement date and informed ISG to wait for the Tax Amnesty Law which was enacted and published in the Official Gazette on 18 May 2018.

ISG applied for Tax Amnesty on 26 July 2018 and received the confirmation for the application from Tax Authority on 9 August 2018. On 17 September 2018, ISG paid TL3,500,000, equivalent to EUR108,000 or RM547,000 which is half of the principal amount (TL7,100,000, equivalent to EUR218,000 or RM1,110,000) and increased VAT receivables carried forward and paid an additional TL99,700, equivalent to EUR3,000 or RM16,000 for the late payment interest. The tax penalty has been waived by the Tax Authority and ISG reversed the provision amounting to EUR1,341,000, equivalent to RM6,812,000 in 2018.

The Supreme Court rendered a decision of reversal on 13 December 2018 stating that the VAT should not be refunded in accordance with the related regulations. Subsequently, ISG appealed to the Supreme Court with the request of revision of the reversed judgement based on a ruling of Constitutional Court dated 27 February 2019. The final decision from the Supreme Court is still pending. If the Supreme Court's ruling will be against ISG, ISG may have to pay the original tax base amount together with interest although benefited from the Tax Amnesty. If such a case occurs in the future ISG may have to pay the original tax amount of TL7,100,000, equivalent to EUR218,000 or RM1,110,000 plus interest and apply for the deduction of the TL3,600,000, equivalent to EUR111,000 or RM563,000 tax amnesty payment from the total payable amount.

The TL7,100,000, equivalent to EUR218,000 or RM1,110,000 tax base amount will be added to the VAT receivables in the statement of financial position that will be carried forward and recovered in the following years.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

35. Financial guarantees and contingencies (cont'd.)

(b) Contingent liabilities (cont'd.)

(iv) (cont'd.)

In addition to that, on 23 December 2016, a Special Consumption Tax ("SCT") audit has been started for the periods 2011, 2012, 2013 against ISG about jet fuel sales. ISG is not a SCT payer since jet fuel is exempted from SCT. ISG has experienced cases of jet fuel theft in 2012 and was challenged by the tax authorities that stolen jet fuel shall be regarded as a SCT base fuel.

As a result of that, SCT exposure inclusive of tax base charge, late payment interest charges and tax penalties amount to TL700,000, equivalent to EUR22,000 or RM109,000 has been booked as a provision in the ISG's accounts in statement of profit or loss for the year 2017. ISG applied to tax court on 9 January 2018 and won the court case on June 2018 therefore the provision was reversed subsequently.

Tax Office has appealed to the next level court however it is also rejected by the court on January 2019. Tax Office appealed to the Supreme Court on 28 January 2019.

On 15 February 2023, the decision of Council of State was notified and rejected the defendant party's appeal. Subsequently, the decision of the Council of State was finalised in favour of ISG. The case has been closed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

36. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2023 RM'000	2022 RM'000
Related party balances		
Amounts owing by associated companies	9,138	4,783
Amounts owing to associated companies	-	18,508
Amounts owing by joint ventures	2,730	3,137
Amounts owing to joint ventures	-	55,377
Related party transactions		
Revenue:		
<u>Associates:</u>		
Lease rental		
- Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	5,939	5,854
- MFMA Development Sdn. Bhd.	9,886	2,888
- Alibaba KLIA Aeropolis Sdn. Bhd.	2,322	2,322
- Cooling Energy Supply Sdn. Bhd.	2,236	2,236
Service fee		
- Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	544	536
- MFMA Development Sdn. Bhd.	1,912	1,676
- Alibaba KLIA Aeropolis Sdn. Bhd.	470	470
- Cooling Energy Supply Sdn. Bhd.	328	328
Concession fee		
- MFMA Development Sdn. Bhd.	568	568
- Cooling Energy Supply Sdn. Bhd.	785	785
Recoupment of utilities and quit rent		
- Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	1,697	992
- MFMA Development Sdn. Bhd.	13,092	8,067
- Alibaba KLIA Aeropolis Sdn. Bhd.	1,112	862
- Cooling Energy Supply Sdn. Bhd.	35,319	11,617

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

36. Related party disclosures (cont'd.)

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year: (cont'd.)

	Group	
	2023 RM'000	2022 RM'000
Related party transactions (cont'd.)		
Revenue: (cont'd.)		
<u>Joint ventures:</u>		
Lease rental		
- Segi Astana Sdn. Bhd.	1,273	1,273
- Airport Cooling Energy Supply Sdn. Bhd.	611	611
Service fee		
- Airport Cooling Energy Supply Sdn. Bhd.	104	104
Concession fee		
- Airport Cooling Energy Supply Sdn. Bhd.	173	173
Recoupment of utilities		
- Segi Astana Sdn. Bhd.	14,373	8,304
- Airport Cooling Energy Supply Sdn. Bhd.	18,533	9,226
Expenses:		
<u>Associate:</u>		
Cooling Energy Supply Sdn. Bhd.		
- Utilities (fixed)	19,171	15,756
- Utilities (variable)	57,977	57,398
<u>Joint ventures:</u>		
Airport Cooling Energy Supply Sdn. Bhd.		
- Utilities (fixed)	64,187	64,187
- Utilities (variable)	12,290	10,252
- Less: Rebate	(7,177)	(3,530)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

36. Related party disclosures (cont'd.)

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year: (cont'd.)

	Company	
	2023 RM'000	2022 RM'000
<u>Subsidiaries:</u>		
Malaysia Airports (Sepang) Sdn. Bhd.		
- Utilities charges	1,906	1,559
MAB Agriculture-Horticulture Sdn. Bhd.		
- Landscape services	256	322
Malaysia Airports (Niaga) Sdn. Bhd.		
- Catering services	886	331
K.L. Airport Hotel Sdn. Bhd.		
- Event management	1,557	533
Urusan Teknologi Wawasan Sdn. Bhd.		
- Repair and maintenance of building	2,517	2,496

(i) Compensation of key management personnel

Key management personnel is defined to include C-Suite Executives, Senior General Managers and General Managers.

The remuneration of other members of key management during the year was as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Short-term employee benefits	24,445	19,125	19,345	15,158
Post-employment benefits:				
Defined contribution plans	3,738	3,142	2,874	2,473
Benefits-in-kind	930	2,250	736	2,101
	29,113	24,517	22,955	19,732

Remuneration of directors is as disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

37. Subsequent events

- (a) On 25 January 2024, the Group completed its proposed disposal of the entire 41,580,000 equity shares of Rs.10 each held by the Company and its wholly owned subsidiary, MAMPL, representing 11% of the issued and paid-up share capital of GAL, for a cash consideration of USD100,000,000, equivalent to RM459,000,000 with the fulfillment of all the Conditions Precedent pursuant to the Agreements, receipt of the Consideration in full and the transfer of Sale Shares to GAL.
- (b) On 29 February 2024, the Company declared a single-tier final dividend in respect of the current financial year ended 31 December 2023 of 10.80 sen per ordinary share amounting to dividend payable of RM180,203,879 (based on 1,668,554,432 ordinary shares issued as at 31 December 2023).

38. Financial instruments

(a) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk and credit risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management. The Board Risk Management Committee and the Board Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

38. Financial instruments (cont'd.)

(b) Interest rate risk (cont'd.)

The Group has minimal exposure to interest rate risk at the reporting date. The following table sets out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2023							
Group							
Borrowings	29	4.38	1,249,450	1,540,422	1,477,620	319,648	4,587,140
Deposits with licensed banks	25	3.27	1,457,053	-	-	-	1,457,053
Company							
Borrowings	29	3.92	885,000	499,513	1,477,620	319,648	3,181,781
Deposits with licensed banks	25	2.75	80	-	-	-	80
At 31 December 2022							
Group							
Borrowings	29	3.88	697,319	892,417	2,708,254	543,768	4,841,758
Deposits with licensed banks	25	2.12	1,219,925	-	-	-	1,219,925
Company							
Borrowings	29	3.85	435,000	600,000	1,751,970	543,768	3,330,738
Deposits with licensed banks	25	2.72	78	-	-	-	78

The average maturity of financial instruments at the reporting date is 34 days (2022: 26 days). The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

38. Financial instruments (cont'd.)

(c) Foreign currency risk

Other than the Group's investments in foreign subsidiaries, the Group is exposed to transactional currency risk, mainly arising from the United States Dollar, Euro, Singapore Dollar, Switzerland Swiss Franc and Great Britain Pound. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to a manageable level and short-term imbalances are addressed by buying and selling foreign currencies at spot rate.

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows:

	Net financial assets/(liabilities) held in non-functional currencies			
	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
USD	(9,177)	(16,821)	(313)	(167)
EUR	(2,805)	(140)	-	-
SGD	(1,023)	(354)	-	-
CHF	(307)	-	-	-
GBP	(41)	-	(41)	-
Total	(13,353)	(17,315)	(354)	(167)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

38. Financial instruments (cont'd.)

(c) Foreign currency risk (cont'd.)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, EUR, SGD, CHF and GBP exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group		Company	
	2023 Profit net of tax RM'000	2022 Profit net of tax RM'000	2023 Profit net of tax RM'000	2022 Profit net of tax RM'000
USD/RM - strengthened 5%	(459)	(841)	(16)	(8)
- weakened 5%	459	841	16	8
EUR/RM - strengthened 5%	(140)	(7)	-	-
- weakened 5%	140	7	-	-
SGD/RM - strengthened 5%	(51)	(18)	-	-
- weakened 5%	51	18	-	-
CHF/RM - strengthened 5%	(15)	-	-	-
- weakened 5%	15	-	-	-
GBP/RM - strengthened 5%	(2)	-	(2)	-
- weakened 5%	2	-	2	-

The Group had assessed the impact of hyperinflation in countries in which it operates. The Group's subsidiaries, ISG and SGC are entities operating in Türkiye with both functional and presentation currencies being EUR, as such the Group is not significantly impacted by hyperinflationary economy.

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

38. Financial instruments (cont'd.)

(d) Liquidity risk (cont'd.)

Analysis of financial instrument by remaining contractual maturities

Below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date on contractual undiscounted repayment obligations.

	On demand within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
31 December 2023				
Financial liabilities:				
Trade and other payables	2,573,137	3,663,409	2,635,015	8,871,561
Borrowings	1,362,124	3,009,614	560,282	4,932,020
Lease liabilities	35,360	73,373	-	108,733
Total undiscounted financial liabilities	3,970,621	6,746,396	3,195,297	13,912,314
31 December 2022				
Financial liabilities:				
Trade and other payables	2,180,961	3,339,768	2,869,664	8,390,393
Borrowings	819,397	3,916,530	572,452	5,308,379
Lease liabilities	31,615	64,791	-	96,406
Total undiscounted financial liabilities	3,031,973	7,321,089	3,442,116	13,795,178
Company				
31 December 2023				
Financial liabilities:				
Other payables	175,196	-	-	175,196
Borrowings	997,674	1,968,705	560,282	3,526,661
Lease liabilities	181	640	-	821
Total undiscounted financial liabilities	1,173,051	1,969,345	560,282	3,702,678
31 December 2022				
Financial liabilities:				
Other payables	209,136	-	-	209,136
Borrowings	557,078	2,667,828	572,452	3,797,358
Lease liabilities	24	-	-	24
Total undiscounted financial liabilities	766,238	2,667,828	572,452	4,006,518

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

38. Financial instruments (cont'd.)

(e) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without specific approval from the authorised approver. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Nonetheless the Group may in certain circumstances obtain bank guarantee, other security deposits or advance payment from its customers.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Exposure to credit risk

Majority of trade receivables are due from airport tenants, airline companies and representative firms. The customer portfolio of the Group is diversified, with AirAsia Group, Malaysia Airlines Berhad, Malindo Airways Sdn. Bhd. ("Batik Air"), Pegasus Hava Tasimaciligi A.S., and Uart Gumruksuz Magaza ("Dufry") being the major customers.

Investments are acquired after assessing the quality of the relevant investments. Cash and cash equivalents are placed with reliable financial institutions.

The credit risk of the trade and other receivables are disclosed in Note 20. The Group's other financial assets, which comprise investments and cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets as disclosed in Notes 20 and 25.

Credit risk concentration profile

At the reporting date, approximately 39% (2022: 53%) of the Group's trade receivables were due from six (2022: six) major customers who are reputable and located in Malaysia, Türkiye and Qatar.

In addition, the Group's concentration of risk also includes the amount receivable from the GoM as disclosed in Note 20 and the Group minimises its credit risk by maintaining regular communication with the GoM.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

38. Financial instruments (cont'd.)

(e) Credit risk (cont'd.)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

(f) Fair values

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	20
Trade and other payables	33

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

(i) Trade and other receivables (non-current), borrowings and trade and other payables (non-current)

Fair value has been determined by discounting the future cash flows expected to be received or paid. The discount rates used are the current market incremental lending rates for similar types of lending and borrowing.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Unit trusts, bonds and medium term notes

The fair value of unit trusts, bonds and medium term notes is based on prices quoted by independent data providers and independent brokers.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

39. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group actively manages its capital structure and makes adjustments to it in light of changes in, amongst others, its operating environment and economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022.

Gearing ratio is not a standardised term under the Malaysian Financial Reporting Standards and its determination may vary from one Company to another. The gearing ratio is included in management's analysis because it is used as a financial measure of potential capacity of the Group to incur and service its debt coverage and determined as aggregate indebtedness over the equity of the Group. The Group's policy is to keep its gearing ratio manageable so as to maintain its strong credit ratings and in any event not exceeding 125% as provided in the Covenants under its Sukuk Programmes. The Group indebtedness includes borrowings and certain financial guarantee and contingent liabilities within the aggregate indebtedness, but excludes inter-company loans which are subordinated to the Sukuk Programmes. Equity of the Group includes, if any, preference equity, subordinated shareholders' advances or loans and retained earnings or accumulated losses less goodwill.

	Note	Group	
		2023 RM'000	2022 RM'000
Borrowings	29	4,587,140	4,841,758
Contingent liabilities	35(b)	456,407	460,148
		5,043,547	5,301,906
Equity attributable to Owners of the Company		8,000,167	7,426,344
Gearing ratio		63%	71%
Borrowings	29	4,587,140	4,841,758
Less:-			
Cash and cash equivalents	25	(1,845,101)	(1,529,590)
Financial assets at fair value through profit or loss	18	(504,965)	(410,234)
		2,237,074	2,901,934
Equity attributable to Owners of the Company		8,000,167	7,426,344
Net gearing ratio		28%	39%



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

40. Segment information

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services offered. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Group is organised into business units and has the following reportable operating segments:

Malaysia operations:

(i) Duty free and non-dutiable goods

To operate duty free, non-duty free outlets and provide service in respect of food and beverage outlets at airports in Malaysia.

(ii) Airport services

To manage, operate and maintain the Kuala Lumpur International Airport and the designated airports in Malaysia and to provide airport related services.

(iii) Agriculture and horticulture

To cultivate and sell oil palm and other agricultural products and to carry out horticulture activities.

(iv) Hotel

To manage and operate hotels, known as Sama-Sama Hotel, Sama-Sama Express KLIA Terminal 1 and Sama-Sama Express KLIA Terminal 2.

(v) Project and repair maintenance

To provide facilities management services, mechanical, electrical, civil engineering services, maintenance and technical services.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

40. Segment information (cont'd.)

(a) Reporting format (cont'd.)

For management purposes, the Group is organised into business units and has the following reportable operating segments: (cont'd.)

Overseas operations:

(i) Airport services

To manage, operate and maintain the ISGIA in Türkiye and to provide airport related services.

(ii) Project and repair maintenance

To provide facilities maintenance services and airport special system maintenance, works for building maintenance and general contracting activities at Hamad International Airport ("HIA").

Other business segments include investment holding and other activities, none of which are of a sufficient size to be reported separately.

(b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transactions between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

40. Segment information (cont'd.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Continuing operations										Notes	Total RM'000
	Malaysia Operations					Overseas Operations						
	Airport operations RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Non-airport operations RM'000	Project and repair maintenance RM'000	Airport services RM'000	Others RM'000	Airport services RM'000	Non-airport operations RM'000	Project and repair maintenance RM'000		
31 December 2023												
Revenue												
External sales												
Airport operations:												
Aeronautical	-							1,056,835				2,704,030
Non-aeronautical:												
Retail	571,095											571,095
Others	5,943	637,006						680,844				1,323,793
Non-airport operations		31,600	105,330	54,559	123	23,599	100,059					315,270
Inter-segment sales	1,241	190,616	7,300	4,058	134,803	19,806	14,1323			(499,147)	A	-
Inter-segment dividends		10,000		37,309	162,032					(209,341)	A	-
Total revenue	578,279	2,484,817	38,900	109,388	226,671	181,961	1,902,601	100,059	10,448	(708,488)		4,914,188
Results												
Segment results	70,112	789,849	10,567	29,613	63,382	483,687	1,276,892		10,448	(448,980)	B	2,285,570
Depreciation and amortisation	(42,099)	(480,657)	(7,481)	(11,081)	(1,751)	(12,329)	(407,528)		(171)	(185,145)	C	(1,148,242)
Finance costs	(6,876)	(202,565)	(990)	(1,525)	(70)	(130,203)	(494,546)			170,463	D	(666,312)
Share of results of associates		29,387				29						29,416
Share of results of joint ventures												5,672
Profit before tax	21,137	136,014	2,096	17,007	61,561	346,856	374,818		10,277	(463,662)		506,104
Taxation and zakat	(4,855)	(21,449)	(594)	(3,490)	(9,341)	(235)	27,804		(4,601)	53,824	C	37,063
Profit for the year	16,282	114,565	1,502	13,517	52,220	346,621	402,622		5,676	(409,838)		543,167

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

40. Segment information (cont'd.)

	Continuing operations											Total RM'000
	Malaysia Operations				Overseas Operations				Consolidation adjustments			
	Airport operations RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Non-airport operations RM'000	Airport operations RM'000	Others RM'000	Project and repair maintenance RM'000	Airport services RM'000	Project and repair maintenance RM'000	Notes	Notes	
31 December 2023												
Assets												
Segment assets	449,996	98,513	146,542	128,794	12,582,546	5,851,083	52,044	(10,244,972)	E	19,437,512		
Additions to non-current assets	17,066	2,537	8,042	2,594	49,939	95,447	24	-		748,694		
Investments in associates	-	-	-	-	63,970	-	-	-		171,337		
Investments in joint ventures	-	-	-	-	97,447	-	-	-		97,447		
Total assets	467,062	11,053,378	101,050	154,584	131,388	12,793,902	5,946,530	52,068	(10,244,972)			20,454,990
Liabilities												
Segment liabilities, representing total liabilities	407,629	7,506,098	44,943	39,416	51,926	5,675,115	6,404,359	45,749	(7,720,412)	F	12,454,823	
31 December 2022												
Revenue												
External sales	-	-	-	-	-	-	789,328	-	-		1,657,377	
Airport operations:												
Aeronautical	262,375	-	-	-	-	-	-	-	-		262,375	
Non-aeronautical:												
Retail	3,765	420,090	-	-	-	520,233	-	-	-		944,088	
Others	-	-	45,889	72,267	30,452	120	16,103	98,352	-		263,183	
Inter-segment sales	459	78,825	6,533	1,986	125,111	7,360	102,073	-	(322,347)	A	-	
Inter-segment dividends	-	35,000	-	-	35,000	195,280	-	-	(245,280)	A	-	
Total revenue	266,599	1,401,964	52,422	74,253	190,563	202,760	1,427,737	98,352	(587,627)		3,127,023	

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

40. Segment information (cont'd.)

	Continuing operations											Notes	Total RM'000
	Malaysia Operations					Overseas Operations							
	Airport operations	Agriculture and horticulture	Hotel	Project and repair maintenance	Others	Airport operations	Non-airport operations	Project and repair maintenance	Consolidation adjustments	Airport services	Non-airport operations		
Duty free and non-dutiable goods RM'000	Airport services RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
31 December 2022													
Results													
Segment results	29,245	130,937	20,224	19,127	59,588	414,772	939,434	12,943	(439,911)	B	1,186,359		
Depreciation and amortisation	(12,684)	(302,053)	(4,863)	(11,707)	(1,664)	(12,299)	(320,507)	(534)	(170,839)	C	(837,150)		
Finance costs	(1,490)	(195,145)	-	(873)	(24)	(176,137)	24,483	-	155,585	D	(193,601)		
Share of results of associates	-	23,967	-	-	-	(7,165)	-	-	-	-	16,802		
Share of results of joint ventures	-	-	-	-	-	12,211	-	-	-	-	12,211		
Profit/(loss) before tax	15,071	(342,294)	15,361	6,547	57,900	231,382	643,410	12,409	(455,165)		184,621		
Taxation and zakat	(3,742)	91,146	(3,954)	(1,556)	(6,119)	(396)	(112,854)	(920)	40,970	C	2,575		
Profit/(loss) for the year	11,329	(251,148)	11,407	4,991	51,781	230,986	530,556	11,489	(414,195)		187,196		
Assets													
Segment assets	211,187	9,918,261	73,126	167,724	137,818	12,479,604	5,486,818	57,465	(9,639,480)	E	18,892,523		
Additions to non- current assets	1,774	188,407	1,445	4,053	1,807	86,495	20,766	295	1,427	E	306,469		
Investments in associates	-	77,982	-	-	-	63,939	-	-	-	-	141,921		
Investments in joint ventures	-	-	-	-	-	109,085	-	-	-	-	109,085		
Total assets	212,961	10,184,650	74,571	171,777	139,625	12,739,123	5,507,584	57,760	(9,638,053)		19,449,998		
Liabilities													
Segment liabilities, representing total liabilities	169,810	6,664,745	19,966	60,125	60,222	5,862,543	6,286,465	33,398	(7,133,620)	F	12,023,654		

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

40. Segment information (cont'd.)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

- (A) Inter-segment sales and dividends are eliminated on consolidation.
- (B) Segment results from continuing operations is derived after deducting mainly inter-segment dividend and intercompanies finance charges.
- (C) Fair value adjustments in relation to the Purchase Price Allocation exercise on the acquisition of subsidiaries.
- (D) Inter-segment interest and fair value adjustments in relation to the Purchase Price Allocation exercise on the acquisition of subsidiaries.
- (E) The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2023 RM'000	2022 RM'000
Investment in subsidiaries	(2,301,999)	(2,275,899)
Inter-segment assets	(7,942,973)	(7,362,154)
	(10,244,972)	(9,638,053)

- (F) The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2023 RM'000	2022 RM'000
Inter-segment liabilities	(7,720,412)	(7,133,620)



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