BURSA MALAYSIA FIRST HALF 2009 FINANCIAL RESULTS BRIEFING

(Read in conjunction with PowerPoint Presentation)

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Dato' Yusli: Firstly, a very good afternoon to everyone, here in Bursa Malaysia and also to all our international participants who are joining us by phone. Let me welcome all of you to our First Half 2009 Results Briefing. Today's presentation as usual will be based on the slides that will be projected on the screen, and these slides, which have been sent via email to analysts and fund managers, can be downloaded from our website.

We'll divide today's briefing into three parts. I will begin the first session by giving you an overview of the performance in the first half of this year and then our CFO, Nadzirah, will go through the financial numbers. And finally, I will share with you our business review and updates as well as how we see the market outlook for the rest of this year. We will then have a question and answer session at the end.

The first half of the year saw the KLCI ended on a far stronger note; in fact touched 1,075 points at the end of June 09. Therefore registered a 23% gain during the first half as compared to the last year end of 877 points.

Trading velocity as you can see from the slide also showed a significant improvement in the second quarter of this year compared to the first, with sentiment being bolstered by generally better-than-expected economic data as well as increasing optimism on the likelihood of a recovery in the US as well as other global economies. This uptrend was also driven by the huge amount of liquidity that was previously sitting on the sidelines. However, trading velocity in the first half of this year declined marginally when we compared it to the first half of last year. This year's velocity was at 37%, mainly due to poor sentiment that we had in the first quarter of this year, because of the relatively lacklustre performance in most markets worldwide due to the global economic uncertainties.

Market capitalisation at the end of first half also showed a slight 9% decline compared to the corresponding period last year and daily average trading value was 31% lower compared to last year, from RM1.7 billion to RM1.1 billion for the first half.

During the first six months of this year, we saw 1 new IPO as well as 30 call warrants listed on Bursa Securities, this compared to 14 IPOs and 57 call warrants listings in the first half of last year. While the number of listings may be lesser compared to the corresponding period last year, the total funds raised from the IPO as well as other corporate actions in the equity market was substantially higher at RM11.4 billion compared to RM3.9 billion in the first half of 2008. As you know this was mainly because we had two very large secondary issues in the market earlier this year.

Moving on to the derivatives market, the business volume in the derivatives market continues to hold steady, and in fact showed an increase of 5% in the number of daily average contracts traded to 27,000 contracts a day. This is obviously positive compared to what we have achieved in the previous period. And our Crude Palm Oil Futures Contract or FCPO set a 27-year record monthly volume at 442,000 contracts in the month of April this year, and this surpassed the previous record high of 360,870 contracts which was recorded in November 2006.

Moving on, to the financial performance in terms of summary; we achieved a profit after tax for the first six months of RM50.5 million. And, this was the result of a much higher profit after tax performance for the second quarter of this year and that followed the much higher trading revenue that we recorded in our securities market.

In line with our dividend policy as well as past practice, we are maintaining our commitment to shareholders with an interim dividend declaration of franked dividend of 5.1 sen per share which equates to 3.825 sen nett per share, plus single-tier dividend of 5 sen per share. And this totals up to a 92% dividend payout of our first six months of Profit After Tax. Combined with our total share price performance and the dividend, our total shareholders return for six months ended June was at 36% return.

Moving on, to the performance ratios; our ROE (return on equity) is 18.6% for this quarter compared to 8.4% for the first quarter this year. This is a direct result of the much higher trading revenue that we saw in the equities market.

The Operating EBITDA Margin and the Net Profit Margin also increased by about 45% and 53% respectively.

On the other hand, looking at our Stable Revenue plus Derivatives Income as a proportion of our total operating expenses; this ratio has shown a small increase to 76.4% in the second quarter compared to the first.

That's all for the summary, I will now pass on to Nadzirah, to take you through the details of the financial numbers.

Financial Results Snapshot (slide 8)

Pn. Nadzirah: Thank you Dato' and good afternoon ladies and gentleman. As we've heard from Dato' Yusli's summary earlier, the first half of the year has been challenging year for the Bursa Malaysia Group.

Our operating revenues stood at RM141 million for the first half of 09, a decline of 16% compared to the first half of last year. However, operating revenue for second quarter of 09 recorded an increase of 12% from the corresponding period in 08, on the back of higher daily average securities trading value of RM1.6 billion per day, compared to an average of RM1.3 billion per day last year. And compared to the preceding first quarter of 09, operating revenue improved by 60% as daily average turnover rose 142% from RM615 million.

On the other hand, operating expenses dropped marginally (by 2%) to RM88 million for the first half of 09 compared to last year.

Net profit for second quarter of 09 trended higher from the preceding first quarter mainly due to the increase in securities market trading revenue. The Group recorded a net profit of RM35 million for the second quarter of 09. This resulted in cumulative Net Profit After Tax of RM50.5 million for the first six months of this year; 29% lower compared to the corresponding period in 08. The Group recorded Earnings per Share of 9.6 sen as compared to 13.5 sen last year.

As I've mentioned earlier, operating revenue for first half of 09 contracted by 16% compared to the corresponding period in 08 driven primarily by the lacklustre performance in the securities market during the first quarter which was affected by the cautious investors' sentiment. Revenue from securities market continued to be the major contributor to the Group's operating revenue at 48% but recorded a 21% decline to RM67 million compared to the previous year. We recorded a daily average trading value of RM1.1 billion per day, a drop of 31% compared to RM1.7 billion daily average recorded in the first half of 08.

Interest on our derivatives market remained firm. The number of contracts traded in the first half of 09 was 3.3 million contracts just slightly higher than 3.1 million contracts recorded in the corresponding period in 08. We saw slightly lower number of FKLI contracts traded in first half of 09 at 1.2 million contracts. However interest in FCPO contracts increased by 41% with almost 2 million contracts traded during the period. As a result, trading revenue from the derivatives market was fairly stable at about RM21 million.

Stable revenue recorded a decline of 14%. I will elaborate further on the stable revenue in the next slide. Other operating revenue, which comprise mainly of perusal and processing fee, was lower this year due to fewer corporate activities during the period.

The decline in stable revenue this year was mainly attributable to lower listing fees and fees from broker and depository services. The 22% drop in listing fees was due to the lower annual listing fees, impacted by the lower market capitalisation. Fees from information services recorded an increase of 3% due to higher number of subscriptions. However, fees from depository services dropped by 14% due to reduction in corporate activities, fewer numbers of share transfer transactions and lower ROD requests. Broker services fees recorded similar drop due to the reduction in the number of network equipment at broker sites. Whilst, participants' fees remained stable at RM1.4 million.

Moving on to operating expenses; with the market driving our revenue numbers down, we are more vigilant in controlling our operating expenses. Our expenses declined 2% to RM88.3 million from the first half of 08. Costs were generally kept under control and the increase in expenses came mainly from higher depreciation and amortisation charges. Depreciation and amortisation had doubled in first half of 09 following the implementation of our new trading systems, Bursa Trade Securities as well as the bond trading platform sometime towards the end of last year. This increase was offset by lower staff cost due to lower overseas training expenses, and lower market development, promotions and travel expenses. We also recorded a reversal of provision for impairment of bonds of RM1.1 million during the first half of 09 compared to a provision of RM3.6 million in the first half of 08.

Our focus remains on maintaining Bursa's competitiveness and delivering value to our shareholders. The Group shareholders' fund as at 30th June stood at RM756 million whilst our financial resources remain strong at about RM439 million. The Group allocated RM85 million for CAPEX for the current financial year 2009 of which RM18 million has been incurred and a further RM6 million has been committed for various projects which are currently in progress.

We conducted a rigorous prioritisation exercise during the year but were firm in proceeding with capital expenditure, which would bring greater efficiency and accessibility to our markets. As mentioned by Dato' earlier, we remain committed to delivering value to our shareholders. Despite the many challenges faced during the first half of the year, we are aiming once again to return more than 90% of our profits to the shareholders. Our Board, again as Dato' had mentioned, has approved to pay out an interim dividend for the financial year 2009 comprising franked dividend of 5.1 sen per share and single-tier dividend of 5 sen per share, translating to nett dividend payable of 8.825 sen per share. The entitlement date for the interim dividends will be on 4th August and the dividends will be paid on 18th of August.

With this, I will now hand over the session to Dato' Yusli for him to share with you Bursa Malaysia's business initiatives and outlook for the second half of 2009. Thank you.

Dato' Yusli: As some of you may recall, I announced our focus for the next 3 years at the end of last year. And our focus remains on track that is to further grow our core business in the equities as well as derivatives markets, and at the same time expand on those areas where we have particular strength namely the commodities sector as well as Islamic Markets. We will be concentrating on these two niche areas as we develop our core business further, with the ultimate objective of making Bursa Malaysia the preferred investment and listing destination for both issuers and investors.

On this slide I want to touch on our key focus areas as well as initiatives. These are the initiatives which have been launched; over the past few years, in fact DMA derivatives were launched in the second quarter of last year. Now the ones shown in purple are those that have been launched in first half or first six months of this year and the ones in grey are initiatives still work in progress.

Now under the second pillar of new products and services, you can see that we launched the FTSE Bursa Malaysia Palm Oil Plantation Index series in May this year. And this initiative is a step further in cementing our position as a key centre for commodities-related capital market offerings.

In terms of strengthening liquidity in the market, we also announced the availability of Market Making Framework for Exchange Traded Funds (ETFs) as well as for Structured Warrants. This was done in May as well. And this framework is aimed to provide a regularised platform for market making activities.

Under the fourth pillar, internationalising our markets, the KLCI was enhanced to ensure that it remains robust and relevant in measuring market performance. The KLCI, which is now known as the FTSE Bursa Malaysia KLCI or FBM KLCI was implemented about two weeks ago and will use the internationally accepted FTSE methodology which incorporates both free float and liquidity screening criteria. Last week we also launched the multi-currency securities framework to support the listing, trading, clearing and settlement of securities in non-Ringgit currencies. We are going to continue with our efforts to attract more foreign listings, and recently we welcomed our first foreign listing on our market.

Moving on to the regulatory side of our business, we operate our market within a sound regulatory framework that is benchmarked to international standards, to ensure that market integrity as well as investor protection remain very high priority areas.

In terms of the market, to ensure an orderly and fair market, we adopt a multi-prong approach in managing the market; and this is done through Unusual Market Activities or UMA queries, we have Market Alerts, we utilise dynamic Surveillance Query and engagement with stakeholders. We also engage with the media to ensure proper dissemination of information about our market and our listed companies.

As for intermediaries, we look at avoiding systemic risk and this is a key focus area for intermediaries in the capital market. We have been keeping very close monitoring as well as tight scrutiny of the financial health and compliance standards of all our intermediaries.

Looking at the listed companies themselves, we continually assess the financial health of all our Public Listed Companies and this is through continuously facilitating compliance of high disclosure standards and the financial health through engagement as well as providing advice on various aspects of our Listing Requirements.

And in the area of enforcement, we look at enforcement as being a very important tool to uphold the integrity of our market, and we take enforcement actions that commensurate with the severity of the breaches.

We believe a market of integrity is an attractive market and to continue with educational efforts to instil the importance of good corporate governance amongst our participants. To that end, Bursa Malaysia recently launched a Guidebook on Corporate Governance which is aimed at highlighting the key roles and responsibilities of Boards of Directors of all listed companies.

To conclude ladies and gentlemen, the market outlook for the remainder of the year, we basically expect the environment to continue to be very challenging due to the ongoing global economic uncertainties. However, we do expect our Government’s efforts in trying to stimulate our economy to help mitigate any adverse impacts from these uncertainties. As for the derivatives market, the focus would again be on the two active contracts that we have, the FKLI and the FCPO. And we expect the interest in these two contracts to continue and possibly grow due to the expected continued volatility in both securities as well as commodity prices. The market making framework that we have in the pipeline for the derivatives market is also expected to help spur the liquidity and interest on derivatives contract.

That brings us to the end of this presentation and I'll now like to open the floor to questions. Thank you.

Announcement: First question from Mr. Sam Hilton from FPK, please proceed.

Questioner: Thank you. I just have a couple of questions on the expenses. I'm just wondering, it looks like the key drivers for the quarterly increase in expenses from Q1 to Q2 are about 50% in the IT up keeping and maintenance as well as the professional fees and second, I was under the impression that most of the IT developments had sort of come through at the end of 2008. I'm just wondering what's behind the delay in the increase in the equipments cost?

Pn. Nadzirah: We actually launched a few new systems last year so that is why the IT maintenance expenses increased this year; namely we have the Bursa Trade Securities; we have the Bond Trading Platform that was launched last year. So these are the two major expenses that contributed to the increase in IT expenses.

Questioner: That's right. But I guess, the first quarter expense figure came in at about RM3 million. And I'm just wondering if that already included the IT up keeping and maintenance from the launch. Or, basically last quarter it was RM3 million but this quarter it is coming in at about four and a half. So, I'm just wondering if there was some delay effect or some other IT related expenses that boost up the IT cost.

Dato' Yusli: I think we don't have the details with us. Perhaps we can come back to you with more information. I suspect some of the projects were launched over the last year or so. The maintenance contract tends to kick in after a certain period but let's come back to you with the figures.

Questioner: That's sort of what I figured, some delay, I look forward to a little bit of detail.

Dato' Yusli: And on for professional fees, we've been incurring some advisory fees because of some of the initiatives that we're undertaking. Again, these are things that are related to some of the work that we're doing. And we don't expect this to be done on a continuous basis so they can tend to be a bit lumpy depending on the projects that we're on.

Questioner: Great. Thank you very much.

Dato' Yusli: Well, anyway we're very happy that the market is a lot more active these past few months. Obviously, as I've said earlier the outlook still remains quite uncertain but we believe there are still plenty of opportunities for investors to invest on Bursa Malaysia. I think we have some very, very good companies and as you can see we're pushing very hard in the area of Corporate Governance so what we want to achieve at the end of day is to have very high performing companies which subscribe to very high quality of governance standards. I think with the combination of these two, we shouldn't have much problem attracting investor interest and I think this will also sort of validate the kind of premiums that our companies command in the market place. And of course with that we hope that we will also be able to attract more applicants who want to list on our companies in our standards that we are subscribing to the market place.

Delyana: If there are no more questions, we shall close this briefing. To everyone, thank you very much for attending this briefing.

Dato' Yusli: Thank you very much.

(Ends)

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