BURSA MALAYSIA

DESTINATION MALAYSIA

ASEAN's Multinational Marketplace

annual report
2012

DESTINATION MALAYSIA
ASEAN'S MULTINATIONAL MARKETPLACE

Bursa Malaysia is determined to further grow the dynamic ASEAN market by facilitating movement of capital among member countries while positioning Malaysia as the preferred entry point to the region for the international investing community.

VISION

To be the preferred partner in Asia for fund raising, trading and investment.

MISSION

As the preferred partner, Bursa Malaysia offers a fair and orderly market that is easily accessible with diverse and innovative products and services.

OUR STRATEGIC INTENTS

We have a clear goal to become **ASEAN's Multinational Marketplace**. We begin by putting in place four strategic building blocks and move forward by making everything we do matter. We strive to achieve our goal, step by step, success by success.

ASEAN'S LEADING
MARKETPLACE

STRATEGIC INTENT #1

Create a more facilitative
TRADING
ENVIRONMENT

STRATEGIC INTENT #2

Facilitate more
TRADABLE
ALTERNATIVES

STRATEGIC INTENT #3

Reshape
MARKET
STRUCTURE
& FRAMEWORK

STRATEGIC INTENT #4

REGIONAL
MARKETPLACE
with Global Access

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CORPORATE MILESTONES

BUILDING A COMPETITIVE MARKETPLACE

03 Jan
Ease of Local Participants' entry requirements for derivatives trading

28 Feb
Launch of New Derivatives Clearing System

30 Mar
Implementation of enhanced Stock Borrowing and Lending to facilitate selling of loaned securities by lender before recalling

24 Apr
Expansion of commodity offering with RBD Palm Olein by Bursa Suq Al-Sila'

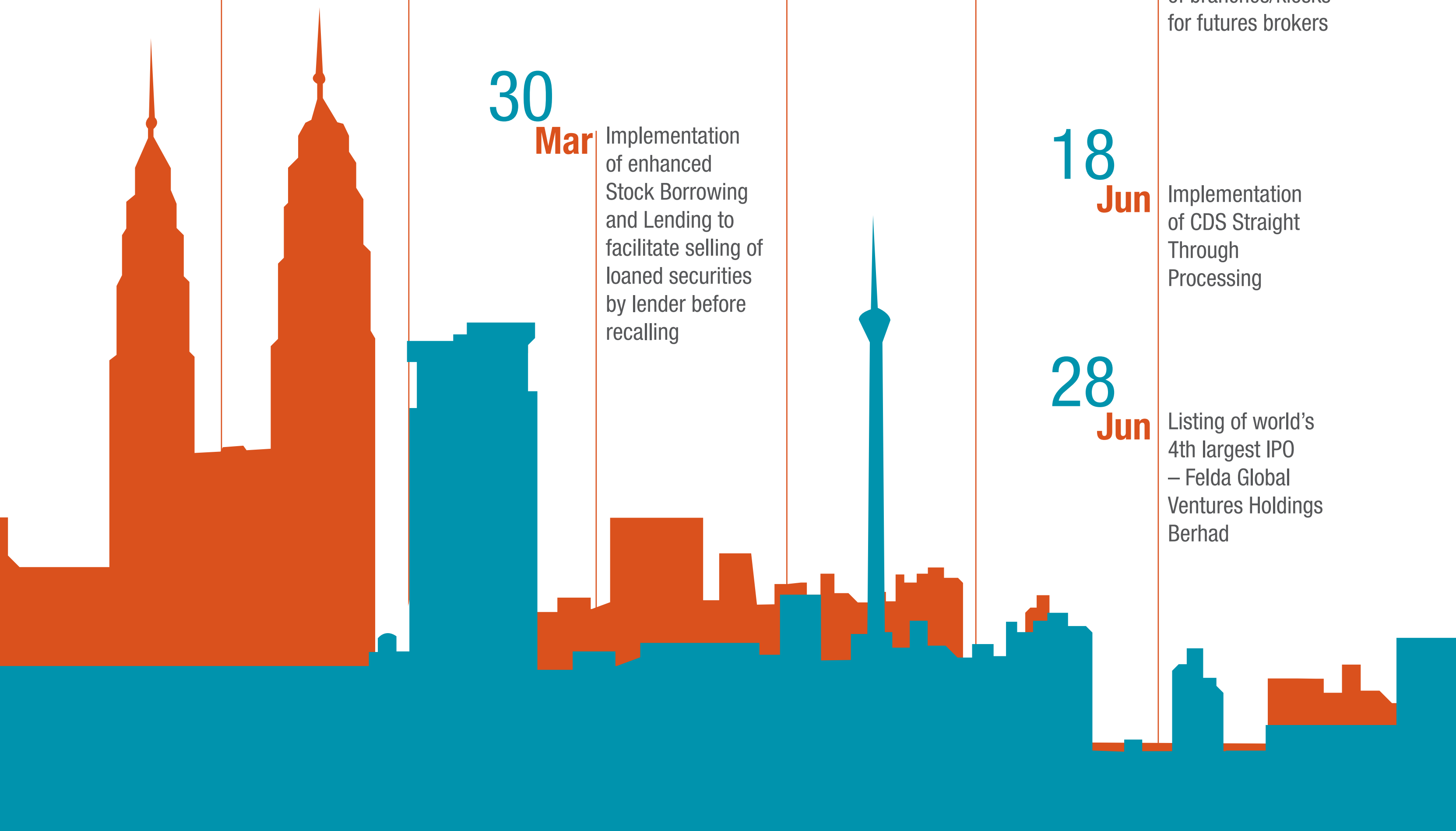
22 May
Launch of revamped Options on Index Futures

01 Jun
Introduction of Referral Agent activities for cross selling between derivatives and securities markets

08 Jun
Ease of restrictions for establishment of branches/kiosks for futures brokers

18 Jun
Implementation of CDS Straight Through Processing

28 Jun
Listing of world's 4th largest IPO – Felda Global Ventures Holdings Berhad



02 Jul
Launch of Bursa Malaysia's new website

06 Jul
Launch of new trading features for Bursa Trade Securities

10 Jul
Implementation of enhanced Central Matching System for Straight Through Processing

17 Jul
Launch of Options on Crude Palm Oil Futures

25 Jul
Listing of world's 6th largest IPO – IHH Healthcare Berhad – which is also Malaysia's first silmultaneous dual listing

09 Aug
Ease of requirements to become futures brokers under the Dual Licensing Fast Track programme

03 Sep
Introduction of eCASH payments framework

18 Sep
Launch of ASEAN Trading Link connecting Bursa Malaysia and Singapore Exchange

01 Oct
Establishment of new Shari'ah Committee

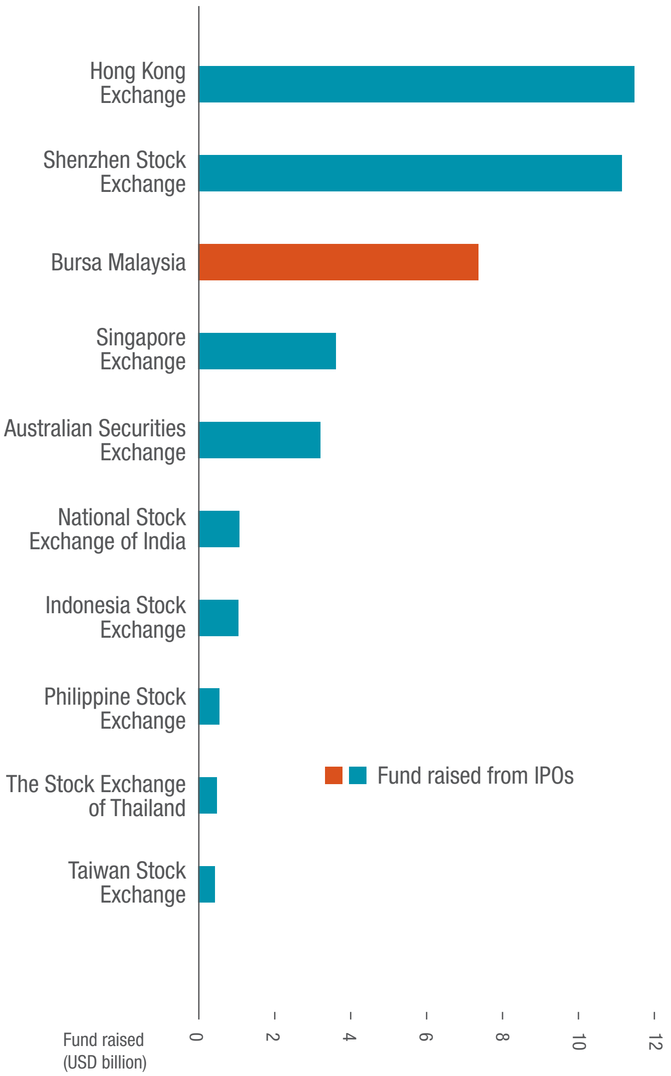
08 Oct
Introduction of Shari'ah Compliant Small Cap Index by FTSE and Bursa Malaysia

15 Oct
The Stock Exchange of Thailand connects to ASEAN Trading Link

31 Dec
Launch of New Surveillance System

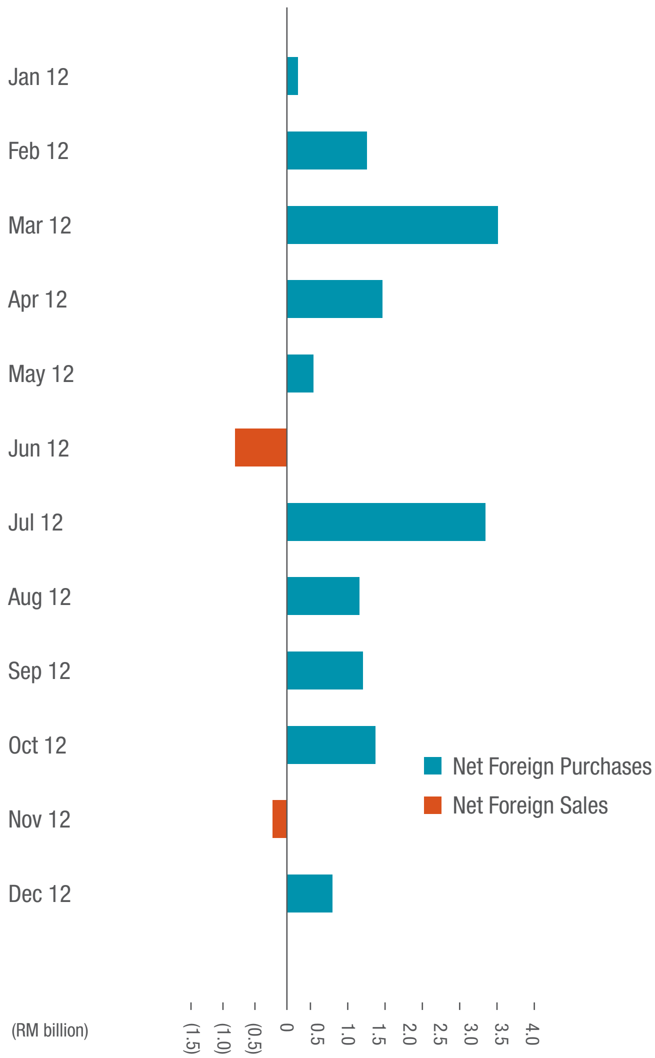
BURSA MALAYSIA'S STANDING

Strong IPO Activity



Boosted by three mega IPOs

Positive Foreign Inflows



Foreign investors were net buyers for most months

Source: World Federation of Exchanges

AWARDS AND RANKING

WE ARE INTERNATIONALLY BENCHMARKED

AWARDS RECEIVED AND IMPROVED COUNTRY RANKING

ASIA CORPORATE GOVERNANCE ASSOCIATION

4th among 11 countries in Asia (6th in 2010)

Bursa Malaysia as a listed company is included in the "Top 50 Corporate Governance ranking of mid/small caps in Asia Pacific"

WORLD BANK

4th among 183 countries for Investor Protection

WORLD ECONOMIC FORUM

4th among 142 countries for Strength of Investor Protection and 9th for Efficacy of Corporate Boards

FUTURES & OPTIONS WORLD AWARD

Winner of Best Technology Innovation by an Asian Exchange Award and Runner-up for the Asian Derivatives Exchange of the Year Award

FINANCIAL HIGHLIGHTS

RM152million
PATAMI
(+4%)
2011: RM146 million

RM389million
Operating Revenue
(+2%)
2011: RM382 million

17.4%
ROE
(+2%)
2011: 17.1%

49%
Cost to Income Ratio
(improved 3%)
2011: 51%

29sen
EPS
(+4%)
2011: 28 sen

27sen
Dividends per Share
(+4%)
2011: 26 sen

OUR PERFORMANCE

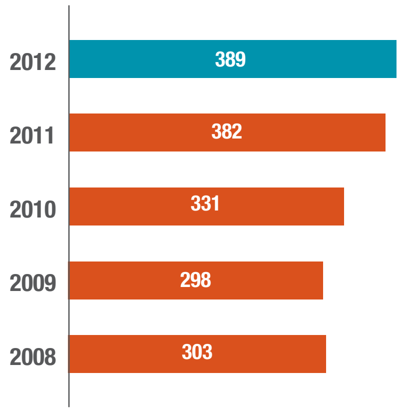
5-Year Highlights

	31 DEC 2008	31 DEC 2009	31 DEC 2010	31 DEC 2011	**31 DEC 2012**
Key Results (RM million)					
Operating Revenue [1]	302.5	297.8	331.3	381.5	**388.5**
Operating Expenses [2]	186.0	183.2	197.3	214.0	**211.1**
Profit after Tax and Minority Interest (PATAMI)	104.4	177.6[3]	113.0	146.2	**151.5**
Other Key Data (RM million)					
Total Assets	1,729.9	1,786.6	1,708.3	1,673.5	**2,198.4**
Total Liabilities	997.6	938.0	844.7	798.9	**1,307.2**
Shareholders' Equity	732.3	840.0	852.3	860.4	**875.5**
Capital Expenditure	34.0	22.1	21.9	13.6	**26.7**
Financial Ratios (%)					
Operating Revenue Growth [1]	(33.3)	(1.5)	11.2	15.1	**1.8**
Cost to Income Ratio	56.1	45.5[3]	54.6	50.9	**49.4**
Net Profit Margin	31.5	44.1[3]	32.0	36.0	**36.9**
Return on Equity (ROE)	13.8	22.6[3]	13.4	17.1	**17.4**
Share Information					
Earnings per Share (EPS) (sen)	19.9	33.7	21.3	27.5	**28.5**
Net Dividends per Share (sen)	18.1	17.8	20.0	26.0	**27.0**
Payout Ratio (%)	90.9	92.9	94.0	94.6	**94.8**
Net Assets per Share (RM)	1.39	1.59	1.60	1.62	**1.65**
Share Price - High (RM)	16.30	8.59	8.66	9.02	**7.72**
Share Price - Low (RM)	4.68	4.36	6.75	5.76	**5.91**
Share Price as at 31 December (RM)	5.15	7.99	7.80	6.70	**6.22**
Price Earnings Ratio (times)	26	24	37	24	**22**
Company Market Capitalisation (RM billion)	2.7	4.2	4.1	3.6	**3.3**

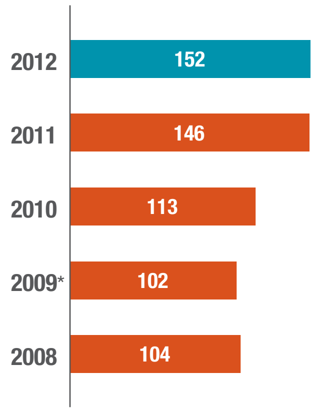
1 Comparative figures have been restated to include administration fees and conference fees and exhibition related income.
2 Comparative figures have been restated to include commitment fees.
3 The results and ratios for 2009 which exclude the gain on disposal of a subsidiary are as follows:
(i) PATAMI: RM101.6 million
(ii) Cost to income ratio: 56.1%
(iii) Net profit margin: 31.1%
(iv) ROE: 13.6%

OUR PERFORMANCE

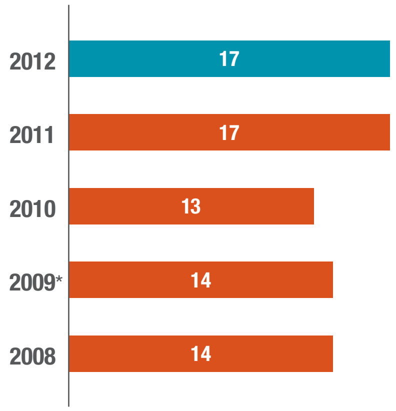
Operating Revenue
(RM million)



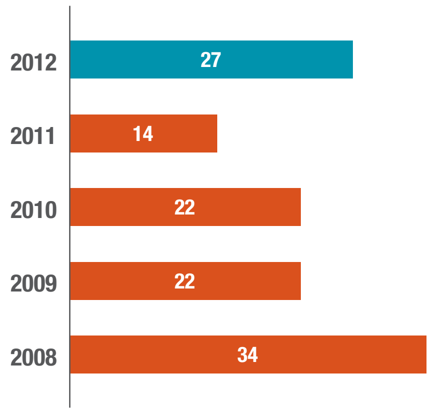
PATAMI
(RM million)



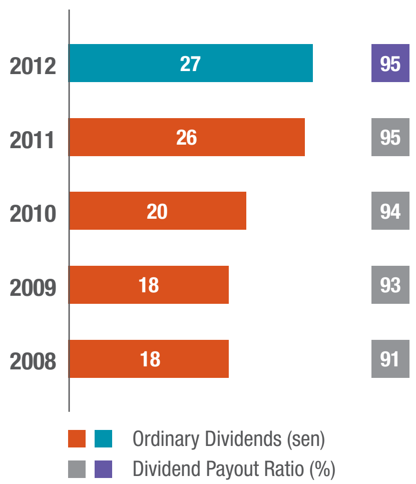
ROE
(%)



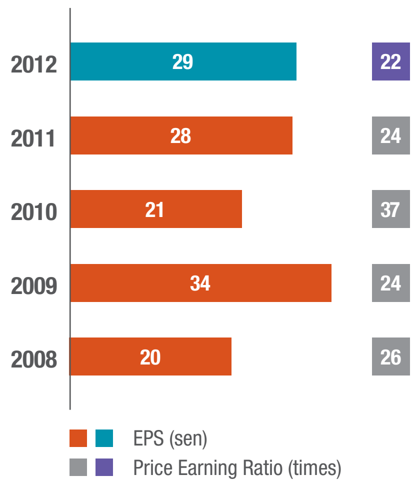
Capital Expenditure
(RM million)



Net Dividends



EPS & Price Earnings Ratio



* 2009 PATAMI and ROE have been normalised to exclude the gain from part disposal of BMD. Including this one-off capital gain:
(i) PATAMI: RM178 million
(ii) ROE: 23%

Quarterly Results

	1st quarter	2nd quarter	3rd quarter	4th quarter	Full year
2012					
Key Financials					
Operating Revenue (RM million)	**100.5**	**96.8**	**96.7**	**94.5**	**388.5**
PATAMI (RM million)	**40.9**	**37.9**	**37.0**	**35.7**	**151.5**
ROE (%)	**18.4**	**17.0**	**17.2**	**16.6**	**17.4**
Cost to Income Ratio (%)	**47.7**	**49.3**	**48.7**	**52.1**	**49.4**
Earnings per Share (sen)	**7.7**	**7.1**	**7.0**	**6.7**	**28.5**
Dividends per Share (sen)	**–**	**13.5**	**–**	**13.5**	**27.0**
Key Operating Drivers					
ADV - OMT & DBT on Securities Market (RM million)	**1,973**	**1,517**	**1,684**	**1,509**	**1,666**
ADC on Derivatives Market	**31,015**	**40,367**	**42,234**	**43,555**	**39,387**
2011					
Key Financials					
Operating Revenue (RM million)	107.9	92.5	96.1	85.0	381.5
PATAMI (RM million)	40.5	35.8	38.6	31.3	146.2
ROE (%)	18.6	16.3	18.2	14.9	17.1
Cost to Income Ratio (%)	49.9	51.1	49.5	53.7	50.9
Earnings per Share (sen)	7.6	6.7	7.3	5.9	27.5
Dividends per Share (sen)	–	13.0	–	13.0	26.0
Key Operating Drivers					
ADV - OMT & DBT on Securities Market (RM million)	2,234	1,639	1,887	1,412	1,788
ADC on Derivatives Market	36,785	32,316	34,169	34,779	34,474

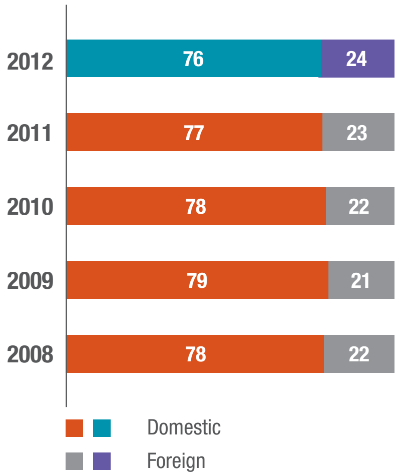
MARKET HIGHLIGHTS

	31 DEC 2008	31 DEC 2009	31 DEC 2010	31 DEC 2011	31 DEC 2012
Securities Market					
KLCI/FBM KLCI✓	876.75	1,272.78	1,518.91	1,530.73	1688.95
Market Capitalisation (RM billion)	664	999	1275	1,285	1,466
Velocity (%)	34	34	33	33	28
Average Daily Volume – OMT & DBT (million shares)	631	1,000	1,021	1,344	1,361
Average Daily Volume – OMT (million shares)	576	945	953	1,288	1,294
Average Daily Value – OMT & DBT (RM million)	1,278	1,221	1,574	1,788	1,666
Average Daily Value – OMT (RM million)	1,181	1,129	1,454	1,699	1,573
Total Trading Volume – OMT & DBT (billion shares)	154	248	253	329	334
Total Trading Value – OMT & DBT (RM billion)	313	303	390	438	408
Total Funds Raised (RM billion)	6.1	27.8	33.0	15.0	32.0
New Listings – IPOs (including REITs)	23	14	29	28	17
New Listings – ETFs	1	0	2	0	0
New Listings – Structured Warrants	81	124	204	363	551
No. of ISS Instructions Cleared and Settled (‘000)	389	326	369	493	548
No. of PLCs	977	960	957	941	921
No. of Listed REITs	13	12	14	15	16
No. of Listed ETFs	3	3	5	5	5
No. of Listed Structured Warrants	48	137	225	304	477
No. of Rights & Bonus Issues	132	52	77	61	60
No. of New CDS Accounts	157,687	161,100	157,911	164,110	207,393
Total CDS Accounts (million)	3.9	4.0	4.1	4.2	4.3
No. of Trading Days	245	248	248	245	245
No. of Participating Organisations of Bursa Malaysia Securities	34	34	35	35	33
Derivatives Market					
Open Interest	155,560	123,141	132,151	152,419	214,065
No. of Contracts Traded:					
• Crude Palm Oil Futures (million)	3.0	4.0	4.1	5.9	7.5
• KLCI Futures (million)	2.9	2.0	2.0	2.5	2.1
• 3-Month KLIBOR Futures	195,193	126,690	95,477	92,775	50,946
• Other Products (OCPO & OKLI)	–	–	–	–	6,314
Daily Average No. of Contracts Traded	24,878	24,749	24,818	34,474	39,387
Total Contracts Traded (million)	6.1	6.1	6.2	8.4	9.6
No. of Trading Participants of Bursa Malaysia Derivatives	20	19	20	20	20
Islamic Market					
No. of Sukuk Listings on Bursa Malaysia Securities*	–	12	19	19	20
Value of Sukuk Listings (USD billion)	–	17.6	27.7	28.5	33.7
% of Shari’ah Compliant (by number of companies):					
• PLCs	87	88	88	89	88
% of Shari’ah Compliant (by market capitalisation):					
• PLCs	64	64	63	63	64
• ETFs	49	56	51	40	32
• REITs	30	35	22	18	14
Bursa Suq Al-Sila’^:					
• Daily Average Value Commodity Traded (RM billion)	–	0.1	0.4	1.2	2.3
• Total Value Commodity Traded (RM billion)	–	6.5	90.2	298.6	563.3
• Total no. of Matched Contracts	–	370	2,273	9,111	20,858
• No. of Trading Days	–	93	257	245	245
• No. of Trading Participants	–	16	33	55	69

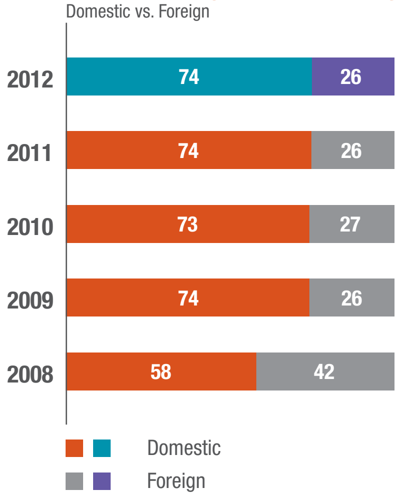
✓ FBM KLCI replaced KLCI and was launched on 6 July 2009
* Sukuk listing was introduced in December 2008
^ Bursa Suq Al-Sila’ was launched in August 2009

SECURITIES MARKET

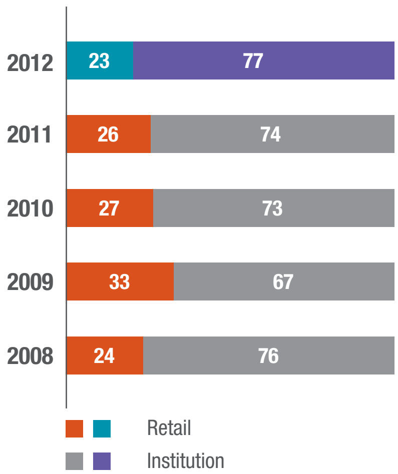
Share Ownership (%)
Domestic vs. Foreign



Market Demography by Trading Value (%)
Domestic vs. Foreign

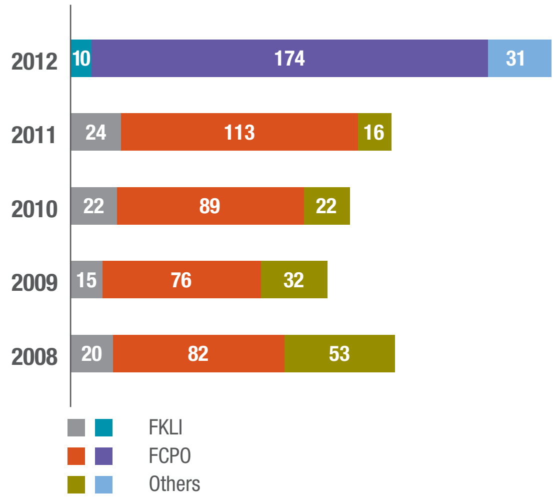


Market Demography by Trading Value (%)
Institutional vs. Retail

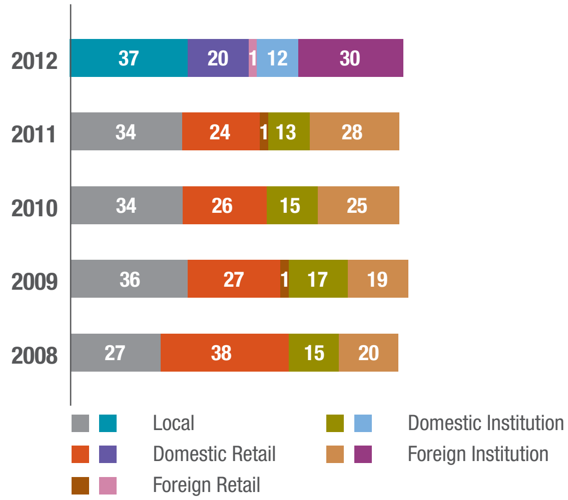


DERIVATIVES MARKET

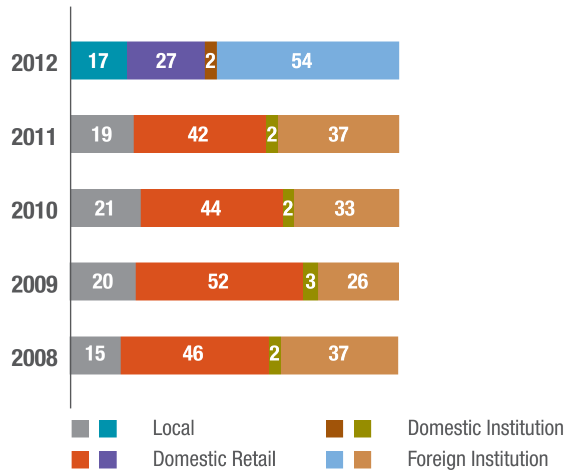
Open Interest ('000)



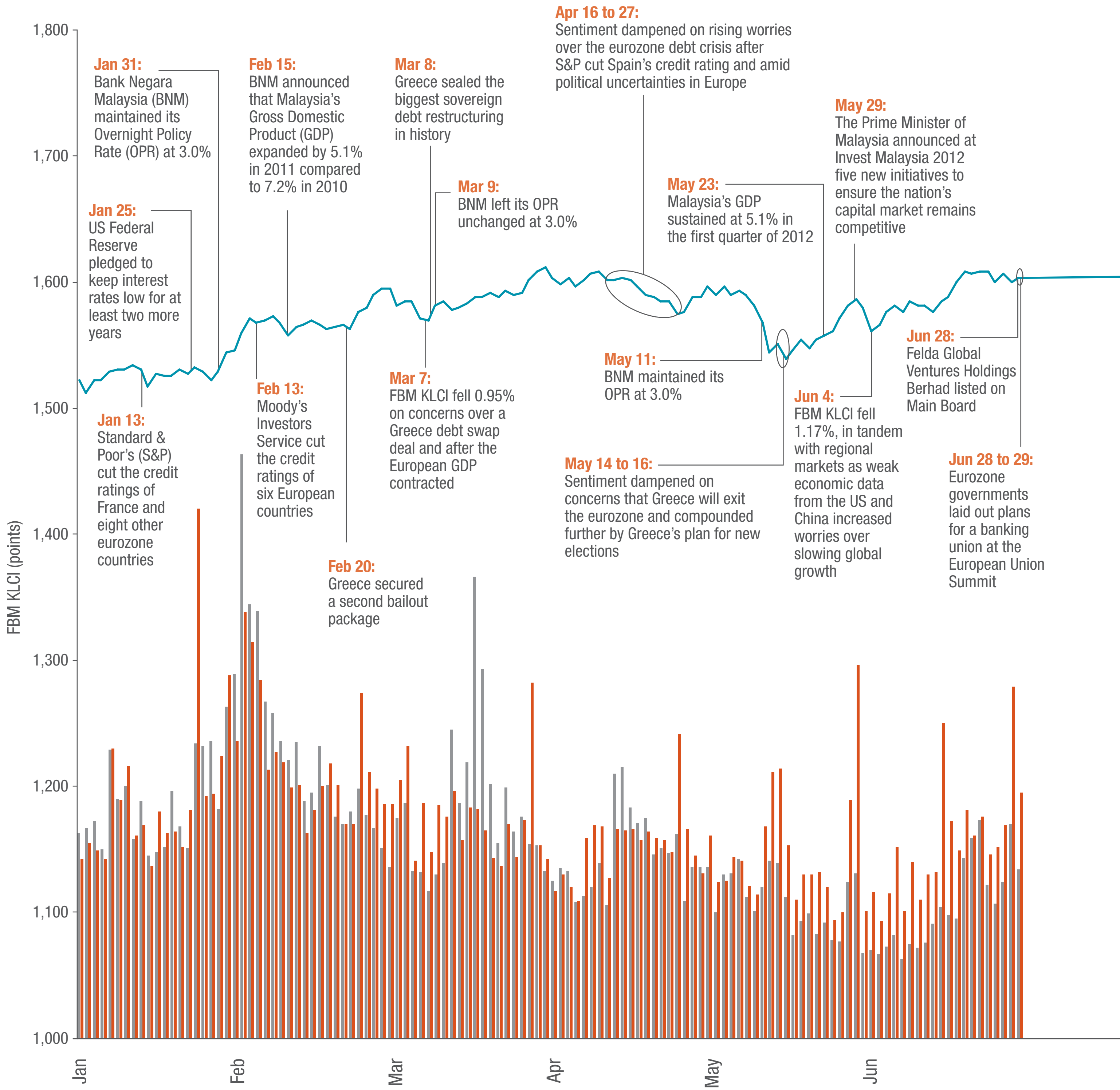
Trading Demography of FCPO Contract (%)



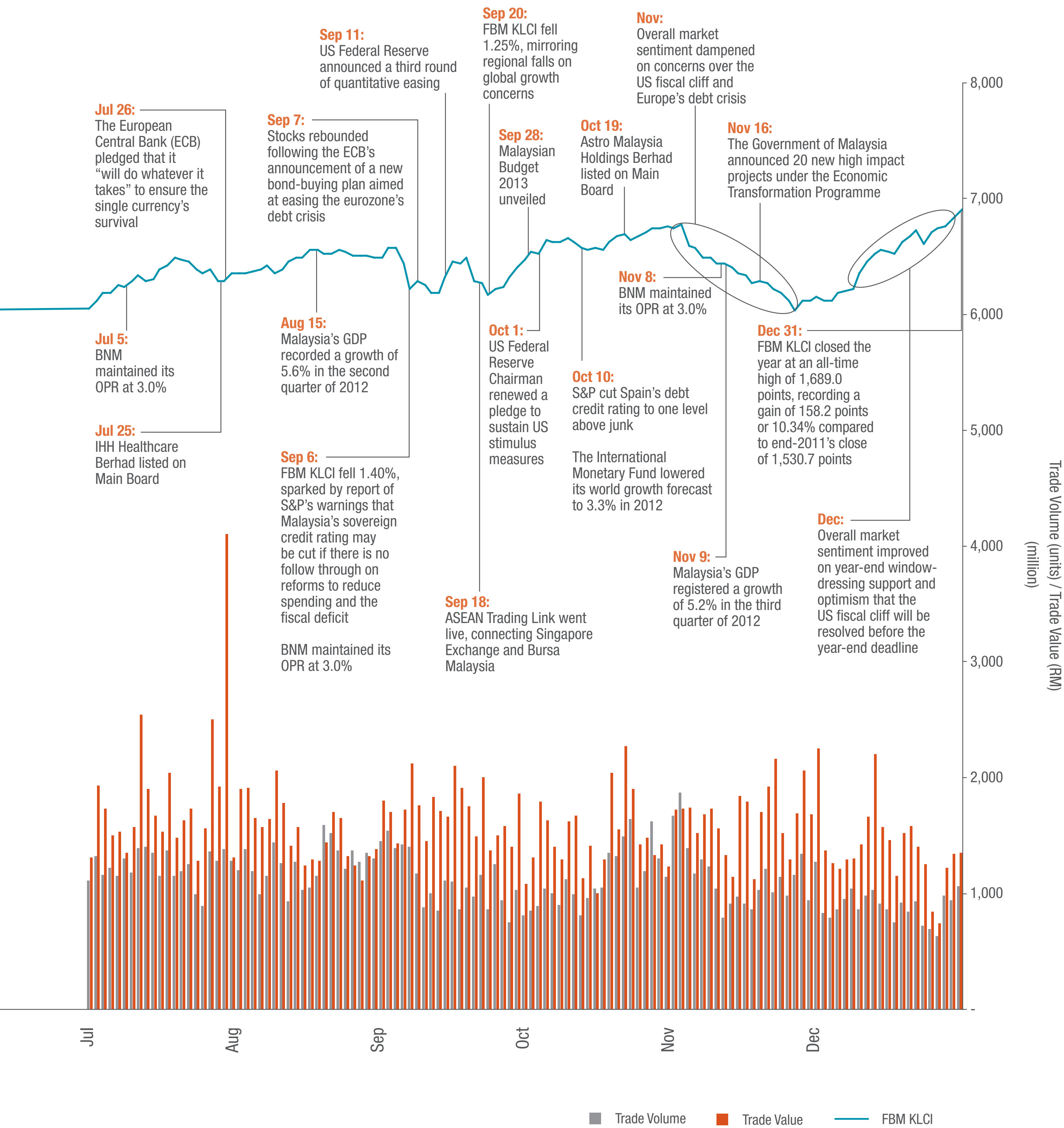
Trading Demography of FKLI contract (%)



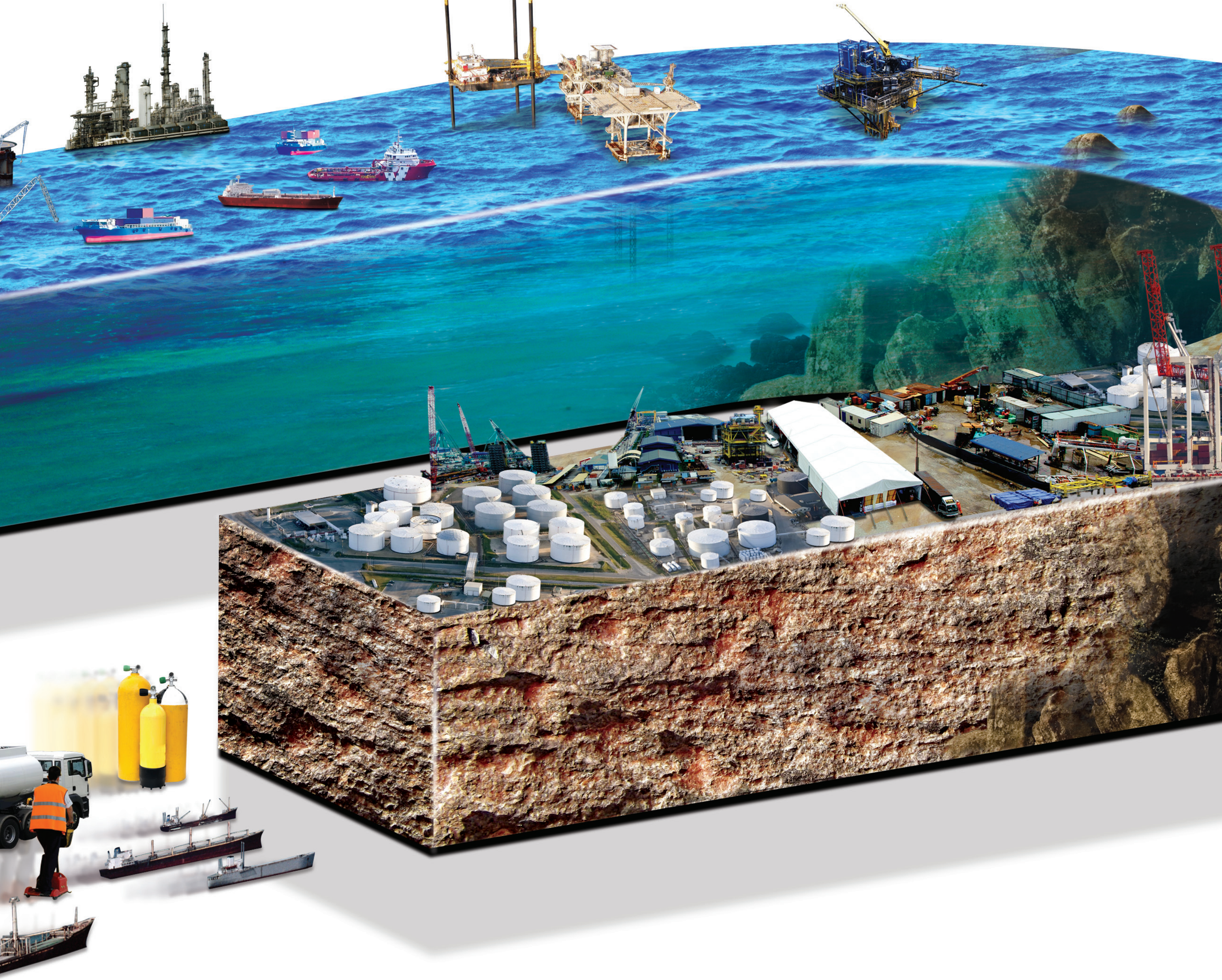
MARKET PERFORMANCE



Note:
Both trade volume and value include odd lots and direct business transactions.


Sep 20:
FBM KLCI fell 1.25%, mirroring regional falls on global growth concerns
Nov:
Overall market sentiment dampened on concerns over the US fiscal cliff and Europe's debt crisis
Sep 11:
US Federal Reserve announced a third round of quantitative easing
Jul 26:
The European Central Bank (ECB) pledged that it "will do whatever it takes" to ensure the single currency's survival
Sep 7:
Stocks rebounded following the ECB's announcement of a new bond-buying plan aimed at easing the eurozone's debt crisis
Sep 28:
Malaysian Budget 2013 unveiled
Oct 19:
Astro Malaysia Holdings Berhad listed on Main Board
Nov 16:
The Government of Malaysia announced 20 new high impact projects under the Economic Transformation Programme
Nov 8:
BNM maintained its OPR at 3.0%
Jul 5:
BNM maintained its OPR at 3.0%
Aug 15:
Malaysia's GDP recorded a growth of 5.6% in the second quarter of 2012
Oct 1:
US Federal Reserve Chairman renewed a pledge to sustain US stimulus measures
Oct 10:
S&P cut Spain's debt credit rating to one level above junk
The International Monetary Fund lowered its world growth forecast to 3.3% in 2012
Dec 31:
FBM KLCI closed the year at an all-time high of 1,689.0 points, recording a gain of 158.2 points or 10.34% compared to end-2011's close of 1,530.7 points
Jul 25:
IHH Healthcare Berhad listed on Main Board
Sep 6:
FBM KLCI fell 1.40%, sparked by report of S&P's warnings that Malaysia's sovereign credit rating may be cut if there is no follow through on reforms to reduce spending and the fiscal deficit
BNM maintained its OPR at 3.0%
Dec:
Overall market sentiment improved on year-end window-dressing support and optimism that the US fiscal cliff will be resolved before the year-end deadline
Nov 9:
Malaysia's GDP registered a growth of 5.2% in the third quarter of 2012
Sep 18:
ASEAN Trading Link went live, connecting Singapore Exchange and Bursa Malaysia
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
Trade Volume (units) / Trade Value (RM) (million)
Jul
Aug
Sep
Oct
Nov
Dec
Trade Volume
Trade Value
FBM KLCI


OIL
OIL
OIL
OIL



FUELLING GROWTH

Despite global uncertainties and slowdowns, Malaysia's economy continues to grow steadily. Bursa Malaysia plays a strong role in engineering this Malaysian success story, supporting 921 PLCs which together represent RM1.47 trillion worth of market capitalisation.

CHAIRMAN'S MESSAGE

Dear Shareholders,

2012 was by all accounts challenging for exchanges across the world. Global financial uncertainties led to a lacklustre securities market which in turn impacted performance. Amid this bearish scenario, however, Bursa Malaysia rose from relative anonymity to be placed squarely in the global investing community's spotlight during the year.

We hosted three of the world's largest IPOs and became the fourth largest IPO destination by country. The FBM KLCI achieved an all-time high in July and repeatedly broke its own record until year end. Financially, while revenues dropped at most exchanges, our operating revenue increased by 2% and net profit increased by 4%. Our performance was certainly one of the best in the region.

Tun Mohamed Dzaiddin bin Haji Abdullah
Chairman

Online trading has created greater competition among bourses. In the region, the setting up of the ASEAN Exchanges facilitates the freer flow of capital across borders. Rather than be daunted by these changes, however, we embrace the opportunities they present to further grow our marketplace. In particular, we plan to leverage on the ASEAN Trading Link to attract more retail investors to Bursa Malaysia. Our aim is to transform into ASEAN's multinational marketplace by being not only the preferred entry point for regional traders but also the preferred listing destination among issuers.

Our mission is encouraged by the regional successes of a number of homegrown companies, which serve as ideal vehicles to spread foreign capital throughout ASEAN. We further believe that the international community will find our regulatory environment increasingly more inclusive. The Malaysian Government has identified the capital market as one of the key drivers of the Economic Transformation Programme and is committed to boosting it via enhanced capital structures.

Bursa Malaysia also stands to benefit from our corporate governance (CG) scorecard, which is one of the best in the region, and which we keep enhancing. This year, we aligned our Listing Requirements with the Corporate Governance Blueprint 2011 and the Malaysian Code on Corporate Governance 2012. Our efforts in this regard have paid off; Malaysia's ranking in the Asian Corporate Governance Association (ACGA) 2012 Report improved from 6th (in 2010) to 4th out of 11 Asian nations. The World Bank, meanwhile, places us 4th among 183 countries for investor protection.

Bursa Malaysia's success hinges to a large extent on Malaysian companies' success. We are pleased therefore to see more large-cap Malaysian companies emerge on widely-tracked indices such as the MSCI. Although this meant our own exclusion from the index this year, hence a drop in our share price, rest assured that the move is not indicative of a weakening in our fundamentals. If anything, we are stronger now than ever before.

Our corporate strength is reflected in our dividends. Even in these trying times, we have been able to declare a final dividend of 13.5 sen, adding to an interim dividend of the same amount. When we were listed in 2005, we committed to a payout of more than 75% of our profit. We have consistently surpassed this by a wide margin; paying out over 90% since being listed.

We have consistently surpassed our dividend policy by a wide margin, **paying out over 90%** since being listed

Financially, while revenues dropped at most exchanges, our **operating revenue increased by 2% and net profit increased by 4%**

Bursa Malaysia rose from relative anonymity to be **placed squarely in the global investing community's spotlight** during the year

While we achieved much to be proud of in 2012, we will now step up our game even further to meet the challenges of liberalisation and globalisation. We remain optimistic of our future, guided as we are by our Strategic Intents to increase the vibrancy of our exchange. We also look forward to greater regulatory enhancements to the business environment and an increase in our market liquidity.

I would like to take this opportunity to thank our shareholders for their continuing support. I would also like to express my appreciation to fellow Directors of the Board for guiding the Exchange during these challenging yet exciting times. Finally, a big thank you is due to the entire team at Bursa Malaysia for its commitment and hard work, without which we would not have achieved the spectacular successes that we did this year.

My wish is to see all parties continue to collaborate and cooperate for, together, we can build on the foundations that have been laid and firmly establish Malaysia as the destination to access ASEAN's multinational marketplace.

BOARD OF DIRECTORS

front (from left to right):

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Tun Mohamed Dzaiddin bin Haji Abdullah
Dato' Tajuddin bin Atan
Datuk Dr. Md Tap bin Salleh

back (from left to right):

Tan Sri Datuk Dr. Abdul Samad bin Haji Alias
Cheah Tek Kuang
Dato' Wong Puan Wah @ Wong Sulong
Dato' Dr. Thillainathan a/l Ramasamy
Dato' Saiful Bahri bin Zainuddin
Izham bin Yusoff
Datuk Puteh Rukiah binti Abd Majid
Tan Sri Ong Leong Huat @ Wong Joo Hwa

BOARD OF DIRECTORS' PROFILES

TUN MOHAMED DZAIDDIN BIN HAJI ABDULLAH
Chairman, Non-Executive Director and Public Interest Director *

Malaysian aged	75
Date of Appointment	1 March 2004
Length of Service *(as at 28 February 2013)*	9 years
Date of Last Re-appointment	1 March 2012 (pursuant to Section 10(1)(a) and (3) of the CMSA) 29 March 2012 (pursuant to Section 129(6) of the Companies Act 1965)
Academic / Professional Qualification(s)	• Barrister of the Middle Temple, England • Advocate and Solicitor of the High Court of Malaya • Singapore Institute of Arbitrators (Fellow)
Present Directorship(s)	• Chairman, Deutsche Bank (Malaysia) Berhad Other PLC(s): Nil
Present Appointment(s)	• Legal Consultant, Skrine • Chairman, Tun Mohamed Suffian Foundation of Malaysia
Past Directorship(s) and/or Appointment(s)	• Chairman, Royal Commission to enhance Operation and Management of the Royal Malaysia Police (2004-2005) • 9th Chief Justice of Malaysia (2000-2003) • President, ASEAN Law Association (1995-2003) • Judge in the High Court, Supreme Court and Federal Court (1982-2000) • Vice President, Malaysian Bar (1982-1983)

* appointed by the Minister of Finance pursuant to Section 10 of the Capital Markets and Services Act 2007 (CMSA)

DATO' TAJUDDIN BIN ATAN
CEO, Non-Independent Executive Director

Malaysian aged	53
Date of Appointment	1 April 2011
Length of Service *(as at 28 February 2013)*	1 year 11 months
Duration of Previous Appointment as Non-Executive Director and Public Interest Director	14 July 2008 - 31 March 2011
Date of Last Re-election	29 March 2012
Academic / Professional Qualification(s)	• Bachelor of Science (Agribusiness), Universiti Putra Malaysia • Master of Business Administration, University of Ohio
Present Directorship(s)	• Bursa Malaysia subsidiary companies • Chairman, Yayasan Bursa Malaysia • Capital Market Development Fund • Securities Industry Development Corporation Other PLC(s): Nil
Present Appointment(s)	• Member, Executive Committee of Malaysia International Islamic Financial Centre • Member, Financial Reporting Foundation • Member, SME Corp Malaysia • Adjunct Professor, Faculty of Economics and Management, Universiti Putra Malaysia
Past Directorship(s) and/or Appointment(s)	• Managing Director, RHB Bank Berhad and Group Managing Director, RHB Capital Berhad (2009-2011) • President/Group Managing Director, Bank Pembangunan Malaysia Berhad (2007-2009) • CEO, Bank Simpanan Nasional (2004-2007) • Managing Director, Chase Perdana Berhad (2001-2004)

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR
Non-Executive Director and Public Interest Director *

Malaysian aged	66
Date of Appointment	5 August 2010
Length of Service *(as at 28 February 2013)*	2 years 7 months
Date of Last Re-appointment	5 August 2012 (pursuant to Section 10(1)(a) of the CMSA)
Academic / Professional Qualification(s)	• Bachelor of Arts (Hon) and Bachelor of Jurisprudence (Hon), University of Malaya • Master of Business Administration, University of Massachusetts • Masters of Law (Corporate Law), Universiti Teknologi MARA • PhD (Business Management), Virginia Polytechnic Institute and State University • Certificate in Legal Practice (Malaysian Professional Legal Board) • Advocate and Solicitor of the High Court of Malaya • Chartered Institute of Arbitration, United Kingdom (Fellow)
Present Directorship(s)	• Chairman, CIMB Islamic Bank Berhad • CIMB Bank Berhad • CIMB Group Berhad • ACR ReTakaful SEA Berhad • Malakoff Corporation Berhad Other PLC(s): • CIMB Group Holdings Berhad • BSL Corporation Berhad • Euro Holdings Berhad • Solution Engineering Holdings Berhad
Past Directorship(s) and/or Appointment(s)	• Secretary-General, Ministry of Human Resources (2003) • Secretary (Tax Division) and Deputy Secretary-General (Operations) both of Ministry of Finance (1997-2003) • Executive Director, Asian Development Bank, Manila, Philippines (1993-1997)

* appointed by the Minister of Finance pursuant to Section 10 of the CMSA

DATO' DR. THILLAINATHAN A/L RAMASAMY
Independent Non-Executive Director

Malaysian aged	68
Date of Appointment	10 April 2004
Length of Service *(as at 28 February 2013)*	8 years 10 months
Date of Last Re-election	14 April 2011
Academic / Professional Qualification(s)	• Bachelor of Arts, University of Malaya • Master and Doctorate of Economics, London School of Economics
Present Directorship(s)	• Allianz General Insurance Company (Malaysia) Berhad • Allianz Life Insurance Malaysia Berhad • Citibank Berhad • Public Interest Director, Private Pension Administrator Malaysia Other PLC(s): • Genting Berhad • Petronas Dagangan Berhad • Allianz Malaysia Berhad
Present Appointment(s)	• Member, Working Group of Economic Council
Past Directorship(s) and/or Appointment(s)	• Director, The Bank of Nova Scotia Berhad (2011-2012) • Chief Operating Officer/ Executive Director, Genting Berhad (2002-2007) • Associate Professor, University of Malaya (1977-1979)

DATUK DR. MD TAP BIN SALLEH

Non-Executive Director and Public Interest Director *

Malaysian aged	63
Date of Appointment	1 April 2010
Length of Service *(as at 28 February 2013)*	2 years 11 months
Date of Last Re-appointment	1 April 2012 (pursuant to Section 10(1)(a) of the CMSA)
Academic / Professional Qualification(s)	• Bachelor of Arts (Hon), Monash University • Master of Science (Social Planning), University of Wales • PhD (Development Planning), University of Bath
Present Directorship(s)	Other PLC(s): Nil
Present Appointment(s)	• President, Malaysian Institute of Integrity • Adjunct Professor, College of Local Government and International Studies, Universiti Utara Malaysia • Industry Advisor, Faculty of Science, Technology and Human Resource Development, University Tun Hussein Onn
Past Directorship(s) and/or Appointment(s)	• Secretary-General, Ministry of Rural and Regional Development (2004-2006) • Deputy Secretary-General, Ministry of Tourism, Malaysia (2003-2004) • Deputy Director, Governance and Institution Development, Commonwealth Secretariat in London (1996-2002)

* appointed by the Minister of Finance pursuant to Section 10 of the CMSA

IZHAM BIN YUSOFF

Independent Non-Executive Director

Malaysian aged	45
Date of Appointment	10 April 2004
Length of Service *(as at 28 February 2013)*	8 years 10 months
Date of Last Re-election	14 April 2011
Academic / Professional Qualification(s)	• Bachelor of Accounting, University of Miami • Master of Business Administration (Accounting and International Business), University of Miami • Institute of Internal Auditors Malaysia (Associate Member)
Present Directorship(s)	• Managing Director, Percetakan Nasional Malaysia Berhad • Intra Oil Services Berhad • Axis Incorporation Berhad • Malaysian Alliance of Corporate Directors Other PLC(s): Nil
Past Directorship(s) and/or Appointment(s)	• Director, AKN Technology Bhd (2009-2012) • Director, Satang Holdings Berhad (2008-2010) • Chief Operating Officer/Executive Director, Ninebio Sdn Bhd (2007-2010) • CEO, KUB Malaysia Berhad (2004-2007) • Managing Director, Amanah Raya Berhad (2002-2004)

DATO' WONG PUAN WAH @ WONG SULONG
Independent Non-Executive Director

Malaysian aged	65
Date of Appointment	1 December 2006
Length of Service *(as at 28 February 2013)*	6 years 3 months
Date of Last Re-election	14 April 2011
Academic / Professional Qualification(s)	• Bachelor of Science (Hon) in Economics, University of London
Present Directorship(s)	• Vice Chairman, Assunta Hospital Other PLC(s): • Multi-Purpose Holdings Berhad
Past Directorship(s) and/or Appointment(s)	• Author of the Book "Notes to the Prime Minister: The Untold Story of How Malaysia Beat the Currency Speculators" (2 June 2011) • Group Chief Editor, The Star (2004-2006) • Deputy Group Chief Editor cum Business Editor, The Star (1996-2003) • Journalist, New Straits Times, Australian Broadcasting Corporation and Financial Times of London (1966-1996)

CHEAH TEK KUANG
Independent Non-Executive Director

Malaysian aged	65
Date of Appointment	10 April 2004
Length of Service *(as at 28 February 2013)*	8 years 10 months
Date of Last Re-election	14 April 2011
Academic / Professional Qualification(s)	• Bachelor of Economics, University of Malaya • Institute of Bankers Malaysia (Fellow Member)
Present Directorship(s)	• AmInvestment Bank Berhad • AmBank (M) Berhad • AmIslamic Bank Berhad • AmLife Insurance Berhad • AMG Insurance Berhad • AmFamily Takaful Berhad • Cagamas Holdings Berhad • Kurnia Insurance (Malaysia) Berhad • Malaysian Nuclear Power Corporation • Malaysian Institute of Art Other PLC(s): • Berjaya Sports Toto Berhad • IOI Corporation Berhad
Present Appointment(s)	• Alternate Chairman, Malaysian Investment Banking Association • Member, Investment Panel of Kumpulan Wang Persaraan (Diperbadankan)
Past Directorship(s) and/or Appointment(s)	• Director/Group Managing Director, AMMB Holdings Berhad (1994-2012) • Council Member, Association of Banks Malaysia (2006-2012) • CEO and Managing Director, AmMerchant Bank Berhad (1994-2004)

BOARD OF DIRECTORS' PROFILES

DATO' SAIFUL BAHRI BIN ZAINUDDIN
Independent Non-Executive Director

Malaysian aged	51
Date of Appointment	27 June 2008
Length of Service *(as at 28 February 2013)*	4 years 8 months
Date of Last Re-election	29 March 2012
Academic / Professional Qualification(s)	• Bachelor of Science (Economics & Finance), Western Michigan University
Present Directorship(s)	Other PLC(s): Nil
Present Appointment(s)	• Head, Stockbroking Division, Affin Investment Bank Berhad • Director, Securities Industry Dispute Resolution Centre • Financial Adviser to the State Government of Negeri Sembilan • Member, SC's Securities Law Consultative Committee • Member, Board of Trustees for Bumiputera Dealer Representatives Education Fund and Bumiputera Training Fund
Past Directorship(s) and/or Appointment(s)	• Chairman, Association of Stockbroking Companies Malaysia (2006, 2008-2010) • Executive Director, Affin Holdings Berhad (2009-2010) • Executive Director and Executive Director Dealing, Rashid Hussain Securities (1992-1999, 2002) • CEO/Executive Director Dealing, Fima Securities Sdn Bhd (2000-2001)

TAN SRI ONG LEONG HUAT @ WONG JOO HWA
Independent Non-Executive Director

Malaysian aged	68
Date of Appointment	27 June 2008
Length of Service *(as at 28 February 2013)*	4 years 8 months
Date of Last Re-election	29 March 2012
Academic / Professional Qualification(s)	• Capital Markets Services Representative's Licence
Present Directorship(s)	• Chairman, OSK Securities (Thailand) Public Company Limited • Chairman, OSK Holdings Hong Kong Limited • Chairman, OSK Indochina Bank Limited • Chairman, DMG & Partners Securities Pte. Ltd. • OSK Investment Bank Berhad • KE-ZAN Holdings Berhad • RHB Bank Berhad • RHB Investment Bank Berhad Other PLC(s): • CEO/Group Managing Director, OSK Holdings Berhad • Executive Director, OSK Property Holdings Berhad • OSK Ventures International Berhad
Past Directorship(s) and/or Appointment(s)	• Group Managing Director/CEO, OSK Investment Bank Berhad (2007-2011) • Managing Director/CEO, OSK Securities Berhad (1985-2007) • Member, Securities Commission's Capital Market Advisory Council (2004) • Director, MESDAQ (1999-2002)

TAN SRI DATUK DR. ABDUL SAMAD BIN HAJI ALIAS
Independent Non-Executive Director

Malaysian aged 70

Date of Appointment 7 July 2011

Length of Service *(as at 28 February 2013)* 1 year 8 months

Date of Last Re-election 29 March 2012

Academic / Professional Qualification(s)
- Bachelor of Commerce, University of Western Australia
- Honorary Doctorate of Philosophy (Accounting), Universiti Utara Malaysia
- Institute of Chartered Accountants, Australia (Fellow Member)
- Malaysian Institute of Accountants (MIA) (Member)
- Malaysian Institute of Certified Public Accountants (MICPA) (Member)

Present Directorship(s)
- Chairman, Malaysia Venture Capital Management Berhad
- Chairman, Malaysia Debt Venture Berhad
- Chairman, Malaysia Deposit Insurance Corporation

Other PLC(s):
- TH Plantations Berhad

Past Directorship(s) and/or Appointment(s)
- Chairman, Bank Pembangunan Malaysia Berhad (2008-2011)
- Non-Executive Chairman, Ernst & Young Malaysia (2005-2008)
- Board Member, International Federation of Accountants (2004-2007)
- President (1999-2001) and Council Member (2002-2007), MICPA
- President, MIA (2000-2005)

DATUK PUTEH RUKIAH BINTI ABD MAJID
Non-Executive Director and Public Interest Director *

Malaysian aged 60

Date of Appointment 27 May 2011

Length of Service *(as at 28 February 2013)* 1 year 9 months

Academic / Professional Qualification(s)
- Bachelor of Economics (Hon), University of Malaya
- Master of Arts (Economics), Western Michigan University

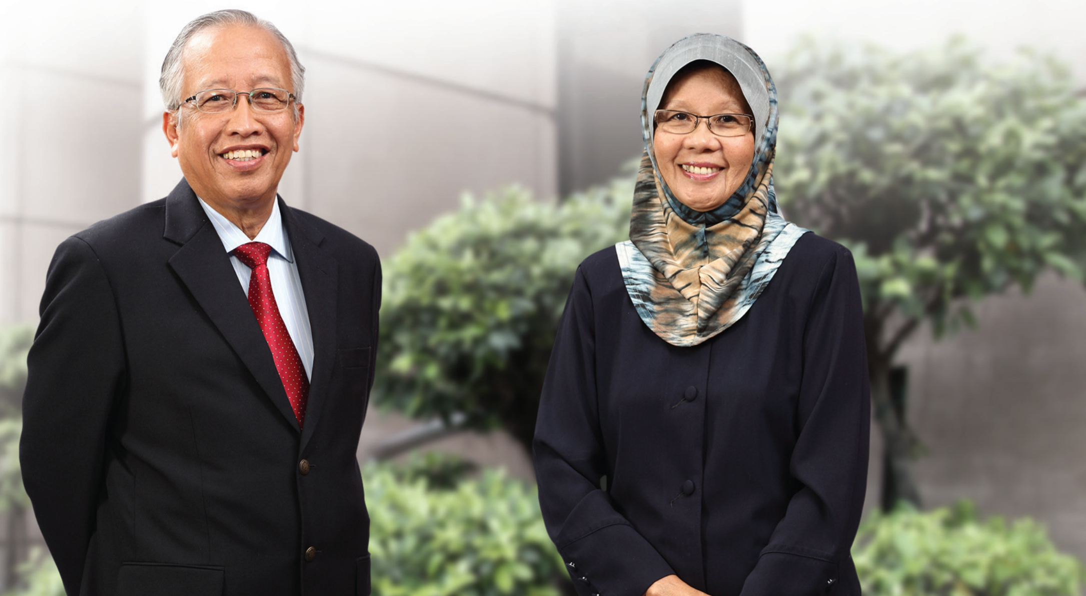
Present Directorship(s)
- Pelaburan Hartanah Berhad

Other PLC(s):
- Gas Malaysia Berhad

Past Directorship(s) and/or Appointment(s)
- Director, Pengurusan Danaharta Nasional Berhad (2006-2011)
- Director, Penang Port Holdings Berhad (2005-2007)
- Various senior positions at Treasury, Ministry of Finance, the last as Deputy Secretary-General (System and Control) (2000-2011)
- Principal Assistant Director, Budget Division, Ministry of Finance (1992-2000)
- Principal Assistant Director, Economic Planning Unit, Prime Minister's Department (1976-1992)

Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of Bursa Malaysia, have no conflict of interest with Bursa Malaysia and have not been convicted of any offence within the past 10 years.

* appointed by the Minister of Finance pursuant to Section 10 of the CMSA



SEEDING IDEAS

Bursa Malaysia places a high premium on innovation to meet the needs of a wide range of investors and issuers. This has seen us pioneer Islamic finance and introduce more tradable alternatives in the marketplace, from exchange traded bonds and sukuk to options on crude palm oil futures.

CHIEF EXECUTIVE OFFICER'S MESSAGE

While Bursa Malaysia was placed in the global spotlight with the unfolding of three of the world's biggest IPOs, our real deliveries in 2012 ran far deeper, and were less discernible to the outsider's eye. The year was exciting for the main reason that we successfully implemented numerous projects and initiatives that have strengthened Bursa Malaysia at a fundamental level. Yet, like all far-reaching changes, these have gestation periods and their full effects will materialise only in the years to come. So, just as 2012 was a year in which we made a mark internationally, internally we feel confident of being in a better shape to capitalise on future opportunities.

Dato' Tajuddin Bin Atan
Chief Executive Officer

The fact is, the industry is changing in unprecedented ways and has now entered a 'New Norm'. Trading is becoming increasingly borderless as markets liberalise, while an increasing number of companies, Malaysian organisations included, are going multinational. To establish a strong presence in this highly competitive environment, we are revitalising our systems and processes to create a more facilitative exchange, and are bringing in more talent with the right skill sets to tap into current and future opportunities. Meanwhile, we continue to engage actively with our various stakeholders to ensure a fair and orderly market.

Despite a challenging global economy, ASEAN markets in general were robust, boosted by strong internal demand. As the three mega IPOs indicate, our top PLCs were able to shine in a domestic environment that stood to benefit from initiatives such as the Government Transformation Programme (GTP) and Economic Transformation Programme (ETP). Given their performance, our market capitalisation grew 14% to reach RM1.47 trillion, a new record. On the derivatives front, too, we achieved a new record in terms of open interest for all products.

In short, I am pleased with the progress we made during the year. Not only have we put in place the building blocks to leverage on growth of the ASEAN marketplace, but we have also produced commendable financial results, which I have great pleasure in sharing with you.

FINANCIAL PERFORMANCE

Bursa Malaysia pulled in a positive performance for the financial year ended 31 December 2012, registering profit after tax and minority interest (PATAMI) of RM151.5 million. This 4% increase from our PATAMI of RM146.2 million in 2011 was due principally to improvements in our stable revenue and derivatives trading revenue.

Stable revenue increased by 13% to RM127.4 million from RM112.8 million in 2011 due to a combination of factors. The listing of the three mega IPOs in 2012 contributed significantly to the increase in the revenue from depository services. The substantial growth in the number of structured warrants listed to 551 from 363 in 2011 resulted in higher listing fees. Additionally, the higher stable revenue was also boosted by the increase in sales of information.

As we had expected, our derivatives market continued along its expansionary journey following migration onto the Globex trading platform, and was even described by the editor of Futures and Options World (FOW) as "one of the most exciting derivative markets globally". This was substantiated by a 9% increase in revenue from RM51.2 million to RM56.0 million, as the volume of derivatives traded grew 14% from 8.4 million contracts to 9.6 million contracts.

While bolstering our revenue by growing our stable income and derivatives business, we have also ensured fiscal responsibility. This is evident in the figures: over the last four years, we achieved 30% revenue growth while expenses grew by only 15%.

During a year in which global trading value was down 22%, trading on Bursa Malaysia dipped only by 7%, translated to a drop in daily trading value in securities from RM1.79 billion to RM1.67 billion. As a result, our trading revenue decreased from RM193.0 million to RM178.3 million.

Spectacular IPOs lending Malaysia the distinction of being the **world's fourth largest IPO destination** by country

Full-year dividend of **27 sen**

More positively, the successful mega IPOs of Felda Global Ventures Holdings Berhad, IHH Healthcare Berhad and Astro Malaysia Holdings Berhad contributed to an expansion of our market capitalisation to RM1.47 trillion from RM1.29 trillion.

Bursa Malaysia also reaffirmed our prominence as the world's leading sukuk listing destination with an 18% increase in the value of programmes listed from USD28.5 billion in 2011 to USD33.7 billion in 2012. At the same time, Bursa Suq Al-Sila' (BSAS) recorded an impressive 89% increase in its average daily trading value to RM2.3 billion from RM1.2 billion, following growing acceptance among global market participants.

Given our financial performance, we are proposing a final dividend of 13.5 sen which, combined with the 13.5 sen interim dividend paid in August, totals to a full-year dividend of 27 sen. This represents a payout of 95% of our net profit, and means that we are once again looking to reward our shareholders beyond our dividend promise of 75% minimum payout.

MARKET HIGHLIGHTS

A definite highlight of the year was hosting the three earlier-mentioned mega IPOs, which earned Bursa Malaysia a spot on the international capital market space. These listings were indicative of investor confidence in our top-performing PLCs, which was further reflected in the FBM KLCI hitting a number of new highs from July onwards and closing the year at 1,688.95 points, a significant 158.22 points higher than the previous year-end's 1,530.73 points.

Another highlight was being able to step up our linkages within the regional market when, together with the Singapore Exchange (SGX) and, later, The Stock Exchange of Thailand (SET), we connected our trading platforms via the ASEAN Trading Link. Our grouping brings together 2,250 listed companies with a market capitalisation of USD1.6 trillion, representing approximately 70% of the total market capitalisation of ASEAN.

Ahead of the launch of the ASEAN Trading Link, IHH Healthcare Berhad opted to enhance its profiling by dual listing on the Main Boards of Bursa Malaysia and SGX on 25 July 2012. The listing is fully fungible, allowing shareholders to transfer their shares between both Exchanges via a standard cross transfer mechanism. This marked an exciting milestone for us as it was the first simultaneous dual listing to be conducted on our Exchange.

It was also a memorable year for our derivatives market, which truly rode on a high. Other than its impressive open interest record, it continued to attract more foreign participants via the Globex trading platform as well as bring us greater recognition. During the financial year, Futures & Options World presented our derivatives segment the Best Technology Innovation by an Asian Exchange award while naming it a runner-up for the Asian Derivatives Exchange of the Year. The publication cited easy accessibility and global connectivity of the Malaysian derivatives market as key factors that led to these wins.

Our Islamic markets continued to hold their own, further reinforcing Bursa Malaysia as an integrated exchange offering both conventional and niche products. Thanks to the continuous efforts of our team, we retained our leadership position as the premier sukuk listing destination for the fourth consecutive year, with 20 programmes undertaken by 17 issuers.

CREATING A VIBRANT MARKETPLACE

We are fully cognisant of the challenges of the brave new globalised and digitalised world, in which traditional protective barriers are no longer recognised, and only the fittest can survive. We are therefore building on our foundations to enter this uncompromising realm. As we boost our ecosystem and create a more dynamic exchange, we are better positioned to catalyse further growth of corporate Malaysia.

Our vision is to serve not just as an effective Malaysian bourse, but as the preferred ASEAN multinational marketplace. To achieve this vision, we recognise the need to embody all the virtues of a high-performance organisation. In 2012, therefore, we developed four Strategic Intents to build on our inherent strengths and take us forward. These are:

i) to create a more facilitative trading environment;
ii) to facilitate more tradable alternatives;
iii) to reshape the market structure and framework; and
iv) to become a regional marketplace with global access.

Towards creating a facilitative trading environment, we have invested in various technologies to improve the exchange ecosystem in a holistic manner, initiating domino-effect change from the front end to the back room and vice versa, thus enhancing the entire value chain of trading, clearing, settlement and depository.

In the securities market, we introduced new order and validity types which enable participants to execute a greater variety of trading and risk management strategies. When keying in orders now, for example, brokers can use Market to Limit order, Fill and Kill, and minimum quantity. Other innovations included introducing CDS Straight Through Processing and extending our eCash payments framework. To further expand our accessibility and reach, we have also revamped our website to be more user-friendly.

The derivatives space was enhanced by the implementation of a new clearing system which has greater capacity for trade volume and for handling more complex products. This system also incorporates better risk management capabilities to protect investors.

In terms of new products, we further entrenched our leadership position in the palm oil market with the launch of Options on Crude Palm Oil futures (OCPO), the first commodity options in Asia. The derivatives market was also enriched by the re-launch of options on FKLI (OKLI). Meanwhile, BSAS saw the addition of RBD Palm Olein as one of its commodity offerings.

As our marketplace evolves with the addition of more products of greater complexity, we acknowledge the need for a more sophisticated system to protect our market integrity and our investors. Hence on 31 December 2012, we introduced a new Surveillance System which helps to improve the quality of both our securities and derivatives markets.

Our efforts to reshape the market structure and framework are geared towards removing barriers in order to create greater activity and liquidity. Towards this end, we introduced referral agent activities and a dual licencing fast-track programme; eased the entry requirements for derivatives trading; and are now allowing futures brokers to set up branches and kiosks to expand their reach.

To profile our PLCs and elevate the Malaysian capital market internationally, we have been conducting the successful Invest Malaysia programme, in Kuala Lumpur and Hong Kong, every year. At the 2012 events, we positioned Bursa Malaysia as a key driver of the ASEAN market. ASEAN, with a population of 600 million, is one of the world's most vibrant economic regions, with projected GDP growth of 5.5% through to 2017 according to the Organisation for Economic Co-operation and Development (OECD). We intend to leverage on this growth to create greater visibility on the international front.

We have already made headway in this regard in both the derivatives and Islamic markets, where we are gaining recognition for offering quality products and services.

Derivatives trade by foreign institutions increased from 31% in 2011 to 36%, and we are hopeful of further boosting this figure upon clearance from the Commodity Futures Trading Commission (CFTC) for US traders to have direct market access to the Globex trading platform. In our Islamic markets, no less than a quarter of the trading participants are foreign, and trade by foreign participants on BSAS increased from 21% in 2011 to 30%. Our credentials as a sukuk listing destination, meanwhile, are second to none as we uphold our status as the premier sukuk listing destination for the fourth consecutive year.

PROTECTING THE INTEGRITY OF OUR MARKETPLACE

As a regulator, we serve to ensure a high level of integrity in the marketplace in order to protect our investors. In carrying out this function, we constantly update our regulatory framework so that it remains relevant to support developments taking place regionally.

In advance of launching the Exchange Traded Bonds and Sukuk (ETBS) in February 2013, we changed our Listing Requirements to permit the listing of bonds and sukuk by a larger base of issuers that includes non-listed companies. We further amended the Listing Requirements to support the Securities Commission's Corporate Governance Blueprint 2011 and Malaysian Code on Corporate Governance 2012 by strengthening board quality and enhancing transparency in listed companies' governance practices. To accommodate the new products launched on our derivatives market, we also made relevant changes to the Bursa Derivatives Rules.

PROSPECTS FOR 2013 AND BEYOND

The overall outlook for Malaysia is anticipated to be marginally better in 2013 than it was in 2012 given the country's economic prospects and business fundamentals, despite on-going global uncertainties. Malaysia's strong domestic demand will continue to drive growth, supported by catalytic initiatives under the GTP and ETP.

These will cushion the global impact on our securities market, which we will continue to build by further enhancing our infrastructure and introducing new asset classes. The year has already begun on a high note with the listing on 8 February of our first ETBS, issued by DanaInfra Nasional Berhad. With the Guidelines issued on Business Trust late 2012, we can look forward to additional options for fund raising exercises and investments.

We also aim to expand our retail reach via the Internet, and build a strong cadre of investors by targeting those who have just entered the workforce as well as the current population who are not active investors. The idea is to reach out to potential investors and keep them informed of the wide range of investment opportunities, products and services that Bursa Malaysia has to offer.

While our derivatives market has been growing from strength to strength over the last few years, we will continue to develop it by further widening our distribution channels and increasing the breadth and depth of our product offerings. As an example, we plan to leverage on our entrenched position in palm oil trading by creating new tradable options such as futures in refined palm oil.

A major challenge in the Islamic markets is acceptance of our products internationally. To overcome this, we intensify our product innovations and offerings to meet the international Shari'ah standards through continuous consultation and engagement with industry players. This is also supported by more focused marketing and educational efforts.

FBM KLCI hit a number of highs
from July onwards

We stepped up our linkages with the regional market via the
ASEAN Trading Link

Futures & Options World presented our derivatives segment the
Best Technology Innovation by an Asian Exchange award

Bursa Suq Al-Sila' (BSAS), recorded a **89%** increase in average daily value to **RM2.3 billion** in 2012

Other innovations included
revamping our website
to be more user-friendly

We recognise that our onward journey will be challenging yet, having implemented several mission-critical projects in 2012, we are confident of our potential once the market picks up. In 2012, we made a good start towards becoming an exchange to be reckoned with, and are determined to continue to push the envelope to serve not just Malaysian issuers and investors, but also those from the region and beyond so as to establish ourselves as ASEAN's leading marketplace.

MANAGEMENT COMMITTEE / SENIOR MANAGEMENT

from left to right :

Dato' Tajuddin bin Atan
Chief Executive Officer
Bursa Malaysia Berhad

Leads Bursa Malaysia Group of companies

Nadzirah binti Abdul Rashid
Chief Financial Officer
Corporate Services

- Finance
- Administration
- Treasury
- Community Investment
- Corporate Legal
- Security Services

Chua Kong Khai
Chief Market Operations Officer
Market Operations

- Exchanges Operations
- Depository
- Market Operations Development
- Clearing and Settlement Operations

Selvarany Rasiah
Chief Regulatory Officer
Regulation

- Regulatory Strategy
- Regulatory Policy and Advisory
- Corporate Surveillance and Governance
- Market Surveillance
- Listing
- Participants Supervision
- Enforcement
- Investigation

Chong Kim Seng
Chief Executive Officer
Bursa Malaysia Derivatives Bhd

Leads derivatives subsidiaries

Datin Azalina binti Adham
Head, Strategy and Transformation

- Enterprise Transformation
- Strategic Business Development
- Strategic Communications
- Strategic Planning

Leong Chai Kin
Chief Information Officer Technology and Systems

- Technical and Operation Services
- IT Governance
- Trading Solution Services
- Post Trade Services
- Enterprise Services
- IT Services and Enterprise Management
- Infrastructure Management

Ong Li Lee
Acting Global Head, Securities Markets

- Market Development
- Issuer Development
- Investor Development
- Information Services

Jamaluddin bin Nor Mohamad
Head, Islamic and Alternative Markets

- Shari'ah and Governance
- Shari'ah Compliant Securities
- Bursa Suq Al-Sila'
- Bonds & ETBS
- Labuan Financial Exchange

Tina Choo Wun Hooi
Acting Head, Group Human Resources

- Human Resource Operations
- Human Resource Strategy

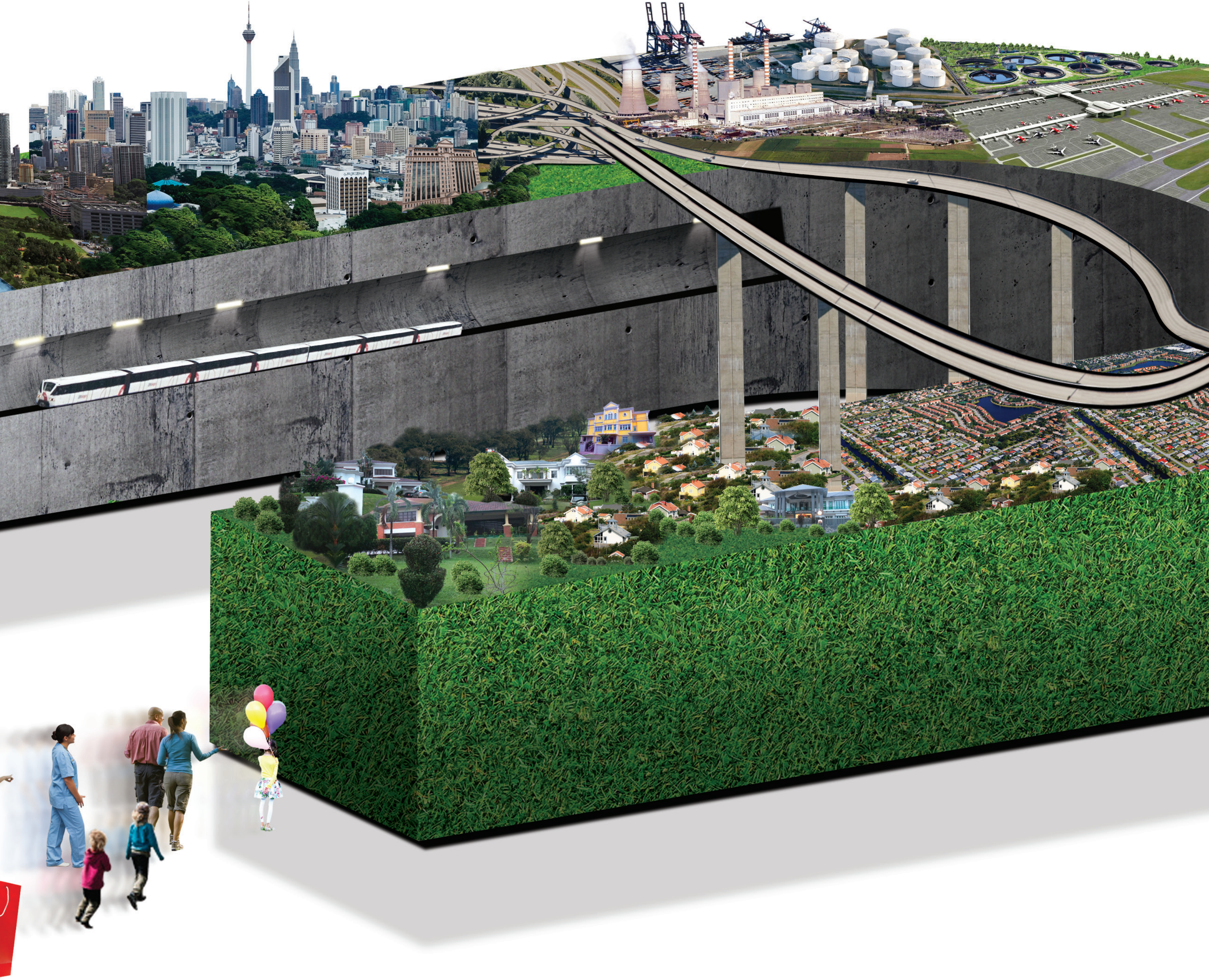
Yong Hazadurah binti Md Hashim
Head, Corporate Secretarial and Compliance / Group Company Secretary

- Governance and Corporate Secretarial
- Corporate Compliance
- Regulatory Secretarial

Siti Zaleha binti Sulaiman
Head Corporate Risk Management

- Business Continuity Management
- Corporate Risk Management


FOR SALE OWNER
FOR RENT
GS



BUILDING CAPITAL

Our efforts to position Malaysia as a key destination for fund-raising were rewarded in 2012 when we listed some of the largest IPOs in the world. The global investment community certainly took note as we displayed our capability and capacity for building and further growing capital.

CORPORATE SUSTAINABILITY STATEMENT

Bursa Malaysia is committed to creating value for all our stakeholders by maintaining the highest standards of corporate governance and integrating long-term environmental and social goals with our economic performance. We constantly engage with our stakeholders on key issues that impact them, and ensure these are addressed in our business strategies and practices.

MARKETPLACE

As a regulator and market operator, we have a statutory duty to ensure that our market is fair and orderly. Our objective is to build and maintain market quality and integrity with competitive products and services, as well as establish an informed investment community. While promoting responsible and ethical business practices, we are conscious of the need for Bursa Malaysia itself to be seen as a model of corporate and business ethics as we strive to be Malaysia's most admired Public Listed Company (PLC).

We continue to invest in initiatives that enhance our competitiveness, financial returns, customer satisfaction, brand reputation, risk and crisis management capabilities as well as product and service innovation. This year, a key milestone was the launch of the ASEAN Trading Link, which will greatly increase capital flow and enhance liquidity as well as the vibrancy of the ASEAN marketplace to the benefit of investors in this region.

Towards supporting integrity in the marketplace, our on-going initiatives include:

- Governance and sustainability programmes for directors and practitioners
- Support of the annual National Annual Corporate Report Awards (NACRA)
- Educational programmes, eg Invest Malaysia, Market Chat, Talk Futures, CBRS Research Scheme, IPO Seminars and Bursa Bytes

In 2012, we supplemented these with the following additional initiatives:

- Collaboration with Phillip Futures and Universiti Tun Abdul Rahman (UTAR) to offer UTAR students the opportunity to compete in the Commodity Trading Challenge organised by the CME Group
- Establishing the Competition Law Compliance Policy
- Enhancing the Compliance Guidelines and Contract Management Guidelines
- Developing standard operating procedures for market access

We also strengthened our own sustainability framework by:

- Signing the Corporate Integrity Pledge
- Producing our inaugural Sustainability Report, for the year 2011
- Continuing with our business process improvements
- Becoming MS ISO/IEC 27001:2007 certified for the first time
- Being recertified for the ISO 9001:2008

COMMUNITY

We promote educational excellence and serve the community through acts of philanthropy as well as employee volunteerism through our foundation, Yayasan Bursa Malaysia. Our community initiatives are targeted at areas where we can make the greatest difference, such as in enhancing capital market awareness through education.

On-going community programmes include the provision of scholarships and internships, and training unemployed graduates under the government's Skim Latihan 1Malaysia. Under the Khazanah Nasional-inspired PINTAR programme, we have since 2009 adopted two schools where we aim to raise academic standards by sponsoring educational material and facilities, and motivating both the students and teachers to achieve academic excellence. To reinforce our efforts, we reward the top performers of our adopted schools in the national examinations with Excellence Awards. This initiative is also extended to children of our employees.

As a caring organisation, we co-sponsor The Edge-Bursa Malaysia Rat Race which in 2012 attracted the participation of 80 companies and raised RM2.1 million, to be distributed to 26 beneficiary organisations. During the year, we also raised RM12,150 for charity via an employee-driven event, The Great Cookout Day. Meanwhile, we supported the charitable efforts of others, such as Frost & Sullivan's Frost the Trail Corporate Challenge 2012 and Singapore Exchange's SGX Bull Charge 2012.

Finally, our Management and employees carried out a number of community outreach programmes with organisations such as the Pusat Jagaan Al-Fikrah, Pertubuhan Al-Hidayah, Positive Shelter Home and Pertubuhan Kebajikan Al-Hidayah Selangor. We also organised an outing to Gua Tempurung for students from one of our adopted schools, SMK Batu Laut.

ENVIRONMENT

We are committed to reducing our environmental impact by minimising our operational carbon footprint. We promote the responsible use of resources and the importance of environmental protection among our employees and stakeholders.

Towards reducing our greenhouse gas (GHG) emissions, we are sparing in our electricity usage, business air travel and paper consumption. In 2012, we achieved a 2.1% reduction of GHG year-on-year with initiatives such as greater emphasis on e-Services. Bursa Malaysia's commitment to lowering our carbon footprint is further exemplified by our support of Earth Hour and participation in the Carbon Disclosure Project in 2012, run by an independent not-for-profit organisation working to drive greenhouse gas emission reduction and sustainable water use by businesses and cities.

To promote an environmentally-conscious culture in the workplace, we ran a recycling drive during The Great Cookout Day. Our efforts towards ensuring environmental sustainability led to Bursa Malaysia being recertified for the MS ISO 14001:2004.

On a broader scale, Bursa Malaysia is contributing towards drafting a Framework for GHG Reporting for Malaysian companies.

WORKPLACE

Our team comprises people from diverse backgrounds who share our 'BURSA' core values of Building Relationships, United to Achieve, Responsibility, Simplicity and Agility. In embracing these values, we maintain high standards of ethics and integrity and our commitment to deliver. We aim to attract the best talents, and retain them by providing various opportunities to enhance their capability and capacity while ensuring workplace satisfaction, safety and wellness.

Nurturing our Human Capital Through Sustainable Talent Development

Bursa Malaysia's long-term success depends on the quality of our human capital and, more specifically, on the ability of our employees to execute our business strategies efficiently and effectively. We therefore place great emphasis on developing the capabilities of our people and honing their talents. Today, as we strive to achieve leadership in the ASEAN marketplace, we are stepping up our efforts to increase not just the capabilities of our employees but also their sense of ownership of our common goals.

Towards this end, we have created a '3D' motto, with the aim of nurturing a culture that is dynamic, driven and dependable. Group Human Resources (GHR), meanwhile, supports various initiatives that have been implemented as part of our Strategic Intents.

Incentivising and Rewarding Performance

We practise a system of total rewards management based on the philosophy of pay for performance. Employees are rewarded for excellence, productivity improvements and contribution towards the achievement of the organisation's immediate and long-term objectives. Total rewards management encompasses not only compensation and benefits but also performance recognition, work-life integration as well as professional development and career progression. This creates a motivated workforce that is more likely to contribute to the organisation's future successes.

Meanwhile, the Bursa@work programme helps employees understand how their daily actions contribute to the success of the team, business group and Company as a whole. The programme further recognises employees who embody Bursa Malaysia's values which underpin our corporate culture and contribute to the achievement of our mission.

Our compensation and benefits structure is made up of three major components, namely base pay, short-term incentives (STI) and long-term incentives (LTI). To stay true to our philosophy, merit increments, performance bonuses and employee share options are linked to our organisation and performance through the Corporate Balanced Scorecard, and are administered equitably.

Staff are awarded annual salary increments and performance bonuses based on the Company's and individual performances. Every year, the merit review and salary planning are dictated by approved budget provisions which in turn are based on Bursa Malaysia's performance forecast and market projection. This reward strategy has been used to attract and retain the best talent.

Following the expiry of the Employee Share Option Scheme on 8 March 2010, a share grant plan (SGP) was introduced in 2011 as an LTI programme. The SGP has two components – a Restricted Shares Plan (RSP) and a Performance Shares Plan (PSP). Key features of both plans are the performance period, vesting period, annual grants, performance qualifier, performance conditions and performance measurement.

Following the first RSP exercise in July 2011, a second annual RSP grant (2012 RSP Grant) was made on 2 July 2012 as a further incentive to reward and recognise employees contribution.

All permanent managers or those on fixed-term employment who had been confirmed in writing as at the offer date were eligible for the 2012 RSP Grant. As for the PSP, only employees who are accountable for or contribute towards Bursa Malaysia's corporate performance, including the PSP targets, can be selected to participate in the plan. In this sense, the PSP is an incentive for key Senior Management and selected executives who are in a position to drive Bursa Malaysia's growth. The performance shares will vest at the end of a three-year performance period subject to the fulfilment of the approved performance targets.

Staff Training and Development

Group Human Resources (GHR) has developed a structured developmental programme to optimise and develop our people skills by strengthening both their capabilities and competencies. During the year, 252 developmental programmes were held locally and abroad covering both soft and functional skills. Compared to our minimum target of three training days, our employees registered 4.9 training days.

Towards nurturing future industry leaders, we continued the Management Associates Programme known as Trailblazers, which offers graduates the opportunity to obtain the professional Certificate in Finance, Accounting and Business while gaining invaluable on-the-job training at Bursa Malaysia.

Just as we are committed to nurturing our talent and future leaders, we also believe that a core leadership requirement is the ability to develop others. Coaching, mentoring and post-training knowledge transfer, therefore, form part of the learning culture at Bursa Malaysia and have proven to be invaluable in developing the workforce throughout the organisation.

To support our developmental programmes, we have a training facility within our premises for in-house programmes. Our Knowledge Centre, meanwhile, is equipped with on-line research facilities and houses extensive reading material for our staff's reference.

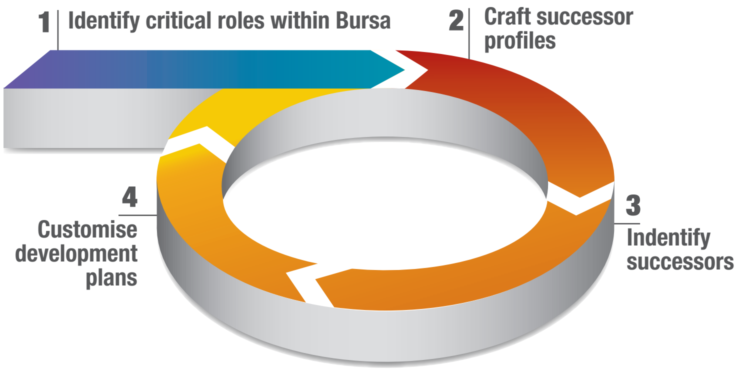
Work-life Balance for Sustained Success

To attract and retain the best talent, we are mindful of the need to balance the needs of our staff from both the professional and personal perspectives. Towards this end, we encourage our employees to adopt a healthy lifestyle and strike an optimum work-life balance. We provide facilities such as a fully equipped gymnasium and a multifunctional indoor court which accommodates games such as futsal, sepak takraw, badminton and netball.

We take pride in nurturing a spirit of togetherness by celebrating local festivities with our employees and rewarding their hard work at our annual dinners. Such events contribute towards a sense of belonging to the organisation which increases productivity and promotes talent retention.

Succession Planning & Talent Development

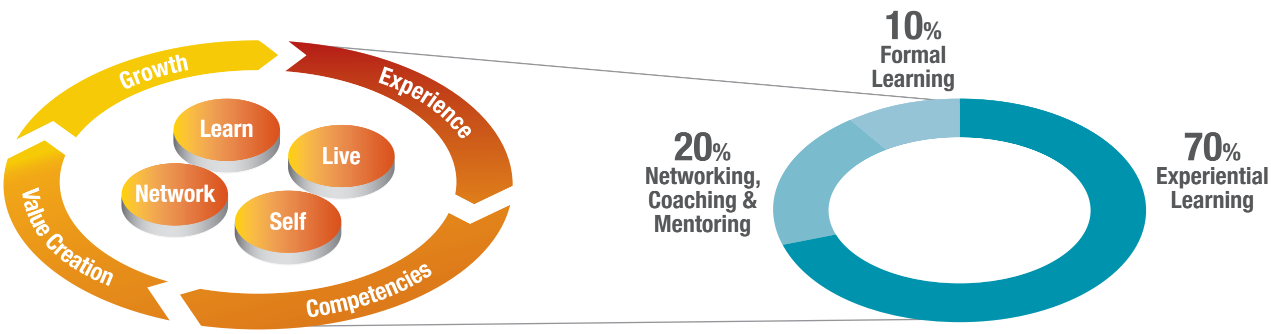
A Succession Planning Framework has been developed to ensure continuity of key positions and to provide guidance for developmental activities. The framework governs the process of identifying critical roles, crafting successor profiles, identifying successors and customising development programmes.



Succession Planning Framework

Supporting the Succession Planning Framework, GHR in 2012 embarked on a consultative programme to craft Individual Development Plans (IDPs) for middle management. The IDPs identify the most appropriate development interventions which will form the foundation for short to middle-term career progression. The IDPs were the direct result of discussions held with employees, who had earlier attended Competencies Development Workshops organised by GHR.

Succession Planning which forms one of Bursa Malaysia's Strategic Initiatives geared towards sustainable growth, incorporates organisational and business operations perspectives. In light of this, GHR designed Customised Accelerated Development Programmes offering conventional and non-conventional development interventions.



Development Interventions Approach

Through the Customised Accelerated Development Programmes, potential leaders prepare for future roles via practical experience and hands-on learning. The development plans are crafted based on behavioural and technical competencies.

Bursa Malaysia also recently put in place a framework to enhance the behavioural competencies of all staff. This supports the creation of a high-performance culture as required of a leading ASEAN marketplace.

Fostering Teamwork Towards a Common Vision

It is imperative to have an engaged workforce in order to reinforce our core values and work towards the organisation's business goals.

To ascertain the effectiveness of our efforts, we conduct an annual Employee Engagement Survey (EES). In 2012, the focus of our EES was on Leadership and Organisation Culture & Values, as we believed it would provide us an insight into our employees' views on the above two values so that their concerns can be addressed promptly and effectively. The 2012 Employee Engagement score was marginally better than Bursa Malaysia's average since 2008. The results also indicated specific areas of opportunity to enhance employee engagement.

Leadership and Organisation Culture & Values also formed part of our Management Committee (MANCO) members' KPIs to further foster teamwork and interaction among employees.

Providing Equal Opportunity

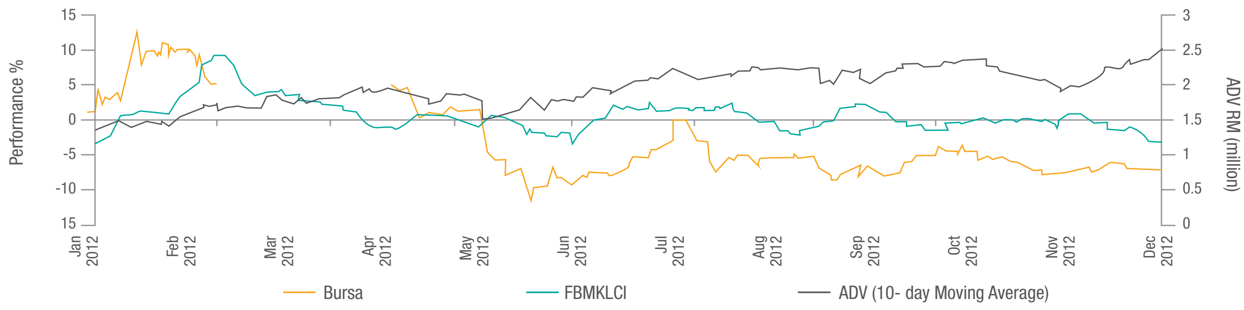
Bursa Malaysia believes in being an equal opportunity employer, hence we will be guided by the principles of meritocracy and fairness in all decisions regarding employment, transfer, promotion and the professional development of our people. In terms of gender equality, in 2012, our total male to female employee ratio was 55:45 while in Senior Management, we had achieved equal gender representation.

MOVING FORWARD

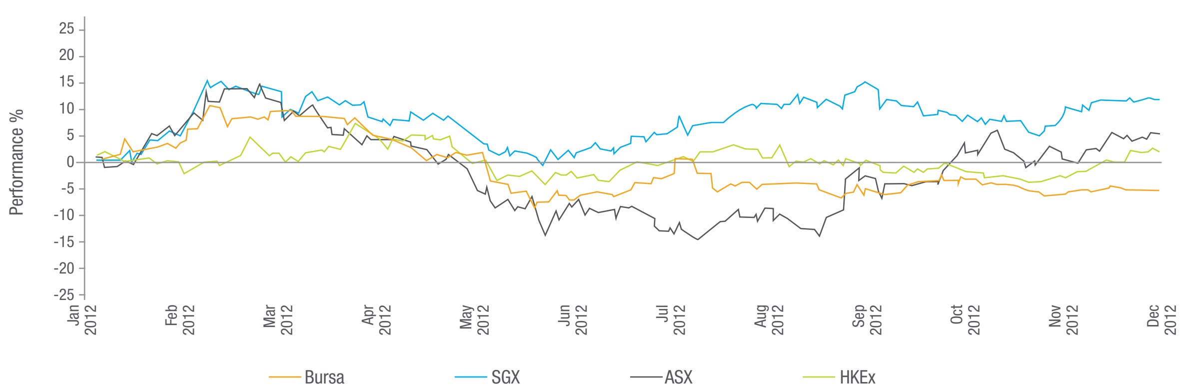
Bursa Malaysia will continue to promote high standards of integrity and governance and encourage greater disclosure on sustainability within corporate Malaysia. Our stakeholder engagement will continue to serve as a platform for us to identify, assess, prioritise, address, improve and communicate our sustainability issues, practices and performance.

FOR OUR SHAREHOLDERS

Bursa Malaysia's share price took off at the start of the year in line with strong performance of Asian shares and other regional exchanges. In May, however, regional exchanges and indices were affected by negative news flow, in particular that surrounding European sovereign debt issues. During that same period, Bursa Malaysia was removed from the MSCI Emerging Markets Index, and transferred from the MSCI Malaysia Standard Index to the MSCI Malaysia Small Cap Index at MSCI's semi-annual index review on 15 May. The reclassification by MSCI resulted in a drop in share price over the month, culminating in a large sell down as funds tracking the index sold out. Foreign shareholding in Bursa Malaysia fell from 17% at end April to 10% at end May. The movement of our share price is reflected below.



Bursa Malaysia Share Price performance vs. FBM KLCI



Bursa Malaysia Share price vs. Selected Listed Exchanges

In 2012, our share price dropped by 7% from RM6.70 to RM6.22 mainly due to the removal from the MSCI index. This, in effect, has made our share more attractive than other exchanges in the region. As at 31 December 2012, Bursa Malaysia's forward PE ratio stood at 21.7x, in comparison to Hong Kong Exchanges and Clearing Ltd (32.2x), Singapore Exchange (23.8x) and Australian Securities Exchange (15.9x) [Source: Bloomberg]. Despite the downward movement of our share price, mainly due to the MSCI announcement, Bursa Malaysia's fundamentals remain strong and unaffected.

IMPROVEMENT AND RECOGNITION

As an exchange and a proxy to the market, maintaining best practice in corporate governance is given top priority at Bursa Malaysia and we remain committed to strengthening the investment community's confidence in the Company. In the year under review, Bursa Malaysia was proud to be included as one of the Top 50 Corporate Governance Ranked Mid/Small Caps in Asia Pacific by the Asian Corporate Governance Association. This recognition elevated our standing, and attracted the interest of foreign institutional funds that had never previously invested in the Exchange.

As part of our continuous effort to forge a stronger relationship with our investors, we launched our new and easier-to-navigate website in early July. Its new features include more user-friendly search functions for stock prices, all-in-one listed company profile pages and improved classification of information. In order to provide clear segregation of the dual role played by Bursa Malaysia as a listed company and an exchange marketplace, the website has also been divided into two broad sections – the Corporate and Market sections.

We encourage investors to follow our progress and explore our new Investor Relations portal located in the Corporate Section of the website. We continue to make available the webcast of our Annual General Meetings (AGMs) and our CEO's video on our IR Portal.

OUR COMMITMENT

Access to timely information is vital to our investors. In this regard, we use an array of media channels to disseminate material and price-sensitive information to our investors for them to make informed decisions. We continue to keep our investors engaged through roadshows, meetings, briefings, announcements and our Annual General Meetings.

As part of our continuous efforts to reach out to our stakeholders, Bursa Malaysia engaged with investors in Kuala Lumpur, Singapore, Hong Kong and the United States this year. We have 20 analysts from local and foreign houses providing coverage for Bursa Malaysia. As at 31 December 2012, Bursa Malaysia had 57% of its call ratings as Buy, Outperform or Overweight, 36% as Hold, Neutral or Market Perform and 7% as Sell.

DIVIDEND POLICY

We remain committed to rewarding our shareholders. Our policy is to pay out no less than 75% of our net profit subject to other considerations, such as the level of available cash and cash equivalent, return on equity and retained earnings, our projected level of capital expenditure and other investment plans.

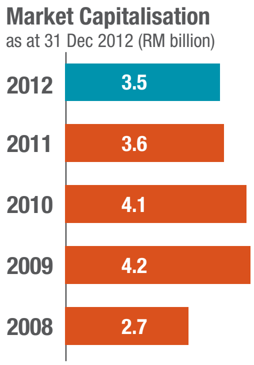
We have constantly rewarded our shareholders above the minimum 75% of our net profit. In the last five years, we have paid out more than 90% of our net profit, as reflected in the table below:

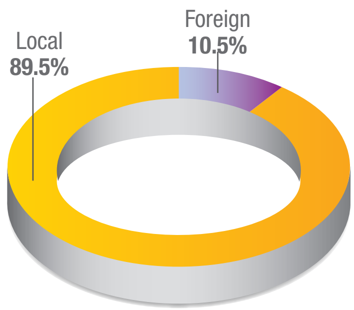
Financial Year	Dividend Payment (sen/net)		% of Dividend Payout
2012	• Interim Dividend • Final Dividend	13.5 13.5	95%
2011	• Interim Dividend • Final Dividend	13.0 13.0	95%
2010	• Interim Dividend • Final Dividend	9.5 10.5	94%
2009	• Interim Dividend • Final Dividend	8.8 9.0	93%
2008	• Interim Dividend • Final Dividend	12.2 5.9	91%

FOREIGN SHAREHOLDING AND MARKET CAPITALISATION

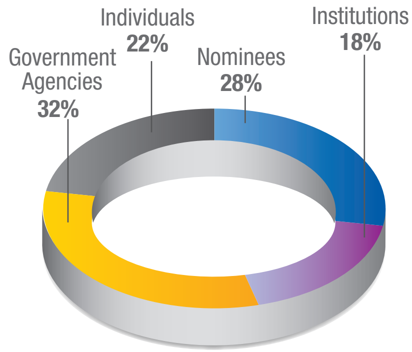
Our public shareholding of 65.2% provides a fair free float for Bursa Malaysia's shares and a good level of liquidity.

We had a total shareholder count of 26,976 as at end 2012. Our market capitalisation, meanwhile, declined from RM3.6 billion in 2011 to RM3.5 billion.





Foreign Shareholding as at 31 December 2012 (%)



Shareholding Structure as at 31 December 2012 (%)

INVESTOR RELATIONS CONTACT

All investors are welcome to contact the IR team directly at ir@bursamalaysia.com or visit the Investor Relations section on our website, where they can subscribe to regular updates on Bursa Malaysia via email alerts and access our quarterly newsletter.

MANAGEMENT DISCUSSION & ANALYSIS

Bursa Malaysia is an integrated exchange offering issuers and investors a platform for fund raising, trading and investment. Over the years, we have expanded the range of products within our securities, derivatives and Islamic markets to fulfill the appetite of every investor, issuer and trader. We also continuously enhance the quality and efficiency of our services, from trading to clearing, settlement and depository in our effort to become a competitive exchange.

Bursa Malaysia plays a critical role as a catalyst of growth for the Malaysian capital market. As at 31 December 2012, we had 921 Public Listed Companies (PLCs) on our Exchange, with a market capitalisation of RM1.47 trillion. As an exchange, our partners include investment banks/brokers, PLCs and institutional and retail investors. We believe in facilitating the needs of each stakeholder group to the best of our ability by creating a conducive ecosystem as we strive to amplify our presence in the ASEAN marketplace.

CHANGING LANDSCAPE

One of the most pertinent challenges facing all exchanges, including Bursa Malaysia, is the fast-changing landscape. Over the years, the market has become increasingly open along with liberalisation and online trading. This affords greater choice to investors and issuers, while increasing competition among exchanges. Within the ASEAN region, we are presented with opportunities upon implementation of various aspects of the ASEAN Economic Community (AEC) in 2015 which will entail freer flow of capital across all member countries while opening up doors to intra-regional investment.

In order to grab opportunities of tomorrow, Bursa Malaysia has for the last few years focused on strengthening its fundamentals. In 2012, we refined our strategy with the formulation of four Strategic Intents which outline a clear pathway leading to the realisation of our vision of becoming a leading ASEAN marketplace. These Strategic Intents are:

1. To create a more facilitative trading environment
2. To facilitate more tradable alternatives
3. To reshape the market structure and framework
4. To be the regional marketplace with global access

Strategic Intent No. 1 involves rethinking our market management approach, and introducing new systems driven by technological advances to allow for greater ease and efficiency of trading activity. This will help to create a robust, facilitative and vibrant marketplace for all types of traders and investors.

Strategic Intent No. 2 entails building a diverse profile of ample and sustainable tradable alternatives across the various asset classes in order to become an attractive fund raising and investment destination.

In making Bursa Malaysia an attractive investment destination, Strategic Intent No. 3 will enable the Exchange to compete regionally by reshaping the market structure and framework in order to reduce friction and to be competitive especially within ASEAN. It involves improving the delivery system by encouraging greater participation of traders and other intermediaries, and providing better support systems to ensure compliance with best governance practices.

In pursuit of the 4th strategic intent, Bursa Malaysia is capitalising on ASEAN's growth opportunities and its niche in Islamic capital markets to establish itself as a regional marketplace with global access and connectivity. The first key milestone was achieved with the ASEAN Trading Link, a growth catalyst spurred by direct cross-border trading between Malaysia, Singapore and Thailand.

FINANCIAL REVIEW

2012 saw Bursa Malaysia report a 4% increase in profit after tax and minority intrest (PATAMI) from RM146.2 million in 2011 to RM151.5 million, on the back of a 2% increase in operating revenue. Despite continued global uncertainties and market volatility, the local economy remained strong, boosted by the Government Transformation Programme and Economic Transformation Programme. Notably, 2012 saw Malaysia in the global spotlight with sucessful mega IPOs of Felda Global Ventures Holdings Berhad, IHH Healthcare Berhad and Astro Malaysia Holdings Berhad. This played an important role in our financial performance in 2012.

Our cost to income ratio, meanwhile, reduced by 2 percentage points to 49%, while our return on equity held steady at 17%.

	2012 RM million	2011 RM million	% Change
Operating Revenue	388.5	381.5	+2%
Other Income	38.6	38.6	-
Operating Expenses	(211.1)	(214.0)	-1%
Profit Before Tax	216.0	206.1	+5%
Income Tax Expense	(58.3)	(54.8)	+6%
Profit After Tax	157.7	151.3	+4%
Minority Interest	(6.2)	(5.1)	+21%
PATAMI	151.5	146.2	+4%
Cost to Income Ratio	49%	51%	-3%
Return on Equity	17%	17%	+2%

The increased net profit and improvement in our cost to income ratio were largely due to growth in revenue from income streams other than securities trading and a marginal contraction in costs.

Revenue growth

Our operating revenue grew from RM381.5 million in 2011 to RM388.5 million in 2012, mainly as a result of an increase in revenue from the derivatives market as well as stable income. The latter was boosted by the listings of the three mega IPOs, higher number of structured warrants listings and increase in sales of information. These more than compensated for the drop in revenue from securities trading from RM193.0 million to RM178.3 million due global uncertainties which cast a shadow over investor sentiment.

Contraction in cost

Operating expenses reduced marginally by 1% to RM211.1 million in 2012, as a result of a lower headcount and depreciation.

Rewarding shareholders

Our higher PATAMI allows us to propose a higher dividend for 2012. A final dividend of 13.5 sen will be recommended for shareholders' approval at our Annual General Meeting on 28 March 2013. If approved, this will bring our total dividend for the year to 27 sen, representing a payout ratio of 95% which is consistent with our yearly offering, surpassing our 75% payout policy.

SEGMENTAL REVIEW

Improvement in profits of business segments

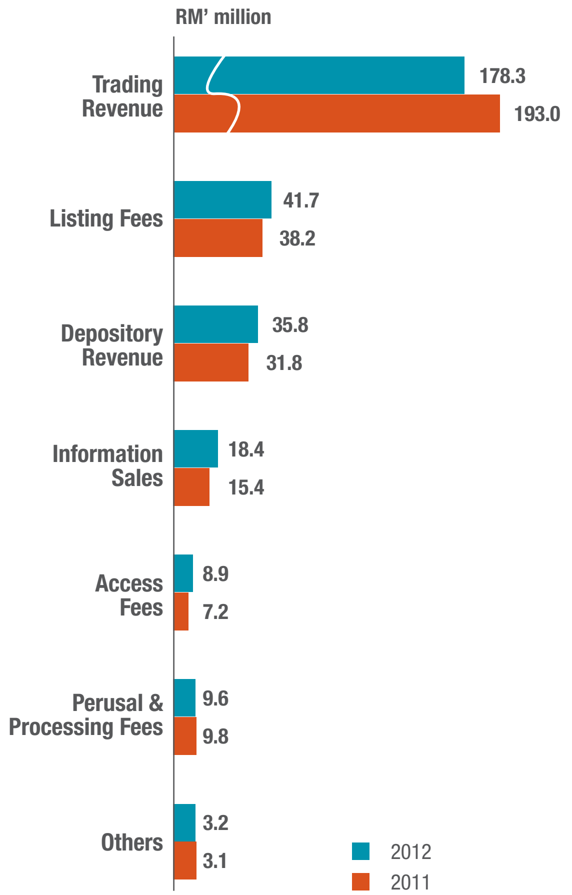
Our key market segments improved during the year while other businesses saw positive trajectory with a significant reduction in losses.

	2012 RM million	2011 RM million	% Change in Segment Results
Segment Profit from:			
Securities Market	225.6	220.9	+2%
Derivatives Market	41.9	37.0	+13%
Exchange Holding	9.0	11.7	-23%
Other Businesses	(4.0)	(8.7)	+54%
Total Segment Profit	272.5	260.9	+4%
Overheads	(56.5)	(54.8)	
PBT	216.0	206.1	

Securities market supported by mega IPOs, structured warrants and lower costs

The reduction in cost compensated for the lower trading revenue resulting in 2% increase in profit in the securities market from RM220.9 million to RM225.6 million in 2012. Operating revenue generated by the securities market amounted to RM295.9 million, a 1% reduction from RM298.5 million in 2011.

Securities market segment revenue



Trading revenue reduced by RM14.7 million to RM178.3 million in 2012, as investor sentiment was affected by the continued global economic uncertainties. Though retail players and foreign investors were more cautious, this was mitigated by support from domestic institutions.

The highlight of our securities market in 2012 was the listing of the three mega IPOs, which raised an aggregate fund size of RM20.8 billion. These three IPOs contributed to approximately RM10 million in trading and depository revenue.

During the year, we saw an increased appetite for structured warrants. This contributed to a 52% increase in the number of structured warrants issued to 551 and a corresponding increase in the listing fees.

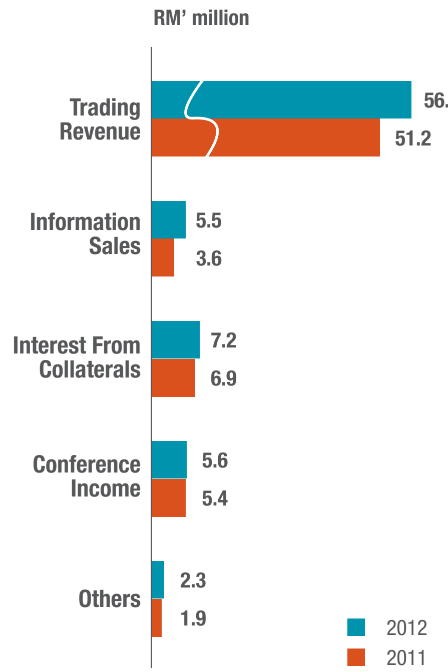
The review of the market data fee structure in 2012 and a greater level of subscription to the direct market access which we introduced in 2011 also helped to mitigate the effects of the drop in trading revenue.

Direct costs in the securities market decreased by 10% from RM92.7 million to RM83.1 million, mainly due to a lower headcount and depreciation.

Derivatives market supported by growing interest in CPO futures contracts

The derivatives market saw a 13% increase in profit from RM37 million in 2011 to RM41.9 million in 2012, mainly due to higher trading volumes. Operating revenue increased by 11% from RM69 million to RM76.6 million.

Derivatives market segment revenue



Trading revenue increased by 9% to RM56 million in 2012 from RM51.2 million in 2011, largely due to increase in interest in our key product, CPO futures contract. Volume of CPO futures contracts grew by 27% on the back of continuous CPO price volatility resulting in a greater use of CPO as a hedging tool, and improved participation from foreign institutions. The global visibility accorded by the Globex trading platform served to improve foreign participation from 31% in 2011 to 36% in 2012.

The review of the market data fee structure in 2012 and a higher subscription for derivatives data also contributed to the increase in revenue to the derivatives market.

Direct costs in the derivatives market increased by 5% from RM35.5 million in 2011 to RM37.2 million in 2012 as a result of higher volume related fees charged for trades conducted on the Globex trading platform.

Exchange holding company

The exchange holding company reported a decline in profit by 23% from RM11.7 million in 2011 to RM9 million in 2012 due to higher one-off consultancy fees.

Losses in other businesses reduced by improving trade on BSAS

Other businesses segment comprises the operations of a Shari'ah compliant commodity trading platform (BSAS), an electronic bond trading platform and an offshore exchange (LFX). Operating loss was halved from RM8.7 million in 2011 to RM4.0 million in 2012 due to lower losses from the business within this segment. BSAS recorded significant growth in operations largely due to growing global acceptance of it being a platform for Murabahah sukuk issuance. This was evidenced by an 89% growth in daily average value traded on BSAS from RM1.2 billion in 2011 to RM2.3 billion in 2012. At the same time, domestic and foreign participation grew by 61% and 193% respectively. The lower losses recorded by the operations of electronic bond trading platform and LFX were due to lower cost incurred and marginal increase in revenue.

OPERATIONAL REVIEW

SECURITIES MARKET

During the year, we focused on creating a more facilitative ecosystem in the securities market by introducing a number of technological improvements, while also launching new products and stimulating interest via an active investor engagement programme. Although there was a drop in new listings, the value of the IPOs made up for their small number. The number of secondary capital issues also fell, while the number of newly listed structured warrants increased.

Improved Efficiency

Among the technological enhancements we invested in was Central Depository System (CDS)-Straight Through Processing, which was implemented in three phases. The first phase, launched on 18 June 2012, allows participants to receive regular updates of their clients' CDS account balances. The second phase, launched on 13 August 2012, provides intraday updates on clients' shareholding positions. Phase three, implemented on 15 October 2012, allows subscribing participants to automate their daily data entry of transactions into the CDS, minimising manual data entry and facilitating faster data capturing.

We followed up on the enhanced CDS to provide share registrars and listed issuers with greater access to Records of Depositors (RODs) online. Share registrars/listed issuers can now access RODs backdated to seven years, check the status of Corporate Action ROD online, and request for RODs for future dates. Further speeding up corporate actions, the CDS can now send electronic notifications to share registrars or issuing houses on allotment verification results, while share registrars can submit bulk transfer requests via eRapid, as opposed to through magnetic media. Finally, trustees can request for the creation or redemption of exchange traded fund (ETF) units for multiple Participant Dealers currently.

To further enhance straight-through processing, in July 2012, we introduced an enhanced Central Matching Facility (CMF) for the Clearing House, which offers end-to-end electronic matching of trade and settlement details between trading clearing participants and non-trading clearing participants, who are also the clearing participants of the Clearing House. The CMF has a greater capacity to handle pre-matched transactions while minimising settlement risks and errors.

To facilitate the selling of loaned securities by a lender before recalling from the borrower, the Scheduled Delivery Time and Scheduled Settlement Time for recalled securities were modified in connection with the introduction of the Capital Markets and Services (Securities Borrowing and Lending) Regulations 2012. Consequently, the Securities Borrowing and Lending Central Lending Agency (SBL-CLA) and Securities Borrowing and Lending Negotiated Transaction (SBL-NT) were enhanced. These enhancements were completed by March 2012.

Meanwhile, the eCash Payments Framework was extended following the success of the electronic dividend payment system, which now accounts for 81% of total dividend payments, up from 77% in 2011. As of 3 September 2012, electronic payment has been made available for other forms of cash payments to securities holders such as interest or profit rates on debt securities or sukuk, income distribution by Real Estate Investment Trusts (REITs) and Exchange Traded Funds (ETFs), and capital repayments.

New Products and Services

On 8 October 2012, the FTSE Group and Bursa Malaysia launched the "FTSE Bursa Malaysia Small Cap Shariah Index" to serve as a benchmark for Shari'ah-compliant investments in small-cap companies on the Malaysian stock market. The new index forms part of the "FTSE Bursa Malaysia Emas Shariah" universe and will be calculated on an end-of-day basis.

Investor Engagement

During the year, we continued to engage with institutional and retail investors via established as well as new programmes so as to promote a vibrant marketplace.

Central to our institutional investor engagement programme is the annual Invest Malaysia conference, at which we highlight the strengths of our capital market and profile our PLCs. At the 8th Invest Malaysia Kuala Lumpur (IMKL), held on 29–30 May, we drew attention to our aim of being a key driver of the ASEAN capital market. The conference attracted 2,113 delegates, including 110 foreign participants from 85 organisations. IMKL was followed by the third instalment of Invest Malaysia Hong Kong (IMHK), held on 8 November 2012 in collaboration with OSK Investment Bank. It showcased 13 Malaysian corporations. Themed Capitalise on ASEAN's Multinational Marketplace, IMHK was attended by 64 Hong Kong fund managers from 49 organisations.

Targeting retail investors, we took our Market Chat programme to 80 semi-urban locations nationwide with the aim of educating and enticing non-investors or non-active investors to the market. Off the beaten track, we visited towns such as Sitiawan, Perak; Triang, Pahang; and Bahau in Negeri Sembilan. For the first time, 15 PLCs participated in the roadshows, providing retail investors the opportunity to interact directly with their management teams.

Our investor engagement programme also targets the younger generation, who represents future investors. To attract interest of Malaysian youth in the capital market, in 2012 we hosted the annual Young Enterprise Programme organised by the American Malaysian Chamber of Commerce (AMCHAMP) at which we introduced the basics of securities trading to 14 schools.

Combined with visits to Bursa Malaysia, the educational efforts in 2012 benefitted more than 2,000 students who now have a better understanding of the fundamentals of the capital market.

DERIVATIVES MARKET

Following the migration of our derivatives market onto the Globex trading platform in 2010, its reach has expanded internationally along with greater operational efficiency. In 2011, we developed a new derivatives clearing system which went live on 28 February 2012. This was followed by further market development via new services and products in order to lay a solid foundation for future growth.

New Technology

A major technological enhancement was the implementation of a new Derivatives Clearing and Settlement System (DCS) with multi-asset, multi-currency and multi-time functionalities and capabilities with a Standard Portfolio Analysis (SPAN) risk based margining system. The new DCS has the capacity to handle high volume trade and is robust enough to deliver complex products. With straight through and real time processing, Clearing Members' requests are approved in real time through e-forms and e-NSRs for tender processes. Post-trading, we have gone fully paperless.

New Products and Services

The new DCS allow us to launch new products to meet the growing hedging and trading needs, including Options on FKLI (OKLI), Options on Crude Palm Oil futures (OCPO) as well as the 3-Month Kuala Lumpur Interbank Offered Rate Futures (FKB3). The latter was revitalised and relaunched in response to market demand for a risk management tool. Market making schemes were introduced to the OCPO, OKLI and FKB3 contracts to provide liquidity via two way quotes.

In terms of service, we are offering participants greater flexibility with Negotiated Large Traded (NLT) and Exchange For Related Positions (EFRP) facilities. With the EFRP, a futures position may be exchanged for a related product or position such as a corresponding OTC swap position or futures position listed on the Exchange. Due to familiarity, the take up rate of these services is picking up.

In addition to migrating to CME SPAN, an industry standard for portfolio risk assessment, Bursa Malaysia Derivatives Clearing (BMDC) reviewed its default handling process and amended the terms of the standby letter of credit used for margin coverage and security deposit. In December 2012, BMDC conducted an industry wide default drill to familiarise participants with the procedure.

Creating of a More Vibrant Market

The Securities Commission (SC) had liberalised certain requirements for derivatives market participants in 2011. In 2012, these were complemented by a further relaxing of structural requirements for Local Participants and dual licensees. The SC approved a two-day familiarisation programme for new Local Participants (Locals), which incorporates education on trading, systems and regulations. Coupled with nationwide roadshows, 31 new Locals were recruited in 2012, bringing the total to 155 as at end 2012. The recruitment of relatively younger Locals has brought the average age of the group down from 50 to 45, in line with efforts to rejuvenate our trader population.

The SC also liberalised the dual licensing requirements of remisiers to having five years of experience and undergoing a six-day familiarisation programme instead of 10 years of experience and undergoing a four-day familiarisation programme. We believe this will inspire younger brokers to offer securities and derivatives as a bundled service portfolio.

To enable Trading Participants (TPs) to extend their marketing reach, the SC approved the setting up of branches and kiosks for those with a paid-up capital of at least RM10 million. This will allow traders to meet their broker representatives more easily and acquire more product information from the TPs.

Finally, referral agent activities have been given the green light, where securities and futures brokers are allowed to refer their clients to one another. This is anticipated to boost the number of participants in both markets.

Branding and Educational Initiatives

To promote our products and services, as well as to garner greater interest in the marketplace, we organised and/or participated in a number of events targeting different segments of our stakeholders.

Our global leadership in the palm oil market is reinforced by the annual Palm and Lauric Oils Conference and Exhibition (POC) held in Kuala Lumpur. In 2012, the exhibition themed Global Shocks, Local Impact took place in March, attracting 2,000 delegates representing various sectors of the edible oils industry from more than 50 countries.

We also partner with the Dalian Commodity Exchange (DCE) in organising the annual China Oils and Oilseeds Conference (CIOC) in Dalian, and use the opportunity to network with the large investor community in China. CIOC 2012 was held in November, drawing 1,000 delegates. Prior to the conference, in April, we conducted a market awareness programme for our derivatives products in Shanghai, Beijing, Hangzhou and Guangzhou, where our representatives met DCE futures brokers, Chinese end-user clients and existing CME clients.

Another marketing and networking opportunity was created when we hosted an FOW Derivatives World – Asia Roundtable with the agenda Malaysian Derivatives: Global Access Through a Global Partner. This saw presentations by key Malaysian futures brokers and Bank Negara Malaysia. The discussions covered accessibility, FCPO benchmark pricing, partnerships, operations, technology, regulation and capital controls.

We also conducted an educational programme for domestic institutions on derivatives via the Breakfast with BMD platform, Bloomberg Commodity Focus sessions and a joint seminar with the Palm Oil Refiners Association of Malaysia. In addition, a joint derivatives retail marketing campaign was conducted with TPs to increase awareness of trading professionally in derivatives.

Targeting youth, we collaborated with the Securities Industry Development Corporation (SIDC) to incorporate the derivatives licensing modules 14 and 16 into the finance and banking degree programmes at six local universities. We also co-sponsored and conducted train-the-trainer sessions to familiarise the university lecturers with the course content, reading materials, trading practices and the application of derivatives tools.

In addition, we supported the Commodity Trading Challenge organised by the CME Group. The challenge offers university students the opportunity to compete in an international derivatives trading game where they trade crude oil, gold and corn futures in a simulated and real time trading environment.

Internationalisation

Bursa Malaysia hopes to further expand its reach and accessibility via direct access by US traders through the Globex trading platform. In December 2011, following implementation of the Dodd Frank Act, the Commodity Futures Trading Commission (CFTC) replaced its no-action relief process with a registration process aiming to increase transparency and improve pricing in the derivatives marketplace. Consequently, in August 2012, we resubmitted our application for direct market access for the CFTC's review.

As a result of conducting product awareness campaigns and seminars in markets such as China, India, the United States and Europe, the number of contracts traded by foreign institutions increased from 31% in 2011 to 36% in 2012.

ISLAMIC MARKETS

Bursa Suq Al-Sila' (BSAS), our Islamic commodities trading platform, recorded an 89% increase in the average daily value to RM2.3 billion in 2012 as compared to RM1.2 billion in 2011, with an increase in trade by foreign participants from 21% in 2011 to 30% in 2012. A multi-commodity and multi-currency platform, BSAS currently offers five commodities, namely Crude Palm Oil (CPO), Plastic Resin, Refined, Bleached and Deodorised Palm Olein (RBD Olein), Hardwood Timber and Softwood Timber, tradable in 22 currencies.

In July 2012, BSAS recorded the highest trade ever in a day of RM7.9 billion. The largest single trade was recorded when BSAS facilitated the issuance of Celcom Transmission Sdn Bhd's sukuk for RM5 billion in August 2012. In December 2012, BSAS recorded the highest monthly trading value when the monthly total trading value hit RM66.3 billion. BSAS also facilitated the issuance of sukuk by foreign companies such as Abu Dhabi National Energy Company PJSC, Gulf Investment Corporation G.S.C., JSC Development Bank of Kazakhstan, Bahrain Mumtalakat Holding Company B.S.C, Noble House Limited and Golden Assets International Finance Ltd. In total, 28 sukuk Murabahah were issued on the BSAS platform in 2012, with a total value of commodities traded at RM24.7 billion.

The number of trading participants on BSAS also increased, from 55 in 2011 to 69 in 2012, of whom 54 were local and 15 were foreign.

On the Islamic capital market front, we retained our leadership position as the premier sukuk listing destination for the fourth consecutive year, with 20 programmes undertaken by 17 issuers, valued at a total of USD33.7 billion. We also hosted three new listings, two of which were non-ringgit issuances. Pulai Capital Limited's USD357.8 million exchangeable sukuk, the first sukuk to be priced at a negative yield, was listed in March 2012. Within the same month, AmIslamic Bank Berhad added a RM2.0 billion sukuk Musharakah programme to the Exempt Regime list. Towards the end of the third quarter, Bursa Malaysia welcomed Axiata Group Berhad's multi-currency sukuk programme, under which the largest RMB denominated sukuk was issued.

THE LABUAN INTERNATIONAL FINANCIAL EXCHANGE

Labuan International Financial Exchange (LFX) recorded six new listings in 2012, which included sukuk and bonds issued by domestic corporate issuers and the Government of Malaysia. A total of USD2.9 billion was raised on the LFX. LFX's market capitalisation as at 31 December 2012 stood at USD19.7 billion, with a total of 32 listed instruments.

TECHNOLOGY AND SYSTEMS

Technology remains a key driver of growth within the exchange industry, and we are committed to investing in the latest innovations in order to sustain a high level of operational efficiency while maintaining our market competitiveness. In 2012, we invested RM25.4 million in various features to facilitate key processes in our securities, derivatives and Islamic markets, as described above in our Management Discussion and Analysis. This amount represented a two-fold increase from 2011.

Commitment to a stable and secure technology environment will result in a 100% system availability for all our core business systems. It also contributed to the Bursa Trade Securities System being ISO 27001 certified. Having outlined our Strategic Intents, all technology resources are now aligned to deliver our targets so as to make headway in achieving our long-term goal.

OUTLOOK

The year 2013 promises to be as challenging as the year we have just witnessed. However, we are confident of being able to build on the many enhancements initiated in 2012, and to leverage on domestic liquidity as well as the ASEAN growth story, to make further progress in the years to come.

Our Business Plan for 2013 includes working on our four Strategic Intents to heighten our competitiveness as a marketplace. Among the changes in the pipeline are further enhancement of our trading system to facilitate greater activity; greater diversification in our product portfolio with exchange traded funds (ETFs), business trusts and new derivatives products; and expanded participation in the derivatives market as a result of further liberalisation of procedures and structures.

As an example, we will be revamping the participantship structure of the derivatives market by decoupling clearing participants from trading participants thus allowing for stand-alone clearing members. This will create a single trading right across all classes of products at a cost of entry comparable to regional futures exchanges.

Our ambition is to be Malaysia's most admired PLC as well as a leading ASEAN marketplace. We realise we will face many challenges as we strive to achieve these aspirations, yet we are firm in the belief that we have established a strong foundation that will serve us well along the next phase of our onward journey.

REGULATION

REGULATORY STATEMENT

As the operator of an integrated exchange that includes securities and derivatives trading, clearing and settlement and depository services, Bursa Malaysia places significant emphasis on ensuring our markets are fair, orderly and transparent. We discharge our regulatory role in a manner that is effective, balanced and independent, guided by a comprehensive five-pronged approach encompassing development, education, engagement, supervision and enforcement.

We discharge our duties through effective oversight and supervision of trading activities in our markets and the conduct of our PLCs and brokers. We continuously develop and refine our rules to ensure comprehensiveness and effectiveness of our regulatory approach. We also conduct various education programmes for market participants to enhance their understanding of our regulatory roles and functions.

Continuous Development of our Regulatory Framework

One of our focus areas in 2012 was to refine existing rules to cater for new products or services and enhancements to existing products and services. We also updated our Listing Requirements (LR) to enhance the corporate governance standards of listed issuers, pursuant to the Corporate Governance Blueprint 2011 and Malaysian Code on Corporate Governance 2012 (MCCG 2012). We kept our rules current by ensuring that consequential changes were made in line with changes to the laws and guidelines issued by the SC.

Conducive Capital Raising Framework

The number of listed companies that undertook secondary fundraising exercises through private placements and rights issues increased from 125 in 2011 to 133, with total funds raised at RM8.79 billion, as compared to RM8.29 billion as at end of 2011. In this regard, we are mindful of our responsibility to continue enhancing our efficiency in servicing PLCs on their secondary fundraising applications while discharging our regulatory role of safeguarding the interests of the investing community by monitoring listed companies' compliance with the prescribed rules and procedures. We also ensured that our turnaround time in assessing fundraising applications remained timely.

Orderly and Fair Trading in the Market

We monitored both trading and corporate activities of our PLCs to ensure orderly and fair dealings in our markets.

We also took appropriate regulatory responses for concerns noted, which included engaging with brokers and PLCs, issuing alerts on any unusual market activity (UMA) and referring to the relevant authorities any suspected breach of the law.

These resulted in, among others, additional disclosures made to the market by PLCs, effective management of trading activities that are of concern and corrective actions by brokers and PLCs to address concerns and weaknesses noted. Our early detection and swift regulatory responses averted the need to impose other types of trading suspension or restriction which would have impacted investment values.

We improved our surveillance capabilities through the launch of the New Surveillance System (NSS) on 31 December 2012. This aims to provide a robust monitoring mechanism for market surveillance, high degree of automation, and high performance and capacity in handling large amounts of data for analysis.

Continuous and timely Corporate Disclosure

Part of our PLCs' obligations is to provide investors access to information for informed decision making. In 2012, we observed high adherence by our PLCs to providing financial information on a timely basis. We monitored disclosures made by PLCs in circulars and announcements to ensure their timeliness and adequacy. As at 31 December 2012, 99.63% of our PLCs had issued their financial statements within the timeframe required under the rules. Also, following the amendments to the LR and the Corporate Disclosure Guide issued in September 2011, we have seen significant improvements in disclosures made in quarterly and annual reports relating to the analysis of performance, cash flow, five-year financial highlights and management discussions and analysis (MD&As).

Maintaining high level of Corporate Governance (CG) Standards and Sustainability Practices

We continue to enhance the standards of corporate governance (CG) and sustainability practices by the Boards of PLCs in Malaysia.

We saw positive results when CG Watch 2012 Report moved up Malaysia's ranking for CG practices from sixth position (in 2010) to fourth position (out of 11 Asian nations). This improvement can be attributed to the collective efforts of the industry and regulators as well as increased awareness among our PLCs of the importance of good CG practices. The above report was issued by Asian Corporate Governance Association (ACGA) in collaboration with CLSA Asia Pacific Markets (CLSA).

In 2012, we made further updates to the LR in line with the newly issued Malaysian Code on Corporate Governance (MCCG) and recommendations of the Corporate Governance Blueprint 2011 to enhance the CG practices of our PLCs. Our Corporate Governance Guide – Towards Boardroom Excellence – is being revised to reflect the new principles and recommendations of MCCG 2012.

High Standards of Business Conduct by Brokers

Our brokers play an important role in providing intermediation services to our investors, hence we require them to have in place good standards of business governance and conduct. This ensures continued integrity of the market and investor protection. We also focused our supervision in 2012 on front office trading controls which resulted in brokers enhancing their internal controls.

In 2012, we continued to ensure our brokers' compliance with our rules and monitored their financial health via on-site audits and reviews of their financial information. We found no financial failure of any participant and no industry-wide breach in 2012.

As at 31 December 2012, the industry average for Investment Banks' Risk Weighted Capital Ratio (RWCR) was above the minimum requirement of 8%. The industry average for Non-Investment Banks' Capital Adequacy Ratio (CAR) was 11.6 times against the minimum requirement of 1.2. The industry average Adjusted Net Capital for derivatives brokers was RM15.2 million, above the minimum requirement.

Education and Awareness

We conduct educational programmes on a regular basis for market participants to create greater understanding of our rules and requirements.

In 2012, we also conducted advocacy programmes for CEOs and CFOs of PLCs to enhance their understanding of the underlying principles in the rules and standard of expected disclosure. A total of 1,026 participants from 598 PLCs attended these programmes.

Further, to ensure that company secretaries of PLCs play a more effective role in advising their Boards of Directors and senior management on best practices in standards of disclosure, we collaborated with the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) to conduct 10 training sessions entitled Corporate Disclosure Guide for PLC Company Secretaries. The programmes were attended by 517 participants.

To raise awareness and share CG practices expected of PLCs, we engaged with directors, senior management and other gate keepers of PLCs in focus group meetings, advocacy programmes and talks held in collaboration with industry associations. We organised 11 events which were attended by a total of 1,526 participants.

As we do with PLCs, we also carry out educational programmes for our brokers. In 2012, we conducted eight educational programmes for our brokers' trading representatives and collaborated with Malaysian Investment Banking Association (MIBA) on a conference for compliance officers. A total of 889 trading representatives and 142 compliance officers attended these programmes.

Upholding Market Integrity Through Enforcement

We take enforcement action for breaches of our rules to serve as a deterrent and promote a culture of compliance and standards of business conduct and CG practices.

In 2012, we took 117 enforcement actions against 25 PLCs and 50 directors of 10 PLCs for various breaches of our LR and 146 enforcement actions against 27 broking houses, five authorised depository agents, three clearing participants and 32 registered persons for various breaches of the Business Rules.

The most common enforcement action were in respect of disclosure, such as delays in announcing payment defaults, in the submission of financial statements, and in making material/requisite announcements; and breaches in relation to making inaccurate or incomplete announcements.

Utilisation of Fines and Transfer Fees

Fines collected from our enforcement action and transfer fees collected from the transfer of dealer representatives (DRs) between Participating Organisations (POs) are used to educate market participants as well as investors and to defray legal or court expenses related to enforcement action. Below is a summary of the utilisation of fines and transfer fees in 2012:

Utilisation of Fines and Transfer Fees	**RM'000**
Balance as at 1 January 2012	13,121
Fines and transfer fees collected during 2012:	
• Fines received	2,796
• Transfer fees (Transfer of DRs between POs)	586
	3,382
Fines and transfer fees utilised:	
• Education and training of market participants and investors	601
• Legal expenses relating to enforcement action	646
	1,247
Net Fines/transfer fees income for the period	2,135
Balance as at 31 December 2012	**15,256**

EXPANDING INFLUENCE

Just as the world is shrinking into a global village, Bursa Malaysia is expanding its sphere of influence through global partnerships that bring down trading barriers. We will continue to invest in new and diverse distribution channels to further widen our reach.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Bursa Malaysia presents this statement to provide an insight into the Corporate Governance (CG) practices of the Company under the leadership of the Board. In building a sustainable business, and discharging its regulatory role, the Board is mindful of its accountabilities to the shareholders and various stakeholders. This statement demonstrates the Board's commitment in cultivating a responsible organisation by instilling corporate conscience through excellence in CG standards at all times.

1. Establish clear roles and responsibilities

1.1 Clear functions of the Board and Management

The Board is responsible for oversight and overall management of the Company. To ensure the effective discharge of its function and responsibilities, the Board established a Governance Model for the Group delegating specific powers of the Board to the relevant Board Committees[1] and the CEO. The Governance Model is supported by the Authority Limits Document (ALD), which clearly sets out relevant matters reserved for the Board's approval, as well as those which the Board may delegate to the Board Committees, the CEO and Management. The Governance Model and ALD are reviewed and amended as and when required, to ensure an optimum structure for efficient and effective decision making in the organisation.

Key matters reserved for the Board's approval include the annual business plan and budget, dividend policy, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, disposals of significant fixed assets and the acquisition or disposal of companies within the Group.

The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference[2] (TOR). At each Board meeting, minutes of Board Committee meetings are presented to keep the Board informed. The Chairmen of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

1.2 Clear roles and responsibilities

The Board has discharged its responsibilities in the best interests of the Company in pursuit of an integrated regulatory and commercial objective. The following are among the key responsibilities of the Board:

a. Reviewing and adopting the Company's strategic plans

The Board plays an active role in the development of the Company's strategy. It has in place a strategy planning process, whereby the Management presents to the Board its recommended strategy annually, together with its proposed business and regulatory plans for the ensuing year at a dedicated session, for the Board's review and approval. At this session, the Board deliberates both the Management's and its own perspectives, and challenges the Management's views and assumptions, to ensure the best outcome. In conjunction with this, the Board also reviews and approves the annual budget for the ensuing year, and sets the Key Performance Indicators (KPIs) under the Corporate Balanced Scorecard (CBS), ensuring that the targets correspond to the Company's strategy and business plan, reflect competitive industry trends and internal capabilities as well as provide sufficient stretch for the Management.

For 2012, the strategic planning process began at an off-site Board meeting held in June 2011 where the Management presented its proposals for the Board's review. The Board subsequently approved the Company's Strategy and 2012 Business and Regulatory Plans (BRP).

A mid-year review of the 2012 BRP as well as the Budget was conducted by the Board in July 2012, at which the targets set by the Board were compared against the actual performance year-to-date. The Board also discussed strategy implementation processes and requirements together with key transformational initiatives undertaken in the first half of the year to achieve the targets set out in the 2012 BRP. In this exercise, the Board took cognisance of internal and external factors which had supported various achievements as well as challenges facing Management. The Board actively engaged with the Management in monitoring the progress of initiatives identified in the 2012 BRP and, where required, in identifying alternative measures to be taken to ensure the successful realisation of the strategies.

[1] The Board Committees comprise three Governance Committees and four Regulatory Committees as set out in the Governance Model of Bursa Malaysia of this Annual Report, which is also available at www.bursamalaysia.com, About Us-Corporate Governance section.

[2] The TOR of each Board Committee together with the names of members of the Board Committees for the term of appointment from 12 May 2012 to 11 May 2013 are available at www.bursamalaysia.com, About Us-Corporate Governance section.

[3] The CEO's job description was last reviewed and approved by the Board in September 2010.

[4] The Management Committee members are as set out in the Management Committee/Senior Management of this Annual Report.

[5] The Management Governance Framework, which takes effect from 25 May 2011, comprises two committees for governance function, and two committees for business operations functions. It is available at www.bursamalaysia.com, About Us-Corporate Governance section.

As part of a Business Process Improvement initiative, PricewaterhouseCoopers Advisory Services Sdn Bhd was engaged to review Bursa Malaysia's 2012 CBS framework and enhance the effectiveness and efficiency of internal processes, ensuring that they were appropriately institutionalised. The review also supported Bursa Malaysia's goals of becoming a high-performance organisation. Findings from the review and subsequent recommendations were tabled to the Nomination and Remuneration Committee (NRC) and the Board. The Board approved the revisions to the 2012 CBS and KPIs, which saw an increased focus on improving internal processes and human capital development.

In November 2012, the Management presented to the Board the proposed 2013 BRP and Budget. The Board reviewed the sustainability, effectiveness and implementation of the strategic plans for 2012, and provided its input to the Management. The 2013 BRP and Budget for the Group was approved by the Board, taking into consideration the need to continuously invest, build and grow the three main markets of Bursa Malaysia in line with the approved plans.

b. Overseeing the conduct of the Company's business

The CEO[3] is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by the Management Committee[4] and other committees established under the Group's Management Governance Framework[5]. The Management's performance, under the leadership of the CEO, is assessed by the Board through a status report which is tabled to the Board and which includes a comprehensive summary of the Group's operating drivers and its financial performance during each reporting period. The Board is also kept informed of key strategic initiatives and significant operational issues and the Group's performance, based on the approved KPIs in the CBS.

To ensure independence of the regulatory function, the Chief Regulatory Officer (CRO) provides the Board with a separate status report on a regular basis, to inform the Board of actions taken by the Regulation function and provide updates on regulatory initiatives. The Management also presents to the Board in the first quarter of every year a report on Bursa Malaysia's compliance with its regulatory duties and obligations under the Capital Markets and Services Act 2007 (CMSA) during the preceding year. In March 2012, the Board reviewed the Annual Regulatory Report 2011 prior to submission to the Securities Commission (SC) in compliance with Section 16 of the CMSA.

In February 2012, the Board reviewed the results of the 2011 employee engagement survey (EES) to assess the level of employee satisfaction. The survey, conducted by an external firm, aimed to ensure continuous improvement in the operating environment by maintaining areas of strength and improving areas of opportunity for its internal stakeholders. Post EES, intervention initiatives were taken to address those areas below benchmark norms.

c. Identifying principal risks and ensuring the implementation of appropriate systems to manage them

Through the Risk Management Committee (RMC), the Board oversees the Enterprise Risk Management (ERM) framework of the Group. The RMC advises the Audit Committee (AC) and the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The RMC reviews the risk management policies formulated by Management and makes relevant recommendations to the Board for approval. Details on the RMC and the Company's ERM framework are set out in this Corporate Governance Statement and Risk Management Statement of this Annual Report.

d. Succession planning

The Board has entrusted the NRC with the responsibility to review candidates for key management positions, to determine compensation packages for these appointments, and to formulate nomination, selection, compensation and succession policies for the Group. The Board is satisfied that the NRC, in its current form, effectively and efficiently discharges its functions in respect of nomination and remuneration matters listed separately in its TOR for the purpose of clarity. As such, there is no need to separate the nomination and remuneration functions into discrete nomination and remuneration committees.

In discharging its responsibility, the NRC reviews the Group's human resources plan including the succession management framework and activities, human resources initiatives and the annual manpower budget. In November 2012, the NRC reviewed Bursa Malaysia's comprehensive succession management framework which was subsequently approved by the Board in the same month. The succession management framework serves to ensure the smooth transition of key personnel into critical positions and the development of human capital within Bursa Malaysia.

The NRC undertakes yearly evaluation of the performance of key management personnel whose remunerations are directly linked to performance, based on their scorecards. For this purpose, the 2011 CBS and KPI results of the CEO and relevant senior management were reviewed by the NRC in February 2012. The assessment by the NRC however excludes the Chief Internal Auditor (CIA). The CIA reports to the AC, which evaluates and reviews his performance. The CEO's compensation package is reviewed annually by the NRC, after which it is put to the Board for decision.

e. Overseeing the development and implementation of a communication policy for the Company

Bursa Malaysia believes in building investor confidence through good CG practices. The Company carried out its Investor Relations (IR) activities in accordance with its stated IR Policy, which is available on its website. A report on IR activities is provided in the For the Shareholders section of this Annual Report.

f. Reviewing the adequacy and integrity of management information and internal control system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Internal Control Statement and Risk Management Statement respectively of this Annual Report.

1.3 Formalised ethical standards through Code of Ethics

The Company's Codes of Ethics for Directors and employees continue to govern the standards of ethics and good conduct expected of Directors and employees, respectively. The Code of Ethics for Directors includes principles relating to their duties, conflict of interest (COI) and dealings in securities. For employees, the Code of Ethics covers all aspects of the Company's business operations, such as confidentiality of information, dealings in securities, COI, gifts, gratuities or bribes, dishonest conduct and sexual harassment.

In addition, the Company's Whistleblower Policy and Procedures (WPP) seek to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Company may be exposed. The Board has overall responsibility to oversee the implementation of the WPP for Directors, and all whistle-blowing reports are addressed to the Non-Executive Chairman of the Board or Senior Independent Non-Executive Director (SID) of Bursa Malaysia[6]. The AC has the responsibility to oversee the implementation of the WPP for the Group's employees. Duties in relation to the day-to-day administration of the WPP are delegated to the CIA and/or designated officer(s) of Group Internal Audit (GIA). The SID is also responsible for receiving report(s) made by employees or external parties for the purpose of whistle-blowing in the form as prescribed under the WPP[7].

Bursa Malaysia on 17 December 2012, signed the Corporate Integrity Pledge to create an effective system to increase integrity through good governance, including anti-corruption measures. This demonstrates the Board's commitment to upholding anti-corruption principles in the conduct of the Company's business, and to promoting integrity, transparency and good governance in all aspects of operations.

1.4 Strategies promoting sustainability

The Board promotes good CG in the application of sustainability practices throughout Bursa Malaysia, the benefits of which are believed to translate into better corporate performance. A detailed report on sustainability activities, demonstrating Bursa Malaysia's commitment to the global environmental, social, governance and sustainability agenda, appears in the Corporate Sustainability Statement of this Annual Report.

1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

[6] The contact details are set out under Corporate Information of this Annual Report. It is available at www.bursamalaysia.com, About Us-Other Corporate Information section.

[7] The whistle-blowing report form is available at www.bursamalaysia.com, About Us-Corporate Governance section.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board, depending on the quantum of the fees involved.

1.6 Qualified and competent Company Secretaries

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board in managing the Group Governance Model, ensuring it is effective and relevant. The Company Secretaries also ensure that deliberations at the Board and Board Committee meetings are well captured and minuted, and subsequently communicated to the relevant management for necessary action. The Board is updated by the Company Secretaries on the follow-up or implementation of its decisions/recommendations by the Management till their closure.

The Company Secretaries keep abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training.

1.7 Board Charter

The Board's Charter is embedded in the Governance Model document of the Company which is available on the corporate website. The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It serves as a reference and primary induction literature providing prospective and existing Board members and Management insight into the fiduciary and leadership functions of the Directors of Bursa Malaysia.

The Board reviews its charter regularly, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.

2. Strengthen composition

2.1 Nominating Committee

The TOR of the NRC provides that it shall comprise five Non-Executive Directors (NEDs) of whom two are Public Interest Directors (PIDs) and three are Independent NEDs. The NRC is chaired by a PID.

The TOR of the NRC further provides that it shall have specific responsibilities in relation to nomination and remuneration matters. With respect to nomination matters, the specific responsibilities of the NRC shall include:

- Formulating the nomination, selection and succession policies for members of the Board
- Making recommendations to the Board on new candidates for appointment and the re-appointment/re-election of Directors to the Board
- Reviewing the required mix of skills, experience and other qualities of the Board annually
- Reviewing and recommending to the Board the appointment of members of Board Committees established by the Board annually
- Establishing a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, and reviewing the performance of the members of the Board
- Ensuring that orientation and education programmes are provided for new members of the Board, and reviewing the Directors' continuing education programmes

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors

a. Recruitment or Appointment of Directors

The policies and procedures for recruitment or appointment (including re-election/re-appointment) of Directors are detailed in the Protocol for Appointment of Directors and Members of Board Committees of Bursa Malaysia (the Protocol), which has been approved by the Board. The NRC is guided in the nomination, selection and appointment process by the Protocol, which also sets out the requirements under the relevant laws and regulations. The Board has established a pool of potential Directors of Bursa Malaysia for its reference when considering new appointments, in line with the sourcing process and criteria for candidates as set out in the Protocol. The pool is refreshed from time to time, to ensure the list of candidates available for the NRC/ Board's consideration remains relevant and offers the talents/skills required.

In 2012, the Board composition was reviewed in conjunction with implementation of the Board's nine-year policy for Independent NEDs to ensure continued effective functioning of the Board as well as to enable its progressive refreshing. For this purpose, the NRC reviewed the Board composition with the view to identify and close any possible gap in the Board's functional knowledge and competencies by bringing in new experience, knowledge and expertise on the Board, to meet the current and future needs of the Company.

The NRC's review of the criteria for the appointment process focused largely on creating a good mix of skills, experience and strengths in areas relevant to enable the Board to discharge its responsibilities in an effective and competent manner. Other factors considered include the candidates' ability to commit sufficient time to Bursa Malaysia, their character and level of independence (in line with the Main LR), integrity and professionalism. The NRC also focused on having a balanced mix of age and diversity in gender, race, culture and nationality, to facilitate optimal decision-making by harnessing different insights and perspectives. Based on the review, the NRC submitted to the Board its recommendation of suitable candidates for appointment as Directors of the Company, to replace those who will be retiring at the 36th Annual General Meeting (AGM) in 2013. In November 2012, the Board approved the NRC's recommendation.

Pursuant to Article 69 of the Articles of Association (AA) of the Company, Directors (other than PIDs) are to be elected at every AGM of the Company, when one-third of the Directors longest in office should retire or, if eligible, may offer themselves for re-election. The NRC is responsible for recommending to the Board those Directors who are eligible to stand for re-election/re-appointment. This recommendation is based on formal reviews of the performance of the Directors, taking into account the results of their latest Board Effectiveness Evaluation (BEE), contribution to the Board through their skills, experience, strengths and qualities, level of independence and ability to act in the best interest of the Company in decision-making. The NRC also takes into account the gradual implementation of the nine-year policy for Independent NEDs based on the schedule of retirement by rotation.

In 2012, the Board approved the recommendation of the NRC for four Directors to retire at the 36th AGM in accordance with Article 69 of the AA. Three of the retiring Directors, namely Dato' Dr. Thillainathan a/l Ramasamy, Encik Cheah Tek Kuang and Encik Izham bin Yusoff, will not seek re-election in view of the nine-year policy. The fourth Director, Dato' Wong Puan Wah @ Wong Sulong, has expressed his intention not to seek re-election. The Board also approved the NRC's recommendation to support the re-appointment of Tun Mohamed Dzaiddin bin Haji Abdullah and Tan Sri Datuk Dr. Abdul Samad bin Haji Alias, both of whom are over the age of 70 years and should retire at the 36th AGM, in accordance with Section 129(2) of the Companies Act 1965 (CA).

Section 10(1)(b) of the CMSA requires Bursa Malaysia, as an exchange holding company, to obtain the SC's concurrence on any proposed appointment/re-appointment of Directors (other than PIDs). Hence, formal submissions were made in the last quarter of 2012, to seek the SC's concurrence on Bursa Malaysia's proposed candidates and the re-appointment of Director prior to seeking the shareholders' approval at the 36th AGM. The SC subsequently carried out a vetting exercise on each candidate and Director seeking re-appointment to determine if he or she is a person of integrity and is fit and proper to be a Director of an exchange holding company.

The NRC also reviews the composition of the Board Committees annually in accordance with the procedures as set out in the Protocol. In determining candidates for appointment to the Board Committees, various factors are considered, including time commitment of the Board Committee members in discharging their roles and responsibilities through attendance at their respective meetings. The NRC also refers to the results of the Board Committee Effectiveness Assessment and Board Committee members' Self and Peer Assessment (SPA) under the BEE, to ensure the requirements of the committees are addressed.

LC	Listing Committee	Chairman (blue)	note +	from 12 May 2012
MPC	Market Participants Committee	Member (orange)	note ~	up to 11 May 2012
CC	Compensation Committee	Non-member (grey)	note ^	from 18 June 2012
APC	Appeals Committee		note *	up to 11 May 2012 and from 18 July 2012
			note #	Chairman up to 11 May 2012 and Member from 12 May 2012
			note @	Member up to 11 May 2012 and Chairman from 12 May 2012
			note	up to 11 May 2012, and no CC meeting was held from 1 January 2012 to 11 May 2012

[1] retired as Independent Non-Executive Director at the 35th AGM of Bursa Malaysia on 29 March 2012
[2] on leave of absence with effect from 30 August 2012
[3] resigned as LC member with effect from 1 November 2012 due to work commitment abroad

The attendance at Board Committee meetings during the financial year ended 31 December 2012 is as set out below:

Board Committees		**Governance Committees**			**Regulatory Committees**			
Classification	**Name**	**AC**	**RMC**	**NRC**	**LC**	**MPC**	**CC**	**APC**
Non-Executive and Public Interest Directors	Tun Mohamed Dzaiddin bin Haji Abdullah			6/6				7/7
	Datuk Dr. Md Tap bin Salleh			6/6	note+ 8/8	note~ 3/3		
	Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	note+ 3/3	note~ 1/1		note~ 3/3	note+ 6/6		
	Datuk Puteh Rukiah binti Abd Majid	note~ 2/2	note+ 3/3			note~ 2/3	note+ 2/2	
Independent Non-Executive Directors	Dato' Dr. Thillainathan a/l Ramasamy	5/5		6/6	note~ 3/3			note+ 4/4
	Izham bin Yusoff	3/5	4/4			note~ 2/3		note+ 3/4
	Dato' Wong Puan Wah @ Wong Sulong		4/4		note+ 8/8	note~ 3/3	note# 2/2	
	Cheah Tek Kuang	5/5		note+ 3/3	note+ 5/8			note~ 3/3
	Dato' Saiful Bahri bin Zainuddin		note+ 3/3	6/6	note~ 3/3	note+ 6/6		
	Tan Sri Ong Leong Huat @ Wong Joo Hwa		4/4				note@ 2/2	
	Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	4/5				note+ 4/6	note -	
	Datin Paduka Siti Sa'diah binti Sheikh Bakir[1]		1/1	1/2				2/2
Non-Independent Executive Director	Dato' Tajuddin bin Atan							
Independent individuals with significant and relevant industry experiences	Dato' Thomas Lee Mun Lung							6/7
	Izlan bin Izhab							6/7
	Dato' Mohammed Adnan bin Dato' Shuaib							7/7
	Peter Lee Siew Choong				8/11			
	Dato' Sreesanthan a/l Eliathamby[2]				4/6			
	Wong Chong Wah				10/11			
	Dato' Sri Abdul Hamidy bin Abdul Hafiz				9/11			
	Pushpanathan a/l S. A. Kanagarayar				11/11			
	Gan Kim Khoon				10/11			
	Assoc. Prof. Dr. Shanthy a/p Rachagan				note^ 1/1			
	Prof. Dr. Aiman Nariman binti Mohd Sulaiman[3]				6/10			
	Datuk Haji Khuthubul Zaman bin Bukhari					6/9		
	Selvarajah a/l Sivalingam					8/9		
	Khoo Guan Huat					7/9		
	Ahmad Azman bin Dato' Abdul Manaf					note+ 6/6		
	Natarajan a/l Narayana Samy					note^ 4/5		
	Azura binti Azman					note* 6/7		
	Ng Chin Leng					note~ 2/3		
	Kuok Wee Kiat					note~ 3/3		
	Salwah binti Abdul Shukor						2/2	
	John Mathew a/l Mathai						2/2	
	Total number of meetings for 2012	5	4	6	11	9	2	7

b. Annual assessment

The NRC carries out the BEE exercise annually. For this purpose, an external consultant is engaged every three years to assist the NRC, the last time being in 2011. In 2012, the Company Secretaries facilitated the NRC in carrying out the BEE exercise. The BEE is conducted via questionnaires, comprising a Board and Board Committee Effectiveness Assessment and a Directors' and Board Committee members' SPA. The NRC reviews the outcome of the BEE and recommends to the Board for approval areas identified for continuous improvement.

The Board's effectiveness is assessed in the areas of composition, administration, accountability and responsibility, conduct and the performance of the Chairman and CEO. The Board, through the Governance and Regulatory Committee Effectiveness Assessment, examines the respective Governance and Regulatory Committees, including their respective Chairmen, to ascertain whether their functions and duties are effectively discharged in accordance with their respective TOR. The Director's SPA is intended to ascertain the mix of skills, experience and other relevant qualities the Directors bring to the Board, and takes into account individual Directors' abilities to exercise independent judgement at all times and to contribute to the effective functioning of the Board. The SPA process also examines the ability of each Director or Committee member to give material input at meetings and to demonstrate a high level of professionalism and integrity in the decision-making process. Results of the assessment form the basis of the NRC's recommendation to the Board for the re-election of Directors at the next AGM.

In November 2012, each Director and Board Committee member was provided with individual results together with a peer average rating on each area of assessment for personal information and further development.

c. Gender diversity policy

The Board has approved the establishment of a gender diversity policy, and has set the target to have at least two female Directors by 2013 and three female Directors by 2016. The Company will endeavour to achieve these targets through the progressive refreshing of the Board as it implements the nine-year policy for Independent NEDs.

d. Appointment of SID

Prior to expiry of the term of appointment of the second SID in December 2012, the NRC undertook the nomination process in recommending a new SID for 2013. In November 2012, the Board approved the NRC's recommendation to appoint Tan Sri Ong Leong Huat, who will carry out the responsibilities in accordance with the TOR of the SID[8] for a one-year term commencing 1 January 2013.

2.3 Remuneration policies

The specific responsibilities of the NRC in relation to remuneration matters are set out under the TOR including:

- Formulating and reviewing the remuneration policies and remuneration of members of the Board, Board Committees and the CEO, and recommend the same to the Board for approval; and
- Recommending the engagement of external professional advisors to assist and/or advise the NRC on remuneration matters, where necessary.

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company. Hence, the Board has established formal and transparent remuneration policies for the Board and Board Committees, and the procedures for the policies. The NRC, in discharging its responsibilities in the review of the remuneration policies, considers various factors including the NEDs' fiduciary duties, time commitments expected of them, the Company's performance and market condition.

In 2012, the Board approved the NRC's recommendation to maintain the remuneration policy of the NEDs, and a similar quantum of Directors' fees for 2011 was approved by the shareholders at the 35th AGM.

The current remuneration policy for the NEDs comprises the following:

a. Directors' Fees

The sum of RM90,000 per annum for the Chairman and RM60,000 per annum for each NED of Bursa Malaysia (as approved by the shareholders at the 33rd, 34th and 35th AGMs for 2009, 2010 and 2011 respectively).

8 The TOR of the SID is available at www.bursamalaysia.com, About Us-Corporate Governance section.

9 Information on the composition, number of meetings held and attendance of meetings of all Board Committees is set out in the Corporate Governance Statement of this Annual Report.

In January 2013, the Board decided not to recommend any increase in the Directors' fees of the Chairman and NED in respect of 2012, for which shareholders' approval will be sought at the forthcoming 36th AGM.

b. Meeting allowance for each Board or Board Committee[9] meeting attended by a NED

The Board had in 2012 approved the revision to the meeting allowance for Board and Board Committee meetings as follows:

Meeting Allowance for	**Board of Directors**		**Board Committees**	
	2011	**2012**	**2011**	**2012**
Chairman	RM3,000	**RM4,000**	RM1,500	**RM2,500**
Member	RM1,500	**RM2,000**	RM1,000	**RM1,500**

The meeting allowance is also applicable to ad-hoc Board Committees, Tender Evaluation Committee or any management committee to which the NEDs are invited to attend pursuant to the Company's policy and procedures.

The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board.

c. Benefits-in-kind and Emoluments

NEDs are not entitled to participate in the Share Grant Plan (SGP) of Bursa Malaysia or any incentive plan for Group employees. They are given other allowances, such as travelling and mobile phone allowances, comparable to other public listed companies (PLCs), particularly those in the financial sector, government-linked companies and selected stock exchanges. The Chairman is also provided with a monthly fixed allowance, revised to RM50,000 since 1 March 2010, in view of his wide-ranging scope of responsibilities and the fact that he does not serve on the boards of any other PLC or market participant regulated by Bursa Malaysia, to avoid conflict of interest.

The Executive Director/CEO is not entitled to the above Director's fee nor is he entitled to receive any meeting allowance for Board or Board Committee meetings he attends. The CEO, who also serves as Chairman of Yayasan Bursa Malaysia, Bursa Malaysia Derivatives Berhad and Bursa Malaysia Derivatives Clearing Berhad, and as Director of all other subsidiary companies within the Group, is also not entitled to Director's fees for attending Board meetings for the time being.

The CEO's remuneration package comprises a fixed component which includes a monthly salary and benefits-in-kind/emoluments, such as gratuity, a company car, driver and leave passage; and a variable component which includes short-term incentives in the form of a performance-based bonus and long-term incentives in the form of shares under the Restricted Share Plan and Performance Share Plan of the SGP (Plan Shares), where applicable.

In addition to the above, the Directors have the benefit of Directors and Officers (D&O) Insurance in respect of any liabilities arising from acts committed in their capacity as D&O of Bursa Malaysia. However, the said insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty or trust. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

Disclosure of each Director's remuneration, including that of the CEO, is set out in the Annual Audited Financial Statements of this Annual Report.

3. Reinforce Independence

3.1 Annual Assessment of Independence

The Protocol also sets out policies and procedures to ensure effectiveness of the Independent NEDs on the Board, including new appointments. The Board, through the NRC, assesses the independence of NEDs annually using the Directors' SPA as part of the BEE, which takes into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board. Their SPA results demonstrate the NEDs' independence of judgement and clarity of thought in problem-solving.

Based on the above assessment in 2012, the Board is generally satisfied with the level of independence demonstrated by all the NEDs, and their ability to act in the best interest of the Company.

With respect to the two NEDs who are seeking re-appointment at the forthcoming 36th AGM, the NRC is satisfied that both, Tun Mohamed Dzaiddin bin Haji Abdullah and Tan Sri Datuk Dr. Abdul Samad bin Haji Alias, have satisfactorily demonstrated that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. The Board, therefore, recommends and supports their proposed re-appointment.

3.2 Tenure of Independent Directors

The Board has adopted a nine-year policy for Independent NEDs, which is implemented on a gradual basis to ensure the continued effective functioning of the Board as well as to enable the progressive refreshing thereof, in line with best CG practice. Dato' Dr. Thillainathan a/l Ramasamy, Encik Cheah Tek Kuang and Encik Izham bin Yusoff are among the first batch of Independent NEDs of the demutualised Bursa Malaysia, who were appointed on 10 April 2004. They will have served nine years as Independent NEDs by 9 April 2013, and will be retiring at the 36th AGM.

3.3 Shareholders' approval for the re-appointment of Non-Executive Directors

Tun Mohamed Dzaiddin bin Haji Abdullah, 75, was appointed on 1 March 2004 as a PID and Chairman of Bursa Malaysia by the MOF in consultation with the SC pursuant to Section 10(1)(a) and (3) of the CMSA. He has offered himself for re-appointment as Director of the Company at the 36th AGM, in accordance with Section 129(6) of the CA.

The Board is satisfied with the skills, contribution and independent judgment that Tun Mohamed Dzaiddin bin Haji Abdullah brings to the Board. In view thereof, the Board recommends and supports his re-appointment as NED of the Company which is tabled for shareholders' approval at the forthcoming 36th AGM of the Company.

Shareholders' approval will not be sought to retain Tun Mohamed Dzaiddin bin Haji Abdullah as an Independent NED in accordance with Recommendation 3.3 of the Malaysian Code on CG 2012 in view of the statutory nature of his appointment as a PID and Chairman of an exchange holding company by the MOF pursuant to Section 10(1)(a) and (3) of the CMSA.

3.4 Separation of positions of the Chairman and CEO

The Chairman, who is a PID, leads the Board with a keen focus on governance and compliance. In turn, the Board monitors the functions of the Board Committees in accordance with their respective TOR to ensure its own effectiveness. The positions of Chairman and CEO are held by two different individuals. The CEO is a Non-Independent Executive Director, who manages the business and operations of the Company and implements the Board's decisions. The distinct and separate roles of the Chairman and CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

3.5 Composition of the Board

The Board of Bursa Malaysia, chaired by a PID, comprises 12 Directors of whom four are PIDs, seven are Independent NEDs and one is an Executive Director who is also the CEO. The four PIDs, including the Chairman, are appointed by the MOF in line with requirements of the CMSA for the Company to act in the public interest, having particular regard to the need for the protection of investors in performing its duties as an exchange holding company.

The Independent NEDs account for more than 50% of the Board. The Directors play an active role in the Board's decision-making process bringing with them vast experience and knowledge as well as independence and objectivity in their views, acting in the best interest of Bursa Malaysia and at the same time safeguarding public interest.

4. Foster Commitment

4.1 Time commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of Bursa Malaysia. This is evidenced by the attendance record of the Directors at Board meetings, as set out in the table.

10 Retired as Director at the 35th AGM held on 29 March 2012.

Name of Director	Attendance
Tun Mohamed Dzaiddin bin Haji Abdullah (Chairman and PID)	10/10
Datuk Dr. Md Tap bin Salleh (PID)	10/10
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir (PID)	10/10
Datuk Puteh Rukiah binti Abd Majid (PID)	7/10
Dato' Dr. Thillainathan a/l Ramasamy	9/10
Izham bin Yusoff	8/10
Dato' Wong Puan Wah @ Wong Sulong	10/10
Cheah Tek Kuang	9/10
Dato' Saiful Bahri bin Zainuddin	9/10
Tan Sri Ong Leong Huat @ Wong Joo Hwa	9/10
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	10/10
Dato' Tajuddin bin Atan (CEO)	10/10
Datin Paduka Siti Sa'diah binti Sheikh Bakir[10]	1/2

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, one criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold directorships at more than five PLCs and must be able to commit sufficient time to Bursa Malaysia.

The Directors are required to submit an update on their other directorships and shareholdings in Bursa Malaysia every quarter. Such information is used to monitor the number of directorships held by the Directors of Bursa Malaysia, including those on PLCs, and to notify the Companies Commission of Malaysia accordingly.

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to them before the beginning of every year. It provides the scheduled dates for meetings of the Board and Board Committees, the AGM, major conferences hosted by the Company, as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results.

4.2 Training

The Board emphasises the importance of continuing education for its Directors to ensure they are equipped with the necessary skills and knowledge to meet the challenges of the Board. A budget for Directors' continuing education is therefore provided each year by the Company. The Board also has a policy requiring each Director to attend at least three training sessions on capital market developments each year to keep abreast of industry developments and trends. In addition, each Director determines the areas of training that he or she may require for personal development as a Director or as a member of a Board Committee. The Company Secretaries arrange for the Directors' attendance at these training programmes, which are conducted either in-house or by external service providers.

The Company Secretaries also assist the NRC in arranging induction programmes for newly appointed Directors to familiarise themselves with the operations of the Group through briefings by the relevant management teams.

In 2012, all Directors of Bursa Malaysia attended at least six training programmes. At least three of the same were on capital market development. The development programmes included Corporate Governance, Risk Management and Audit, Leadership, Legal and Business Management, and Financial and Capital Markets. The Directors were also invited to attend a series of talks organised by Bursa Malaysia together with various professional associations and regulatory bodies. Several Directors attended conferences and seminars as guest speakers, panelists or moderators. The Directors further attended the two main conferences in the capital market organised by the Company, namely Invest Malaysia 2012 held on 29-30 May 2012 and the 23rd Palm & Lauric Oils Conference held on 6 March 2012. The following additional in-house development programmes were organised for the Directors in 2012:

Directors' Duties, Defences, Bursa Malaysia and Judicial Review	15 July 2012
Competition Law: How It May Impact the Way We Do Business	15 July 2012

Besides the above, the Directors attended various external programmes in 2012, which included the following:

Corporate Governance
- Malaysian Code on CG 2012, 10 & 16 May 2012 / 21 November 2012 (Attended by Tan Sri Ong Leong Huat / Dato' Wong Puan Wah @ Wong Sulong)
- CG Today and the Directors Moving Forward, 14 June 2012 (Attended by Datuk Dr. Syed Muhamad bin Syed Abdul Kadir)
- CG Blueprint and Malaysian Code on CG 2012, 18 June 2012 (Attended by Datuk Dr. Md Tap bin Salleh, Datuk Puteh Rukiah binti Abd Majid and Encik Izham bin Yusoff)
- Malaysian Code on CG 2012: The Implication and Challenges to PLCs, 3 July 2012 (Attended by Datuk Dr. Md Tap bin Salleh, Datuk Puteh Rukiah binti Abd Majid and Dato' Saiful Bahri bin Zainuddin)
- CG and Whistleblowing, 9 August 2012 (Attended by Encik Izham bin Yusoff)

Risk Management and Audit
- Board Audit Committee Forum, 2-4 March 2012 (Attended by Dato' Dr. Thillainathan a/l Ramasamy)
- Role of the Audit Committee in Assuring Audit Quality, 22 May 2012 (Attended by Datuk Puteh Rukiah binti Abd Majid and Tan Sri Datuk Dr. Abdul Samad bin Haji Alias)
- Governance, Risk Management and Compliance: What Directors Should Know, 8 August 2012 (Attended by Dato' Wong Puan Wah @ Wong Sulong)
- The Key Components of Establishing and Maintaining World-Class Audit Committee (AC) Reporting Capabilities, 3 October 2012 (Attended by Dato' Dr. Thillainathan a/l Ramasamy, Encik Izham bin Yusoff and Tan Sri Datuk Dr. Abdul Samad bin Haji Alias)
- What Keeps an AC up at Night, 3 October 2012 (Attended by Dato' Dr. Thillainathan a/l Ramasamy, Encik Izham bin Yusoff and Tan Sri Datuk Dr. Abdul Samad bin Haji Alias)

Leadership, Legal and Business Management
- IDEAS Conference: The Role of the Judiciary as a Key Check and Balance in Malaysia, 11 February 2012 (Attended by Tun Mohamed Dzaiddin bin Haji Abdullah)
- International Police Conference on Principled Policing: Rule of Law, Public Order and Sustainable Development, 13 February 2012 (Attended by Tun Mohamed Dzaiddin bin Haji Abdullah)
- Briefing on Goods and Services Tax, 22 March 2012 (Attended by Dato' Dr. Thillainathan a/l Ramasamy)
- Briefing on Personal Data Protection Act 2010, 15 March 2012 / 9 August 2012 (Attended by Tan Sri Ong Leong Huat / Dato' Saiful Bahri bin Zainuddin)
- Briefing on Competition Act 2010, 7 May 2012 / 16 August 2012 (Attended by Tan Sri Ong Leong Huat / Dato' Saiful Bahri bin Zainuddin)
- International Directors Summit 2012: Awakening the Corporate Entrepreneurship for High Income Economy, 21-22 May 2012 (Attended by Tan Sri Datuk Dr. Abdul Samad bin Haji Alias)
- Harvard Business School Management Development Programme, 4 & 7 July 2012 (Attended by Tan Sri Datuk Dr. Abdul Samad bin Haji Alias)
- Human Capital Management in the Boardroom, 14 August 2012 (Attended by Tan Sri Ong Leong Huat)
- Growth Through Innovation, 23 August 2012 (Attended by Datuk Dr. Syed Muhamad bin Syed Abdul Kadir)
- Professionalism in Directorship Programme: What Does It Take to be an Effective Corporate Director? 26-27 September 2012 (Attended by Datuk Puteh Rukiah binti Abd Majid)
- International Malaysia Law Conference 2012: Asian Perspectives, Global Viewpoints, 26-28 September 2012 (Attended by Encik Cheah Tek Kuang)
- Khazanah Megatrends Forum 2012: The Big Shift – Traversing the Complexities of a New World, 1-2 October 2012 (Attended by Datuk Dr. Syed Muhamad bin Syed Abdul Kadir and Tan Sri Datuk Dr. Abdul Samad bin Haji Alias)
- Khazanah Global Lectures: Institutionalising Knowledge to Build Malaysia's Human Capital, 29 November 2012 (Attended by Datuk Dr. Syed Muhamad bin Syed Abdul Kadir)

Financial and Capital Markets
- Bank Negara Malaysia (BNM)'s Annual Report 2011: Financial Stability and Payment Systems Report Briefing, 21 March 2012 (Attended by Datuk Dr. Syed Muhamad bin Syed Abdul Kadir)
- International Financial Reporting Standards Conference, 28 March 2012 (Attended by Encik Izham bin Yusoff)
- Pillar 3 Disclosure on Basel II, 23 April 2012 (Attended by Datuk Dr. Syed Muhamad bin Syed Abdul Kadir)
- BNM Requirements for the Internal Capital Adequacy Assessment Process (ICAAP), 30 April 2012 (Attended by Datuk Dr. Syed Muhamad bin Syed Abdul Kadir)

[11] Tan Sri Datuk Dr. Abdul Samad bin Haji Alias' profile is set out in the Board of Directors' Profiles of this Annual Report.

- Understanding BNM's New Liquidity Framework, 9 June 2012 (Attended by Tan Sri Ong Leong Huat)
- Financial Institutions Directors Education (FIDE) Forum, 12 June 2012 (Attended by Tun Mohamed Dzaiddin bin Haji Abdullah and Tan Sri Ong Leong Huat)
- Rating Agency of Malaysia (RAM) Annual Bond Market Conference: Making the Asian Bond Market a Reality, 12 July 2012 (Attended by Dato' Dr. Thillainathan a/l Ramasamy)
- Anti-Money Laundering Act: Financial Crime Risk – CIMB Perspective, 10 September 2012 (Attended by Datuk Dr. Syed Muhamad bin Syed Abdul Kadir)
- Briefing on ICAAP, 20 September 2012 & 11 December 2012 (Attended by Tan Sri Ong Leong Huat)
- 52nd General Assembly of the World Federation of Exchanges, 14-17 October 2012 (Attended by Tun Mohamed Dzaiddin bin Haji Abdullah and Dato' Tajuddin bin Atan)
- 17th Malaysian Capital Market Summit: Malaysia the Rising Star – Geared for Growth, 29 October 2012 (Attended by Datuk Dr. Md Tap bin Salleh)
- 7th China International Oils & Oilseeds Conference, 6 November 2012 (Attended by Dato' Tajuddin bin Atan)
- Global Financial Leadership Conference, 12-14 November 2012 (Attended by Tun Mohamed Dzaiddin bin Haji Abdullah and Dato' Tajuddin bin Atan)
- 8th Asia-Pacific New Markets Forum: Enhancing the Quality of Emerging Markets in the Asia-Pacific Region, 29-30 November 2012 and 1 December 2012 (Attended by Dato' Tajuddin bin Atan)
- Application of Equity Valuation Methods, 8 December 2012 (Attended by Tan Sri Ong Leong Huat)

An off-site development session was held on 29 September 2012 for the Market Participants Committee to update on Bursa Malaysia's supervision approach and observations, the common areas of breach, proposed enforcement actions and policies, as well as related issues and challenges. The Listing Committee, meanwhile, held an off-site development session on 31 October 2012 to deliberate on its enforcement policies, enforcement impact with regard to key breaches, as well as related issues and challenges.

5. Uphold integrity in financial reporting

5.1 Compliance with applicable financial reporting standards

The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's financial performance, its position and future prospects, through the issuance of Annual Audited Financial Statements (AAFS) and quarterly financial reports, and corporate announcements on significant developments affecting the Company in accordance with the Main LR.

The AC Chairman Tan Sri Datuk Dr. Abdul Samad bin Haji Alias[11], who is a member of three professional accounting organisations, together with all AC members who have vast accounting and/or financial related experience, meets on a quarterly basis, to review the integrity and reliability of the Group's financial statements in the presence of both external and internal auditors, prior to recommending them for the Board's approval and issuance to stakeholders.

As part of the governance process in reviewing the quarterly and yearly financial statements by the AC, the CFO provided assurance to the AC that adequate processes and controls are in place for an effective and efficient financial statement close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the CA.

In addition to the above, the CIA also undertook an independent assessment of the internal control system on a quarterly basis and assured the AC that no material issue or major deficiency had been detected which posed a high risk to the overall internal control under review.

5.2 Assessment of suitability and independence of external auditors

The AC undertakes an annual assessment of the suitability and independence of the external auditors in accordance with the Board's Auditor Independence Policy which was adopted in 2006. Having satisfied itself with their performance and fulfilment of criteria as set out in the policy, the AC will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

In this regard, the AC had in February 2012, assessed the independence of Messrs Ernst & Young (EY) as external auditors of the Company as well as reviewed the level of non-audit services to be rendered by EY to the Company for FY2012. The AC was satisfied with EY's technical competency and audit independence.

6. Recognise and manage risks

6.1 Sound framework to manage risks

The RMC oversees the ERM framework of the Group, reviews the risk management policies formulated by Management and makes relevant recommendations to the Board for approval.

The Company continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments.

6.2 Internal audit function

The Board has established an internal audit function within the Company, which is led by the CIA who reports directly to the AC.

Details of the Company's internal control system and framework are set out in the Internal Control Statement together with the Risk Management Statement and AC Report of this Annual Report respectively.

7. Ensure timely and high quality disclosure

7.1 Corporate Disclosure Policy

The Company has in place a Policies and Procedures for Compliance with the Listing Requirements, a document which sets the policies and standard operating procedures for employees (including the CEO) to facilitate and ensure compliance by Bursa Malaysia as a PLC. It also serves as a guide to enhance awareness among employees of corporate disclosure requirements. Clear roles and responsibilities of Directors, management and employees are provided together with levels of authority, to be accorded to 'designated person(s)'[12], spokespersons and committees in the handling and disclosure of material information. Persons responsible for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public.

The Company has put in place an internal control policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

7.2 Leverage on information technology for effective dissemination of information

Bursa Malaysia's website incorporates a Corporate section which provides all relevant information on Bursa Malaysia and is accessible by the public. This Corporate section enhances the Investor Relations (IR) function by including share price information, all announcements made by Bursa Malaysia, annual reports as well as the corporate and governance structure of Bursa Malaysia. Notice of general meetings, minutes of general meetings together with slide presentations made at such meetings and webcasts are also made available on the website for the benefit of shareholders who are not able to attend meetings.

The Company has leveraged on information technology for broader and effective dissemination of information with regard to the dates scheduled to release its quarterly results. After the end of every quarter, the Company Secretary will announce these dates in advance via Bursa LINK.

[12] The name(s) and contact information are available on Bursa Malaysia's website.

The announcement of the quarterly financial results is also made via Bursa LINK immediately after the Board's approval between 12.30 p.m. and 1.30 p.m., following which a press release is issued. This is important in ensuring equal and fair access to information by the investing public.

8. Strengthen relationship between Company and shareholders

8.1 Encourage shareholder participation at general meetings

Bursa Malaysia dispatches its notice of AGM to shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the CA and Main LR. The additional time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

Bursa Malaysia encloses the Administrative Guide together with the notice of AGM, which provides information to the shareholders with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint a proxy and also the qualifications of a proxy. The Company allows a member to appoint a proxy who may be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

Commencing with the 35th AGM held on 29 March 2012, Bursa Malaysia removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for multiple beneficial owners in one securities account to allow greater participation of beneficial owners of shares at general meetings of the Company. The AA of the Company further entitles a member to vote in person, by corporate representative, by proxy or by attorney. Essentially, a corporate representative, proxy or attorney is entitled to vote both on a show of hands and on a poll as if they were a member of the Company.

To further promote participation of members through proxy(ies), which is in line with the insertion of Paragraph 7.21A(2) of the Main LR, the Company will be seeking shareholders' approval to amend its AA to include explicitly the right of proxies to speak at general meetings. Shareholders' approval is being sought under Special Resolution as set out in the Notice of the 36th AGM.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at general meetings, and to ensure accurate and efficient outcomes of the voting process.

8.2 Encourage poll voting

At the 35th AGM of the Company held on 29 March 2012, no substantive resolutions were put forth for shareholders' approval, other than resolutions pertaining to the adoption of AAFS for the year ended 31 December 2011, payment of final dividend, re-appointment/re-election of retiring NEDs, payment of Directors' fees and re-appointment of external auditors. As such, the resolutions put forth for shareholders' approval at the 35th AGM were voted on by a show of hands.

8.3 Effective communication and proactive engagement

At the 35th AGM, a total of 12 out of 13 Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The proceedings of the 35th AGM included the CEO's presentation of the Company's operating and financial performance for 2011, the presentation of the external auditors' unqualified report to the shareholders, and a Q&A session during which the Chairman invited shareholders to raise questions pertaining to the Company's accounts and other items for adoption at the meeting, before putting a resolution to vote. The Directors, CEO/Management and external auditors were in attendance to respond to the shareholders' queries. The CEO also shared with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.

Shareholders were also invited to submit any additional questions they might have had via an enquiry box placed at the venue of the 35th AGM so that these could be responded to in writing after the meeting. Officers of the Company were present to handle other face-to-face enquiries from shareholders.

COMPLIANCE STATEMENT

The Board is satisfied that in 2012, the Company fully complied with the principles and recommendations of the Malaysian Code on CG 2012.

This Statement is made in accordance with the resolution of the Board dated 31 January 2013.

INTERNAL CONTROL STATEMENT

The Board is committed to maintaining a sound internal control system. Each business unit/ functional group has implemented its own control processes under the leadership of the Chief Executive Officer (CEO), who is responsible for good business and regulatory governance. The following statement outlines the nature and scope of the Group's internal control in 2012.

BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of the system. The system of internal control covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control. However, the Board recognises that this system is designed to manage, rather than eliminate, the risk of not adhering the Group's policies and achieving goals and objectives. Therefore, the system provides reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.

In 2012, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee (AC) in relation to internal audits conducted by Group Internal Audit (GIA) during the year. Audit issues as well as actions taken by Management to address these issues tabled by the GIA were deliberated during the AC meetings. Minutes of the AC meetings which recorded deliberations held during these meetings were presented to the Board.

RISK MANAGEMENT

Risk management is firmly embedded in the Group's management systems. To manage risk in our activities, and ensure they are aligned with the Group's strategic objectives and regulatory requirements, Bursa Malaysia implemented an enterprise wide risk management framework to identify, measure, assess and manage risks faced by the Group. This framework is reviewed periodically to ensure it is relevant and adequate to manage the organisation's risks, which continue to evolve along with the changing business environment. Bursa Malaysia also has an automated system to support the establishment and implementation of its enterprise risk management process. The Group strongly believes that prudent risk management is vital for business sustainability and the enhancement of shareholder value.

KEY INTERNAL CONTROL PROCESSES

The Group's internal control system encompasses the following key processes:

1. **Separation of Commercial and Regulatory Functions**

   (a) The Group's commercial and regulatory functions are segregated to ensure the proper discharge of Bursa Malaysia's regulatory duties. Both these functions operate independently of each other to ensure that business units are not in a position to influence any regulatory decision made by the Regulation unit. The CEO is not involved in the deliberation or decision making on matters relating to applications for secondary issuance of securities, waivers and extension of time to comply with the Listing Requirements, disciplinary actions or the commencement of relevant regulatory procedures or actions pursuant to the rules of the Group.

   It is Bursa Malaysia's statutory duty to always act in the public interest, having particular regard for the need to protect investors. Accordingly, public interest prevails in the event that Bursa Malaysia's own interest, or any interest that it is required to serve under any law relating to corporations, conflicts with the public interest. Four Public Interest Directors (PIDs) are appointed by the Minister of Finance to Bursa Malaysia's Board to ensure decisions are made in the public interest. Regulatory Committees which have been set up to deliberate and decide on regulatory matters comprise independent individuals with significant and relevant industry experience, apart from Board members, to further ensure Bursa Malaysia upholds its obligation to safeguard the public interest.

   (b) Processes are established and set out in the Guidelines for Handling Conflict of Interest (COI) to deal with any possible COI which may arise in the course of Bursa Malaysia performing its commercial or regulatory role. The types of COI managed by the Guidelines for Handling COI are:

   - COI or potential COI where Bursa Malaysia or its subsidiaries make regulatory decisions involving listed issuers, market participants or advisers/sponsors with whom Bursa Malaysia or its subsidiaries have a commercial or competitive relationship;

   - COI or potential COI where Bursa Malaysia makes a business decision which may have an adverse impact on the performance of its regulatory duties; and

   - Conflicts arising from the interest (direct or indirect) of a Director, member or major shareholder or person connected with such Director, member or major shareholder in a transaction proposed to be entered into, or action/decision to be taken, by Bursa Malaysia or its subsidiaries.

2. **Authority and Responsibility**

   (a) Certain responsibilities are delegated to Board Committees through clearly defined Terms of Reference (TOR) which are reviewed annually.

   (b) The Authority Limits Document is reviewed from time to time to reflect the authority and authorisation limits of Management in all aspects of Bursa Malaysia's major business operations and regulatory functions.

(c) The Group's Management Governance Framework, comprising two committees for governance function and three committees for business operations function, has clearly defined TOR to enable good business and regulatory governance.

3. Planning, Monitoring and Reporting

(a) An annual planning and budgetary exercise is undertaken requiring all divisions to prepare business plans and budgets for the forthcoming year, which are deliberated upon and approved by the Board before implementation.

(b) Updates on the Group's performance are provided to the Board at every meeting. The Group's performance for the year is reviewed and deliberated by the Board on a half-yearly basis. Financial performance variances are presented to the Board on a quarterly basis.

(c) There is a regular and comprehensive flow of information to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy, business and regulatory plans. The Board also reviews and approves the Annual Regulatory Report, aimed at reporting to the Securities Commission (SC) under Section 16 of the Capital Markets and Services Act 2007 (CMSA) the extent to which Bursa Malaysia and its subsidiaries have complied with their duties and obligations under Sections 11 and 21 of the CMSA.

(d) The CFO is required to assure the AC that adequate processes and controls are in place for an effective and efficient financial statements close process in the preparation of each quarterly financial statements, including the consolidated condensed financial statements. The CFO also assures that appropriate accounting policies have been adopted and applied consistently to give a true and fair view of the state of affairs of the Group in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 of Malaysia.

4. Policies and Procedures

(a) Clear, formalised and documented internal policies, standards and procedures are in place to ensure compliance with internal controls and relevant laws and regulations. A list of identified laws and regulations applicable to Bursa Malaysia is documented and maintained to facilitate compliance. Regular reviews are performed to ensure that documentation remains current and relevant. Common Group policies are available on Bursa Malaysia's intranet for easy access by staff.

(b) For significant system development/enhancement projects, whether involving new product/service launches or not, the GIA conducts a System Readiness Review to ensure that due processes have been complied with prior to the implementation or launch of the product/service.

5. Audits

(a) Through its internal audits, GIA assesses compliance with policies and procedures as well as relevant laws and regulations. In addition, it examines and evaluates the effectiveness and efficiency of the Group's internal control system.

(b) Annual on-site regulatory audits are conducted by the SC on the Group's operations to ensure compliance with its duties and obligations under the CMSA, as well as its policies and procedures.

(c) Yearly audits are carried out by SIRIM in relation to the ISO 9001:2008 Quality Management System (ISO 9001) and ISO 14001:2004 Environment Management System (ISO 14001), collectively known in Bursa Malaysia as the Integrated Management System. This process ensures that product and service quality as well as environmental performance comply with international standards and are continuously improved.

(d) The Auditor Independence Policy requires the lead and concurring audit engagement quality reviewing audit partners to be subject to a five-year rotation with a five-year cooling off period. An annual plan, encompassing planned statutory audit, recurring non-audit services and other anticipated non-audit services by the External Auditors, require prior approval by the AC. AC's approval is also required for unplanned non-audit services obtained from the current External Auditor.

(e) The GIA is required to conduct an assessment of the internal control system pertaining to the processes of the relevant business units/functional groups which have a bearing on the financial information of Bursa Malaysia, to ensure reliability and integrity of such information. The Chief Internal Auditor (CIA) is required to confirm the effective operation of process controls which support the preparation of the financial statements.

(f) The External Auditors are engaged to conduct a limited review of the quarterly financial results together with the cumulative quarters.

6. Performance Measurement

(a) Key Performance Indicators (KPIs), which are based on the Corporate Balanced Scorecard approach, are used to track and measure staff performance.

(b) Yearly employee engagement surveys and customer satisfaction surveys are conducted to gauge feedback on the effectiveness and efficiency of stakeholder engagement for continuous improvement.

7. **Staff Competency**

(a) Hiring and termination guidelines are in place while training and development programmes are conducted to ensure that staff are competent and kept up to date with the necessary competencies to carry out their respective duties towards achieving the Group's objectives.

8. **Conduct of Staff**

(a) A Code of Ethics is established for all employees, which defines the ethical standards and conduct of work required at Bursa Malaysia.

(b) Bursa Malaysia has a stand-alone Whistleblower Policy and Procedures (WPP) to provide an avenue for staff or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner. The WPP serves as an anti-fraud programme or internal control mechanism to mitigate the risk of fraud and to improve corporate governance by ensuring that any improper conduct committed by any employee will be exposed when reported and dealt with appropriately. To avoid any possible COI, the AC is appointed by the Board to oversee the WPP and to ensure effective administration thereof by the CIA and/or designated officer(s) of the GIA. The Senior Independent Non-Executive Director, who serves as a fallback point of contact when other channels of communication are inappropriate or inadequate, is designated to receive report(s) made by employees or external parties for the purpose of whistleblowing in accordance with the WPP.

(c) A Securities Transaction Policy is established to govern the securities transactions of the Group's staff. The policy prohibits employees from using unpublished price sensitive information obtained during the course of their work for personal gain or for the gain of other persons. Employees (including principal officers) are also not allowed to trade in the securities of Bursa Malaysia during the closed period, which is 30 calendar days preceding the announcement of Bursa Malaysia's quarterly and annual financial results.

(d) A Corporate Fraud Policy is established to aid in the detection and prevention of fraud and to promote consistent organisational behaviour and practices.

(e) A Confidentiality Policy is established for the management, control and protection of confidential information used by the Group to avoid leakage and improper use of such information.

(f) Management and employees of Grade 4 and above are required to declare their assets annually and provide an update on assets acquired.

(g) Segregation of duties is practised whereby conflicting tasks are apportioned between different members of staff to reduce the scope for error and fraud.

9. **Business Continuity Planning**

(a) A comprehensive Business Continuity Plan (BCP), including a Disaster Recovery Plan which is tested annually, is in place to ensure continuity of business operations. A BCP industry-wide test for securities, bond, Islamic and Labuan International Financial Exchange (LFX) markets was successfully conducted on 24 November 2012.

10. **Insurance**

(a) There exists sufficient insurance coverage and physical safeguards on major assets to ensure the Group's assets are adequately covered against any mishap that could result in material loss. A yearly policy renewal exercise is undertaken in which Management reviews the coverage based on the current fixed asset inventory and the respective net book values and 'replacement value', i.e. the prevailing market price for the same or similar item, where applicable. The underwriter also assists by conducting a risk assessment, which helps Bursa Malaysia in assessing the adequacy of the intended coverage. There is also a yearly renewal exercise to ensure adequacy in the Group's professional indemnity insurance coverage.

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this Statement and the Risk Management Statement for inclusion in the 2012 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statements are inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control. Both statements were approved by the Board on 31 January 2013.

Additionally, GIA has reviewed this Statement and reported to the AC that, while it has addressed individual lapses in internal control during the course of its internal audit assignments for the year, it has not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control system.

CONCLUSION

The Board is of the view that the system of internal control and risk management is in place for the year under review, and up to the date of approval of this Statement and the Risk Management Statement, is sound and sufficient to safeguard shareholders' investment, the interests of customers, regulators, employees and other stakeholders, and the Group's assets.

The Board has received assurance from the CEO and CFO that the company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group.

RISK MANAGEMENT STATEMENT

In accordance with Section 22 of the Capital Markets and Services Act 2007 (CMSA), Bursa Malaysia has established and maintained a Risk Management Committee (RMC) to provide risk oversight and to ensure prudent risk management of its business and operations.

The RMC is a Board Committee comprising five independent Directors, including the RMC Chairman, a Public Interest Director (PID) who also satisfies the test of independence under the Main Market Listing Requirements. The RMC members and their attendance records are provided in the Corporate Governance Statement of this Annual Report.

In 2012, the RMC held four meetings at which it reviewed, deliberated and provided advice on matters pertaining to:

(a) developments and/or emerging concerns on key corporate risks and the actions taken, or being taken, by Management to mitigate these risks;

(b) risk assessment of priority projects and programmes;

(c) pertinent operational risks and mitigation measures; and

(d) progress and status of requisites with regard to Enterprise Risk Management (ERM) activities undertaken throughout the Group.

Minutes of RMC meetings were tabled for confirmation at the following RMC meeting, and subsequently presented to the Board for notation. In 2012, the RMC was apprised of the continuous risk management efforts by the Management and assessed the progress and efficacy of such actions taken in monitoring the risk management exposure of the Group.

In discharging its risk oversight function, the RMC also assessed the key corporate risks at its quarterly meetings and adjusted the risk severity, where merited, to timely flag concerns for the Management's attention, and further conveyed to the Board any issues of concern. The RMC at its 4th meeting held on 19 November 2012 reviewed the 2013 Corporate Risk Profile and recommended the same for the Board's approval on 28 November 2012.

RISK GOVERNANCE FRAMEWORK

Bursa Malaysia has in place an enterprise risk governance framework for which the Board assumes overall responsibility with established and clear functional responsibilities and accountabilities under three lines of defence for the management of risk.

Senior Management, which includes Management Committee members and Divisional Heads, is the first line of defence accountable for all risks assumed under their respective areas of responsibility as well as for the execution of appropriate risk management discipline in line with the Risk Management Policy approved by the Board, aided by supporting guidelines, procedures and standards. This group is also responsible for creating a risk-awareness culture to ensure greater understanding of the importance of risk management and that its principles are embedded in key operational processes and all projects.

The second line of defence in the management of risk is provided by the RMC, assisted by the Corporate Risk Management (CRM) team which is collectively responsible for overseeing the risk management activities of the Group and ensuring compliance with, and effective implementation of, risk policies and objectives.

The third line of defence is the Audit Committee (AC), assisted by Group Internal Audit (GIA). It provides independent assurance of the adequacy and reliability of the risk management processes and system of internal control as well as compliance with risk-related regulatory requirements.

Within the framework, we have an established and structured process for the identification, assessment, communication, monitoring and review of risks and effectiveness of risk mitigation strategies and controls at the divisional and corporate levels. An automated system has also been implemented to facilitate the risk documentation and reporting process in regard to divisional risks.

In 2012, we embarked on a programme to refresh our enterprise risk management framework to ensure that the risk organisation structure and related risk policies and processes are in line with the latest risk management practices and remain appropriate and effective for managing risks faced by the Group in the present and future. Areas for improvement have been identified and relevant revisions are being formalised for implementation by the Group.

MANAGING SIGNIFICANT CORPORATE RISKS

Competition risk

To build and enhance our competitive position, we have instituted various programmes and initiatives in 2012 to boost participation and increase liquidity in our markets, expand the range of products and services offered by the Group, improve our market framework and efficiency, facilitate fund raising, also to create and raise awareness of the Group and its products and services.

Business interruption risk

On 16 May 2012, Bursa Malaysia successfully conducted a joint exercise of a fire drill and Business Continuity Plan (BCP) simulation, simulating the fire evacuation and relevant business continuity activation processes. These included the integrated activation of external agencies (Bomba, Police and St. John Ambulance) with Bursa Malaysia's Disaster Recovery Management Team (DRMT), and the evacuation of occupants of the Exchange Square building.

On 24 November 2012, Bursa Malaysia successfully conducted the BCP Test primarily involving the securities, Islamic, bond and Labuan International Financial Exchange (LFX) markets. All 34 Participating Organisations (POs) of securities market participated in this test. Overall, we achieved the target recovery time set for all critical functions/systems.

In 2012, Bursa Malaysia did not face any major business interruption with the exception of our website being under a Distributed Denial of Service (DDoS) attack on 13 February 2012. Nevertheless, securities and derivatives trading were not affected and the impact was minimal.

For our derivatives market which operates on the Globex® platform, the team successfully conducted two BCP tests with its market participants and CME Group Inc. (CME), on 30 June 2012 and 4 August 2012 simulating the recovery and resumption of the derivatives critical functions/systems following the pre-trading failure scenario of the derivatives systems.

Talent management risk

2012 saw Bursa Malaysia launch and implement comprehensive human resources initiatives aimed at ensuring accelerated growth of competency development among staff while emphasising efforts to attract, retain and motivate key talent in the organisation. The initiatives include:

(a) Review of the Job Grading Framework to create a strong job management system in Bursa Malaysia to ensure consistency and internal equity. This helps Bursa Malaysia to promote a market-driven reward structure that is competitive as well as integrated with other strategic Human Resources (HR) initiatives such as career and succession planning to attract, develop, engage and retain talent.

(b) Execution of Individual Development Plans to facilitate the achievement of career aspirations by employees in alignment with Bursa Malaysia's Strategic Intents via continuous development, strengthening and uplifting of key technical and non-technical competency levels.

(c) Enhancement of the technical competencies to address Bursa Malaysia's long-term goals of increasing productivity and capacity-building.

(d) Revision and enhancement of the Balanced Scorecard for better alignment and effective cascading of Bursa Malaysia's strategies and goals towards achieving the aim of becoming ASEAN's multinational marketplace.

(e) Succession Planning aimed at strengthening Bursa Malaysia's bench strength and leadership pipeline at key management and critical positions.

(f) Strategic advertising targeting university career fairs and professional bodies while also utilising job portals.

Recruitment, development and retention are critical to creating an effective human resources management and are carried out within the context of other human resources functions such as training and development, talent management, succession planning, workforce planning and strategic HR planning. Outcomes of these initiatives are monitored closely and evaluated to establish their effectiveness and adequacy to tackle any areas of risk.

Regulatory risk

The discharge of our regulatory function is to ensure that our markets continue to operate in an orderly, fair and transparent manner. In this respect, our areas of focus are guided by events that may undermine the operation of an orderly and fair market.

We will continue to review our focus areas to ensure that key risks are identified, monitored and managed effectively.

Counterparty credit risk

In managing counterparty/settlement risks where Bursa Malaysia Securities Clearing Sdn Bhd and Bursa Malaysia Derivatives Clearing Berhad act as the clearing houses for securities and derivatives trades respectively, and in preventing any systemic impact on the market, Bursa Malaysia continues to employ robust risk management processes comprising:

(a) Daily mark-to-market positions, initial and variation margin requirements and collateral management. In 2012, Bursa Malaysia Derivatives Clearing Berhad migrated to the Chicago Mercantile Exchange Standard Portfolio Analysis of Risk (CME SPAN), which is a risk-based margining system;

(b) Capital requirements and adequacy;

(c) Managing of credit exposures via price, trading, single client, equity, position limits and the provision of a bridging facility;

(d) Monitoring of the financial health of the clearing settlement banks via the risk weighted capital ratio (RWCR) and credit ratings. The concentration risk is also monitored based on the Trading Clearing Participants' (TCP) total trade settlement with the relevant clearing settlement banks; and

(e) Maintenance of the Clearing Guarantee Fund (CGF) and the Clearing Fund for securities and derivatives trading respectively.

In 2012, there was no settlement default by any TCP and neither the CGF nor the Clearing Fund was called upon.

CONCLUSION AND LOOKING AHEAD

Throughout 2012, the business and operational risks of the Group were adequately and satisfactorily managed.

In the upcoming period, the Group will remain attuned to changes in our risk environment and will seek to implement responses as appropriate to limit potential negative impact while capturing any possible upside opportunities.

AUDIT COMMITTEE REPORT

The Board presents the Audit Committee Report to provide insights on the discharge of the Audit Committee's functions for the Group in 2012.

COMPOSITION AND ATTENDANCE

The Audit Committee (AC) comprises five members, all of whom are Non-Executive Directors (NEDs), four being Independent NEDs and one a Public Interest Director (PID) who also satisfies the test of independence under the Main Market Listing Requirements (MMLR). This meets the requirements of paragraph 15.09(1)(b) of the MMLR. The AC members and their attendance records are provided in the Corporate Governance Statement.

The AC Chairman, Tan Sri Datuk Dr. Abdul Samad bin Haji Alias, is a Fellow of the Institute of Chartered Accountants, Australia, a member of the Malaysian Institute of Accountants (MIA) and a member of the Malaysian Institute of Certified Public Accountants (MICPA). Accordingly, Bursa Malaysia complies with paragraph 15.09(1)(c)(i) of the MMLR.

The Board reviews annually the terms of office of the AC members. The Board also assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation and is satisfied that they are able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference (TOR) of the AC which are available on Bursa Malaysia's website, thereby supporting the Board in ensuring appropriate Corporate Governance (CG) standards within the Group.

MEETINGS

The AC held five meetings in 2012 without the presence of other Directors and employees, except when their attendance were requested by the AC. The CEO was invited to all AC meetings to facilitate direct communication and to provide clarification on audit issues and the operations of the Group. The Chief Internal Auditor (CIA) and Departmental Heads of the respective Group Internal Audit (GIA) functions were present at all AC meetings to table the respective Internal Audit (IA) reports. Relevant Management of the audit subjects were invited to brief the AC on specific issues arising from relevant audit reports.

As part of the AC's efforts to ensure reliability of Bursa Malaysia's quarterly financial statements and compliance with applicable Financial Reporting Standards (FRS), External Auditors were engaged to conduct a limited review of Bursa Malaysia's quarterly financial statements before these were presented to the AC for review and recommendation for the Board's approval and adoption. In this respect, the lead audit engagement partner of the External Auditors responsible for the Group attended four AC meetings in 2012 to present the auditors' report on the annual audited financial statements for 2011 as well as the auditors' review reports on the unaudited quarterly financial statements together with the cumulative quarters for 2012.

The AC met with the External Auditors once in 2012 without the presence of the CEO/Executive Director, Management or Internal Auditors. At this meeting, the AC enquired about Management's cooperation with the External Auditors, sharing of information and proficiency and adequacy of resources in financial reporting functions, particularly in relation to the applicable FRS. During the AC meetings, the External Auditors were invited to raise any matter they considered important for the AC's attention. The AC Chairman obtained confirmation from the External Auditors that the Management had given its full support and unrestricted access to information as required by the External Auditors to perform their duties.

In addition to the meeting held between the AC and the External Auditors without the presence of Management, the AC members also gave unrestricted access to the External Auditors to contact them at any time should they become aware of incidents or matters in the course of their audits or reviews.

Deliberations during the AC meetings, including the issues tabled and rationale adopted for decisions, were recorded. Minutes of the AC meetings were tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation. In 2012, the AC Chairman presented the recommendations of the Committee to the Board for approval of the annual and quarterly financial statements as well as declaration of dividends. The AC Chairman also conveyed to the Board matters of significant concern as and when raised by the External Auditors or Internal Auditors.

SUMMARY OF ACTIVITIES

The AC's activities during 2012 encompassed the following:

1. Financial Reporting

(a) In overseeing Bursa Malaysia's financial reporting, the AC reviewed the quarterly financial statements for the fourth quarter of 2011 and the annual audited financial statements of 2011 at its meeting on 3 February 2012. The quarterly financial statements for the first, second and third quarters of 2012 which were prepared in compliance with the Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting, International Accounting Standards (IAS) 34: Interim Financial Reporting and paragraph 9.22, including Appendix 9B of the MMLR, were reviewed at the AC meetings on 17 April 2012, 16 July 2012 and 16 October 2012 respectively. On 29 January 2013, the AC reviewed the quarterly financial statements for the fourth quarter of 2012 and the annual audited financial statements for 2012. The AC's recommendations were presented at the respective Board meetings held subsequently for approval.

(b) To safeguard the integrity of information, the CFO had, on 13 April 2012, 12 July 2012, 12 October 2012 and 21 January 2013, given assurance to the AC that adequate processes and controls were in place for an effective and efficient financial statements close process in the preparation of the quarterly financial statements of 2012, and that appropriate accounting policies had been adopted and applied consistently to give a true and fair view of the state of affairs of the Group.

(c) On 3 February 2012, the CFO presented for the AC's approval the proposed audit and non-audit services to be provided by the External Auditors for 2012 (Annual Plan 2012) in accordance with the Auditor Independence Policy.

(d) The CFO also presented to the AC for its review the impact of the proposed changes and options available arising from the one-off transition from the FRS framework to the MFRS framework for annual periods beginning on or after 1 January 2012.

2. External Audit

(a) The AC deliberated the External Auditors' report at its meeting on 3 February 2012 with regard to the relevant disclosures in the annual audited financial statements for 2011. The AC also considered suggestions for improvement in the accounting procedures and internal control measures.

(b) On 3 February 2012, the AC reviewed the list of services in the Annual Plan 2012 which comprises non-recurring and recurring non-audit services that may be provided by the External Auditors, such as ad-hoc tax advisory in the course of undertaking business initiatives, tax compliance and limited review of quarterly financial statements, and was satisfied that they will not impair the independence of the External Auditors. The non-recurring non-audit services provided by the External Auditors in 2012 were tax estimation.

(c) Bursa Malaysia has in place the Auditor Independence Policy which requires the lead and concurring audit engagement partners of Bursa Malaysia Group to be subject to a five-year cooling-off period. Mr. Chan Hooi Lam became the lead audit engagement partner in 2010 and would be rotated in 2015, whilst Ms. Gloria Goh became the concurring audit engagement partner in 2011 and would be rotated in 2016.

In this respect, the AC carries out an annual review of the performance of the External Auditors, including assessment of their independence in the performance of their obligations as External Auditors. For 2012, the AC was satisfied with the External Auditors' technical competency and independence, based on its annual evaluation of their performance, and with the reasonableness of their audit fees. With that, the AC further recommended for the Board's approval the reappointment of the External Auditors in respect of 2012.

(d) On 16 October 2012, the AC reviewed the External Auditors' 2012 Audit Plan outlining their scope of work and proposed fees for the statutory audit and review of the Internal Control Statement for 2012. The AC further resolved to recommend the proposed fees to the Board for approval.

(e) On 29 January 2013, the performance of the external audit function was reviewed and assessed by the AC. Feedback on the conduct of the external audit was obtained from the Management.

The External Auditors had provided written assurance on 29 Jan 2013 to the AC that they were and had been, independent throughout the conduct of the audit engagement for 2012 in accordance with terms of all relevant professional and regulatory requirements.

Being satisfied with the performance of the External Auditors, the AC recommended their reappointment for 2013.

3. **Internal Audit**

(a) The GIA conducted the audit activities as planned in the 2012 Audit Plan approved by the AC on 21 November 2011. The CIA presented the GIA's reports at every AC meeting during the year which reports on the status and progress of IA assignments, including summaries of the audit reports issued, audit recommendations provided by the Internal Auditors and Management's response to those recommendations. Also presented were the evaluation of system readiness on system development projects, post-implementation reviews of projects, tender evaluations and the monitoring of employees' dealings in securities with reference to the Securities Transaction Policy.

The CIA reported to the AC on 3 February 2012, 17 April 2012, 12 July 2012 and 15 October 2012 whereas the Head, Support Services Audit and Head, Information Systems and Information Technology (IS/IT) Audit reported to the AC on 22 January 2013 that the controls of processes reviewed which supported the preparation of quarterly financial statements were operating effectively.

(b) At the meeting on 3 February 2012, the AC deliberated on the results of the GIA's 2011 Balanced Scorecard and Key Performance Indicators (KPIs). The GIA's 2012 Balanced Scorecard and KPIs were considered and approved on 17 April 2012.

(c) At the meeting on 17 April 2012, the AC reviewed the results of the GIA's Customer Satisfaction Survey for 2011, which included an analysis of IA's strengths and weaknesses and action plans to improve audit services to IA's customers. The results indicated that IA's customers were generally satisfied with the performance of the IA function.

(d) On 17 April 2012, the CIA presented the post-mortem report for the Annual IA Plan of 2011 which provided an overall indication of the adequacy and effectiveness of controls implemented within the Group to mitigate its key risks.

(e) At the same meeting on 17 April 2012, the AC approved the GIA's training plan for 2012 which was based on the training needs analysis conducted by the GIA. The training budget was also considered for its implementation to strengthen the development of GIA with the necessary knowledge, skills and expertise in the face of changes in technology, business and regulatory requirements.

(f) At the meeting on 26 November 2012, the AC considered the adequacy of scope and comprehensive coverage of the Group's activities and approved the IA's Annual Audit Plan for 2013.

(g) On 26 November 2012 and 29 January 2013, the AC reviewed the annual Internal Control Statement and the Risk Management Statement for publication in the 2012 Annual Report.

(h) The Share Grant Plan (SGP) of Bursa Malaysia comprises two components, namely the Restricted Share Plan (RSP) for employees of Grade 5 and above and the Performance Share Plan (PSP) for key Management personnel in addition to their RSP. At the meeting on 16 October 2012, the AC reviewed the verification exercise conducted by the GIA on the following:

(i) the award of shares in Bursa Malaysia (Plan Shares) to eligible employees of the Group on 2 July 2012 for the 2012 RSP Grant based on their job grades and performance ratings for 2011;

(ii) the vesting of Plan Shares for the 2011 RSP Grant on 16 July 2012; and

(iii) the award of Plan Shares to selected executives of the Group on 2 May 2012 for the 2011 and 2012 PSP Grants based on performance targets for the periods 2011 to 2013 and 2012 to 2014 respectively.

This verification exercise is to ensure that the award of shares under the SGP complied with the criteria as approved by the Nomination and Remuneration Committee pursuant to paragraph 8.17 of the MMLR.

INTERNAL AUDIT FUNCTION

The purpose of the IA function is to provide the Board, through the AC, with reasonable assurance of the effectiveness of the system of internal control in the Group.

The GIA was led by the CIA, who reported directly to the AC during the financial year 2012. The GIA comprises four departments, i.e. Operations Audit, Support Services Audit, Information System and Information Technology (IS/IT) Audit and Project & Tender Review, with three Internal Auditors under each department, i.e. the Departmental Head and two auditors, totaling 12 auditors. To ensure that the responsibilities of the GIA are fully discharged, the AC reviews the adequacy of the scope, functions and resources of the IA function as well as the competency of the Internal Auditors. A new CIA will be appointed to replace the previous CIA, Dr. Badrul Hisham Mohd. Yusoff, who resigned with effect from 1 January 2013. The AC is satisfied with the qualification and experience of the Internal Auditors in carrying out the internal audit function for the Group as guided by the International Standards for the Professional Practice of Internal Auditing.

The Internal Auditors also highlighted to the Management Risk and Audit Committee (MRAC) audit findings which required follow-up action by Management as well as outstanding audit issues which required corrective action to ensure an adequate and effective internal control system within the Group. The MRAC, which is a management committee under the Group's Management Governance Framework, reviews reports from the Internal Auditors, External Auditors and Securities Commission for the purpose of assessing the adequacy and integrity of the system of internal control of the Group. The MRAC held four meetings in 2012.

The work of the IA function is carried out through a programme of regular reviews and assessments based on the Annual IA Plan. In 2012, a risk-based approach was adopted. The selection of audit assignments took into consideration the risk profiles of each division which were also mapped to the Corporate Risk Profile approved by the Board.

The main activities of the IA function include:

1. **Performing operational/support services audits on the following areas:**

    (a) Core business and support services functions of the Group;

    (b) Quarterly stock count of Central Depository System (CDS) scrips maintained by Bursa Malaysia Depository;

    (c) System administration and support;

    (d) Review of compliance with the Group's Guidelines for Handling Conflict of Interest (COI), where conflict may exist between the interest of the Group, and the proper performance of its regulatory duties; and

    (e) Review of processes of the relevant business units/functional groups which have a bearing on the financial information of Bursa Malaysia and for the purpose of ensuring reliability and integrity of such information.

2. **Performing IS/IT audits on the following areas:**

    (a) Facilities management functions supporting the core application systems of the Group;

    (b) IT project management of the Group;

    (c) Systems development and maintenance of core application systems of the Group; and

    (d) IT related functions supported by third party vendors.

3. **Providing assurance and performing compliance reviews for:**

    (a) Tenders and significant procurement exercises;

    (b) System Readiness reviews on key system development projects and post-implementation of the projects;

    (c) Monitoring employees' compliance with the Securities Transaction Policy; and

    (d) Undertaking investigation into any suspicion of fraud or reported operational failures within the Group.

The results of the audits provided in the IA reports were reviewed by the AC. The relevant Management of the specific audit subject was made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframe. The GIA conducted follow-up audits to ensure that Management's corrective action was implemented appropriately. In this respect, the IA has added value by improving the control processes within the Group.

All IA activities in 2012 were conducted by the in-house audit team. No area of the IA function was outsourced. The total costs incurred by GIA in discharging its functions and responsibilities in 2012 amounted to RM2,753,614 compared to RM2,553,045 in 2011.

CORPORATE INFORMATION

GROUP CORPORATE STRUCTURE

BURSA MALAYSIA BERHAD (30632-P)

100%

Bursa Malaysia Securities Berhad (635998-W)
Date of Incorporation : 4 December 2003
Principal Activities : Provide, operate and maintain a securities exchange

75%

Bursa Malaysia Derivatives Berhad (261937-H)
Date of Incorporation : 17 April 1993
Principal Activities : Provide, operate and maintain a derivatives exchange

Wholly-owned subsidiary of Bursa Malaysia Derivatives Berhad

100%

Bursa Malaysia Derivatives Clearing Berhad (358677-D)
Date of Incorporation : 9 September 1995
Principal Activities : Provide, operate and maintain a clearing house for the derivatives exchange

100%

Labuan International Financial Exchange Inc (LL 02032)
Date of Incorporation : 30 July 1999
Principal Activities : Provide, operate and maintain an offshore financial exchange

100%

Bursa Malaysia Depository Sdn Bhd (165570-W)
Date of Incorporation : 26 October 1987
Principal Activities : Provide, operate and maintain a central depository for securities listed on the securities exchange

Wholly-owned subsidiary of Bursa Malaysia Depository Sdn Bhd

100%

Bursa Malaysia Depository Nominees Sdn Bhd (240297-W)
Date of Incorporation : 15 May 1992
Principal Activities : Act as a nominee for Bursa Malaysia Depository and receive securities on deposit or for safe-custody or management

100%

Bursa Malaysia Securities Clearing Sdn Bhd (109716-D)
Date of Incorporation : 12 November 1983
Principal Activities : Provide, operate and maintain a clearing house for the securities exchange

100%

Bursa Malaysia Information Sdn Bhd (152961-H)
Date of Incorporation : 2 May 1986
Principal Activities : Compile, provide and disseminate prices and other information relating to securities quoted on the securities and derivatives exchanges within the Group as well as data reported from the bond platform

100%

Bursa Malaysia Bonds Sdn Bhd (319465-T)
Date of Incorporation : 11 October 1994
Principal Activities : Provide, operate and maintain an electronic trading platform for the bond market

100%

Bursa Malaysia Islamic Services Sdn Bhd (853675-M)
Date of Incorporation : 15 April 2009
Principal Activities : Provide, operate and maintain a Shari'ah compliant commodity trading platform

Public company limited by guarantee

Yayasan Bursa Malaysia (464552-M)
Date of Incorporation : 24 June 1998
Principal Activities : Provide funds or support to Malaysian individuals and organisations by way of scholarships, grants, donations and other forms of financial assistance for educational, research and charitable purposes

CORPORATE INFORMATION
GOVERNANCE MODEL

GOVERNANCE MODEL OF BURSA MALAYSIA BERHAD

BURSA MALAYSIA BERHAD
BOARD OF DIRECTORS

Governance Committees
- * Audit Committee
- Nomination and Remuneration Committee
- * Risk Management Committee

Regulatory Committees
- Listing Committee ●
- Market Participants Committee ■
- Compensation Committee ▲
- Appeals Committee ◆

100% Subsidiaries
- ● ■ ▲ ◆ Bursa Malaysia Securities
- ■ ◆ Bursa Malaysia Securities Clearing
- ■ ▲ ◆ Bursa Malaysia Depository
- Bursa Malaysia Depository Nominees
- Bursa Malaysia Information
- ■ ◆ Bursa Malaysia Bonds
- Bursa Malaysia Islamic Services
  - **Shari'ah Committee**
- ▼ Labuan International Financial Exchange
  - ▼ **LFX Exchange Committee**
    - ▼ Listing Committee
    - ▼ Disciplinary Committee
    - ▼ Licensing Committee

75% Subsidiaries (25% CME)
- Bursa Malaysia Derivatives
  - **Bursa Malaysia-CME Joint Working Group**
  - **100% Subsidiary**
    - Bursa Malaysia Derivatives Clearing

Limited By Guarantee
Yayasan Bursa Malaysia

Chief Executive Officer

MANAGEMENT GOVERNANCE FRAMEWORK

Governance
- Corporate Sustainability Committee
- Management Risk and Audit Committee

Business Operations (Commercial & Regulatory)
- Management Committee
- Management Regulatory Committee
- IT Steering Committee (dissolved on 3 September 2012)

Note:
* All subsidiaries of Bursa Malaysia have fully adopted the Governance Model of Bursa Malaysia Group except for Bursa Malaysia Derivatives and its wholly-owned subsidiary, Bursa Malaysia Derivatives Clearing which have adopted 2 Governance Committees, and the applicable Regulatory Committees.

● ■ ▲ ◆ ▼ symbolise the corresponding committees to the relevant companies

CORPORATE INFORMATION

OTHER CORPORATE INFORMATION

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Tan Sri Ong Leong Huat @ Wong Joo Hwa
Tel : 03-2161 8440
E-mail : lh@my.oskgroup.com

COMPANY SECRETARIES

Yong Hazadurah binti Md. Hashim
LS 006674

Hong Soo Yong, Suzanne
MAICSA 7026744

REGISTERED OFFICE

15th Floor, Exchange Square
Bukit Kewangan, 50200 Kuala Lumpur
Tel : 03-2034 7000
Fax : 03-2732 6437
E-mail : enquiries@bursamalaysia.com
Web : www.bursamalaysia.com

FORM OF LEGAL ENTITY OF BURSA MALAYSIA BERHAD

Incorporated on 14 December 1976 as a public company limited by guarantee. Converted to a public company limited by shares on 5 January 2004 pursuant to the Demutualisation (Kuala Lumpur Stock Exchange) Act 2003

STOCK EXCHANGE LISTING

Listed on Main Board of Bursa Malaysia Securities Berhad on 18 March 2005
Stock Code : 1818
Stock Name : BURSA

CUSTOMER SERVICE

Bursa Malaysia Berhad
10th Floor, Exchange Square
Bukit Kewangan, 50200 Kuala Lumpur
Tel : 03-2026 5099
Fax : 03-2026 4122
E-mail : customerservice@bursamalaysia.com

INVESTOR RELATIONS

Koay Lean Lee
14th Floor, Exchange Square
Bukit Kewangan, 50200 Kuala Lumpur
Tel : 03-2034 7306
Fax : 03-2732 6160
E-mail : ir@bursamalaysia.com

REGISTRAR

Tricor Investor Services Sdn. Bhd. (118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2264 3883
Fax : 03-2282 1886
E-mail : is.enquiry@my.tricorglobal.com
Web : www.tricorglobal.com

AUDITORS

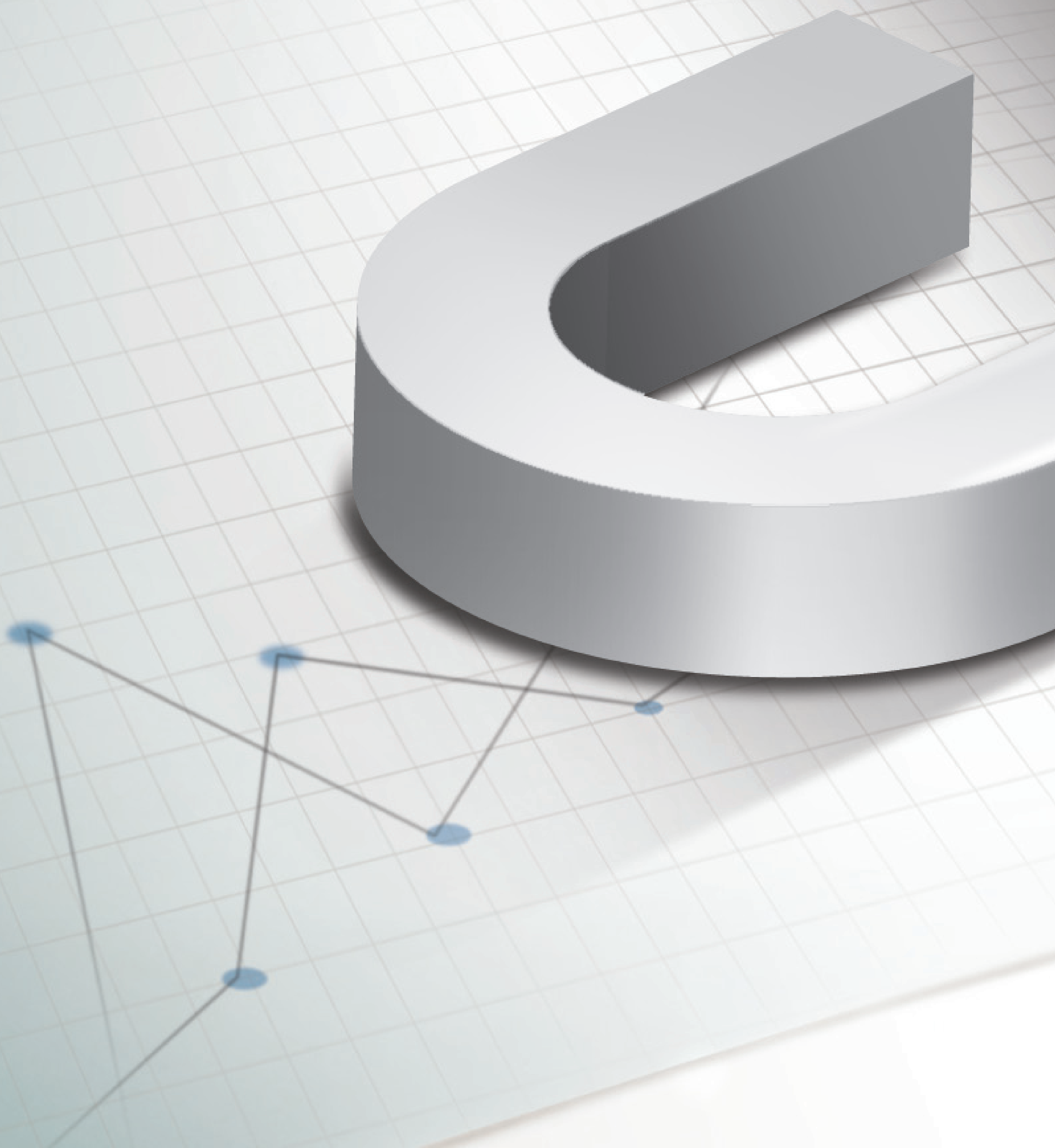
Ernst & Young (AF 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

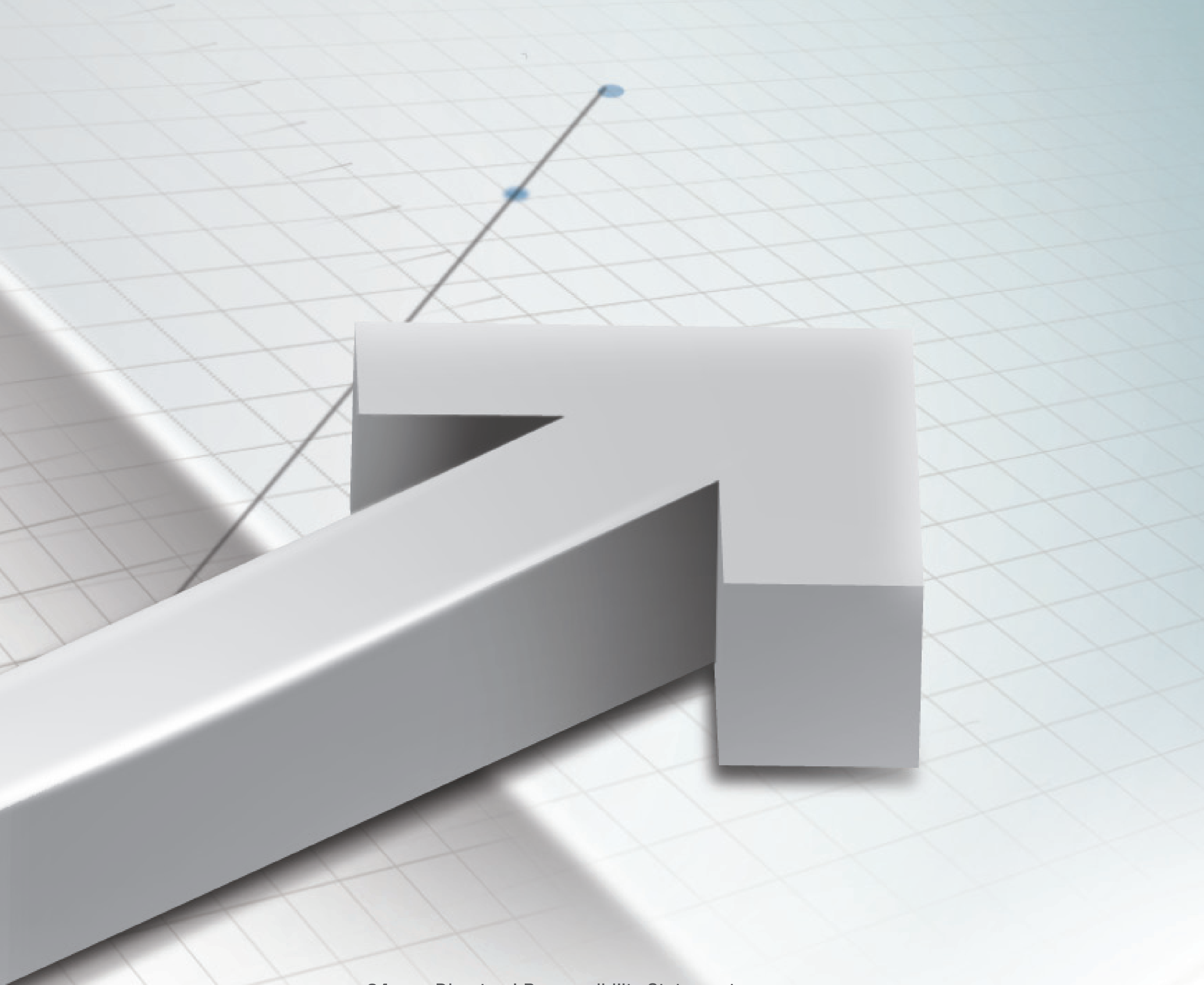
PRINCIPAL BANKERS

CIMB Bank Berhad (13491-P)
5th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur

Malayan Banking Berhad (3813-K)
Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

FINANCIAL REPORTS





DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 1965 (CA) to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs), and the requirements of the CA in Malaysia and the Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the CA.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company, and to detect and prevent fraud and other irregularities.

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 2012.

Principal activities

The Company is an exchange holding company, whose principal activities are treasury management and the provision of management and administrative services to its subsidiaries.

The principal activities of the subsidiaries are to operate the Malaysian securities, derivatives and offshore exchanges and the Shari'ah compliant commodity trading platform, to operate the related depository function and clearing houses, and to disseminate information relating to securities quoted on the exchanges. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

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

Results

	Group RM'000	Company RM'000
Profit for the year	157,746	150,548
Profit attributable to:		
Owners of the Company	151,458	150,548
Non-controlling interest	6,288	–
	157,746	150,548

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.

DIRECTORS' REPORT

Dividends

The amount of dividends paid by the Company since 31 December 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011, as reported in the Directors' report of that year:	
Final dividend under the single-tier system of 13.0 sen per share, on 531,849,000 ordinary shares, declared on 29 March 2012 and paid on 17 April 2012	69,140
In respect of the financial year ended 31 December 2012:	
Interim dividend under the single-tier system of 13.5 sen per share, on 532,024,000 ordinary shares, declared on 18 July 2012 and paid on 15 August 2012	71,823
Total dividends paid since 31 December 2011	140,963

At the forthcoming Annual General Meeting, a final dividend under the single-tier system in respect of the financial year ended 31 December 2012 of 13.5 sen per share on 532,024,000 ordinary shares, amounting to a dividend payable of approximately RM71,823,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

Directors

The names of the Directors of the Company in office since the date of the last report and as at the date of this report are:

Tun Mohamed Dzaiddin bin Haji Abdullah
Dato' Tajuddin bin Atan
Datuk Dr. Md Tap bin Salleh
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Datuk Puteh Rukiah binti Abd Majid
Datin Paduka Siti Sa'diah binti Sheikh Bakir (retired on 29 March 2012)
Dato' Dr. Thillainathan a/l Ramasamy
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias
Izham bin Yusoff
Dato' Wong Puan Wah @ Wong Sulong
Cheah Tek Kuang
Dato' Saiful Bahri bin Zainuddin
Tan Sri Ong Leong Huat @ Wong Joo Hwa

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 acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the shares awarded under the Share Grant Plan (SGP).

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 or the fixed salary of a full-time employee of the Company as disclosed in Note 8 to the financial statements) 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.

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			
	1.1.2012 '000	Shares vested under the SGP '000	Sold '000	31.12.2012 '000
Direct interests				
Tun Mohamed Dzaiddin bin Haji Abdullah	100	–	–	100
Dato' Tajuddin bin Atan	–	250	–	250
Dato' Dr. Thillainathan a/l Ramasamy	50	–	–	50
Cheah Tek Kuang	50	–	–	50

	Number of ordinary shares of RM0.50 each				
	Spouse 1.1.2012 '000	Child 1.1.2012 '000	Purchased '000	Sold '000	31.12.2012 '000
Indirect interests					
Tun Mohamed Dzaiddin bin Haji Abdullah	–	6	–	–	6
Dato' Dr. Thillainathan a/l Ramasamy	50	–	–	–	50
Cheah Tek Kuang	–	14	–	–	14

	Number of ordinary shares of RM0.50 each granted under the SGP			
	1.1.2012 '000	Granted '000	Vested '000	31.12.2012 '000
Dato' Tajuddin bin Atan	–	330	(250)	80

Other than the above, the Directors in office at the end of the financial year did not have any interest in shares of the Company or its related corporations during the financial year.

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM265,800,000 to RM266,012,000 by way of the issuance of 425,000 ordinary shares of RM0.50 each, pursuant to the Company's SGP.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

Share Grant Plan

The Company's SGP is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 14 April 2011. The SGP has been implemented on 18 April 2011 and is made up of two plans - the Restricted Share Plan (RSP) and the Performance Share Plan (PSP). The SGP will be in force for a maximum period of 10 years from the date of implementation.

The salient features, terms and details of the SGP are as disclosed in Note 27(b) to the financial statements.

During the financial year, the Company granted 829,000 shares under RSP and 398,000 shares under PSP to its eligible employees. The details of the shares granted under SGP and its vesting conditions are disclosed in Note 27(b) to the financial statements.

Other statutory information

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

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

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

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

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

  (ii) the values attributed to 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 method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or 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 and 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 in respect of the Group or of the Company which has arisen since the end of the financial year.

Other statutory information (cont'd)

(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 12 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 or of the Company for the financial year in which this report is made.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 January 2013.

Tun Mohamed Dzaiddin bin Haji Abdullah

Dato' Tajuddin bin Atan

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, Tun Mohamed Dzaiddin bin Haji Abdullah and Dato' Tajuddin bin Atan, being two of the Directors of Bursa Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 93 to 175 are drawn up in accordance with MFRSs, IFRSs and the requirements of the CA 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 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 42 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 January 2013.

Tun Mohamed Dzaiddin bin Haji Abdullah

Dato' Tajuddin bin Atan

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, Nadzirah binti Abdul Rashid, being the Officer primarily responsible for the financial management of Bursa Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 93 to 176 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Nadzirah binti Abdul Rashid at Kuala Lumpur in the Federal Territory on 31 January 2013.

Nadzirah binti Abdul Rashid

Before me,

PESURUHJAYA SUMPAH
No. W 633
MURALITHERAN
ART PILLAI
MALAYSIA

Tkt. 20, AmBank Building
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BURSA MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

Report on the financial statements

We have audited the financial statements of Bursa Malaysia Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 93 to 175.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BURSA MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

Report on other legal and regulatory requirements

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

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

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

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

Other reporting responsibilities

The supplementary information set out in Note 42 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young

Ernst & Young
AF: 0039
Chartered Accountants

Chan Hooi Lam
No. 2844/02/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia

31 January 2013

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating revenue	3	**388,480**	381,503	**315,214**	291,593
Other income	4	**38,603**	38,639	**24,052**	20,928
		427,083	420,142	**339,266**	312,521
Staff costs	5	**(102,481)**	(104,122)	**(94,656)**	(96,275)
Depreciation and amortisation	6	**(33,713)**	(38,444)	**(30,999)**	(36,818)
Other operating expenses	7	**(74,857)**	(71,463)	**(53,815)**	(65,673)
Profit before tax		**216,032**	206,113	**159,796**	113,755
Income tax expense	9	**(58,286)**	(54,779)	**(9,248)**	(9,980)
Profit for the year		**157,746**	151,334	**150,548**	103,775
Profit attributable to:					
Owners of the Company		**151,458**	146,160	**150,548**	103,775
Non-controlling interest		**6,288**	5,174	**–**	–
		157,746	151,334	**150,548**	103,775
Earnings per share attributable to owners of the Company (sen per share):					
Basic	10(a)	**28.5**	27.5		
Diluted	10(b)	**28.4**	27.5		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit for the year	**157,746**	151,334	**150,548**	103,775
Other comprehensive income:				
Net fair value changes in available-for-sale (AFS) financial assets	**160**	(16,920)	**44**	(16,983)
Cumulative loss reclassified to income statement **(Note a)**	**–**	1,164	**–**	–
Foreign currency translation	**(99)**	59	**–**	–
Income tax relating to AFS financial assets (Note 18)	**14**	(25)	**54**	9
Other comprehensive income for the year, net of tax	**75**	(15,722)	**98**	(16,974)
Total comprehensive income for the year	**157,821**	135,612	**150,646**	86,801
Total comprehensive income attributable to:				
Owners of the Company	**151,533**	130,446	**150,646**	86,801
Non-controlling interest	**6,288**	5,166	**–**	–
	157,821	135,612	**150,646**	86,801

Note a

The cumulative loss reclassified to income statement is in relation to a recognition of impairment loss of an investment security.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets				
Non-current assets				
Property, plant and equipment	12	**209,733**	218,397	231,104
Computer software	13	**61,274**	59,614	73,056
Goodwill	14	**42,957**	42,957	42,957
Investment securities	16	**123,782**	93,371	110,404
Staff loans receivable	17	**9,140**	11,678	13,805
Deferred tax assets	18	**1,278**	1,034	1,023
		448,164	427,051	472,349
Current assets				
Trade receivables	19	**30,262**	27,870	33,526
Other receivables	20	**14,281**	12,932	10,197
Tax recoverable		**4,296**	388	4,586
Investment securities	16	**54,936**	33,441	27,335
Cash and bank balances not belonging to the Group	22	**1,175,000**	671,880	710,323
Cash and bank balances of the Group	23	**471,503**	499,943	449,938
		1,750,278	1,246,454	1,235,905
Total assets		**2,198,442**	1,673,505	1,708,254

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Equity and liabilities				
Equity				
Share capital	24	**266,012**	265,800	265,700
Share premium		**90,505**	87,553	86,101
Other reserves	25	**26,828**	25,429	40,147
Retained earnings		**492,106**	481,611	460,356
Equity attributable to owners of the Company		**875,451**	860,393	852,304
Non-controlling interest		**15,770**	14,232	11,266
Total equity		**891,221**	874,625	863,570
Non-current liabilities				
Retirement benefit obligations	27(a)	**24,816**	24,311	22,825
Deferred capital grants	28	**9,934**	11,850	10,986
Deferred tax liabilities	18	**9,196**	9,886	18,349
		43,946	46,047	52,160
Current liabilities				
Trade payables	22	**1,137,234**	636,166	676,576
Clearing funds	22	**35,938**	34,485	33,543
Other payables	29	**80,535**	67,330	68,916
Tax payable		**9,568**	14,852	13,489
		1,263,275	752,833	792,524
Total liabilities		**1,307,221**	798,880	844,684
Total equity and liabilities		**2,198,442**	1,673,505	1,708,254

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets				
Non-current assets				
Property, plant and equipment	12	**206,143**	214,507	228,518
Computer software	13	**44,720**	47,149	64,658
Goodwill	14	**29,494**	29,494	29,494
Investment in subsidiaries	15	**152,142**	148,976	154,710
Investment securities	16	**59,322**	59,079	75,997
Staff loans receivable	17	**8,480**	10,946	12,700
		500,301	510,151	566,077
Current assets				
Trade receivables	19	**3,175**	1,857	1,363
Other receivables	20	**8,755**	7,634	5,357
Due from subsidiaries	21	**29,850**	25,949	27,773
Tax recoverable		**2,869**	–	3,405
Investment securities	16	**44,965**	33,441	27,335
Cash and bank balances	23	**268,375**	262,655	250,416
		357,989	331,536	315,649
Total assets		**858,290**	841,687	881,726
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital	24	**266,012**	265,800	265,700
Share premium		**90,505**	87,553	86,101
Other reserves	25	**(22,581)**	(24,003)	(8,025)
Retained earnings	26	**428,853**	419,268	440,398
Total equity		**762,789**	748,618	784,174
Non-current liabilities				
Retirement benefit obligations	27(a)	**24,816**	24,311	22,825
Deferred capital grants	28	**5,934**	7,500	9,047
Deferred tax liabilities	18	**5,327**	9,886	17,890
		36,077	41,697	49,762
Current liabilities				
Other payables	29	**59,424**	49,388	47,790
Tax payable		**–**	1,984	–
		59,424	51,372	47,790
Total liabilities		**95,501**	93,069	97,552
Total equity and liabilities		**858,290**	841,687	881,726

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Attributable to owners of the Company										Non-controlling interests (Note a)	Total equity
		Non-distributable								Distributable			
	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Foreign currency translation reserve RM'000	Share grant reserve RM'000	Clearing fund reserves RM'000	AFS reserve RM'000	Retained earnings RM'000	Total RM'000	RM'000	RM'000
At 1 January 2011		265,700	86,101	13,900	5,250	–	–	30,000	(9,003)	460,356	852,304	11,266	863,570
Total comprehensive income for the year		–	–	–	–	59	–	–	(15,773)	146,160	130,446	5,166	135,612
Contributions by and distributions to owners of the Company:													
Issuance of ordinary shares pursuant to SGP	24	100	1,452	–	–	–	(1,552)	–	–	–	–	–	–
SGP expense		–	–	–	–	–	2,548	–	–	–	2,548	–	2,548
Dividends paid	11	–	–	–	–	–	–	–	–	(124,905)	(124,905)	–	(124,905)
Dividends paid to non-controlling interest		–	–	–	–	–	–	–	–	–	–	(2,200)	(2,200)
Total transactions with owners of the Company		100	1,452	–	–	–	996	–	–	(124,905)	(122,357)	(2,200)	(124,557)
At 31 December 2011		265,800	87,553	13,900	5,250	59	996	30,000	(24,776)	481,611	860,393	14,232	874,625
At 1 January 2012		**265,800**	**87,553**	**13,900**	**5,250**	**59**	**996**	**30,000**	**(24,776)**	**481,611**	**860,393**	**14,232**	**874,625**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(99)**	**–**	**–**	**174**	**151,458**	**151,533**	**6,288**	**157,821**
Contributions by and distributions to owners of the Company:													
Issuance of ordinary shares pursuant to SGP	24	**212**	**2,952**	**–**	**–**	**–**	**(3,164)**	**–**	**–**	**–**	**–**	**–**	**–**
SGP expense		**–**	**–**	**–**	**–**	**–**	**4,488**	**–**	**–**	**–**	**4,488**	**–**	**4,488**
Dividends paid	11	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(140,963)**	**(140,963)**	**–**	**(140,963)**
Dividends paid to non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,750)**	**(4,750)**
Total transactions with owners of the Company		**212**	**2,952**	**–**	**–**	**–**	**1,324**	**–**	**–**	**(140,963)**	**(136,475)**	**(4,750)**	**(141,225)**
At 31 December 2012		**266,012**	**90,505**	**13,900**	**5,250**	**(40)**	**2,320**	**30,000**	**(24,602)**	**492,106**	**875,451**	**15,770**	**891,221**

Note a

Included in non-controlling interest of the Group at 31 December 2012 are 84 (2011: 84) non-cumulative preference shares of RM1 each in Bursa Malaysia Derivatives Berhad (Bursa Malaysia Derivatives), a subsidiary, for registration as Trading Participants, at a subscription price determined by Bursa Malaysia Derivatives. The preference shareholders are not entitled to a refund of any part of the premium paid for the preference shares.

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Non-distributable				Distributable	
	Note	Share capital RM'000	Share premium RM'000	AFS reserve RM'000	Share grant reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2011		265,700	86,101	(8,025)	–	440,398	784,174
Total comprehensive income for the year		–	–	(16,974)	–	103,775	86,801
Contributions by and distributions to owners of the Company:							
Issuance of ordinary shares pursuant to SGP	24	100	1,452	–	(1,552)	–	–
SGP expense **(Note a)**		–	–	–	2,548	–	2,548
Dividends paid	11	–	–	–	–	(124,905)	(124,905)
Total transactions with owners of the Company		100	1,452	–	996	(124,905)	(122,357)
At 31 December 2011		265,800	87,553	(24,999)	996	419,268	748,618
At 1 January 2012		**265,800**	**87,553**	**(24,999)**	**996**	**419,268**	**748,618**
Total comprehensive income for the year		**–**	**–**	**98**	**–**	**150,548**	**150,646**
Contributions by and distributions to owners of the Company:							
Issuance of ordinary shares pursuant to SGP	24	**212**	**2,952**	**–**	**(3,164)**	**–**	**–**
SGP expense **(Note a)**		**–**	**–**	**–**	**4,488**	**–**	**4,488**
Dividends paid	11	**–**	**–**	**–**	**–**	**(140,963)**	**(140,963)**
Total transactions with owners of the Company		**212**	**2,952**	**–**	**1,324**	**(140,963)**	**(136,475)**
At 31 December 2012		**266,012**	**90,505**	**(24,901)**	**2,320**	**428,853**	**762,789**

Note a

SGP expense comprises RM4,215,000 (2011: RM2,342,000) relating to shares granted to the employees of the Company (as disclosed in Note 5) and RM273,000 (2011: RM206,000) relating to shares granted to the employees of Bursa Malaysia Derivatives.

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities				
Profit before tax	**216,032**	206,113	**159,796**	113,755
Adjustments for:				
Amortisation of premium less accretion of discount	**723**	152	**637**	96
Depreciation and amortisation	**33,713**	38,444	**30,999**	36,818
Dividend income from investment securities	**(3,038)**	(930)	**(3,038)**	(930)
Grant income	**(1,916)**	(2,636)	**(1,566)**	(1,547)
Gross dividend income from subsidiaries	**–**	–	**(165,259)**	(125,131)
Impairment loss on amount due from a subsidiary	**–**	–	**3,324**	8,527
Impairment loss on computer software	**–**	335	**–**	335
Impairment loss on investment security	**–**	1,164	**–**	–
Interest income	**(23,153)**	(21,267)	**(11,735)**	(10,367)
Net gain on disposal of investment securities	**(257)**	(328)	**(257)**	(223)
Net impairment loss/(reversal of impairment loss) on trade and other receivables	**1,239**	(188)	**1,043**	20
Net (gain)/loss on disposal of property, plant and equipment	**(4)**	13	**–**	13
(Net reversal of impairment loss)/impairment loss on investment in subsidiaries	**–**	–	**(3,166)**	5,734
Property, plant and equipment and computer software written off	**17**	836	**15**	836
Retirement benefit obligations	**2,574**	1,542	**2,574**	1,542
Reversal of provision for short-term accumulating compensated unutilised leave	**(266)**	(70)	**(250)**	(100)
SGP expense	**4,488**	2,548	**4,215**	2,342
Unrealised (gain)/loss on foreign exchange differences	**(25)**	37	**–**	–
Operating profit before working capital changes	**230,127**	225,765	**17,332**	31,720
Decrease/(increase) in receivables	**218**	7,317	**(1,344)**	(1,699)
Increase in other payables	**4,619**	1,434	**1,615**	2,254
Changes in subsidiaries' balances	**–**	–	**(6,952)**	(6,498)
Cash generated from operations	**234,964**	234,516	**10,651**	25,777
Staff loans repaid, net of disbursements	**3,135**	2,861	**2,974**	2,434
Retirement benefits paid	**(2,069)**	(56)	**(2,069)**	(56)
Taxes paid, net of refund	**(71,016)**	(60,188)	**(10,098)**	(3,075)
Net cash from operating activities	**165,014**	177,133	**1,458**	25,080

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from investing activities				
Interest received	**21,104**	18,200	**10,266**	8,292
Decrease/(increase) in other deposits not for short-term funding requirements	**26,872**	(34,218)	**(7,960)**	(7,694)
Proceeds from disposal of investment securities	**82,646**	78,306	**62,640**	42,287
Proceeds from disposal of motor vehicles	**4**	156	**–**	156
Purchases of investment securities	**(134,425)**	(83,666)	**(74,358)**	(48,170)
Purchases of property, plant and equipment and computer software	**(18,441)**	(17,654)	**(11,550)**	(7,195)
Net cash used in investing activities	**(22,240)**	(38,876)	**(20,962)**	(12,324)
Cash flows from financing activities				
Dividends paid	**(140,963)**	(124,905)	**(140,963)**	(124,905)
Dividends paid by a subsidiary to non-controlling interest	**(4,750)**	(2,200)	**–**	–
Dividends received	**1,476**	1,073	**158,227**	116,694
Grant received	**–**	3,500	**–**	–
Net cash (used in)/from financing activities	**(144,237)**	(122,532)	**17,264**	(8,211)
Net (decrease)/increase in cash and cash equivalents	**(1,463)**	15,725	**(2,240)**	4,545
Effects of exchange rate changes	**(105)**	62	**–**	–
Cash and cash equivalents at beginning of year	**155,343**	139,556	**78,701**	74,156
Cash and cash equivalents at end of year (Note 23 (iii))	**153,775**	155,343	**76,461**	78,701

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

1. Corporate information

The Company is a public limited 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 15th Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur.

The Company is an exchange holding company, whose principal activities are treasury management and the provision of management and administrative services to its subsidiaries. The principal activities of the subsidiaries are to operate the Malaysian securities, derivatives and offshore exchanges and the Shari'ah compliant commodity trading platform, to operate the related depository function and clearing houses, and to disseminate information relating to securities quoted on the exchanges. The principal activities of the subsidiaries are disclosed in Note 15.

There have been no significant changes in the nature of these 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 31 January 2013.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with MFRSs, IFRSs and the requirements of the CA in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards (FRSs) in Malaysia. The financial impact on transition to MFRSs is disclosed in Note 41.

There are no adjustments arising from the transition to MFRSs, except for those discussed in Note 41. Accordingly, notes relating to the statements of financial position as at date of transition to MFRSs are only presented for those items.

The financial statements, other than for financial instruments, have been prepared on the historical cost basis. Certain financial instruments are carried at fair value in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

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

2. Significant accounting policies (cont'd)

2.2 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issues Committee (IC) Interpretations have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group and the Company:

Effective for financial periods beginning on or after 1 July 2012

Amendments to MFRS 101	*Presentation of Items of Other Comprehensive Income*

Effective for financial periods beginning on or after 1 January 2013

MFRS 3	*Business Combinations*
MFRS 10	*Consolidated Financial Statements*
MFRS 11	*Joint Arrangements*
MFRS 12	*Disclosure of Interests in Other Entities*
MFRS 13	*Fair Value Measurement*
MFRS 119	*Employee Benefits (revised)*
MFRS 127	*Consolidated and Separate Financial Statements (revised)*
MFRS 128	*Investments in Associates and Joint Ventures (revised)*
Amendments to MFRS 1	*First-time Adoption of MFRS - Government Loans*
Amendments to MFRS 7	*Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 10	*Consolidated Financial Statements: Transition Guidance*
Amendments to MFRS 11	*Joint Arrangements: Transition Guidance*
Amendments to MFRS 12	*Disclosure of Interests in Other Entities: Transition Guidance*

Annual Improvements to IC Interpretations and MFRSs 2009 - 2011 Cycle

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132	*Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

Effective for financial periods beginning on or after 1 January 2015

Amendments to MFRS 9	*Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application, except as described below:

(a) MFRS 9 *Financial Instruments*

MFRS 9, as issued, reflects the first phase of the International Accounting Standards Board's (IASB's) work on the replacement of MFRS 139 *Financial Instruments: Recognition and Measurement* (MFRS 139) and applies to classification and measurement of financial instruments as defined in MFRS 139 and replaces the guidance in MFRS 139.

In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

The Group and the Company will quantify the effect of adopting this MFRS when the full standard is issued.

(b) MFRS 119 *Employee Benefits (revised)*

The amendments to MFRS 119 *Employee Benefits (revised)* change the accounting for defined benefit plans and termination benefits. The significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor method' permitted under the existing version of MFRS 119 *Employee Benefits* and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statements of financial position to reflect the full value of the plan deficit or surplus.

2. Significant accounting policies (cont'd)

2.2 Standards issued but not yet effective (cont'd)

(c) MFRS 119 *Employee Benefits (revised)* (cont'd)

As at the current financial year end, the Group and the Company have unrecognised actuarial losses of RM5,209,000 as disclosed in Note 27(a). The deferred tax assets arising from the recognition of actuarial losses is RM1,302,000. The Group and the Company expect to recognise the actuarial losses and the corresponding deferred tax assets in accordance with MFRS 119 *Employee Benefits (revised)* upon adoption of this amendment and a retrospective application is required. These amounts would be adjusted in the opening financial statements in the next financial year.

2.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework).

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated 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 Company and its subsidiaries as at the financial year end. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same financial year end as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisition of subsidiaries are accounted for using the purchase method except for business combinations arising from common control transfers. Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the 'acquired' entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the entity acquired to the extent that laws or statutes do not prohibit the use of such reserves.

The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

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

(ii) Basis of consolidation (cont'd)

Under the purchase method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.3(c)(i). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

(iii) Transactions with non-controlling interest

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

(b) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, 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 recognised in profit or loss as incurred.

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

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(b) Property, plant and equipment and depreciation (cont'd)

Projects-in-progress are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building and office lots	Fifty years
Renovations	Five years
Office equipment and furniture and fittings	Three to five years
Computers and office automation	Three to ten years
Motor vehicles	Five years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(c) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group and the Company's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

(ii) Computer software

Computer software is measured initially at cost. Following initial acquisition, computer software is measured at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of computer software is assessed to be finite. Computer software is amortised over their estimated useful lives of five to 10 years and assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on computer software with finite lives is recognised in profit or loss.

Projects-in-progress are not amortised as these computer software are not yet available for use.

Gains or losses arising from derecognition of computer software is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(d) Impairment of non-financial assets

The Group assesses at each financial year end whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

For goodwill, computer software and property, plant and equipment that are not yet available for use, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). In assessing value-in-use, the estimated future cash flows expected to be generated by the asset 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 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.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each financial year end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised 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. If that is the case, the carrying amount of the asset is increased to its revised recoverable amount. That increase cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(e) Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity (HTM) investments and AFS financial assets.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(e) Financial assets (cont'd)

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company do not have any financial assets at FVTPL at the current and previous financial year ends.

(ii) Loans and receivables

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

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

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

(iii) HTM investments

Financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Group has the positive intention and ability to hold the investments to maturity.

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

HTM investments are classified as non-current assets, except for those having maturity within 12 months after the financial year end which are classified as current.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(e) Financial assets (cont'd)

(iv) AFS financial assets

AFS financial assets are financial assets that are designated as such or are not classified in any of the three preceding categories.

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

AFS financial assets which are not expected to be realised within 12 months after the financial year end are classified as non-current assets.

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

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

(f) Impairment of financial assets

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

(i) Loans and receivables and HTM investments

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor, default or significant delay in payments, and delinquency in interest or principal payments and other financial reorganisation where observable data indicate that there is a measurable decrease in the estimated future cash flows.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(f) Impairment of financial assets (cont'd)

(i) Loans and receivables and HTM investments (cont'd)

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

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

(ii) AFS financial assets

To determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired, the Group and the Company consider factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation or accretion) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on AFS equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand, and short-term deposits used by the Group and the Company in the management of their short-term funding requirements.

(h) 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 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(h) Financial liabilities (cont'd)

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company do not have any financial liabilities at FVTPL at the current and previous financial year end.

(ii) Other financial liabilities

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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.

(i) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each financial year end and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(j) Deferred capital grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statements of financial position and is amortised to profit or loss over the expected useful lives of the relevant asset by its related depreciation or amortisation charges.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(k) Equity instruments

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Trade fees

Trade fees on securities traded on the securities exchange are recognised on a trade date basis. Trade fees on derivatives contracts are recognised net of rebates on a trade date basis. Trade fees on commodities are recognised on a trade date basis net of amount payable to commodities suppliers and brokers, whenever applicable.

(ii) Clearing fees

Fees for clearing and settlement between clearing participants for trades in securities transacted on the securities exchange are recognised net of Securities Commission levy when services are rendered. Clearing fees on derivative contracts are recognised net of rebates on the clearing date.

(iii) Institutional settlement services (ISS) fees

ISS fees from the securities exchange are recognised in full when services are rendered.

(iv) Fees from depository, information and broker services

Fees from depository services, income from sale of information and fees from broker services are recognised when the related services are rendered.

(v) Listing fees

Initial listing fees for Initial Public Offering (IPO) exercises are recognised upon the listing of an applicant. Annual listing fees are recognised on an accrual basis. Additional listing fees are recognised upon the listing of new securities issued by applicants.

(vi) Participants' fees

Initial application fees are recognised upon registration/admission into the securities or derivatives exchanges. Annual subscription fees are recognised on an accrual basis.

(vii) Other derivatives trading revenue

Other derivatives trading revenue mainly comprise guarantee and tender fees. Guarantee fees are recognised on a daily basis on day end margin requirements for open contracts. Tender fees are recognised on per contract tendered.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(l) Revenue recognition (cont'd)

(viii) Access fees

Access fees are recognised over the period that the access to the required services are provided.

(ix) Conference fees and exhibition related income

Conference fees and exhibition related income are recognised when the events are held.

(x) Perusal and processing fees

Perusal fees for circulars or notices issued are recognised when the services are rendered. Processing fees for corporate related exercises on securities traded on the securities exchange are recognised when the related services are rendered.

(xi) Other income

- Accretion of discounts and amortisation of premiums on investments are recognised on an effective yield basis.
- Dividend income is recognised when the right to receive payment is established.
- Fines are recognised when the right to receive payment is established and it is probable that economic benefits will flow to the Group. From 16 October 2012 onwards, fines are no longer recognised as revenue. Further commentary is made in Note 4.
- Interest income is recognised on an accrual basis that reflects the effective yield of the asset.
- Management fees are recognised when services are rendered.
- Rental income from the letting of office space is recognised on a straight-line basis over the term of the rental agreement.

(m) 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. Short-term accumulating compensated absences such as paid annual leave are recognised as a liability when they accrue to the employees. The estimated liability for paid annual leave is recognised for services rendered by employees up to the reporting date. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(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 period in which the related service is performed. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (EPF).

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(m) Employee benefits (cont'd)

(iii) Defined benefit plan

The Group operates a funded, defined benefit retirement scheme (the Scheme) for its eligible employees. The Scheme was closed to new entrants effective 1 September 2003.

The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their services up to 1 September 2003 is estimated. That benefit is discounted in order to determine its present value.

Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

(iv) Share-based compensation

The Company's SGP (implemented on 18 April 2011), an equity-settled, share-based compensation plan, allows eligible employees of the Group to be entitled for ordinary shares of the Company. The total fair value of shares granted to employees are recognised as an employee cost with a corresponding increase in the share grant reserve within equity over the vesting period and taking into account the probability that the shares will vest. The fair value of shares are measured at grant date, taking into account, if any, the market vesting conditions upon which the shares were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions in respect of the number of shares that are expected to be granted on vesting date.

At each financial year end, the Group revises its estimate of the number of shares that are expected to be granted on vesting date. It recognises the impact of revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share grant reserve.

(v) Separation benefits

Separation benefits are payable when employment ceases before the normal retirement date or expiry of employment contract date. The Group recognises separation benefits as a liability and an expense when it is demonstrably committed to cease the employment of current employees according to a detailed plan without possibility of withdrawal. Benefits falling due more than 12 months after financial year end are discounted to present value.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(n) Leases

(i) The Group as lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

All of the Group's leases are classified as operating lease. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(ii) The Group as lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.3(l)(xi).

(o) Borrowing costs

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

(p) Income taxes

(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 financial year end.

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 financial year end between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for the deferred tax liability that 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.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and carry forward of unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and carry forward of unused tax credits can be utilised except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each financial year end 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 assets to be utilised.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(p) Income taxes (cont'd)

(ii) Deferred tax (cont'd)

Unrecognised deferred tax assets are reassessed at each financial year end 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 financial year end.

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 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.

(q) Foreign currency

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in foreign currencies are measured in the respective functional currencies at the exchange rates approximating those ruling at the transaction dates. At each financial year end, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial year end. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, or on translating monetary items at the financial year end are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(q) Foreign currency (cont'd)

(iii) Malaysian subsidiary with foreign currency as its functional currency

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the financial year end;

- Income and expenses for each statement of comprehensive income or separate income statement presented are translated at average monthly exchange rates, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are recognised directly in other comprehensive income. On disposal of a subsidiary with foreign currency as its functional currency, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular subsidiary is recognised in profit or loss.

(r) Contingencies

A contingent liability or asset is a possible obligation or benefit that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

2.4 Significant accounting judgements and estimates

Key sources of estimation uncertainty

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of computer hardware and software

The Group reviews its computer hardware and software at each financial year end to determine if 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. The Group carried out the impairment test based on a variety of estimation including the value-in-use of the CGUs to which the computer hardware and software are allocated to. Estimating the value-in-use requires the Group 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. The carrying amount of computer hardware and software as at the financial year end are disclosed in Notes 12 and 13 respectively.

(b) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the financial year end is disclosed in Note 14.

2. Significant accounting policies (cont'd)

2.4 Significant accounting judgements and estimates (cont'd)

(c) Impairment of investment securities

The Group reviews its investment securities and assesses at each financial year end whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the assets are subject to impairment review.

The impairment review comprises the following judgement made by management:

(i) Determination whether its investment is impaired following certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.

(ii) Determination of "significant" or "prolonged" requires judgement and management evaluation on various factors, such as historical fair value movement and the significant reduction in fair value.

The carrying amount of investment securities as at the financial year end are disclosed in Note 16.

(d) Depreciation/amortisation of system hardware and software

The cost of system hardware and software is depreciated and amortised on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these assets to be between three to 10 years. Technological advancements could impact the useful lives and the residual values of these assets, therefore future depreciation and amortisation charges could be revised. The total carrying amount of computer hardware and software as at the financial year end are disclosed in Notes 12 and 13 respectively.

(e) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and unused capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. As at the financial year end, the total carrying value of unrecognised tax losses of the Group are as follows:

	Group	
	2012 RM'000	2011 RM'000
Unrecognised tax losses	**17,131**	15,292

(f) Defined benefit plan

The cost of the defined benefit plan and the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets, expected rate of salary increases and mortality rates. All assumptions are reviewed at each financial year end.

In determining the appropriate discount rate, the valuation is based on market yield of high quality corporate bonds with AA rating and above with terms similar to the term of the liabilities.

3. Operating revenue

	Group	
	2012 RM'000	2011 RM'000
Trading revenue		
Securities market:		
Clearing fees[1]	144,638	159,381
Trade fees	19,265	20,808
ISS fees	13,693	12,317
Buying-in commissions	703	477
	178,299	192,983
Derivatives market:		
Trade fees	36,738	33,970
Clearing fees	12,600	11,529
Other trading revenue	6,625	5,747
	55,963	51,246
Total trading revenue	234,262	244,229
Stable revenue		
Listing fees	41,849	38,226
Depository services	35,789	31,747
Information services	24,122	19,205
Broker services	12,092	11,742
Access fees	10,800	8,666
Participants' fees	2,764	3,235
Total stable revenue	127,416	112,821
Other operating revenue		
Perusal and processing fees	9,584	9,823
Administration fees	7,614	7,154
Conference fees and exhibition related income	5,595	5,393
Miscellaneous operating income	4,009	2,083
Total other operating revenue	26,802	24,453
	388,480	381,503

[1] Clearing fees of the Group is stated net of the amount payable to the Securities Commission (SC) of RM36,088,000 (2011: RM41,369,000).

3. Operating revenue (cont'd)

	Company	
	2012 RM'000	2011 RM'000
Broker services	**12,092**	11,742
Income from subsidiaries:		
Dividend income	**165,259**	125,131
Management fees	**109,465**	123,439
Office space rental income	**5,297**	5,297
Lease rental income	**23,101**	25,384
Commitment fees	**–**	600
	315,214	291,593

4. Other income

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income from:				
Deposits with financial institutions	**17,850**	17,360	**8,976**	8,051
Investment securities	**4,869**	3,372	**2,351**	1,818
Others	**434**	535	**408**	498
Net gain on disposal of investment securities	**257**	328	**257**	223
Net gain/(loss) on disposal of property, plant and equipment	**4**	(13)	**–**	(13)
Rental income	**6,249**	6,199	**6,249**	6,199
Dividend income	**3,038**	930	**3,038**	930
Fines	**2,537**	5,136	**–**	–
Grant income (Note 28)	**1,916**	2,636	**1,566**	1,547
Miscellaneous income	**1,449**	2,156	**1,207**	1,675
	38,603	38,639	**24,052**	20,928

In view of the establishment of the Capital Market Education and Integrity Fund (CMEIF) to account for fines received and strengthen the governance of fines utilisation, fines will no longer be recognised as income effective 16 October 2012. The accumulated fines in retained earnings will be transferred to CMEIF upon its set-up in 2013.

5. Staff costs

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages and salaries	**60,382**	62,903	**54,920**	57,649
Bonus	**17,664**	17,325	**16,507**	15,950
Social security contributions	**332**	351	**314**	335
Contributions to a defined contribution plan - EPF	**11,599**	11,776	**10,965**	11,097
Reversal of short-term accumulating compensated unutilised leave	**(266)**	(70)	**(250)**	(100)
Retirement benefit obligations (Note 27(a))	**2,574**	1,542	**2,574**	1,542
SGP expense	**4,488**	2,548	**4,215**	2,342
Separation benefits	**–**	765	**–**	765
Other benefits	**5,708**	6,982	**5,411**	6,695
	102,481	104,122	**94,656**	96,275

Included in staff costs of the Group and of the Company are the Executive Directors' remuneration of RM5,513,000 (2011: RM5,083,000), as further disclosed in Note 8.

6. Depreciation and amortisation

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Depreciation of property, plant and equipment (Note 12)	**15,557**	18,760	**14,533**	18,071
Amortisation of computer software (Note 13)	**18,156**	19,684	**16,466**	18,747
	33,713	38,444	**30,999**	36,818

7. Other operating expenses

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Administrative expenses	**6,129**	6,157	**5,854**	5,919
Amortisation of premium less accretion of discount	**723**	152	**637**	96
Auditors' remuneration:				
Statutory audit	**281**	265	**65**	62
Non-audit fees:				
- Assurance related	**66**	57	**66**	57
- Tax and other non-audit services	**122**	95	**36**	29
Building management costs:				
Office rental	**83**	83	**83**	83
Upkeep and maintenance	**10,273**	10,584	**10,273**	10,584
CDS consumables	**3,210**	3,885	**3,210**	3,885
Commitment fees	**200**	282	**–**	–
Net impairment loss/(reversal of impairment loss) on:				
Amount due from a subsidiary	**–**	–	**3,324**	8,527
Computer software (Note 13)	**–**	335	**–**	335
Investment in subsidiaries	**–**	–	**(3,166)**	5,734
Investment security	**–**	1,164	**–**	–
Trade and other receivables	**1,239**	(188)	**1,043**	20
Marketing and development expenses	**9,513**	9,976	**3,501**	4,022
Net loss/(gain) on foreign exchange differences	**115**	(32)	**57**	(6)
Operating lease payments	**539**	539	**539**	539
Professional fees	**4,649**	1,538	**4,624**	1,516
Property, plant and equipment and computer software written off	**17**	836	**15**	836
Rental of equipment	**472**	484	**453**	466
Technology charges:				
Information technology maintenance	**16,229**	15,775	**16,218**	15,592
Service fees	**13,574**	11,476	**372**	–
Others	**7,423**	8,000	**6,611**	7,377
	74,857	71,463	**53,815**	65,673

8. Directors' remuneration

	Group and Company 2012 RM'000	2011 RM'000
Executive Director's remuneration (Note 5):		
Salaries and other emoluments	**5,095**	4,729
Defined contribution plan - EPF	**418**	354
	5,513	5,083
Estimated money value of benefits-in-kind	**32**	32
	5,545	5,115
Non-executive Directors' remuneration:		
Fees	**705**	735
Other emoluments	**1,432**	1,348
	2,137	2,083
Estimated money value of benefits-in-kind	**32**	32
	2,169	2,115
Total Directors' remuneration	**7,714**	7,230
Total Directors' remuneration excluding benefits-in-kind	**7,650**	7,166
Estimated money value of benefits-in-kind	**64**	64
Total Directors' remuneration including benefits-in-kind	**7,714**	7,230

8. Directors' remuneration (cont'd)

	2012		2011	
	Directors' fees RM'000	Other allowances[1]/ salaries RM'000	Directors' fees RM'000	Other allowances[1]/ salaries RM'000
Tun Mohamed Dzaiddin bin Haji Abdullah	**90**	**754**	90	742
Dato' Tajuddin bin Atan[2]	**–**	**5,545**	15	3,535
Datuk Dr. Md Tap bin Salleh	**60**	**85**	60	60
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	**60**	**71**	60	55
Datuk Puteh Rukiah binti Abd Majid	**60**	**54**	36	34
Dato' Dr. Thillainathan a/l Ramasamy	**60**	**75**	60	80
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	**60**	**62**	29	25
Izham bin Yusoff	**60**	**64**	60	56
Dato' Wong Puan Wah @ Wong Sulong	**60**	**69**	60	52
Cheah Tek Kuang	**60**	**73**	60	56
Dato' Saiful Bahri bin Zainuddin	**60**	**80**	60	61
Tan Sri Ong Leong Huat @ Wong Joo Hwa	**60**	**48**	60	41
Datin Paduka Siti Sa'diah binti Sheikh Bakir	**15**	**29**	60	59
Dato' Sri Abdul Wahid bin Omar	**–**	**–**	25	33
Dato' Yusli bin Mohamed Yusoff	**–**	**–**	–	1,606
	705	**7,009**	735	6,495

[1] Other allowances comprise the Chairman's allowance and meeting allowances which vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended.

[2] Dato' Tajuddin bin Atan was a Non-executive Director up to 31 March 2011 and was appointed as an Executive Director with effect from 1 April 2011.

9. Income tax expense

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax:				
Current year provision	**58,584**	64,207	**13,185**	18,949
Under/(over) provision of tax in prior year	**622**	(929)	**568**	(974)
	59,206	63,278	**13,753**	17,975
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	**(594)**	(8,238)	**(4,196)**	(7,930)
Over provision of tax in prior year	**(326)**	(261)	**(309)**	(65)
	(920)	(8,499)	**(4,505)**	(7,995)
Total income tax expense	**58,286**	54,779	**9,248**	9,980

9. Income tax expense (cont'd)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 31 December 2011 is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Accounting profit before tax	**216,032**	206,113	**159,796**	113,755
Taxation at Malaysian statutory tax rate of 25%	**54,008**	51,528	**39,949**	28,439
Deferred tax not recognised in respect of current year's tax losses	**488**	958	**–**	–
Effect of tax rate of 3% on loss before tax for subsidiary incorporated in Labuan	**327**	378	**–**	–
Effect of expenses not deductible for tax purposes	**4,434**	4,070	**4,136**	7,231
Effect of income not subject to tax	**(1,239)**	(951)	**(33,957)**	(22,539)
Utilisation of previously unrecognised tax losses by a subsidiary	**(28)**	(14)	**–**	–
Utilisation of subsidiary losses under group relief	**–**	–	**(1,139)**	(2,112)
Under/(over) provision of income tax in prior year	**622**	(929)	**568**	(974)
Over provision of deferred tax in prior year	**(326)**	(261)	**(309)**	(65)
Tax expense for the year	**58,286**	54,779	**9,248**	9,980

The Company's tax charge for the year has been reduced by RM1,139,000 (2011: RM2,112,000) as unabsorbed losses of certain subsidiaries are offset against its taxable income. No payment will be made by the Company to its subsidiaries for the surrendering of these tax losses.

10. Earnings per share (EPS)

(a) Basic EPS

Basic EPS is calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2012	2011
Profit for the year, net of tax, attributable to owners of the Company (RM'000)	**151,458**	146,160
Weighted average number of ordinary shares in issue ('000)	**531,869**	531,493
Basic EPS (sen)	**28.5**	27.5

10. Earnings per share (EPS) (cont'd)

(b) Diluted EPS

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of ordinary shares issued to employees under the SGP and potential ordinary shares which may arise from the SGP grants which have not vested as at the end of the year.

	Group	
	2012	**2011**
Profit for the year, net of tax, attributable to owners of the Company (RM'000)	**151,458**	146,160
Weighted average number of ordinary shares in issue ('000)	**531,869**	531,493
Effect of dilution of share grants ('000)	**695**	454
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	**532,564**	531,947
Diluted EPS (sen)	**28.4**	27.5

11. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Interim dividends on ordinary shares				
13.5 sen per share under the single-tier system, on 532,024,000 ordinary shares	**71,823**	–	**71,823**	–
13.0 sen per share under the single-tier system, on 531,599,000 ordinary shares	**–**	69,108	**–**	69,108
Final dividends on ordinary shares				
13.0 sen per share under the single-tier system, on 531,849,000 ordinary shares	**–**	69,140	**69,140**	–
10.5 sen per share under the single-tier system, on 531,399,000 ordinary shares	**–**	–	**–**	55,797
	71,823	138,248	**140,963**	124,905

At the forthcoming Annual General Meeting, a final dividend under the single-tier system in respect of the financial year ended 31 December 2012 of 13.5 sen per share on 532,024,000 ordinary shares, amounting to a dividend payable of approximately RM71,823,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

12. Property, plant and equipment

Group	Note	Land and buildings (Note (a)) RM'000	Office equipment and furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in-progress RM'000	Total RM'000
Cost							
At 1 January 2012		**319,332**	**31,889**	**118,692**	**2,215**	**2,990**	**475,118**
Additions		**784**	**549**	**4,739**	**–**	**701**	**6,773**
Disposals		**–**	**–**	**–**	**(56)**	**–**	**(56)**
Write-offs		**(530)**	**(1,234)**	**(41,664)**	**–**	**–**	**(43,428)**
Exchange differences		**(6)**	**1**	**93**	**(2)**	**–**	**86**
Reclassification		**–**	**–**	**3,103**	**–**	**(2,966)**	**137**
At 31 December 2012		**319,580**	**31,205**	**84,963**	**2,157**	**725**	**438,630**
Accumulated depreciation							
At 1 January 2012		**119,906**	**30,979**	**105,030**	**806**	**–**	**256,721**
Depreciation charge for the year	6	**6,916**	**504**	**7,706**	**431**	**–**	**15,557**
Disposals		**–**	**–**	**–**	**(56)**	**–**	**(56)**
Write-offs		**(530)**	**(1,234)**	**(41,647)**	**–**	**–**	**(43,411)**
Exchange differences		**(6)**	**1**	**93**	**(2)**	**–**	**86**
At 31 December 2012		**126,286**	**30,250**	**71,182**	**1,179**	**–**	**228,897**
Net carrying amount at 31 December 2012		**193,294**	**955**	**13,781**	**978**	**725**	**209,733**
Cost							
At 1 January 2011		318,747	31,567	117,315	1,843	–	469,472
Additions		586	323	1,408	918	2,990	6,225
Disposals		–	–	–	(545)	–	(545)
Write-offs		–	–	(18)	–	–	(18)
Exchange differences		(1)	(1)	(13)	(1)	–	(16)
At 31 December 2011		319,332	31,889	118,692	2,215	2,990	475,118
Accumulated depreciation							
At 1 January 2011		112,560	30,536	94,500	772	–	238,368
Depreciation charge for the year	6	7,347	444	10,558	411	–	18,760
Disposals		–	–	–	(376)	–	(376)
Write-offs		–	–	(15)	–	–	(15)
Exchange differences		(1)	(1)	(13)	(1)	–	(16)
At 31 December 2011		119,906	30,979	105,030	806	–	256,721
Net carrying amount at 31 December 2011		199,426	910	13,662	1,409	2,990	218,397

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

Company	Note	Land and buildings (Note (a)) RM'000	Office equipment and furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in-progress RM'000	Total RM'000
Cost							
At 1 January 2012		**319,103**	**31,271**	**101,995**	**1,979**	**1,039**	**455,387**
Additions		**784**	**526**	**4,173**	**–**	**701**	**6,184**
Write-offs		**(520)**	**(1,061)**	**(24,024)**	**–**	**–**	**(25,605)**
Reclassification		**–**	**–**	**1,016**	**–**	**(1,016)**	**–**
At 31 December 2012		**319,367**	**30,736**	**83,160**	**1,979**	**724**	**435,966**
Accumulated depreciation							
At 1 January 2012		**119,686**	**30,427**	**90,089**	**678**	**–**	**240,880**
Depreciation charge for the year	6	**6,913**	**486**	**6,739**	**395**	**–**	**14,533**
Write-offs		**(520)**	**(1,060)**	**(24,010)**	**–**	**–**	**(25,590)**
At 31 December 2012		**126,079**	**29,853**	**72,818**	**1,073**	**–**	**229,823**
Net carrying amount at 31 December 2012		**193,288**	**883**	**10,342**	**906**	**724**	**206,143**
Cost							
At 1 January 2011		318,517	30,982	100,613	1,606	–	451,718
Additions		586	289	1,400	918	1,039	4,232
Disposals		–	–	–	(545)	–	(545)
Write-offs		–	–	(18)	–	–	(18)
At 31 December 2011		319,103	31,271	101,995	1,979	1,039	455,387
Accumulated depreciation							
At 1 January 2011		112,343	29,995	80,184	678	–	223,200
Depreciation charge for the year	6	7,343	432	9,920	376	–	18,071
Disposals		–	–	–	(376)	–	(376)
Write-offs		–	–	(15)	–	–	(15)
At 31 December 2011		119,686	30,427	90,089	678	–	240,880
Net carrying amount at 31 December 2011		199,417	844	11,906	1,301	1,039	214,507

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

(a) Land and buildings

Group	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
Cost				
At 1 January 2012	**285,960**	**19,862**	**13,510**	**319,332**
Additions	**–**	**–**	**784**	**784**
Write-offs	**–**	**–**	**(530)**	**(530)**
Exchange differences	**–**	**–**	**(6)**	**(6)**
At 31 December 2012	**285,960**	**19,862**	**13,758**	**319,580**
Accumulated depreciation				
At 1 January 2012	**99,222**	**9,894**	**10,790**	**119,906**
Depreciation charge for the year	**5,242**	**281**	**1,393**	**6,916**
Write-offs	**–**	**–**	**(530)**	**(530)**
Exchange differences	**–**	**–**	**(6)**	**(6)**
At 31 December 2012	**104,464**	**10,175**	**11,647**	**126,286**
Net carrying amount at 31 December 2012	**181,496**	**9,687**	**2,111**	**193,294**
Cost				
At 1 January 2011	285,960	19,862	12,925	318,747
Additions	–	–	586	586
Exchange differences	–	–	(1)	(1)
At 31 December 2011	285,960	19,862	13,510	319,332
Accumulated depreciation				
At 1 January 2011	93,980	9,613	8,967	112,560
Depreciation charge for the year	5,242	281	1,824	7,347
Exchange differences	–	–	(1)	(1)
At 31 December 2011	99,222	9,894	10,790	119,906
Net carrying amount at 31 December 2011	186,738	9,968	2,720	199,426

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

(a) Land and buildings (cont'd)

Company	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
Cost				
At 1 January 2012	**285,960**	**19,862**	**13,281**	**319,103**
Additions	**–**	**–**	**784**	**784**
Write-offs	**–**	**–**	**(520)**	**(520)**
At 31 December 2012	**285,960**	**19,862**	**13,545**	**319,367**
Accumulated depreciation				
At 1 January 2012	**99,222**	**9,894**	**10,570**	**119,686**
Depreciation charge for the year	**5,242**	**281**	**1,390**	**6,913**
Write-offs	**–**	**–**	**(520)**	**(520)**
At 31 December 2012	**104,464**	**10,175**	**11,440**	**126,079**
Net carrying amount at 31 December 2012	**181,496**	**9,687**	**2,105**	**193,288**
Cost				
At 1 January 2011	285,960	19,862	12,695	318,517
Additions	–	–	586	586
At 31 December 2011	285,960	19,862	13,281	319,103
Accumulated depreciation				
At 1 January 2011	93,980	9,613	8,750	112,343
Depreciation charge for the year	5,242	281	1,820	7,343
At 31 December 2011	99,222	9,894	10,570	119,686
Net carrying amount at 31 December 2011	186,738	9,968	2,711	199,417

13. Computer software

Group	Note	2012 Implemented projects RM'000	2012 Projects-in-progress RM'000	2012 Total RM'000	2011 Implemented projects RM'000	2011 Projects-in-progress RM'000	2011 Total RM'000
Cost							
At 1 January		**113,130**	**10,619**	**123,749**	112,380	4,879	117,259
Additions		**13,470**	**6,483**	**19,953**	991	6,419	7,410
Write-offs		**(2,420)**	**–**	**(2,420)**	(241)	(679)	(920)
Reclassification		**9,789**	**(9,926)**	**(137)**	–	–	–
At 31 December		**133,969**	**7,176**	**141,145**	113,130	10,619	123,749
Accumulated amortisation							
At 1 January		**64,135**	**–**	**64,135**	44,203	–	44,203
Amortisation charge for the year	6	**18,156**	**–**	**18,156**	19,684	–	19,684
Impairment loss recognised in income statement	7	**–**	**–**	**–**	335	–	335
Write-offs		**(2,420)**	**–**	**(2,420)**	(87)	–	(87)
At 31 December		**79,871**	**–**	**79,871**	64,135	–	64,135
Net carrying amount at 31 December		**54,098**	**7,176**	**61,274**	48,995	10,619	59,614

Company	Note	2012 Implemented projects RM'000	2012 Projects-in-progress RM'000	2012 Total RM'000	2011 Implemented projects RM'000	2011 Projects-in-progress RM'000	2011 Total RM'000
Cost							
At 1 January		**107,960**	**1,417**	**109,377**	107,218	673	107,891
Additions		**7,554**	**6,483**	**14,037**	983	1,423	2,406
Write-offs		**(1,286)**	**–**	**(1,286)**	(241)	(679)	(920)
Reclassification		**724**	**(724)**	**–**	–	–	–
At 31 December		**114,952**	**7,176**	**122,128**	107,960	1,417	109,377
Accumulated amortisation							
At 1 January		**62,228**	**–**	**62,228**	43,233	–	43,233
Amortisation charge for the year	6	**16,466**	**–**	**16,466**	18,747	–	18,747
Impairment loss recognised in income statement	7	**–**	**–**	**–**	335	–	335
Write-offs		**(1,286)**	**–**	**(1,286)**	(87)	–	(87)
At 31 December		**77,408**	**–**	**77,408**	62,228	–	62,228
Net carrying amount at 31 December		**37,544**	**7,176**	**44,720**	45,732	1,417	47,149

14. Goodwill

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January/31 December	**42,957**	42,957	**29,494**	29,494

Goodwill is in respect of acquisitions of subsidiaries by the Group and has been allocated to the CGUs in the following market segments:

	Group	
	2012 RM'000	2011 RM'000
Securities market	**33,273**	33,273
Derivatives market	**9,684**	9,684
	42,957	42,957

Key assumptions used in value-in-use calculations

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Securities market

The recoverable amount of this CGU has been determined based on value-in-use calculations using five year financial projections. Revenue growth has been capped at 5% per annum, while expenses have been assumed to grow at 2.5% per annum, which is in line with the expected inflation rate. No revenue and expense growth was projected from the sixth year to perpetuity.

(ii) Derivatives market

The recoverable amount of this CGU has been determined based on value-in-use calculations using five year financial projections. The anticipated annual revenue and expenses growth included in the financial projections was between 10% to 20% based on the expected developments over the next five years. No revenue and expense growth was projected from the sixth year to perpetuity.

(iii) Discount rate

A discount rate of 12% was applied in determining the recoverable amount of the respective CGU. The discount rate was based on the Group's weighted average cost of capital.

Sensitivity to changes in assumptions

Management believes that no reasonable possible changes in any of the key assumptions above would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

15. Investments in subsidiaries

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares, at cost	**174,183**	174,183
Less: Accumulated impairment losses	**(22,041)**	(25,207)
	152,142	148,976

The Company's reversal of impairment loss of RM4,755,000 during the current financial year was in relation to the Company's investment in its subsidiary, Bursa Malaysia Derivatives Berhad, on the basis that the recoverable amount is in excess of the carrying amount. The recoverable amount was determined based on the value-in-use calculation as disclosed in Note 14(ii).

The Company also recognised an impairment loss of RM1,589,000 in relation to its wholly-owned subsidiary, Labuan International Financial Exchange Inc., on the basis that the carrying amount is in excess of the recoverable amount.

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Proportion of ownership interest 2012 %	Proportion of ownership interest 2011 %	Ordinary paid-up capital as at 31.12.2012 RM'000	Principal activities
Bursa Malaysia Securities Berhad (Bursa Malaysia Securities)	**100**	100	**25,000**	Provide, operate and maintain a securities exchange.
Bursa Malaysia Derivatives Berhad (Bursa Malaysia Derivatives)	**75**	75	**50,000**	Provide, operate and maintain a derivatives exchange.
Labuan International Financial Exchange Inc. (LFX)*	**100**	100	**5,500 (in USD'000)**	Provide, operate and maintain an offshore financial exchange.
Bursa Malaysia Securities Clearing Sdn Bhd (Bursa Malaysia Securities Clearing)	**100**	100	**50,000**	Provide, operate and maintain a clearing house for the securities exchange.
Bursa Malaysia Depository Sdn Bhd (Bursa Malaysia Depository)	**100**	100	**25,000**	Provide, operate and maintain a central depository for securities listed on the securities exchange.
Bursa Malaysia Information Sdn Bhd (Bursa Malaysia Information)	**100**	100	**250**	Provide and disseminate prices and other information relating to securities quoted on exchanges within the Group.
Bursa Malaysia Bonds Sdn Bhd (Bursa Malaysia Bonds)	**100**	100	**2,600**	Provide, operate and maintain an electronic trading platform for the bond market.
Bursa Malaysia Islamic Services Sdn Bhd (Bursa Malaysia Islamic Services)	**100**	100	**2,600**	Provide, operate and maintain a Shari'ah compliant commodity trading platform.

15. Investments in subsidiaries (cont'd)

Name of subsidiaries	Proportion of ownership interest 2012 %	2011 %	Ordinary paid-up capital as at 31.12.2012 RM'000	Principal activities
Subsidiary held through Bursa Malaysia Derivatives				
Bursa Malaysia Derivatives Clearing Berhad (Bursa Malaysia Derivatives Clearing)	**75**	75	**20,000**	Provide, operate and maintain a clearing house for the derivatives exchange.
Subsidiary held through Bursa Malaysia Depository				
Bursa Malaysia Depository Nominees Sdn Bhd (Bursa Malaysia Depository Nominees)	**100**	100	**~**	Act as a nominee for Bursa Malaysia Depository and receive securities on deposit or for safe-custody or management.

* Incorporated in the Federal Territory of Labuan, Malaysia.
~ Denotes RM2.

16. Investment securities

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-current				
AFS financial assets				
- Shares (quoted outside Malaysia)	**59,322**	59,079	**59,322**	59,079
- Bonds (unquoted)	**64,460**	34,292	**–**	–
	123,782	93,371	**59,322**	59,079
Current				
AFS financial assets				
- Bonds (unquoted)	**35,138**	28,632	**30,125**	28,632
HTM investment				
- Commercial papers	**19,798**	4,809	**14,840**	4,809
	54,936	33,441	**44,965**	33,441
Total investments	**178,718**	126,812	**104,287**	92,520

17. Staff loans receivable

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Housing loans	**9,901**	12,398	**9,168**	11,569
Vehicle loans	**61**	96	**61**	96
Computer loans	**68**	98	**60**	88
	10,030	12,592	**9,289**	11,753
Less: Portion within 12 months, included in other receivables (Note 20)	**(890)**	(914)	**(809)**	(807)
	9,140	11,678	**8,480**	10,946

18. Deferred tax assets/(liabilities)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	**(8,852)**	(17,326)	**(9,886)**	(17,890)
Recognised in income statement (Note 9)	**920**	8,499	**4,505**	7,995
Recognised in other comprehensive income	**14**	(25)	**54**	9
At 31 December	**(7,918)**	(8,852)	**(5,327)**	(9,886)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**1,278**	1,034	**–**	–
Deferred tax liabilities	**(9,196)**	(9,886)	**(5,327)**	(9,886)
	(7,918)	(8,852)	**(5,327)**	(9,886)

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

Deferred tax assets of the Group

	Provision for retirement benefits RM'000	Other provisions and payables RM'000	Allowances for impairment of receivables RM'000	Depreciation in excess of capital allowances RM'000	Unutilised tax losses and unused capital allowances RM'000	Total RM'000
At 1 January 2012	**6,078**	**6,252**	**542**	**13**	**–**	**12,885**
Recognised in income statement	**126**	**453**	**305**	**25**	**–**	**909**
At 31 December 2012	**6,204**	**6,705**	**847**	**38**	**–**	**13,794**
At 1January 2011	5,707	4,592	522	1	989	11,811
Recognised in income statement	371	1,660	20	12	(989)	1,074
At 31 December 2011	6,078	6,252	542	13	–	12,885

Deferred tax assets of the Company

	Provision for retirement benefits RM'000	Other payables RM'000	Allowances for impairment of receivables RM'000	Depreciation in excess of capital allowances RM'000	Total RM'000
At 1 January 2012	**6,078**	**4,843**	**422**	**11**	**11,354**
Recognised in income statement	**127**	**443**	**270**	**24**	**864**
At 31 December 2012	**6,205**	**5,286**	**692**	**35**	**12,218**
At 1January 2011	5,707	3,233	412	–	9,352
Recognised in income statement	371	1,610	10	11	2,002
At 31 December 2011	6,078	4,843	422	11	11,354

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

Deferred tax liabilities of the Group

	Accelerated capital allowances RM'000	AFS investments RM'000	Total RM'000
At 1 January 2012	**(21,495)**	**(242)**	**(21,737)**
Recognised in income statement	**(112)**	**123**	**11**
Recognised in other comprehensive income	**–**	**14**	**14**
At 31 December 2012	**(21,607)**	**(105)**	**(21,712)**
At 1 January 2011	(28,653)	(484)	(29,137)
Recognised in income statement	7,158	267	7,425
Recognised in other comprehensive income	–	(25)	(25)
At 31 December 2011	(21,495)	(242)	(21,737)

Deferred tax liabilities of the Company

	Accelerated capital allowances RM'000	AFS investments RM'000	Total RM'000
At 1 January 2012	**(21,072)**	**(168)**	**(21,240)**
Recognised in income statement	**3,637**	**4**	**3,641**
Recognised in other comprehensive income	**–**	**54**	**54**
At 31 December 2012	**(17,435)**	**(110)**	**(17,545)**
At 1 January 2011	(27,072)	(170)	(27,242)
Recognised in income statement	6,000	(7)	5,993
Recognised in other comprehensive income	–	9	9
At 31 December 2011	(21,072)	(168)	(21,240)

At the financial year end, the Group has tax losses of approximately RM17,131,000 (2011: RM15,292,000) that are available for offset against future taxable profits of the companies in which the losses arose. No deferred tax asset is recognised on this amount due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act 1967 and guidelines issued by the tax authority.

19. Trade receivables

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Trade receivables	**30,720**	28,589	**3,381**	2,095
Less: Allowance for impairment	**(458)**	(719)	**(206)**	(238)
	30,262	27,870	**3,175**	1,857

20. Other receivables

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Deposits	**816**	815	**698**	698
Prepayments	**3,727**	2,783	**3,712**	2,598
Interest receivables	**5,302**	4,120	**2,747**	2,071
Staff loans receivable within 12 months (Note 17)	**890**	914	**809**	807
Sundry receivables	**10,570**	10,109	**3,484**	3,107
	21,305	18,741	**11,450**	9,281
Less: Allowance for impairment	**(7,024)**	(5,809)	**(2,695)**	(1,647)
	14,281	12,932	**8,755**	7,634

21. Related company balances

The amounts due from subsidiaries are unsecured, receivable within 30 days and bear late interest charges of 2% above the prevailing base lending rate.

22. Cash and bank balances not belonging to the Group

	Group 2012 RM'000	Group 2011 RM'000
Trade margins, collaterals and security deposits	**1,123,660**	632,795
Securities Borrowing and Lending (SBL) collaterals	**13,574**	3,371
Trade payables **(Note c)**	**1,137,234**	636,166
Clearing Guarantee Fund (CGF) (Note 25(e)(i))	**12,361**	12,057
Derivatives Clearing Fund (DCF) (Note 25(e)(ii))	**23,577**	22,428
Clearing funds	**35,938**	34,485
Cash received for eDividend distributions (included within other payables (Note 29))	**1,828**	1,229
Total cash and bank balances not belonging to the Group	**1,175,000**	671,880

Note a

The cash received from CPs and TCPs is placed in interest-bearing deposits and interest earned is credited to the CPs' and TCPs' accounts net of service charges. Cash received for eDividend distributions are placed in interest-bearing deposits until such time when dividend payment distribution is due. Details of the cash received are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Cash on hand and at banks	**178,402**	51,449
Deposits with licensed financial institutions	**996,598**	620,431
	1,175,000	671,880

Note b

The amount of non-cash collaterals and contributions held by, but not belonging to, the Group and which are not included in the Group's statement of financial position as at the financial year end comprise the following:

	Group 2012 RM'000	Group 2011 RM'000
Collaterals in the form of letters of credit	**406,500**	407,500
Collaterals in the form of shares	**22**	–
Contributions to the CGF in the form of bank guarantees (Note 25(e)(i))	**5,776**	5,410
	412,298	412,910

Note c

Trade payables comprise security deposits, margins and collaterals which are derived from cash received from CPs of Bursa Malaysia Derivatives Clearing for their open interests in derivatives contracts. Collaterals are also lodged by TCPs of Bursa Malaysia Securities Clearing for borrowings under the SBL framework.

23. Cash and bank balances

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cash on hand and at banks	**4,872**	3,768	7,512	**1,820**	637	4,674
Deposits with:						
Licensed banks	**408,918**	471,948	397,415	**222,118**	246,643	214,483
Licensed investment banks	**57,713**	24,227	45,011	**44,437**	15,375	31,259
	466,631	496,175	442,426	**266,555**	262,018	245,742
Total cash and bank balances	**471,503**	499,943	449,938	**268,375**	262,655	250,416

(i) Cash set aside for the following Clearing Funds:

	Group	
	2012 RM'000	2011 RM'000
Bursa Malaysia Securities Clearing's contribution to the CGF (Note 25(e)(i))	**25,000**	25,000
Bursa Malaysia Derivatives Clearing's contribution to the DCF (Note 25(e)(ii))	**5,000**	5,000
	30,000	30,000

(ii) An amount of RM7,233,000 (2011: RM7,772,000) which has been set aside to meet or secure the claims of creditors and certain lease payments pursuant to the High Court order issued in relation to the reduction of capital of the Company on 27 January 2005.

(iii) For the purpose of statements of cash flows, cash and cash equivalents comprise the following as at the end of the financial year:

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Total cash and bank balances	**471,503**	499,943	449,938	**268,375**	262,655	250,416
Less: Other deposits not for short-term funding requirements	**(317,728)**	(344,600)	(310,382)	**(191,914)**	(183,954)	(176,260)
	153,775	155,343	139,556	**76,461**	78,701	74,156

24. Share capital

	Number of ordinary shares of RM0.50 each 2012 '000	2011 '000	Amount 2012 RM'000	2011 RM'000
Authorised				
At 1 January/31 December	**2,000,000**	2,000,000	**1,000,000**	1,000,000
Issued and fully paid				
At 1 January	**531,599**	531,399	**265,800**	265,700
Issued during the year pursuant to SGP (Note 27(b))	**425**	200	**212**	100
At 31 December	**532,024**	531,599	**266,012**	265,800

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.

25. Other reserves

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	Company 2012 RM'000	2011 RM'000
Capital reserve	(a)	**13,900**	13,900	13,900	**–**	–
Capital redemption reserve	(b)	**5,250**	5,250	5,250	**–**	–
Foreign currency translation reserve	(c)	**(40)**	59	–	**–**	–
Share grant reserve	(d)	**2,320**	996	–	**2,320**	996
Clearing fund reserves	(e)	**30,000**	30,000	30,000	**–**	–
AFS reserve	(f)	**(24,602)**	(24,776)	(9,003)	**(24,901)**	(24,999)
		26,828	25,429	40,147	**(22,581)**	(24,003)

25. Other reserves (cont'd)

(a) Capital reserve

Capital reserve is in relation to share premium in Bursa Malaysia Derivatives, which arises from "B" and "C" non-cumulative preference shares of RM1.00 each in Bursa Malaysia Derivatives. The composition of share premium in Bursa Malaysia Derivatives is as follows:

Financial year of issue	Type of preference shares	Number of shares issued	Share premium RM'000
2001	"B" preference shares	16	8,000
2001	"C" preference shares	15	3,000
2002	"C" preference shares	6	1,200
2003	"C" preference shares	1	200
2006	"C" preference shares	1	200
2007	"B" preference shares	1	500
2007	"C" preference shares	2	400
2008	"C" preference shares	1	200
2010	"C" preference shares	1	200
			13,900

The share premium arising from the above issues are not refundable to the preference shareholders and thus are treated as a non-distributable capital reserve. The "B" and "C" preference shares have been accounted for as part of the Group's non-controlling interest.

(b) Capital redemption reserve

The capital redemption reserve relates to the capitalisation of retained earnings arising from the redemption of preference shares by the following subsidiaries:

	Group	
	2012 RM'000	2011 RM'000
Bursa Malaysia Depository	**5,000**	5,000
Bursa Malaysia Securities	**250**	250
	5,250	5,250

The capital redemption reserve is non-distributable in the form of dividends but may be applied in paying up unissued shares of the subsidiaries to be issued to the shareholder of the subsidiaries as fully paid bonus shares.

(c) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency differs from the Group's presentation currency.

(d) Share grant reserve

The share grant reserve represents the equity-settled shares granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of shares. The share grant reserve was created in the previous financial year when shares were granted to employees under the SGP.

25. Other reserves (cont'd)

(e) Clearing fund reserves

	Note	Group 2012 RM'000	Group 2011 RM'000
Amount set aside for:			
CGF, in accordance with Rules of Bursa Malaysia Securities Clearing	(i)	**25,000**	25,000
DCF, in accordance with Rules of Bursa Malaysia Derivatives Clearing	(ii)	**5,000**	5,000
		30,000	30,000

(i) CGF reserve

The CGF reserve is an amount set aside following the implementation of the CGF. The quantum of the CGF was set at RM100,000,000 and may increase by the quantum of interest arising from investments of the fixed contributions. The CGF comprises contributions from TCPs, appropriation from Bursa Malaysia Securities Clearing, and other financial resources (currently in the form of a Standby Credit Facility from the Company).

As at the financial year end, the CGF composition was as follows:

	2012 RM'000	2011 RM'000
Contributions from TCPs of Bursa Malaysia Securities Clearing (Note 22)	**12,361**	12,057
Contribution from Bursa Malaysia Securities Clearing (Note 23(i))	**25,000**	25,000
Standby Credit Facility from the Company (Note 32(b))	**60,000**	60,000
	97,361	97,057
Non-cash collaterals from TCPs of Bursa Malaysia Securities Clearing (Note 22(b))	**5,776**	5,410
	103,137	102,467

(ii) DCF reserve

Pursuant to the Rules of Bursa Malaysia Derivatives Clearing, Bursa Malaysia Derivatives Clearing set up a DCF for derivatives clearing and settlement. The DCF comprises contributions from CPs and appropriation of certain amounts from Bursa Malaysia Derivatives Clearing's retained earnings.

As at the financial year end, the DCF composition was as follows:

	2012 RM'000	2011 RM'000
Contributions from CPs of Bursa Malaysia Derivatives Clearing (Note 22)	**23,577**	22,428
Contribution from Bursa Malaysia Derivatives Clearing (Note 23(i))	**5,000**	5,000
	28,577	27,428

There were no non-cash collaterals from CPs of Bursa Malaysia Derivatives Clearing for DCF held by the Group as at 31 December 2012 and 31 December 2011.

25. Other reserves (cont'd)

(f) AFS reserve

AFS reserve represents the cumulative fair value changes, net of tax, of AFS financial assets until they are disposed or impaired.

26. Retained earnings

The Company has elected for the irrevocable option under the Finance Act 2007 to disregard the Section 108 balance as at 30 September 2009. Following that, the Company will be able to distribute dividends out of its entire retained earnings under the single-tier system.

27. Employee benefits

(a) Retirement benefit obligations

The Group operates a funded, defined Retirement Benefit Scheme (the Scheme) for its eligible employees. Contributions to the Scheme are made to a separately administered fund. Under the Scheme, eligible employees are entitled to a lump sum, upon leaving service, calculated based on the multiplication of two times the Final Scheme Salary, Pensionable Service and a variable factor based on service years, less EPF offset. The Scheme was closed to new entrants effective 1 September 2003.

Movements in the net liability were as follows:

	Group and Company	
	2012 RM'000	2011 RM'000
At 1 January	**24,311**	22,825
Recognised in income statement (Note 5)	**2,574**	1,542
Contributions paid	**(2,069)**	(56)
At 31 December	**24,816**	24,311

The amounts recognised in the statements of financial position were determined as follows:

	Group and Company	
	2012 RM'000	2011 RM'000
Present value of funded defined benefit obligations	**31,394**	35,012
Fair value of plan assets	**(1,369)**	(1,412)
Unrecognised actuarial losses	**(5,209)**	(9,289)
Net liability	**24,816**	24,311

27. Employee benefits (cont'd)

(a) Retirement benefit obligations (cont'd)

The present value of defined benefit obligations are analysed as follows:

	Group and Company	
	2012 RM'000	2011 RM'000
Current	**839**	931
Non-current:		
Later than one year and not later than two years	**1,594**	985
Later than two years and not later than five years	**6,691**	6,501
Later than five years	**22,270**	26,595
	30,555	34,081
Total	**31,394**	35,012

The expenses recognised in profit or loss during the year were as follows:

	Group and Company	
	2012 RM'000	2011 RM'000
Interest cost	**1,987**	1,588
Expected return on plan assets	**(35)**	(46)
Actuarial loss	**622**	–
Total	**2,574**	1,542

The actual return on the plan assets of the Group and of the Company for the year was a gain of RM22,000 (2011: RM39,000).

Changes in fair value of plan assets are as follows:

	Group and Company	
	2012 RM'000	2011 RM'000
Opening fair value of plan assets	**1,412**	1,853
Contributions by employer	**2,069**	56
Benefits paid	**(2,134)**	(536)
Actuarial loss on plan assets	**(13)**	(7)
Expected return on plan assets	**35**	46
Closing fair value of plan assets	**1,369**	1,412

27. Employee benefits (cont'd)

(a) Retirement benefit obligations (cont'd)

The plan assets comprise:

	2012 %	2011 %
Malaysian Government Securities	**66**	78
Cash and fixed deposits	**34**	22

Principal actuarial assumptions used:

	2012 %	2011 %
Discount rate	**5.0**	5.8
Expected return on plan assets	**2.5**	2.5
Expected rate of salary increase	*****	8.0

* First year at 13% and second year onwards at 5%.

The overall expected rate of return on assets is determined based on the current asset allocation strategy and the expected long-term rates of return on each asset class. The return is based exclusively on historical returns, without adjustments.

Historical information:

	Group and Company				
	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000
Present value of the defined benefit obligation	**31,394**	35,012	25,839	25,981	26,166
Fair value of plan assets	**(1,369)**	(1,412)	(1,853)	(1,024)	(1,275)
Deficit in the plan	**30,025**	33,600	23,986	24,957	24,891
Experience adjustments arising on plan liabilities	**(427)**	(257)	103	37	(8,802)
Experience adjustments arising on plan assets	**13**	7	(6)	(371)	(25)

27. Employee benefits (cont'd)

(b) SGP

The SGP is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 14 April 2011. The SGP was implemented on 18 April 2011 and is in force for a maximum period of 10 years from the date of implementation.

The SGP comprises two types of performance-based awards, namely RSP and PSP.

The salient features and terms of the SGP are as follows:

(i) The Committee (appointed by the Board of Directors to administer the SGP) may, in its discretion where necessary, direct the implementation and administration of the plan. The Committee may at any time within the duration of the plan, offer RSP and PSP awards under the SGP to eligible employees or Executive Directors of the Group, in which such offer shall lapse should the eligible employees or Executive Directors of the Group fail to accept within the period stipulated.

(ii) To facilitate the implementation of the SGP, a Trust to be administered in accordance with the Trust Deed by the Trustee appointed by the Company was established. The Trustee shall subscribe for new ordinary shares of RM0.50 each in the Company and transfer the shares to eligible employees or Executive Directors of the Group participating in the SGP. The Trustee will obtain financial funding from the Company and/or its subsidiaries and/or third parties for purposes of administering the Trust.

(iii) The total number of shares to be issued under the SGP shall not exceed in aggregate 10% of the issued and paid-up share capital (excluding treasury shares) of the Company at any point of time during the tenure of the SGP and out of which not more than 50% of the shares shall be allocated, in aggregate, to Executive Directors and senior management of the Group. In addition, not more than 10% of the shares available under the SGP shall be allocated to any individual employee or Executive Director who, either individually or collectively through persons connected with him/her, holds 20% or more in the issued and paid-up capital of the Company.

(iv) All new ordinary shares issued pursuant to the SGP will rank pari passu in all respect with the then existing ordinary shares of the Company, except that the new ordinary shares so issued will not be entitled to any rights, dividends or other distributions declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission or otherwise.

(v) The shares granted will only be vested to the eligible employees or Executive Directors of the Group who have duly accepted the offer of awards under the SGP, on their respective vesting dates, provided the following vesting conditions are fully and duly satisfied:

- Eligible employees or Executive Directors of the Group must remain in employment with the Group and shall not have given notice of resignation or received notice of termination of service as at the vesting dates.

- In respect of the PSP, eligible employees or Executive Directors of the Group having achieved his/her performance targets as stipulated by the Committee and as set out in their offer of awards.

27. Employee benefits (cont'd)

(b) SGP (cont'd)

The following table illustrates the movement of shares granted under SGP during the financial year:

	At 1 January/ Implementation date '000	Movements during the year Granted '000	Vested '000	Forfeited '000	At 31 December '000
2012					
2011 grant:					
RSP	**541**	**–**	**(175)**	**(60)**	**306**
2012 grants:					
RSP	**–**	**829**	**(250)**	**(30)**	**549**
PSP	**–**	**398**	**–**	**(18)**	**380**
	541	**1,227**	**(425)**	**(108)**	**1,235**
2011					
2011 grant:					
RSP	–	778	(200)	(37)	541

As disclosed in Note 24, share grants vested during the financial year resulted in the issuance of 425,000 ordinary shares of RM0.50 each (2011: 200,000 ordinary shares of RM0.50 each). The weighted average share price at the date of vesting for the financial year was RM6.86 (2011: RM7.69).

The outstanding share grants at the end of the financial year are to be vested on specific dates in the following periods:

(i) The 2011 grant is to be vested within the next two years.

(ii) The 2012 grants are to be vested within the next three years.

Fair value of shares granted during the financial year

The fair values of shares granted during the financial year were measured at grant date and the assumptions were as follows:

(i) The fair value of RSP shares granted during the year was estimated using a discounted cash flow model, taking into account the vesting conditions upon which the RSP shares were granted. The weighted average share price at the grant date was RM6.57 (2011: RM7.78). An average expected dividend yield of 4.0% (2011: 3.0%) was used in measuring the fair values.

(ii) The performance conditions for the PSP includes a non-market based hurdle and a market based hurdle. The non-market based hurdle is valued using a discounted cash flow model while the market based hurdle uses assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation. The key assumptions used in these models are as follows:

Share price	RM6.75
Expected dividend yield	4.4%
Expected volatility	20.0%
Risk free rate	3.1%

28. Deferred capital grants

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	**11,850**	10,986	**7,500**	9,047
Grant recognised	**–**	3,500	**–**	–
Grant income (Note 4)	**(1,916)**	(2,636)	**(1,566)**	(1,547)
At 31 December	**9,934**	11,850	**5,934**	7,500

The deferred capital grants of the Group refer to grants for the development of the bond trading platform, the development of clearing facilities and licence for the order management system for the derivatives market. The deferred capital grant of the Company refers to the grant for the development of the bond trading platform.

29. Other payables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Accruals	**22,197**	12,107	**20,027**	10,034
Amount due to SC	**2,849**	3,550	**–**	–
Provision for other liabilities	**22,577**	21,134	**20,889**	19,253
Receipts in advance	**11,659**	11,186	**10,041**	9,891
Sundry payables	**21,253**	19,353	**8,467**	10,210
	80,535	67,330	**59,424**	49,388

Included in sundry payables of the Group is cash received for eDividend distributions amounting to RM1,828,000 (2011: RM1,229,000).

30. Compensation funds

The Group maintains the following funds to compensate investors who have suffered losses under the circumstances specified in the relevant rules and regulations.

The net assets of the funds are as follows:

	2012 RM'000	2011 RM'000
Bursa Malaysia Securities Berhad - Compensation Fund (Securities Compensation Fund)	**313,270**	305,867
Bursa Malaysia Derivatives Berhad - Fidelity Fund (Derivatives Fidelity Fund)	**14,537**	14,225
Bursa Malaysia Depository Sdn Bhd - Compensation Fund (Depository Compensation Fund)	**50,000**	50,000

The assets of the funds are segregated from the financial statements of the Group and are accounted for separately.

Pursuant to Part IV of the Capital Markets and Services (Amendment) Act 2012 (the "Amendment Act") effective 28 December 2012, Bursa Malaysia Securities and Bursa Malaysia Derivatives shall transfer the funds of Securities Compensation Fund and Derivatives Fidelity Fund to Capital Market Compensation Fund (CMCF). The transfer shall take place in the first quarter of 2013.

(i) Securities Compensation Fund

Prior to 28 December 2012, pursuant to Part IV of Capital Markets and Services Act 2007 (the Act), the Securities Compensation Fund was established, maintained and administered by Bursa Malaysia Securities.

The Securities Compensation Fund comprises contributions from Bursa Malaysia Securities, a wholly-owned subsidiary, and participating organisations. Over and above the contributions, the SC has also set aside RM100,000,000 to meet the needs of the Securities Compensation Fund as and when required. Contributions receivable and withdrawals from the Securities Compensation Fund are governed by the provisions of the Act.

(ii) Derivatives Fidelity Fund

Prior to 28 December 2012, pursuant to Part IV of the Act, the Derivatives Fidelity Fund was established, maintained and administered by Bursa Malaysia Derivatives.

The Derivatives Fidelity Fund comprises contributions from trading participants. Contributions receivable and withdrawals from the Derivatives Fidelity Fund are governed by the provisions of the Act.

(iii) Depository Compensation Fund

In 1997, pursuant to the provisions of Section 5(1)(b)(vii) of the Securities Industry (Central Depositories) Act 1991, Bursa Malaysia Depository, a wholly-owned subsidiary, established a scheme of compensation for the purpose of settling claims by depositors against Bursa Malaysia Depository, its authorised depository agents and Bursa Malaysia Depository Nominees. The scheme comprises the Depository Compensation Fund and insurance policies. Bursa Malaysia Depository's policy is to maintain the balance in the Depository Compensation Fund at RM50,000,000. In consideration for the above, all revenue accruing to the Depository Compensation Fund's deposits and investments are to be credited to Bursa Malaysia Depository and all expenditure incurred for and on behalf of the Depository Compensation Fund will be paid for by Bursa Malaysia Depository.

31. Operating lease arrangements

(a) The Group and Company as lessee

The Company has entered into two non-cancellable operating lease agreements for the use of land. The leases have lives of 99 years with no renewal or purchase option included in the contracts. The leases do not allow the Company to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. Tenancy is however allowed with the consent of the lessor.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the financial year end but not recognised as liabilities are as follows:

	Group and Company	
	2012	**2011**
	RM'000	**RM'000**
Not later than one year	**539**	539
Later than one year and not later than five years	**2,155**	2,155
Later than five years	**40,253**	40,792
	42,947	43,486

(b) The Group and Company as lessor of building

The Company has entered into non-cancellable operating lease agreements for the rental of office space in the building. The leases have lives of three years with renewal option of another three years included in the agreements. The leases have a fixed rental rate for the existing lease period with an upward revision to the rental rate for the renewed lease period.

The future aggregate minimum lease payments receivable under non-cancellable operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Group and Company	
	2012	**2011**
	RM'000	**RM'000**
Not later than one year	**6,028**	5,651
Later than one year and not later than two years	**6,283**	2,707
Later than two years and not later than five years	**9,207**	–
	21,518	8,358

These lease rentals in relation to external parties are recognised in income statement during the financial year.

31. Operating lease arrangements (cont'd)

(c) The Company as lessor of building

The Company has entered into an operating lease arrangement with its subsidiaries for the use of office space. The lease agreement expired during the year and shall be automatically renewed unless terminated in accordance with the terms and conditions stipulated in the agreement. The future aggregate minimum lease payments have been disclosed up to another five years.

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Company	
	2012	**2011**
	RM'000	**RM'000**
Not later than one year	**5,253**	5,297
Later than one year and not later than two years	**4,775**	5,253
Later than two years and not later than five years	**14,324**	14,324
	24,352	24,874

The lease rentals recognised in income statement during the financial year are disclosed in Notes 3 and 33(a).

(d) The Company as lessor of equipment

The Company has entered into an operating lease arrangement with its subsidiaries for the use of computer equipment. The equipment is leased between three to seven years with no purchase option included in the contract.

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Company	
	2012	**2011**
	RM'000	**RM'000**
Not later than one year	**25,652**	24,703
Later than one year and not later than five years	**58,405**	67,496
Later than five years	**31,785**	35,422
	115,842	127,621

The lease rentals recognised in income statement during the financial year are disclosed in Notes 3 and 33(a).

32. Commitments

(a) Capital commitments

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Approved and contracted for				
Computers and office automation	**14,839**	8,201	**14,839**	1,840
Renovations	**218**	340	**218**	340
	15,057	8,541	**15,057**	2,180
Approved but not contracted for				
Computers and office automation	**26,688**	13,616	**26,688**	9,804
Renovations	**–**	80	**–**	80
	26,688	13,696	**26,688**	9,884

(b) Other commitments

A standby credit facility of RM60,000,000 (2011: RM60,000,000) was provided by the Company to Bursa Malaysia Securities Clearing in respect of the CGF (Note 25(e)(i)).

33. Significant related party disclosures

(a) Transactions with subsidiaries

Significant transactions between the Company and its subsidiaries are as follows:

	2012 RM'000	2011 RM'000
Management fee income from:		
Bursa Malaysia Securities	**61,311**	67,572
Bursa Malaysia Derivatives	**8,701**	9,642
LFX	**1,550**	1,786
Bursa Malaysia Securities Clearing	**6,132**	6,907
Bursa Malaysia Derivatives Clearing	**2,907**	3,481
Bursa Malaysia Depository	**15,767**	17,171
Bursa Malaysia Information	**5,100**	5,351
Bursa Malaysia Islamic Services	**4,895**	6,636
Bursa Malaysia Bonds	**3,102**	4,893
	109,465	123,439

33. Significant related party disclosures (cont'd)

(a) Transactions with subsidiaries (cont'd)

	2012 RM'000	2011 RM'000
Office space rental income from:		
Bursa Malaysia Securities	**2,110**	2,110
Bursa Malaysia Derivatives	**522**	522
LFX	**101**	101
Bursa Malaysia Securities Clearing	**675**	675
Bursa Malaysia Depository	**935**	935
Bursa Malaysia Information	**389**	389
Bursa Malaysia Islamic Services	**411**	411
Bursa Malaysia Bonds	**154**	154
	5,297	5,297
Lease rental income from:		
Bursa Malaysia Securities	**18,990**	20,260
Bursa Malaysia Derivatives	**543**	771
LFX	**47**	45
Bursa Malaysia Securities Clearing	**957**	1,294
Bursa Malaysia Derivatives Clearing	**159**	146
Bursa Malaysia Depository	**845**	1,019
Bursa Malaysia Information	**158**	129
Bursa Malaysia Islamic Services	**1,227**	1,142
Bursa Malaysia Bonds	**175**	578
	23,101	25,384
Commitment fees from a subsidiary, Bursa Malaysia Securities Clearing	**–**	600

Management fee charged to subsidiaries are in respect of operational and administrative functions of the subsidiaries which are performed by employees of the Company.

Information regarding outstanding balances arising from related party transactions as at the financial year end are disclosed in Note 21.

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

33. Significant related party disclosures (cont'd)

(b) Transactions with other related parties

Significant transactions between the Group and the Company and other related parties are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Administration fee income from Securities Compensation Fund, a fund managed by the Company	**935**	911	**935**	911
Administration fee income from Derivatives Fidelity Fund, a fund managed by a subsidiary	**120**	120	**–**	–

In the previous financial year, the Group received a grant amounting to RM3,500,000 from Capital Market Development Fund, a shareholder of the Company (Note 28).

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Certain Directors are also directors of stockbroking companies and banks. The transactions entered into with these stockbroking companies and banks have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Government-linked corporations are related to the Company by virtue of the substantial shareholdings of the Minister of Finance (Incorporated) in the Company. The transactions entered into with these government-linked corporations have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(c) Compensation of key management personnel

Key management personnel refers to the management committee of the Group. The remuneration of key management personnel during the financial year was as follows:

	Group and Company	
	2012 RM'000	2011 RM'000
Short-term employee benefits	**9,095**	9,546
Contributions to defined contribution plan - EPF	**1,018**	974
Shares granted under SGP	**2,066**	148
Separation benefit	**–**	800
Other long term benefits	**23**	22
	12,202	11,490

33. Significant related party disclosures (cont'd)

(c) Compensation of key management personnel (cont'd)

Included in total remuneration of key management personnel is:

	Group and Company	
	2012 RM'000	2011 RM'000
Executive Director's remuneration (Note 8)	**5,513**	5,083
Benefits-in-kind (Note 8)	**32**	32
	5,545	5,115

The Executive Director of the Group and of the Company and other key management personnel have been granted the following number of shares under the SGP:

	Group and Company	
	2012 '000	2011 '000
At 1 January	**25**	–
Granted	**545**	41
Vested	**(262)**	(11)
Forfeited	**(20)**	(5)
At 31 December	**288**	25

34. Contingent liability

In connection with the partial disposal of Bursa Malaysia Derivatives on 30 November 2009, the Company had entered into put and call options with Chicago Mercantile Exchange (CME) Group over the ordinary shares of Bursa Malaysia Derivatives representing the 25% equity interest disposed of to CME Group. The exercise price for the put and call options shall be determined based on a pre-agreed formula which takes into consideration the performance of Bursa Malaysia Derivatives and other peer exchanges.

However, for a period of 48 months following the completion of the disposal, the Company and CME Group may only exercise the put or call option should certain events occur as defined in the Shareholders' Agreement. If the put or call option is exercised during this period, the party exercising the option will have to bear a certain specified premium or discount on the option price determined in the manner mentioned above.

35. Financial risk management objectives and policies

The Group and the Company are exposed to market risk (which comprises equity price risk, interest rate risk and foreign exchange risk), liquidity risk and credit risk arising from its business activities.

The Group and the Company ensure that the above risks are managed in order to minimise the effects of the unpredictability of the financial markets on the performance of the Group and of the Company. There has been no change in the nature of the risks which the Group and the Company are exposed to, nor the objectives, policies and processes to manage those risks compared to the previous year.

(a) Market risk: Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices. The Group and the Company are exposed to equity price risk through the Company's holding of shares in CME Group. The shares were obtained as part of the purchase consideration in the strategic alliance forged with CME Group.

The Group and the Company monitor the value of the equity holding by considering the movements in the quoted price, the potential future value to the Group and the sell down restrictions surrounding the equity holding.

An increase/decrease of 1% (2011: 1%) in the quoted price of the instrument would result in an increase/decrease in equity of RM593,000 (2011: RM591,000).

(b) Market risk: Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Company are exposed to interest rate risk through the holding of unquoted bonds, commercial papers and deposits in licensed financial institutions.

The Group and the Company manage interest rate risk by investing in varied asset classes.

Interest rate risk sensitivity

The following table demonstrates the sensitivity of the Group and of the Company's profit after tax and equity to a 25 basis point (2011: 25 basis point) increase/decrease in interest rates with all other variables held constant:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Increase/decrease in profit after tax	**875**	931	**500**	491
Increase/decrease on equity	**191**	621	**293**	338

The sensitivity is the effect of the assumed changes in interest rates on:

- the net interest income for the year, based on the financial assets held at the end of the financial year; and
- changes in fair value of investment securities for the year, based on revaluing fixed rate financial assets at the end of the financial year.

35. Financial risk management objectives and policies (cont'd)

(b) Market risk: Interest rate risk (cont'd)

Interest rate risk exposure

The following table analyses the Group and the Company's interest rate risk exposure. The unquoted bonds, commercial papers and deposits with licensed financial institutions are categorised by maturity dates.

	Maturity				
	Less than one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000	Effective interest rate %
Group					
At 31 December 2012					
Investment securities	**30,000**	**59,545**	**29,851**	**119,396**	**4.38**
Deposits with licensed financial institutions	**466,631**	**–**	**–**	**466,631**	**3.34**
At 31 December 2011					
Investment securities	15,379	41,432	10,922	67,733	4.66
Deposits with licensed financial institutions	496,175	–	–	496,175	3.44
Company					
At 31 December 2012					
Investment securities	**20,029**	**10,312**	**14,624**	**44,965**	**4.41**
Deposits with licensed financial institutions	**266,555**	**–**	**–**	**266,555**	**3.39**
At 31 December 2011					
Investment securities	5,362	17,157	10,922	33,441	4.84
Deposits with licensed financial institutions	262,018	–	–	262,018	3.47

35. Financial risk management objectives and policies (cont'd)

(c) Market risk: Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and the Company are exposed to foreign currency risk primarily through the holding of CME Group shares which are denominated in United States Dollar (USD) and transactions in USD.

The Group is not exposed to foreign currency risk from the holding of margins and collaterals as the risks are borne by the participants. The following table depicts this through the netting off of monies held as margins and collaterals against the corresponding liability.

	USD RM'000	SGD RM'000	JPY RM'000	Total RM'000
Group				
At 31 December 2012				
Financial assets				
Cash and bank balances	**206,579**	**209**	**17,618**	**224,406**
Financial liabilities				
Trade payables	**(206,579)**	**(209)**	**(17,618)**	**(224,406)**
	–	**–**	**–**	**–**
At 31 December 2011				
Financial assets				
Cash and bank balances	109,633	1,230	4,451	115,314
Financial liabilities				
Trade payables	(109,633)	(1,230)	(4,451)	(115,314)
	–	–	–	–

35. Financial risk management objectives and policies (cont'd)

(c) Market risk: Foreign currency risk (cont'd)

The Group and the Company do not hedge their currency exposures. The following table shows the accumulated amount of material financial assets and liabilities which are unhedged:

	2012		2011	
	USD RM'000	EUR RM'000	USD RM'000	EUR RM'000
Group				
Financial assets				
Investment securities - shares quoted outside Malaysia	**59,322**	**–**	59,079	–
Trade receivables	**573**	**–**	453	–
	59,895	**–**	59,532	–
Financial liabilities				
Other payables	**3,957**	**87**	2,884	609
Company				
Financial assets				
Investment securities - shares quoted outside Malaysia	**59,322**	**–**	59,079	–
Financial liabilities				
Other payables	**256**	**87**	–	609

The following table demonstrates the sensitivity of the Group and of the Company's profit after tax and equity to a reasonably possible change in the exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

	Group		Company	
	Profit after tax RM'000	Equity RM'000	Profit after tax RM'000	Equity RM'000
At 31 December 2012				
USD - strengthen by 5% against RM	**(127)**	**2,956**	**(10)**	**2,956**
EUR - strengthen by 5% against RM	**(3)**	**(3)**	**(3)**	**(3)**
At 31 December 2011				
USD - strengthen by 5% against RM	(91)	2,954	–	2,954
EUR - strengthen by 5% against RM	(23)	(23)	(23)	(23)

An equivalent weakening of the foreign currency as shown above would have resulted in an equivalent, but opposite, impact.

35. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial obligations due to a shortage of funds.

(i) Liabilities related risk

The Group and the Company maintain sufficient levels of cash and cash equivalents to meet working capital requirements. The Group and the Company also maintain a reasonable level of banking facilities for contingency operational requirements.

The table below summarises the maturity profile of the Group and of the Company's liabilities at the financial year end based on contractual undiscounted repayment obligations.

	Maturity			
	On demand RM'000	Less than three months RM'000	Three to twelve months RM'000	Total RM'000
Group				
At 31 December 2012				
Current liabilities				
Other payables which are financial liabilities	**10,893**	**10,664**	**2,545**	**24,102**
At 31 December 2011				
Current liabilities				
Other payables which are financial liabilities	10,418	10,722	1,763	22,903
Company				
At 31 December 2012				
Current liabilities				
Other payables which are financial liabilities	**3,273**	**2,649**	**2,545**	**8,467**
At 31 December 2011				
Current liabilities				
Other payables which are financial liabilities	5,059	3,388	1,763	10,210

35. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

(ii) Clearing and settlement related risk

The clearing house subsidiaries of the Group act as counterparties to eligible trades concluded on the securities and derivatives markets through the novation of obligations of the buyers and sellers. The Group mitigates this exposure by establishing financial criteria for admission as participants, monitoring participants' position limits and requiring that margins and collaterals on outstanding positions be placed with the clearing houses. Banking facilities are also taken to further mitigate this risk.

The liabilities and corresponding assets in relation to clearing and settlement risk as at the financial year end are shown below:

	On demand	
	2012 RM'000	**2011 RM'000**
Group		
Current assets		
Cash and bank balances not belonging to the Group	**1,173,172**	670,651
Current liabilities		
Trade payables	**(1,137,234)**	(636,166)
CPs and TCPs contributions to clearing funds	**(35,938)**	(34,485)
	–	–

(e) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk primarily from investment securities, staff loans receivable, trade receivables, other receivables which are financial assets and cash and bank balances with financial institutions.

As at the current and previous financial year ends, the Group and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

For investment securities and cash and bank balances with financial institutions, the Group and the Company minimise credit risk by adopting an investment policy which allows dealing with counterparties with good credit ratings only. Receivables are monitored to ensure that exposure to bad debts are minimised.

35. Financial risk management objectives and policies (cont'd)

(e) Credit risk (cont'd)

Investment securities and cash and bank balances

The counterparty risk rating of the Group and of the Company's investment securities and cash and bank balances with financial institutions at the financial year end are as follows:

	Counterparty risk ratings						
	GG RM'000	P1 RM'000	AAA RM'000	AA RM'000	A RM'000	BB RM'000	Total RM'000
Group							
At 31 December 2012							
Cash and bank balances	**–**	**–**	**848,475**	**673,201**	**124,827**	**–**	**1,646,503**
AFS financial asset - unquoted bonds	**496**	**–**	**17,366**	**73,292**	**4,586**	**3,858**	**99,598**
HTM investment - commercial papers	**–**	**19,798**	**–**	**–**	**–**	**–**	**19,798**
At 31 December 2011							
Cash and bank balances	–	–	567,150	561,725	42,948	–	1,171,823
AFS financial asset - unquoted bonds	–	–	17,115	36,687	5,255	3,867	62,924
HTM investment - commercial paper	–	4,809	–	–	–	–	4,809
						Note a	

Note a
The risk rating of this AFS unquoted bond was downgraded from AA to BBB in 2010 and subsequently to BB in 2011.

	Counterparty risk ratings					
	GG RM'000	P1 RM'000	AAA RM'000	AA RM'000	A RM'000	Total RM'000
Company						
At 31 December 2012						
Cash and bank balances	**–**	**–**	**130,698**	**83,963**	**53,714**	**268,375**
AFS financial asset - unquoted bonds	**496**	**–**	**7,229**	**17,814**	**4,586**	**30,125**
HTM investment - commercial papers	**–**	**14,840**	**–**	**–**	**–**	**14,840**
At 31 December 2011						
Cash and bank balances	–	–	129,014	113,958	19,683	262,655
AFS financial asset - unquoted bonds	–	–	7,034	16,343	5,255	28,632
HTM investment - commercial paper	–	4,809	–	–	–	4,809

35. Financial risk management objectives and policies (cont'd)

(e) Credit risk (cont'd)

Receivables

The ageing analysis of the Group and the Company's receivables are as follows:

	Total RM'000	Impaired RM'000	Neither past due nor impaired RM'000	Past due not impaired <30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-180 days RM'000	>181 days RM'000	Total past due not impaired RM'000
Group									
At 31 December 2012									
Staff loans receivable	**10,030**	**–**	**10,030**	**–**	**–**	**–**	**–**	**–**	**–**
Trade receivables	**30,720**	**458**	**23,875**	**3,166**	**1,103**	**590**	**365**	**1,163**	**6,387**
Other receivables which are financial assets	**16,688**	**7,024**	**9,664**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2011									
Staff loans receivable	12,592	–	12,592	–	–	–	–	–	–
Trade receivables	28,589	719	23,831	2,565	831	190	251	202	4,039
Other receivables which are financial assets	15,044	5,809	7,881	–	–	–	–	1,354	1,354
Company									
At 31 December 2012									
Staff loans receivable	**9,289**	**–**	**9,289**	**–**	**–**	**–**	**–**	**–**	**–**
Trade receivables	**3,381**	**206**	**2,368**	**546**	**–**	**94**	**61**	**106**	**807**
Other receivables which are financial assets	**6,929**	**2,695**	**4,234**	**–**	**–**	**–**	**–**	**–**	**–**
Due from subsidiaries	**41,701**	**11,851**	**29,850**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2011									
Staff loans receivable	11,753	–	11,753	–	–	–	–	–	–
Trade receivables	2,095	238	429	1,154	150	9	73	42	1,428
Other receivables which are financial assets	5,876	1,647	3,078	–	–	–	–	1,151	1,151
Due from subsidiaries	34,476	8,527	25,949	–	–	–	–	–	–

35. Financial risk management objectives and policies (cont'd)

(e) Credit risk (cont'd)

Receivables (cont'd)

(i) Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and with the Company. The Group and the Company's trade receivables credit term ranges from seven days to 30 days, except for trade receivables relating to fees due from clearing participants for clearing and settlement services where payment is due three market days from the month end.

None of the Group and the Company's receivables that are neither past due nor impaired have been renegotiated during the current and previous financial years.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single clearing participant or counterparty.

(ii) Receivables that are impaired

The Group and the Company's receivables that are impaired at the financial year end and the movement of the allowance accounts used to record the impairment are as follows:

	Trade receivables		Other receivables		Due from subsidiaries	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Group						
At nominal amounts	**628**	971	**7,024**	7,077	**–**	–
Less: Allowance for impairment	**(458)**	(719)	**(7,024)**	(5,809)	**–**	–
	170	252	**–**	1,268	**–**	–
Movement in allowance accounts:						
At 1 January	**719**	1,689	**5,809**	6,301	**–**	–
Charge/(reversal) of impairment loss for the year	**24**	304	**1,215**	(492)	**–**	–
Written off	**(285)**	(1,274)	**–**	–	**–**	–
At 31 December	**458**	719	**7,024**	5,809	**–**	–
Company						
At nominal amounts	**276**	304	**2,695**	2,712	**11,851**	8,527
Less: Allowance for impairment	**(206)**	(238)	**(2,695)**	(1,647)	**(11,851)**	(8,527)
	70	66	**–**	1,065	**–**	–
Movement in allowance accounts:						
At 1 January	**238**	486	**1,647**	1,647	**8,527**	–
(Reversal)/charge of impairment loss for the year	**(5)**	20	**1,048**	–	**3,324**	8,527
Written off	**(27)**	(268)	**–**	–	**–**	–
At 31 December	**206**	238	**2,695**	1,647	**11,851**	8,527

35. Financial risk management objectives and policies (cont'd)

(e) Credit risk (cont'd)

Receivables (cont'd)

(ii) Receivables that are impaired (cont'd)

Receivables that are individually determined to be impaired at the financial year end relate to debtors that are in significant financial difficulties and have defaulted on payments.

Receivables are not secured by any collateral or credit enhancements.

36. Fair value of financial instruments

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
At 31 December 2012				
Staff loans receivable (Note 17)	**10,030**	**7,163**	**9,289**	**6,606**
At 31 December 2011				
Staff loans receivable (Note 17)	12,592	8,857	11,753	8,170

(b) Determination of fair value

(i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The following are classes of financial instruments that have carrying amounts which are reasonable approximations of fair value due to their short-term nature:

	Note
Trade receivables	19
Other receivables which are financial assets (except staff loans receivable within 12 months)	20
Due from subsidiaries	21
Cash and bank balances not belonging to the Group	22
Cash and bank balances of the Group	23
Trade payables and clearing funds	22
Other payables which are financial liabilities	29

36. Fair value of financial instruments (cont'd)

(b) Determination of fair value (cont'd)

(ii) Staff loans receivable

The fair value of staff loans receivable is estimated by discounting the expected future cash flows using the current interest rates for loans with similar risk profiles.

(iii) Quoted equity instrument

Fair value is determined directly by reference to its published market bid price at the financial year end.

(iv) Unquoted bonds

Fair value is determined by reference to the published market bid price of unquoted fixed income securities based on information provided by Bond Pricing Agency Malaysia Sdn Bhd.

37. Classification of financial instruments

The Group and the Company's financial assets and financial liabilities are measured on an on-going basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2.3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities of the Group and of the Company in the statements of financial position by the classes and categories of financial instruments to which they are assigned, and therefore by the measurement basis.

Group	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2012					
Assets					
Investment securities	158,920	19,798	–	–	178,718
Staff loans receivable	–	–	10,030	–	10,030
Trade receivables	–	–	30,262	–	30,262
Other receivables which are financial assets	–	–	9,664	–	9,664
Cash and bank balances not belonging to the Group	–	–	1,175,000	–	1,175,000
Cash and bank balances of the Group	–	–	471,503	–	471,503
Total financial assets	158,920	19,798	1,696,459	–	1,875,177
Liabilities					
Trade payables	–	–	–	1,137,234	1,137,234
Clearing funds	–	–	–	35,938	35,938
Other payables which are financial liabilities	–	–	–	24,102	24,102
Total financial liabilities	–	–	–	1,197,274	1,197,274

37. Classification of financial instruments (cont'd)

Group	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2011					
Assets					
Investment securities	122,003	4,809	–	–	126,812
Staff loans receivable	–	–	12,592	–	12,592
Trade receivables	–	–	27,870	–	27,870
Other receivables which are financial assets	–	–	9,235	–	9,235
Cash and bank balances not belonging to the Group	–	–	671,880	–	671,880
Cash and bank balances of the Group	–	–	499,943	–	499,943
Total financial assets	122,003	4,809	1,221,520	–	1,348,332
Liabilities					
Trade payables	–	–	–	636,166	636,166
Clearing funds	–	–	–	34,485	34,485
Other payables which are financial liabilities	–	–	–	22,903	22,903
Total financial liabilities	–	–	–	693,554	693,554

Company	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2012					
Assets					
Investment securities	**89,447**	**14,840**	**–**	**–**	**104,287**
Staff loans receivable	**–**	**–**	**9,289**	**–**	**9,289**
Trade receivables	**–**	**–**	**3,175**	**–**	**3,175**
Other receivables which are financial assets	**–**	**–**	**4,234**	**–**	**4,234**
Due from subsidiaries	**–**	**–**	**29,850**	**–**	**29,850**
Cash and bank balances	**–**	**–**	**268,375**	**–**	**268,375**
Total financial assets	**89,447**	**14,840**	**314,923**	**–**	**419,210**
Liabilities					
Other payables which are financial liabilities	**–**	**–**	**–**	**8,467**	**8,467**

37. Classification of financial instruments (cont'd)

Company	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2011					
Assets					
Investment securities	87,711	4,809	–	–	92,520
Staff loans receivable	–	–	11,753	–	11,753
Trade receivables	–	–	1,857	–	1,857
Other receivables which are financial assets	–	–	4,229	–	4,229
Due from subsidiaries	–	–	25,949	–	25,949
Cash and bank balances	–	–	262,655	–	262,655
Total financial assets	87,711	4,809	306,443	–	398,963
Liabilities					
Other payables which are financial liabilities	–	–	–	10,210	10,210

38. Classification of financial instruments carried at fair value

The fair value measurement hierarchies used to measure financial assets carried at fair value in the statements of financial position are as follows:

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

(b) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

(c) Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Total RM'000
At 31 December 2012			
Asset			
AFS financial assets	**59,322**	**99,598**	**158,920**
At 31 December 2011			
Asset			
AFS financial assets	59,079	62,924	122,003

38. Classification of financial instruments carried at fair value (cont'd)

Company	Level 1 RM'000	Level 2 RM'000	Total RM'000
At 31 December 2012			
Asset			
AFS financial assets	**59,322**	**30,125**	**89,447**
At 31 December 2011			
Asset			
AFS financial assets	59,079	28,632	87,711

There were no transfers between Level 1 and Level 2 during the current and previous financial years.

The Group and the Company do not have any financial liabilities carried at fair value nor any financial instruments classified as Level 3 as at 31 December 2012 and 31 December 2011.

39. Capital management

The Group manages its capital with the objective of maximising shareholders returns. To achieve this, the Group takes into consideration and ensures the sufficiency of funds for operations, risk management and development. Although the Group's policy is to distribute 75% of its profits to shareholders, it has been able thus far to distribute at least 90% of its profits every year whilst ensuring that its pool of funds for future development is at a sufficient level.

The Group is not subject to any externally imposed capital requirements. However, the Group is required to set aside funds for the CGF and DCF in accordance with the business rules of its clearing house subsidiaries.

Total capital managed at Group level, which comprises shareholders' funds and deferred capital grants, stood at RM885,385,000 (2011: RM872,243,000) as at the end of the respective financial year.

There has been no change in the above capital management objectives, policies and processes compared to the previous year.

40. Segment information

(a) Reporting format

For management reporting purposes, the Group is organised into operating segments based on market segments as the Group's risks and rates of return are affected predominantly by the macro environment of the different markets.

The securities, derivatives and others market segments are managed by the respective segment divisional heads responsible for the performance of the respective segments under their charge.

(b) Market segments

The four major market segments of the Group are as follows:

(i) The securities market mainly comprises the provision and operation of the listing, trading, clearing, depository services and provision and dissemination of information relating to equity securities quoted on exchanges for the securities market.

(ii) The derivatives market mainly comprises the provision and operation of the trading, clearing, depository services and provision and dissemination of information relating to derivative products quoted on exchanges for the derivatives market.

(iii) The exchange holding business refers to the operation of the Company which functions as an investment holding company.

(iv) The others mainly comprises the provision of a Shari'ah compliant commodity trading platform, a reporting platform for the bond traders and the provision of an offshore market.

(c) 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 and liabilities, overheads and income tax expenses.

Management monitors the operating results of its market segments separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties.

40. Segment information (cont'd)

Market segments

	Securities market RM'000	Derivatives market RM'000	Exchange holding RM'000	Others RM'000	Consolidated RM'000
At 31 December 2012					
Operating revenue	295,890	76,563	12,091	3,936	388,480
Other income	12,781	2,546	21,581	1,695	38,603
Direct costs	(83,065)	(37,164)	(24,678)	(9,599)	(154,506)
Segment profit/(loss)	225,606	41,945	8,994	(3,968)	272,577
Overheads					(56,545)
Profit before tax					216,032
Segment assets					
Assets that belong to the Group	401,364	131,211	450,143	35,150	1,017,868
Assets that do not belong to the Group	27,763	1,147,237	–	–	1,175,000
Segment assets	429,127	1,278,448	450,143	35,150	2,192,868
Unallocated corporate assets					5,574
Total assets					2,198,442
Segment liabilities					
Liabilities that belong to the Group	18,400	12,079	49,631	33,347	113,457
Liabilities that do not belong to the Group	27,763	1,147,237	–	–	1,175,000
Segment liabilities	46,163	1,159,316	49,631	33,347	1,288,457
Unallocated corporate liabilities					18,764
Total liabilities					1,307,221
Other information					
Depreciation and amortisation in:					
Segments	17,002	2,910	188	2,599	22,699
Overheads	–	–	–	–	11,014
Other significant non-cash expenses:					
Net impairment loss/(reversal of impairment loss) on trade and other receivables	212	(15)	1,042	–	1,239
Property, plant and equipment and computer software written off	–	2	15	–	17
Retirement benefit obligations in overheads	–	–	–	–	2,574
SGP expense in:					
Segments	1,333	391	2,055	53	3,832
Overheads	–	–	–	–	656

40. Segment information (cont'd)

Market segments (cont'd)

	Securities market RM'000	Derivatives market RM'000	Exchange holding RM'000	Others RM'000	Consolidated RM'000
At 31 December 2011					
Operating revenue	298,480	69,048	11,742	2,233	381,503
Other income	15,093	3,369	18,539	1,638	38,639
Direct costs	(92,678)	(35,456)	(18,545)	(12,521)	(159,200)
Segment profit/(loss)	220,895	36,961	11,736	(8,650)	260,942
Overheads					(54,829)
Profit before tax					206,113
Segment assets					
Assets that belong to the Group	404,692	126,128	432,184	37,199	1,000,203
Assets that do not belong to the Group	16,657	655,223	–	–	671,880
Segment assets	421,349	781,351	432,184	37,199	1,672,083
Unallocated corporate assets					1,422
Total assets					1,673,505
Segment liabilities					
Liabilities that belong to the Group	19,116	12,650	43,375	27,121	102,262
Liabilities that do not belong to the Group	16,657	655,223	–	–	671,880
Segment liabilities	35,773	667,873	43,375	27,121	774,142
Unallocated corporate liabilities					24,738
Total liabilities					798,880
Other information					
Depreciation and amortisation in:					
Segments	21,395	2,319	277	2,904	26,895
Overheads	–	–	–	–	11,549
Other significant non-cash expenses:					
Impairment loss on computer software	–	–	–	335	335
Impairment loss on investment security	1,164	–	–	–	1,164
Net (reversal of impairment loss)/impairment loss on trade and other receivables	(194)	(8)	21	(7)	(188)
Property, plant and equipment and computer software written off	836	–	–	–	836
Retirement benefit obligations in overheads	–	–	–	–	1,542
SGP expense in:					
Segments	1,394	343	117	15	1,869
Overheads	–	–	–	–	679

41. Explanation of transition to MFRSs

As disclosed in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2.3 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of the opening MFRS statements of financial position at 1 January 2011 (the Group and the Company's date of transition to MFRSs).

In preparing the opening statements of financial position as at 1 January 2011, the Group has adjusted amounts reported in the financial statements prepared in accordance with FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group and the Company's financial position, financial performance and cash flows are set out as follows:

(a) Foreign currency translation reserve

Under FRSs, the Group recognised foreign currency translation differences on foreign operations in the foreign currency translation reserve in equity.

Upon the transition to MFRS, the Group elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of foreign operations to be nil at the date of transition.

The effect of transition from FRS to MFRS on the comparative consolidated statement of financial position and consolidated statement of changes in equity of the Group are as follows:

	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
Group			
Consolidated statement of financial position			
At 1 January 2011			
Equity			
Other reserves	38,853	1,294	**40,147**
Retained earnings	461,650	(1,294)	**460,356**
At 31 December 2011			
Equity			
Other reserves	24,135	1,294	**25,429**
Retained earnings	482,905	(1,294)	**481,611**
Consolidated statement of changes in equity			
At 1 January 2011			
Foreign currency translation reserve	(1,294)	1,294	**–**
Retained earnings	461,650	(1,294)	**460,356**
At 31 December 2011			
Foreign currency translation reserve	(1,235)	1,294	**59**
Retained earnings	482,905	(1,294)	**481,611**

The above election did not have any impact on the financial performance of the Group.

41. Explanation of transition to MFRSs (cont'd)

(b) Cash and cash equivalents

Under FRSs, the Group and the Company defined all their cash on hand and at banks and short-term deposits as cash and cash equivalents where they were readily convertible to known amounts of cash and were subject to insignificant risk of changes in value.

Upon the transition to MFRS, the Group and the Company have redefined their cash and cash equivalents to mean cash on hand and at banks, and short-term deposits for purposes of meeting short-term funding requirements.

The effects of transition from FRS to MFRS on the comparative statements of cash flows of the Group and of the Company are as follows:

Group	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
At 31 December 2011			
Increase in other deposits not for short-term funding requirements	–	(34,218)	**(34,218)**
Net cash used in investing activities	(4,658)	(34,218)	**(38,876)**
Cash and cash equivalents at beginning of year	449,938	(310,382)	**139,556**
Cash and cash equivalents at end of year	499,943	(344,600)	**155,343**
Company			
At 31 December 2011			
Increase in other deposits not for short-term funding requirements	–	(7,694)	**(7,694)**
Net cash used in investing activities	(4,630)	(7,694)	**(12,324)**
Cash and cash equivalents at beginning of year	250,416	(176,260)	**74,156**
Cash and cash equivalents at end of year	262,655	(183,954)	**78,701**

The above changes did not have any impact on the financial position and financial performance of the Group and of the Company.

42. Supplementary information pursuant to Bursa Malaysia Securities Listing Requirements

The breakdown and components of retained earnings are identified and disclosed in accordance with the listing requirements of Bursa Malaysia Securities as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings:				
Realised	**494,569**	478,860	**434,078**	428,972
Unrealised	**(7,775)**	(8,660)	**(5,225)**	(9,704)
	486,794	470,200	**428,853**	419,268
Consolidation adjustments	**5,312**	11,411	**–**	–
	492,106	481,611	**428,853**	419,268

LIST OF PROPERTIES

OWNED BY BURSA MALAYSIA GROUP AS AT 31 DECEMBER 2012

No.	Location	Postal address	Description	Current use	Tenure	Remaining lease period (expiry date)	Age of building	Land area/ Built-up area (sq. metres)	Date of acquisition	Net book value 31 Dec 2012 RM'000
1	Geran No. 28936 Lot No. 520 (formerly P.T. 8) Section 19, Town and District of Kuala Lumpur	Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur	16-storey office building with 5-level basement car park and a lower level car park known as the Main Building	Office	Leasehold*	80 years (14 Apr 2092)	15 years	7,144/ 71,347	Aug 1997	135,150
2	Geran No. 28938 Lot No. 522 (formerly P.T. 10) Section 19, Town and District of Kuala Lumpur	Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur	2-storey office cum exposition building with 2-level basement car park known as the Annexe Building	Office	Leasehold*	83 years (28 Feb 2095)	14 years	9,314/ 38,609	Mar 1998	46,346
3	Lot 5.0 to 8.0, No. Berdaftar Geran 17768/MI/4/5 to 8 Bangunan No. M1 Lot No. 51452, Mukim of Kuala Lumpur Daerah Wilayah Persekutuan	4th Floor, Wisma Chase Perdana, Off Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur	Four office units on the 4th Floor of a 12-storey office building	Office	Freehold	N/A	29 years	N/A / 3,355	May 1998	9,687

* *The buildings are on freehold lands which have been leased to Bursa Malaysia by the Federal Land Commissioner for a period of 99 years.*

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2013

Authorised Share Capital	:	RM1,000,000,000 divided into 2,000,000,000 ordinary shares of RM0.50 each
Issued and Paid-up Share Capital	:	**RM266,011,900** comprising **532,023,800** ordinary shares of RM0.50 each
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One vote per ordinary share

Analysis by Size of Shareholdings

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
1 - 99	111	1	112	0.43	1,889	12	1,901	0.00
100 – 1,000	9,898	142	10,040	38.20	8,549,846	118,790	8,668,636	1.63
1,001 – 10,000	12,905	434	13,339	50.75	50,217,797	2,117,731	52,335,528	9.84
10,001 – 100,000	2,330	226	2,556	9.73	62,071,318	7,417,055	69,488,373	13.06
100,001 – less than 5% of issued shares	154	78	232	0.88	145,797,250	52,209,505	198,006,755	37.22
5% and above of issued shares	3	0	3	0.01	203,522,607	0	203,522,607	38.25
Total	**25,401**	**881**	**26,282**	**100.00**	**470,160,707**	**61,863,093**	**532,023,800**	**100.00**

Analysis of Equity Structure

No.	Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
		Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1.	Individual	21,547	488	108,223,801	7,473,812	20.34	1.40
2.	Body Corporate						
	a Banks/finance companies	21	1	77,671,825	25,000	14.60	0.01
	b Investment trust/foundation/charities	13	0	598,700	0	0.11	0.00
	c Industrial and commercial companies	288	20	14,140,725	493,500	2.66	0.09
3.	Government agencies/institutions	3	0	168,058,213	0	31.59	0.00
4.	Nominees	3,528	372	101,457,443	53,870,781	19.07	10.13
5.	Others	1	0	10,000	0	0.00	0.00
	Total	**25,401**	**881**	**470,160,707**	**61,863,093**	**88.37**	**11.63**

Top 30 Securities Account Holders

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Capital Market Development Fund	98,710,313	18.55
2.	Minister of Finance	61,200,000	11.50
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	43,612,294	8.20
4.	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	26,257,400	4.94

Top 30 Securities Account Holders

No.	Name	No. of Issued Shares	% of Issued Shares
5.	CIMSEC Nominees (Tempatan) Sdn Bhd Minister of Finance Incorporated (ESOS Pool Account)	25,000,000	4.70
6.	Kumpulan Wang Persaraan (Diperbadankan)	19,135,300	3.60
7.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas SECS SVS LUX for Aberdeen Global	17,473,600	3.28
8.	Amanahraya Trustees Berhad As 1Malaysia	16,868,600	3.17
9.	Lembaga Tabung Angkatan Tentera	8,147,900	1.53
10.	Valuecap Sdn Bhd	6,871,800	1.29
11.	The Nomad Group Bhd	6,072,728	1.14
12.	Pertubuhan Keselamatan Sosial	4,449,300	0.84
13.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	2,418,200	0.45
14.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	2,049,700	0.39
15.	Cartaban Nominees (Asing) Sdn Bhd RBC Investor Services Bank for Comgest Growth Gem Promising Companies (Comgest GR PLC)	2,000,000	0.38
16.	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for Kuwait Investment Office (KIO)	1,760,000	0.33
17.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	1,522,300	0.29
18.	Employees Provident Fund Board	1,500,000	0.28
19.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Income Fund (4850)	1,393,300	0.26
20.	Cartaban Nominees (Asing) Sdn Bhd Wellington Trust Company, National Association Multiple Common Trust Funds Trust Emerging Markets Local Equity Portfolio	1,385,030	0.26
21.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,302,700	0.24
22.	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	1,274,500	0.24
23.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund J734 for SPDR S and P Emerging Market's Small Cap ETF	1,251,173	0.24
24.	HSBC Nominees (Asing) Sdn Bhd KBC Bank NV Brussels for KBC Equity Fund	1,145,300	0.22
25.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Securities Services (Singapore - SGD)	900,000	0.17
26.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AM INV)	873,500	0.16
27.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	857,900	0.16
28.	Public Bank Berhad As Beneficial Owner	800,000	0.15
29.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	752,260	0.14
30.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Acct)	718,000	0.13
	Total	**357,703,098**	**67.23**

Directors' Direct and Deemed Interests in the Company and/or its related corporations

The interests of the Directors in the shares of the Company as at 31 January 2013 including those of his/her spouse and child/children which are deemed interest of the Directors by reference to Section 134(12)(c) of the Companies Act 1965 (CA) are maintained by the Company in the Register of Directors' Shareholdings pursuant to Section 134 of the CA, details of which are as follows:-

	Direct Interest		Deemed Interest		
Name of Directors	No. of Issued Shares	% of Issued Shares	Spouse No. of Issued Shares	Child No. of Issued Shares	% of Issued Shares
Tun Mohamed Dzaiddin bin Haji Abdullah	100,000	0.02	–	5,800	0.001
Datuk Dr. Md Tap bin Salleh	0	0.00	–	–	–
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	0	0.00	–	–	–
Datuk Puteh Rukiah binti Abd Majid	0	0.00	–	–	–
Dato' Dr. Thillainathan a/l Ramasamy	50,000	0.01	50,000	–	0.01
Izham bin Yusoff	0	0.00	–	–	–
Dato' Wong Puan Wah @ Wong Sulong	0	0.00	–	–	–
Cheah Tek Kuang	50,000	0.01	–	14,000	0.003
Dato' Saiful Bahri bin Zainuddin	0	0.00	–	–	–
Tan Sri Ong Leong Huat @ Wong Joo Hwa	0	0.00	–	–	–
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	0	0.00	–	–	–
Dato' Tajuddin bin Atan	250,000	0.05	–	–	Refer Note *
Total	**450,000**	**0.09**			

Note: * Dato' Tajuddin bin Atan has indirect interest in the securities of the Company by virtue of his acceptance of ordinary shares of RM0.50 each granted under the Share Grant Plan (SGP) of Bursa Malaysia (Plan Shares) as follows:-

(1) **20,200 Plan Shares** under the **2012 Restricted Share Plan (RSP) Grant**:
The vesting of Plan Shares granted under the 2012 RSP Grant is subject to fulfilment of vesting conditions as at the vesting dates i.e. 15 July 2013, 15 July 2014 and 15 July 2015 respectively.

(2) **Up to 59,400 Plan Shares** under the **2012 Performance Share Plan (PSP) Grant**:
The vesting of Plan Shares granted under the 2012 PSP Grant is contingent on achievements against various performance targets for Bursa Malaysia group, and is subject to fulfilment of vesting conditions as at 30 April 2015.

Substantial Shareholders according to the Register of Substantial Shareholders as at 31 January 2013

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Capital Market Development Fund (CMDF)[1]	98,710,313	18.55
2.	Minister of Finance Incorporated (MOF Inc)[2]	86,200,000	16.20
3.	Employees Provident Fund Board (EPF)[3]	45,985,794	8.64

Note:

[1] Total shares held by CMDF should be 100,200,001 ordinary shares of RM0.50 each in Bursa Malaysia. 1,489,688 shares representing 0.28% of CMDF's shareholdings in Bursa Malaysia were utilised for onward lending by Central Lending Agency to borrowers under Securities Borrowing and Lending.

[2] Total shares held by MOF Inc are set out in Items 2 and 5 of the Top 30 Securities Account Holders.

[3] Total shares held by EPF are set out in Items 3, 18 and 26 of the Top 30 Securities Account Holders.

Changes in Share Capital of the Company

The issued and paid-up share capital as at 31 January 2013 is RM266,011,900 comprising 532,023,800 ordinary shares of RM0.50 each. The changes in the issued and paid-up share capital are as set out in the table below:

Date of Allotment	Number of Shares Allotted	Consideration	Cumulative Number of Issued Shares	Cumulative Issued and Paid-up Share Capital (RM)
2 April 2012	250,000	Subscription by the Trustee at RM7.38 per share under the SGP	531,849,100	265,924,550
12 July 2012	174,700	Subscription by the Trustee at RM7.55 per share under the SGP	532,023,800	266,011,900

Under the Share Grant Plan (SGP) which is the only share issuance scheme of Bursa Malaysia in FY 2012, a maximum of 10% of the issued and paid-up share capital of Bursa Malaysia (excluding treasury shares) comprising ordinary shares of RM0.50 each of the Company (Plan Shares) are available at any point in time during the tenure of the SGP (Maximum Plan Shares Available). Further information on the SGP is set out in the Directors' Report and Note 27(b) of the Annual Audited Financial Statements for FY 2012 in this Annual Report.

Brief details on the number of Plan Shares granted, vested and outstanding since the commencement of the SGP on 18 April 2011 and during the FY 2011 and FY 2012 are set out in the table below:

For the period from 18 April 2011 to 31 December 2011	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2011 RSP Grant	778,200	–	34,900	743,300
Number of Plan Shares vested	2011 RSP Grant	(199,800)	–	(9,000)	(190,800)
Number of Plan Shares forfeited*	2011 RSP Grant	(37,300)	–	(5,200)	(32,100)
Number of Plan Shares outstanding as at 31 December 2011	2011 RSP Grant	541,100	–	20,700	520,400

For the period from 1 January 2012 to 31 December 2012	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2012 RSP Grant	829,200	270,200	29,200	529,800
	2012 PSP Grant	397,400	59,400	146,000	192,000
	Total	**1,226,600**	**329,600**	**175,200**	**721,800**
Number of Plan Shares vested	2011 RSP Grant	(174,700)	–	(6,600)	(168,100)
	2012 RSP Grant	(250,000)	(250,000)	–	–
	Total	**(424,700)**	**(250,000)**	**(6,600)**	**(168,100)**
Number of Plan Shares forfeited*	2011 RSP Grant	(59,400)	–	(1,700)	(57,700)
	2012 RSP Grant	(30,500)	–	–	(30,500)
	2012 PSP Grant	(17,800)	–	(17,800)	–
	Total	**(107,700)**	**–**	**(19,500)**	**(88,200)**
Number of Plan Shares outstanding as at 31 December 2012	2011 RSP Grant	307,000	–	12,400	294,600
	2012 RSP Grant	548,700	20,200	29,200	499,300
	2012 PSP Grant	379,600	59,400	128,200	192,000
	Total	**1,235,300**	**79,600**	**169,800**	**985,900**

Note: * These Plan Shares were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).

With regard to the Plan Shares granted to the Executive Director/CEO and Senior Management during FY 2012 and since the commencement of the SGP:

1. The aggregate maximum allocation is 50% of the Maximum Plan Shares Available; and
2. The actual percentage of Plan Shares granted to them as at 31 December 2012 was 26.9% of the total number of Plan Shares granted.

The Non-Executive Directors are not eligible to participate in the SGP.

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

1. **UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS**
   There were no proceeds raised from corporate proposals during the financial year.

2. **SHARE BUY-BACK**
   During the financial year, there was no share buy-back by the Company.

3. **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**
   The Company did not issue any options, warrants or convertible securities during the financial year.

4. **AMERICAN DEPOSITORY RECEIPT (ADR)/GLOBAL DEPOSITORY RECEIPT (GDR)**
   The Company did not sponsor any ADR/GDR Programme during the financial year.

5. **SANCTIONS AND/OR PENALTY**
   There were no sanctions and/or penalty imposed on the Company, its subsidiaries, Directors or management by the relevant regulatory bodies for the financial year.

6. **VARIATION IN RESULTS**
   There was no variation between the financial results in the Audited Financial Statements 2012 and the audited financial results for the year ended 31 December 2012 announced by the Company on 31 January 2013.

7. **PROFIT GUARANTEE**
   There was no profit guarantee for the financial year.

8. **MATERIAL CONTRACTS**
   There was no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2012 or entered into since the end of the previous financial year.

ABBREVIATIONS

A

AA	Company's Articles of Association
AAFS	Annual Audited Financial Statements
AC	Audit Committee
ACCA	Asian Corporate Governance Association
ADC	Average Daily Contract
ADV	Average Daily Value
AFS	Available For Sale
AGM	Annual General Meeting
ALD	Authority Limits Document
ASEAN	Association of Southeast Asian Nations
ASX	Australian Securities Exchange

B

BCP	Business Continuity Plan
BEE	Board Effectiveness Evaluation
BMD	Bursa Malaysia Derivatives
BNM	Bank Negara Malaysia
Board	Board of Directors
BSAS	Bursa Suq Al-Sila'
Bursa LINK	Bursa Listing Information Network
Bursa Malaysia	Bursa Malaysia Berhad

C

CA	Companies Act 1965
CBS	Corporate Balance Scorecard
CBRS	CMDF Bursa Research Scheme
CC	Compensation Committee
CDS	Central Depository System
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFTC	Commodity Futures Trading Commission
CG	Corporate Governance
CGF	Clearing Guarantee Fund
CGU/CGUs	Cash Generating Units or its plural
CIA	Chief Internal Auditor
CIOC	China International Oils and Oilseeds Conference
CME	CME Group Inc.
CMEIF	Capital Market Education and Integrity Fund
CME SPAN	Chicago Mercantile Exchange Standard Portfolio Analysis of Risk
CO2	Carbon Dioxide
COI	Conflicts of Interest
Company	Bursa Malaysia Berhad
CPO	Crude Palm Oil

D

DBT	Direct Business Transaction (in accounts is referred to as Direct Business Trade)
DCF	Derivatives Clearing Fund
DRs	Dealer Representatives
DCS	Derivatives Clearing system

E

EPF	Employees Provident Fund
EPS	Earnings Per Share
ERM	Enterprise Risk Management
ESOS	Employee Share Option Scheme
ETP	Economic Transformation Programme
ETF/ ETFs	Exchange Traded Fund or its plural
EUR	Euro

F

FBM	FTSE Bursa Malaysia
FCPO	Crude Palm Oil Futures
FKLI	Kuala Lumpur Composite Index Futures
FRS/FRSs	Financial Reporting Standard or its plural
FVTPL	Fair Value Through Profit or Loss
FY	Financial Year

ABBREVIATIONS

G

GHG	Greenhouse Gas Emissions
GHR	Group Human Resources
GIA	Group Internal Audit
Group	Bursa Malaysia Berhad and its group of companies

H

Hon	Honours
HTM	Held To Maturity
HKEX	Hong Kong Exchanges and Clearing Ltd.

I

IA	Internal Audit
IPO/IPOs	Initial Public Offering or its plural
IR	Investor Relations
ISO 9001	1SO 9001: 2008 Quality Management System
ISO 14001	ISO 14001: 2004 Enviroment Management System
ISS	Institutional Settlement Services

K

KLCI	Kuala Lumpur Composite Index
KLIBOR	Kuala Lumpur Interbank Offered Rate
KPI/KPIs	Key Performance Indicator or its plural

L

LC	Listing Committee
LFX	Labuan International Financial Exchange
LR	Listing Requirements of Bursa Malaysia
LTI	Long Term Incentives

M

MAICSA	Malaysian Institute of Chartered Secretaries and Administrators
MCCG	Malaysian Code on Corporate Governance
MENA	Middle East and North Africa
MFRs(s)	Malaysian Financial Reporting Standards
MIA	Malaysian Institute of Accountants
MMLR/Main LR	Main Market Listing Requirements
MOF	Minister of Finance
MSCI	Morgan Stanley Capital International

N

NED/NEDs	Non-Executive Director or its plural
NRC	Nomination and Remuneration Committee

O

OMT	On Market Transactions
OPR	Overnight Policy Rate
OTC	Over the Counter

P

PATAMI	Profit After Tax & Minority Interest
PBT	Profit Before Tax
PID/PIDs	Public Interest Director or its plural
PLC/PLCs	Public Listed Company or its plural
PO/POs	Participating Organisation or its plural
PSP	Performance Share Plan

Q

Q&A	Question & Answer

R

RBD	Refined Bleached Deodorised
RM	Ringgit Malaysia
RMC	Risk Management Committee
ROE	Return on Equity
RSP	Restricted Share Plan
RWCR	Risk Weighted Capital Ratio

S

SBL	Securities Borrowing and Lending
SC	Securities Commission
SDN BHD	Sendirian Berhad
SGD	Singapore Dollar
SGP	Share Grant Plan
SID	Senior Independent Director
SME	Small Medium Enterprise

T

TCP/TCPs	Trading Clearing Participant or its plural
TOR/TORs	Terms of Reference or its plural

U

US	United States
USD	United States Dollar

W

WPP	Whistleblower Policy and Procedures

List of Bursa Malaysia Subsidiaries

Bursa Malaysia Bonds	Bursa Malaysia Bonds Sdn Bhd
Bursa Malaysia Depository	Bursa Malaysia Depository Sdn Bhd
Bursa Malaysia Depository Nominees	Bursa Malaysia Depository Nominees Sdn Bhd
Bursa Malaysia Derivatives	Bursa Malaysia Derivatives Berhad
Bursa Malaysia Derivatives Clearing	Bursa Malaysia Derivatives Clearing Berhad
Bursa Malaysia Information	Bursa Malaysia Information Sdn Bhd
Bursa Malaysia Islamic Services	Bursa Malaysia Islamic Services Sdn Bhd
Bursa Malaysia Securities	Bursa Malaysia Securities Berhad
Bursa Malaysia Securities Clearing	Bursa Malaysia Securities Clearing Sdn. Bhd.
LFX	Labuan International Financial Exchange

NOTICE OF 36TH ANNUAL GENERAL MEETING

BURSA MALAYSIA BERHAD (30632-P)
(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT, 1965)

NOTICE IS HEREBY GIVEN THAT the 36th Annual General Meeting (AGM) of Bursa Malaysia Berhad (the Company) will be held at Tun Dr. Ismail Hall, Level 2, Putra World Trade Centre, 41, Jalan Tun Ismail, 50480 Kuala Lumpur on Thursday, 28 March 2013 at 10.00 a.m. for the transaction of the following business:

Ordinary Business

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2012 and Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of final dividend of 13.5 sen per share under single-tier system in respect of the financial year ended 31 December 2012. **Resolution 2**

3. To approve the appointment of the following person(s) as Independent Non-Executive Director(s) in accordance with Article 69 of the Company's Articles of Association in place of the retiring Director(s):
   (1) Datuk Karownakaran @ Karunakaran a/l Ramasamy **Resolution 3**
   (2) Encik Chay Wai Leong **Resolution 4**
   (3) Encik Ghazali bin Darman **Resolution 5**

   Dato' Dr. Thillainathan a/l Ramasamy, Encik Cheah Tek Kuang and Encik Izham bin Yusoff who were appointed as Directors of the Company on 10 April 2004 will retire in accordance with Article 69 of the Company's Articles of Association and will not seek re-election in view of the implementation of the Board's 9-year policy and in line with the recommendations in the Malaysian Code on Corporate Governance (MCCG) 2012. Hence, they will retain office until the close of the 36th AGM.

   Dato' Wong Puan Wah @ Wong Sulong who retires in accordance with Article 69 of the Company's Articles of Association, has expressed his intention not to seek re-election. Hence, he will also retain office until the close of the 36th AGM.

4. To approve the payment of Directors' fees amounting to RM90,000 per annum for the Non-Executive Chairman and RM60,000 per annum for each of the Non-Executive Directors in respect of the financial year ended 31 December 2012. **Resolution 6**

5. To appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2013 and to authorise the Board of Directors to determine their remuneration. **Resolution 7**

Special Business

6. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129(6) of the Companies Act 1965:

    (1) "THAT Tun Mohamed Dzaiddin bin Haji Abdullah, a Public Interest Director who retires pursuant to Section 129(2) of the Companies Act 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next annual general meeting of the Company." **Resolution 8**

    (2) "THAT Tan Sri Datuk Dr. Abdul Samad bin Haji Alias, an Independent Non-Executive Director who retires pursuant to Section 129(2) of the Companies Act 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next annual general meeting of the Company." **Resolution 9**

7. To consider and if thought fit, to pass the following Special Resolution:

    Proposed Amendments to the Articles of Association of the Company

    "THAT the proposed amendments to the Articles of Association of the Company contained in the document marked as "Appendix I" (Proposed Amendments) which have been circulated to the members of the Company be approved and adopted;

    AND THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities." **Resolution 10**

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 1965 and the Company's Articles of Association.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 36th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 49A(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 21 March 2013. Only a depositor whose name appears on the Record of Depositors as at 21 March 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE OF 36TH ANNUAL GENERAL MEETING

BURSA MALAYSIA BERHAD (30632-P)
(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT, 1965)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the shareholders' approval for the payment of final dividend of 13.5 sen per share under single-tier system in respect of the financial year ended 31 December 2012 (Dividend) under **Resolution 2** at the 36th AGM of the Company, the Dividend will be paid to the shareholders on 16 April 2013. The entitlement date for the Dividend shall be 3 April 2013.

Shareholders of the Company will only be entitled to the Dividend in respect of:
(a) securities transferred into their securities account before 4.00 p.m. on 3 April 2013 for transfers; and
(b) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
Yong Hazadurah binti Md. Hashim, LS 006674
Hong Soo Yong, MAICSA 7026744
Company Secretaries

Kuala Lumpur
28 February 2013

Notes:

Proxy

1. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies, and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
2. In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
3. A member shall not, subject to Paragraphs (4) and (5) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
4. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee (EAN) as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
6. Any alteration to the instrument appointing a proxy must be initialised. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting.

Appointment of new Independent Non-Executive Directors

7. In conjunction with the implementation of the Board 9-year policy for Independent Non-Executive Directors (INED), the Nomination and Remuneration Committee (NRC) had conducted a review of the candidates in the pool of potential Directors for progressive refreshing of the Board. The Board at its meeting held on 28 November 2012 approved the NRC's recommendation for the appointment of these candidates as INED of Bursa Malaysia in place of the retiring Directors. Their profiles are as set out in Section A of the Statement Accompanying Notice of 36th AGM.

   In line with Recommendation 3.1 of the MCCG 2012, the Board had conducted an assessment of independence under the nomination and election process of INED, whereby the NRC reviewed whether each of the nominated candidates had satisfied the criteria for an independent director as prescribed in Bursa Malaysia Securities Berhad (Bursa Securities) Main Market Listing Requirements (Main LR) and its Practice Note 13 prior to seeking shareholders' approval at the 36th AGM on their appointment as INEDs.

   The Securities Commission (SC)'s concurrence has been sought pursuant to Section 10(1)(b) of the Capital Markets and Services Act 2007 (CMSA) for the proposed appointment of the said three (3) candidates to be approved by the shareholders as INED of the Company in accordance with Article 69 of the Company's Articles of Association.

Abstention from Voting

8. All the Non-Executive Directors (NED) of the Company who are shareholders of the Company will abstain from voting on **Resolution 6** concerning remuneration to the NED at the 36^{th} AGM.

9. Any proposed Director or Director referred to in Resolutions 3, 4, 5, 8 and 9, who is a shareholder of the Company will abstain from voting on the resolution in respect of his election or re-appointment at the 36^{th} AGM.

Special Business

10. **Ordinary Resolutions: Re-appointment of Directors pursuant to Section 129(6) of the Companies Act 1965**

The NRC is satisfied with the skills, contribution and independent judgment that Tun Mohamed Dzaiddin bin Haji Abdullah and Tan Sri Datuk Dr. Abdul Samad bin Haji Alias bring to the Board. They have satisfactorily demonstrated that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company. In view thereof, the Board recommends and supports their re-appointment, as they have offered themselves for re-appointment as Directors of the Company, to be approved by shareholders at the 36^{th} AGM of the Company as follows:-

(1) The re-appointment of Tun Mohamed Dzaiddin bin Haji Abdullah, a person over the age of 70 years as Public Interest Director (PID) of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the proposed **Resolution 8** has been passed by a majority of not less than three-fourths (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at the 36^{th} AGM.

Tun Mohamed Dzaiddin bin Haji Abdullah, aged 75, was appointed on 1 March 2004 as PID and Chairman of Bursa Malaysia by the Minister of Finance (MOF) in consultation with the SC pursuant to Section 10(1)(a) and (3) of the CMSA. His profile is as set out in Section B of the Statement Accompanying Notice of 36^{th} AGM.

Tun Chairman has completed his tenure of nine (9) years on 28 February 2013. He will continue to serve on the Board, as his term of appointment has been extended by the MOF for a term of one (1) year from 1 March 2013. In the light of Recommendation 3.2 of the MCCG 2012, he may be regarded as Non-Independent NED, for continuing to hold office as PID of the Company exceeding nine (9) years from 1 March 2013.

Although the Board through the annual Board Effectiveness Evaluation exercise has satisfied itself with the level of independence of Tun Mohamed Dzaiddin bin Haji Abdullah who is a PID, the Board does not propose to present any such justification for seeking shareholders' approval to retain him as an Independent NED in accordance with Recommendation 3.3 of the MCCG 2012.

(2) The re-appointment of Tan Sri Datuk Dr. Abdul Samad bin Haji Alias, a person over the age of 70 years as INED of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the proposed **Resolution 9** has been passed by a majority of not less than three-fourths (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at the 36^{th} AGM.

Tan Sri Datuk Dr. Abdul Samad bin Haji Alias who was appointed as INED on 7 July 2011, will attain 70 years of age on 26 March 2013. His profile is as set out in Section B of the Statement Accompanying Notice of 36^{th} AGM.

11. **Special Resolution pursuant to Section 31 of the Companies Act 1965**

The Proposed Amendments to the Articles of Association (AA) of the Company are made for the following purpose:

(1) To ensure that the AA of the Company comply with the amended Bursa Securities Main LR since it took effect from 3 January 2012;
(2) To incorporate the necessary amendments that arise from the Capital Markets and Services (Amendment) Act 2011 dated 3 October 2011;
(3) To reflect the provisions to cater for the use of technology in various forms of electronic communications or devices with regard to the issuance of notice of Directors' meeting and poll voting;
(4) To update the AA of the Company so as to ensure clarity and consistency with the relevant regulatory provisions and the MCCG 2012; and
(5) To correct certain typographical errors in the AA of the Company.

The rationale for the Proposed Amendments are provided in Appendix I, which is circulated together with the Notice of 36^{th} AGM dated 28 February 2013.

The Proposed Amendments shall take effect if the proposed **Resolution 10** has been passed by a majority of not less than three-fourths (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy at the 36^{th} AGM.

STATEMENT ACCOMPANYING NOTICE OF 36TH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

A. Further details of individuals who are standing for election as per Agenda 3 of the Notice of 36th AGM:

	Resolution 3	**Resolution 4**
	Datuk Karownakaran @ Karunakaran a/l Ramasamy	Chay Wai Leong
Nationality / Age:	Malaysian / 62	Singaporean / 49 Permanent Resident of Malaysia
Academic / Professional Qualification(s):	• Bachelor of Economics (Hon) in Accounting, University of Malaya	• Bachelor of Business Administration, National University of Singapore
Present Directorship(s):	• Maybank Investment Bank Berhad • Maybank Asset Management Group Berhad • Etiqa Insurance Berhad Other PLC(s): • Chairman, Integrated Logistics Berhad • Chemical Company of Malaysia Berhad • IOI Corporation Berhad • Lion Corporation Berhad	• Kenanga Investment Bank Berhad • Kenanga Vietnam Securities Joint Stock Corporation • Securities Industry Development Corporation Other PLC(s): • K & N Kenanga Holdings Berhad
Present Appointment(s):	–	• Group Managing Director, K & N Kenanga Holdings Berhad • Managing Director, Kenanga Investment Bank Berhad
Past Directorship(s) and/or Appointment(s):	• Director-General of Malaysian Industrial Development Authority (MIDA) (2004-2008) • Deputy Director-General of MIDA (2001-2003) • Director of Industrial Promotion Division overseeing 16 MIDA overseas offices (1996-2000) • Director of MIDA in Singapore, Germany and London (1978-1995)	• Managing Director, RHB Investment Bank Berhad, and Head of Corporate & Investment Banking, RHB Bank Berhad (2006-2010) • Country Head, Standard Bank Group (2002-2006) • Director and Head of Investment Banking, JP Morgan Chase in Malaysia (2001) • Head of Investment Banking, Chase JF Malaysia (1997-2000) • Director of Investment Banking, Jardine Fleming in Hong Kong (1990-1996) • Investment Analyst, Bankers Trust Brokerage in Singapore (1987-1990)

	Resolution 5
	Ghazali bin Darman
Nationality / Age:	Malaysian / 48
Academic / Professional Qualification(s):	• Bachelor of Accounting, University of Canberra, Australia • Certified Public Accountant of Australian Society of Certified Practising Accountant (until 2006) • Examiner for Malaysian Association of Certified Practising Accountant
Present Directorship(s):	• Commissioner for PT Praisindo Teknologi, Jakarta (subsidiary of Censof Holding) Other PLC(s): Nil
Present Appointment(s):	• Adviser to Censof Management Programme Director for large scale IT implementation at Dewan Bandaraya Kuala Lumpur and Ministry of Finance
Past Directorship(s) and/or Appointment(s):	• Head of Domain, DHL IT Services Sdn Bhd (2006-2010) • Partner of Accenture (1986-2006) • Director, Accenture Solutions Sdn Bhd (until 2006) • Director, Accenture Sdn Bhd (until 2006)

B. Further details of Directors who are standing for re-appointment as per Agenda 6 of the Notice of 36th AGM:

	Resolution 8	Resolution 9
	Tun Mohamed Dzaiddin bin Haji Abdullah, Chairman and Public Interest Director *	Tan Sri Datuk Dr. Abdul Samad bin Haji Alias Independent Non-Executive Director
Malaysian aged:	75	70
Date of Appointment:	1 March 2004	7 July 2011
Length of Service (as at 28 February 2013):	9 years	1 year 8 months
Date of Last Re-appointment / Re-election:	1 March 2012 (pursuant to Section 10(1)(a) and (3) of the CMSA) 29 March 2012 (pursuant to Section 129(6) of the Companies Act 1965)	29 March 2012
Academic / Professional Qualification(s):	• Barrister of the Middle Temple, England • Advocate and Solicitor of the High Court of Malaya • Singapore Institute of Arbitrators (Fellow)	• Bachelor of Commerce, University of Western Australia • Honorary Doctorate of Philosophy (Accounting), Universiti Utara Malaysia • Institute of Chartered Accountants, Australia (Fellow Member) • Malaysian Institute of Accountants (MIA) (Member) • Malaysian Institute of Certified Public Accountants (MICPA) (Member)
Present Directorship(s):	• Chairman, Deutsche Bank (Malaysia) Berhad Other PLC(s): Nil	• Chairman, Malaysia Venture Capital Management Berhad • Chairman, Malaysia Debt Venture Berhad • Chairman, Malaysia Deposit Insurance Corporation Other PLC(s): • TH Plantations Berhad
Present Appointment(s):	• Legal Consultant, Skrine • Chairman, Tun Mohamed Suffian Foundation of Malaysia	–
Past Directorship(s) and/or Appointment(s):	• Chairman, Royal Commission to enhance Operation and Management of the Royal Malaysia Police (2004-2005) • 9th Chief Justice of Malaysia (2000-2003) • President, ASEAN Law Association (1995-2003) • Judge in the High Court, Supreme Court and Federal Court (1982-2000) • Vice President, Malaysian Bar (1982-1983)	• Chairman, Bank Pembangunan Malaysia Berhad (2008-2011) • Non-Executive Chairman, Ernst & Young Malaysia (2005-2008) • Board Member, International Federation of Accountants (2004-2007) • President (1999-2001) and Council Member (2002-2007) MICPA • President, MIA (2000-2005)

Note: * Appointed by the Minister of Finance pursuant to Section 10 of the CMSA

Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of Bursa Malaysia, have no conflict of interest with Bursa Malaysia and have not been convicted of any offence within the past 10 years.

C. The Directors' direct and deemed interests in the securities of the Company as at 31 January 2013:

	Direct Interest		Deemed Interest		
Name of Directors	**No. of Issued Shares**	**% of Issued Shares**	**Spouse No. of Issued Shares**	**Child No. of Issued Shares**	**% of Issued Shares**
Tun Mohamed Dzaiddin bin Haji Abdullah	100,000	0.02	–	5,800	0.001
Datuk Dr. Md Tap bin Salleh	0	0.00	–	–	–
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	0	0.00	–	–	–
Datuk Puteh Rukiah binti Abd Majid	0	0.00	–	–	–
Dato' Dr. Thillainathan a/l Ramasamy	50,000	0.01	50,000	–	0.01
Izham bin Yusoff	0	0.00	–	–	–
Dato' Wong Puan Wah @ Wong Sulong	0	0.00	–	–	–
Cheah Tek Kuang	50,000	0.01	–	14,000	0.003
Dato' Saiful Bahri bin Zainuddin	0	0.00	–	–	–
Tan Sri Ong Leong Huat @ Wong Joo Hwa	0	0.00	–	–	–
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	0	0.00	–	–	–
Dato' Tajuddin bin Atan	250,000	0.05	–	–	Refer Note *
Total	**450,000**	**0.09**			

Note: * Dato' Tajuddin Atan has indirect interest in the securities of the Company by virtue of his acceptance of ordinary shares of RM0.50 each granted under Bursa Malaysia Berhad's Share Grant Plan (Plan Shares) as follows:-

(1) **20,200 Plan Shares** under the **2012 Restricted Share Plan (RSP) Grant**:
The vesting of Plan Shares granted under the 2012 RSP Grant is subject to fulfilment of vesting conditions as at the vesting dates i.e. 15 July 2013, 15 July 2014 and 15 July 2015 respectively.

(2) **Up to 59,400 Plan Shares** under the **2012 Performance Share Plan (PSP) Grant**:
The vesting of Plan Shares granted under the 2012 PSP Grant is contingent on achievements against various performance targets for Bursa Malaysia group, and is subject to fulfilment of vesting conditions as at 30 April 2015.

FINANCIAL CALENDAR

2013

Jan Announcement of the audited consolidated results for the 4th quarter and financial year ended 31 December 2012

Mar 36th Annual General Meeting

Apr Announcement of the consolidated results for the 1st quarter ending 31 March 2013

Jul Announcement of the consolidated results for the 2nd quarter ending 30 June 2013

Oct Announcement of the consolidated results for the 3rd quarter ending 30 September 2013

2014

Jan/ Feb Announcement of the audited consolidated results for the 4th quarter and financial year ended 31 December 2013

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