

# **REACHING OUT**

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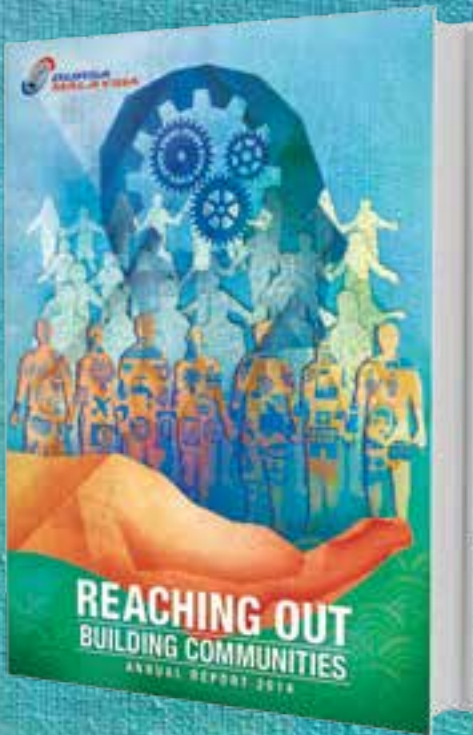
## **BUILDING COMMUNITIES**

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ANNUAL REPORT 2014



# WE ARE BUILDING OUR COMMUNITIES



In 2014, on the back of the building blocks put in place and in further collaboration with capital market partners, we have started the next level of success in building new communities that support our vision to become “ASEAN’s Multinational Marketplace”.

Through BursaMKTPLC, Bursa Malaysia saw the coming together of the capital market participants to democratise market information for all, while reaching out to the new and younger retail investor segment.

Through the internationally benchmarked ESG index, Bursa Malaysia is now poised to reach out to new investors globally. Building outreach to these investing communities will enrich the diversity and vibrancy of our marketplace - and thus ensure long-term sustainability.

The cover of our 2014 Annual Report seeks to convey this message with the open hand representing Bursa Malaysia’s strong commitment to support the building of a sustainable and inclusive investing community of investors - where there is something for everyone. The gears symbolise our continued efforts to improve the capital market in a purposeful fashion for the betterment of the marketplace and of the nation.

## 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.**



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### FEEDBACK

We welcome your feedback to make sure we are addressing the things that matter to you. Go to [www.bursamalaysia.com](http://www.bursamalaysia.com) or email [ir@bursamalaysia.com](mailto:ir@bursamalaysia.com) for the feedback form, or scan the QR code with your smartphone.

### 1. Get it

Download the "QR Code Reader" app on Google Play (Android Market), BlackBerry AppWorld, App Store (iOS/iPhone) or Windows Phone Marketplace.

### 2. Run it

Run the QR Code Reader app and point your camera to the QR Code.

### 3. Access it

Get access to the feedback form.

# OUR STRATEGIC INTENTS

Another step closer to becoming  
**ASEAN'S**  
MULTINATIONAL  
MARKETPLACE

Our Strategic Blueprint keeps us focused on our goal of being ASEAN's Multinational Marketplace. Each step we take is deliberate and purposeful to ensure that our marketplace remains diverse and grows sustainably because what we do matters.







# EXTRACTING VALUE

We continue to extract value from the building blocks put in place. The initiatives implemented in 2014 together with the heightened engagement with stakeholders and outreach programmes have resulted in greater retail participation and market activity. We remain steadfast in our commitment to realise the full value of every effort and initiative undertaken to progress the marketplace.



# FINANCIAL HIGHLIGHTS

\*CAGR: Compounded Annual Growth Rate

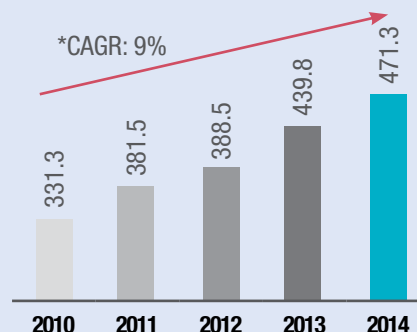
## Operating Revenue

**RM471.3** million  
(+7%)  
2013: RM439.8 million

## Cost to Income Ratio

**46.1%**  
(Improved 2 percentage points)  
2013: 48.3%

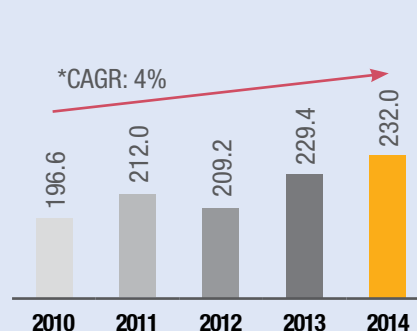
## Operating Revenue (RM million)



## PATAMI

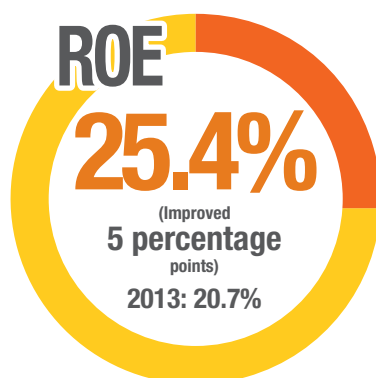
**RM198.2** million  
(+15%)  
2013: RM173.1 million

## Operating Expenses (RM million)

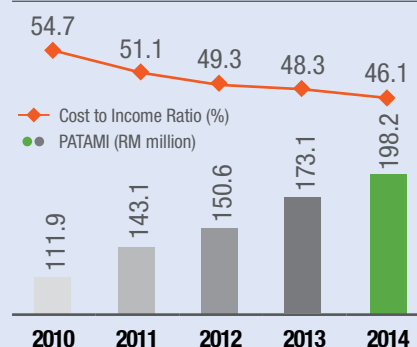


## EPS

**37.2** sen  
(+14%)  
2013: 32.5 sen



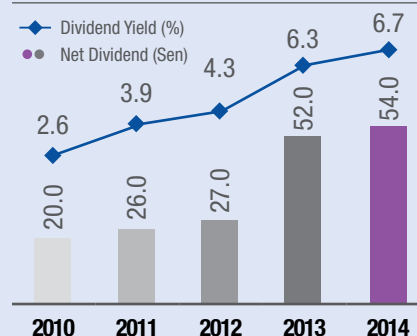
## PATAMI and Cost to Income Ratio



## Net Dividend per Share

**54** sen  
(+4%)  
2013: 52 sen

## Net Dividend and Dividend Yield





# OUR PERFORMANCE

## 5-Year Highlights

31 DEC 2010<sup>1,2</sup>    31 DEC 2011<sup>1</sup>    31 DEC 2012<sup>1</sup>    31 DEC 2013    31 DEC 2014

<b>Key Operating Results (RM million)</b>					
Operating Revenue	331.3	381.5	388.5	439.8	<b>471.3</b>
Operating Expenses	196.6	212.0	209.2	229.4	<b>232.0</b>
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	177.9	207.9	212.9	245.4	<b>264.6</b>
Profit after Tax and Minority Interest (PATAMI)	111.9	143.1	150.6	173.1	<b>198.2</b>
<b>Other Key Data (RM million)</b>					
Total Assets	1,708.3	1,673.5	2,198.4	1,741.7	<b>1,656.5</b>
Total Liabilities	855.1	818.4	1,325.1	914.2	<b>893.8</b>
Shareholders' Equity	841.9	840.8	857.6	811.2	<b>748.7</b>
Capital Expenditure	21.9	13.6	26.7	33.3	<b>11.9</b>
<b>Financial Ratios (%)</b>					
Operating Revenue Growth	11.2	15.2	1.8	13.2	<b>7.1</b>
Cost to Income Ratio	54.7	51.1	49.3	48.3	<b>46.1</b>
Net Profit Margin	31.9	35.7	36.9	37.8	<b>40.5</b>
PATAMI Growth	(35.9)	27.8	5.2	14.9	<b>14.5</b>
Return on Equity (ROE)	13.4	17.0	17.7	20.7	<b>25.4</b>
<b>Share Information</b>					
Earnings per Share (EPS) (sen)	21.1	26.9	28.3	32.5	<b>37.2</b>
Net Dividends per Share (sen)	20.0	26.0	27.0	52.0	<b>54.0</b>
Dividend Yield (%)	2.6	3.9	4.3	6.3	<b>6.7</b>
Payout Ratio (%)	94.0	94.6	94.8	98.5	<b>91.5</b>
Net Assets per Share (RM)	1.58	1.58	1.61	1.52	<b>1.40</b>
Share Price - High (RM)	8.66	9.02	7.72	8.47	<b>8.32</b>
Share Price - Low (RM)	6.75	5.76	5.91	6.22	<b>7.40</b>
Share Price as at 31 December (RM)	7.80	6.70	6.22	8.23	<b>8.10</b>
Price Earnings Ratio (times)	37	25	22	25	<b>22</b>
Company Market Capitalisation (RM billion)	4.1	3.6	3.3	4.4	<b>4.3</b>

1 Comparative figures and ratios have been restated to take into account the effects of:

- Fines and related expenses no longer recognised in profit or loss following the setting up of Capital Market Education and Integrity Fund (CMEIF) on 1 January 2013.
- Actuarial gains and losses recognised following the adoption of MFRS 119 *Employee Benefits (revised)* on 1 January 2013.

2 The PATAMI growth for 2010 which excludes the gain on disposal of a subsidiary in 2009 is 13.5%.



## OUR PERFORMANCE

### Quarterly Results

	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Full Year
<b>2014</b>					
<b>Key Financial Results</b>					
Operating Revenue (RM million)	115.1	115.5	121.0	119.7	471.3
EBITDA (RM million)	61.3	64.5	71.9	66.9	264.6
PATAMI (RM million)	45.1	46.9	53.1	53.1	198.2
ROE (%)	22.9	24.0	28.9	29.9	25.4
Cost to Income Ratio (%)	48.9	46.6	42.9	46.0	46.1
EPS (sen)	8.5	8.8	10.0	10.0	37.2
Ordinary Net Dividend per Share (sen)	-	16.0	-	18.0	34.0
Special Net Dividend per Share (sen)	-	20.0	-	-	20.0
<b>Key Operating Drivers</b>					
ADV - OMT & DBT on Securities Market (RM million)	2,159	2,192	2,300	2,000	2,162
ADC on Derivatives Market	50,046	44,082	54,019	54,537	50,654
<b>2013</b>					
<b>Key Financial Results</b>					
Operating Revenue (RM million)	101.7	122.2	112.0	103.9	439.8
EBITDA (RM million)	55.6	77.8	65.4	46.6	245.4
PATAMI (RM million)	38.2	54.8	46.2	33.9	173.1
ROE (%)	17.3	24.0	22.0	17.1	20.7
Cost to Income Ratio (%)	49.7	40.7	46.4	57.6	48.3
EPS (sen)	7.2	10.3	8.7	6.3	32.5
Ordinary Net Dividend per Share (sen)	-	16.0	-	16.0	32.0
Special Net Dividend per Share (sen)	-	20.0	-	-	20.0
<b>Key Operating Drivers</b>					
ADV - OMT & DBT on Securities Market (RM million)	1,716	2,385	2,083	2,330	2,137
ADC on Derivatives Market	45,188	41,673	45,700	41,535	43,490

ADV - Average Daily Trading Value

ADC - Average Daily Contracts Traded

OMT - On-Market Transaction

DBT - Direct Business Transaction



# SHAREHOLDER VALUE CREATION

## SHAREHOLDER RETURN

Bursa Malaysia has a proven track record of delivering annual dividend payout of more than 90% over the years. We had also declared special dividends consecutively in 2013 and 2014.

## SHARE PRICE PERFORMANCE

Bursa Malaysia recorded a strong financial performance in 2014, with key metrics such as PATAMI increasing by 15% year-on-year and ROE rising to reach 25%. Meanwhile, the share price of the Exchange recorded a marginal decline of 2%, a reflection of weaker sentiment across the broader market.

Starting the year strong at RM8.23 after a 32% gain made in 2013, Bursa Malaysia's share price began shedding value in the 1<sup>st</sup> half of 2014, reaching a low of RM7.40 on 1 April before recovering. In the wider market, the FBM KLCI proved more resilient in the face of adverse news flows which included concerns over economic slowdowns in China and the Eurozone and rising geo-political tensions over the Ukraine.

Moving into the 2<sup>nd</sup> half of 2014, the announcement of a special dividend of 20 sen for Bursa Malaysia's shareholders and strong market trading values in the 3<sup>rd</sup> quarter managed to sustain the Exchange's share price over the remainder of the year, while the FBM KLCI eventually succumbed to pressure over the sharp fall in global oil prices and the weakening Ringgit Malaysia over the final months of the year. This resulted in Bursa Malaysia outperforming the benchmark index over the year.

**Bursa Malaysia Share Price Performance vs. FBM KLCI**



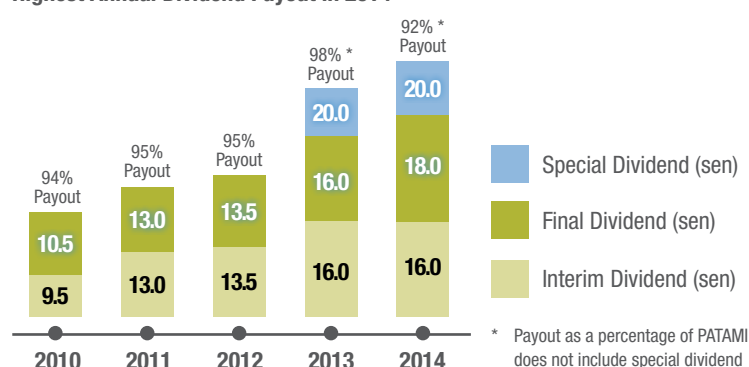
**Bursa Malaysia Share Price Performance vs. Listed Asian Peers**



### Investor Relations Contact

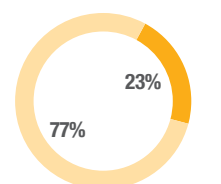
All investors are welcome to contact the Investor Relations (IR) team directly at [ir@bursamalaysia.com](mailto:ir@bursamalaysia.com) or visit the IR section on our website, where you can subscribe to regular updates on Bursa Malaysia via email alerts.

**Highest Annual Dividend Payout in 2014**



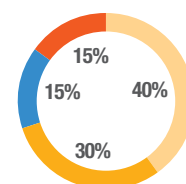
**Shareholding Structure and Market Capitalisation**

Our public shareholding of 65% provides a fair free float for Bursa Malaysia's shares and a good level of liquidity. As at the end of 2014, we had a total shareholder count of 19,435. Our market capitalisation, meanwhile, decreased slightly from RM4.4 billion in 2013 to RM4.3 billion in 2014.



**Foreign Shareholding as at 31 December 2014**

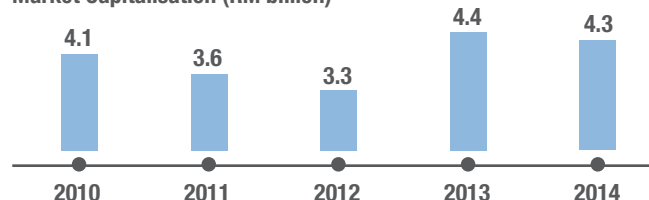
Local Foreign



**Shareholding structure as at 31 December 2014**

Government Agencies Institutions Nominees Individuals

**Market Capitalisation (RM billion)**



# 2014 MILESTONES

## 16<sup>th</sup>

### REVAMP OF DERIVATIVES PARTICIPANTSHIP STRUCTURE

Aims at attracting new entrants to the Derivatives Market through the creation of a single trading right across all classes of products at a cost of entry comparable with the regional derivatives exchanges.

## 28<sup>th</sup>

### LAUNCH OF BURSAMKTPLC - EVERYONE'S MARKET-IN-THE-POCKET

Provides comprehensive market information and insights into the Malaysian market - What every investor and trader needs in one place.

"This portal is an important innovation that uses tools familiar to the younger generation, adding that "investing in the equity markets requires certain skills and knowledge".

**Dato' Seri Ahmad Husni Mohamad Hanadziah,**  
Minister of Finance II

# APR

## 16<sup>th</sup>

### LAUNCH OF USD DENOMINATED REFINED BLEACHED DEODORISED PALM OLEIN FUTURES CONTRACT

Adds on to the suite of palm based products.

# JUN

## 22<sup>nd</sup>

### INTRODUCED A NEW GUIDE FOR INDEPENDENT ADVISERS

Aims to provide practical guidance to Independent Advisers in discharging their role to improve the quality of the advice given and the standard of disclosure in independent advice letters.

# JUL

## 28<sup>th</sup>

### INTRODUCED ASEAN POST TRADE SERVICES

Introduced to Participating Organisations (POs) for outbound (non-Bursa Malaysia Securities) trades executed on participating ASEAN stock exchanges that are currently on the ASEAN Trading Link.

"The introduction of these services is an important landmark for the Malaysian capital market as it allows for more efficient cross border post trade processes and will lower the risk that exists in the current inter-broker arrangements."

**Dato' Tajuddin Atan,**  
CEO of Bursa Malaysia

# AUG



## 2014 MILESTONES

28<sup>th</sup>

## BURSA MALAYSIA DERIVATIVES RECOGNISED AS APPROVED FOREIGN DERIVATIVES EXCHANGE BY TAIWAN REGULATOR

Crude Palm Oil Futures (FCPO) and FTSE Bursa Malaysia KLCI Futures (FKLI) were approved for futures brokers' offering to Taiwan clients.

"This recognition augurs well with our efforts in promoting liquidity for the Malaysian derivatives market. We can now reach out to a new segment of clients from Taiwan who can now include FCPO and FKLI as part of their trading portfolio. This will also be an opportunity for our Trading Participants to regionalise their revenue base."

**Dato' Tajuddin Atan,**  
CEO of Bursa Malaysia

1<sup>st</sup>

## IMPLEMENTED STRAIGHT THROUGH PROCESSING FOR REGISTRATION

To enable a seamless registration process for dealer representatives. This is in line with Bursa Malaysia's continuing effort to reduce cost and regulatory friction for its participants as well as improve the efficiency of its services and time to market by leveraging on technology.

## LAUNCH OF ENHANCED 5-YEAR BOND FUTURES (FMG5)

The enhancements to FMG5 are intended to improve the appeal of the product. The price accuracy and extended trading hours offer greater transparency and flexibility to traders.

18<sup>th</sup>

## ISSUANCE OF FRAMEWORK TO ACCORD FLEXIBILITY FOR CLIENT ACCOUNT OPENING

POs and Authorised Depository Agents are able to allow individual investors to open the trading and securities accounts through electronic mediums effective 15 Jan 2015.

22<sup>nd</sup>

## INTRODUCED ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INDEX - FTSE4GOOD BURSA MALAYSIA (F4GBM)

A realisation of the Prime Minister's vision in Budget 2014, the F4GBM measures the performance of companies demonstrating strong ESG practices.

"There is growing momentum from investors wanting to apply ESG investment decisions. We are therefore delighted to collaborate with Bursa Malaysia again to launch this pioneering index and associated ESG Ratings which further builds on the successful partnership between the Exchange and FTSE."

**Mark Makepeace,**  
CEO of FTSE

30<sup>th</sup>

## ISSUANCE OF FINDINGS OF CORPORATE GOVERNANCE DISCLOSURES IN ANNUAL REPORTS

The purpose of the review was to assess the level and quality of disclosures by listed issuers in relation to the Malaysian Code of Corporate Governance 2012 (MCCG) and Bursa Malaysia's relevant listing requirements. The quality of disclosures by listed issuers has shown noticeable improvement in 2013 when compared to 2012 across the MCCG Principles.

# AWARDS AND RECOGNITION

## BURSA MALAYSIA RANKING

- ★ **Top 5 CG Overall Recognition**
- ★ **Exemplary AGM Minutes**

Malaysia-ASEAN Corporate Governance (CG) Index 2014

- ★ **Among the top 11 Malaysian public listed companies who scored above 90 points in CG assessment**

Asian Development Bank's ASEAN Corporate Governance Scorecard: Country Reports and Assessments 2013-2014

- ★ **Most Transparent company, ahead of the Top 30 FBM KLCI Constituents**

Focus Malaysia



ASIA CORPORATE  
GOVERNANCE ASSOCIATION

**4<sup>th</sup>**

among 11  
countries in Asia in  
terms of CG

WORLD BANK

**5<sup>th</sup>**

among 189  
countries for  
Investor Protection

WORLD  
ECONOMIC FORUM

**10<sup>th</sup>**

among 144  
countries for Efficacy of  
Corporate Boards

**4<sup>th</sup>** among 144

countries for Strength of  
Investor Protection

ASIAN  
DEVELOPMENT BANK

ASEAN Corporate  
Governance Scorecard:  
Country Reports and  
Assessments 2013-2014

**2<sup>nd</sup>**

among 6  
ASEAN countries  
in CG assessment



HOW DO WE TURN MORE  
MILLENNIALS INTO INVESTORS?

# PUT A MARKET IN THEIR POCKET.

In the next few years Malaysia will see more millennials entering the workforce than ever before.

That is why we created BURSAMKTPLC, everyone's market-in-the-pocket.

It is for newcomers to learn, practice and get started.

And for experienced investors to use the unique tools we have created to help them become more savvy traders.

It is an open conversation that anyone can join, even a worldly institutional fund manager.

Explore what millennial investors are doing at [BursaMarketplace.com](http://BursaMarketplace.com).



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MALAYSIA**

**BURSAMKTPLC**  
[BursaMarketplace.com](http://BursaMarketplace.com)

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# AWARDS AND RECOGNITION

## BURSA RANKING

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- ★ Most Trans  
Top 30 FBM  
Focus Malaysia

## ASIA CORPORATE GOVERNANCE ASS

# 4<sup>th</sup>

among 11  
countries in A  
terms of CG

# 3 QUICKIES TO PUT THE MARKET IN YOUR POCKET

# 1

Connect to  
**BursaMarketplace.com**



This QR code links will take  
you to BursaMKTPLC Website

# 2

Register at **MY.MKT**

# 3

Tweet, use \$TAGs and  
follow @BursaMKTPLC

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THINGS YOU'LL FIND  
**ONLY AT BURSAMKTPLC**

# DAILY ESPRESSO

GIVES THE HOTTEST  
IDEAS IN TOWN



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# AWARDS AND RECOGNITION

## BURSA RANKING

★ Top 5 CG O

★ Exemplary

Malaysia-ASEAN  
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ASIA CORPORATE  
GOVERNANCE ASS

4<sup>th</sup>

among 11  
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terms of CG

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## ALPHA FACTOR

RANKING OF ALL STOCKS  
ON BURSA MALAYSIA

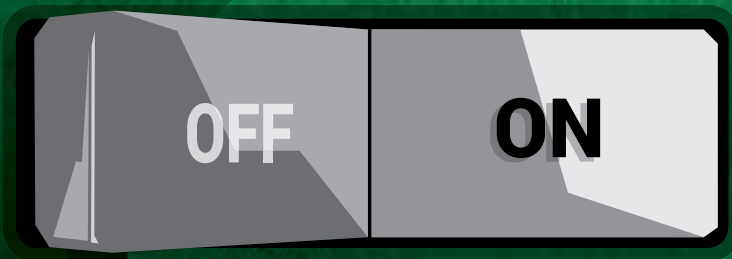
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SWITCH MODE :



Shariah Mode

# THE SHARIAH SWITCH

IT CLICKS WITH  
ETHICAL INVESTORS

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# BURSA RANKI

- ★ **Most Trans**  
**Top 30 FBM**  
Focus Malaysia

**ASIA CORPORATE  
GOVERNANCE ASSOCIATION**

# 4t

among 11 countries in A terms of CG

THINGS YOU'LL FIND  
**ONLY AT BURSAMKTPLC**

# CASH TAGGING

# TO FEED THE CONVERSATIONS ON TWITTER



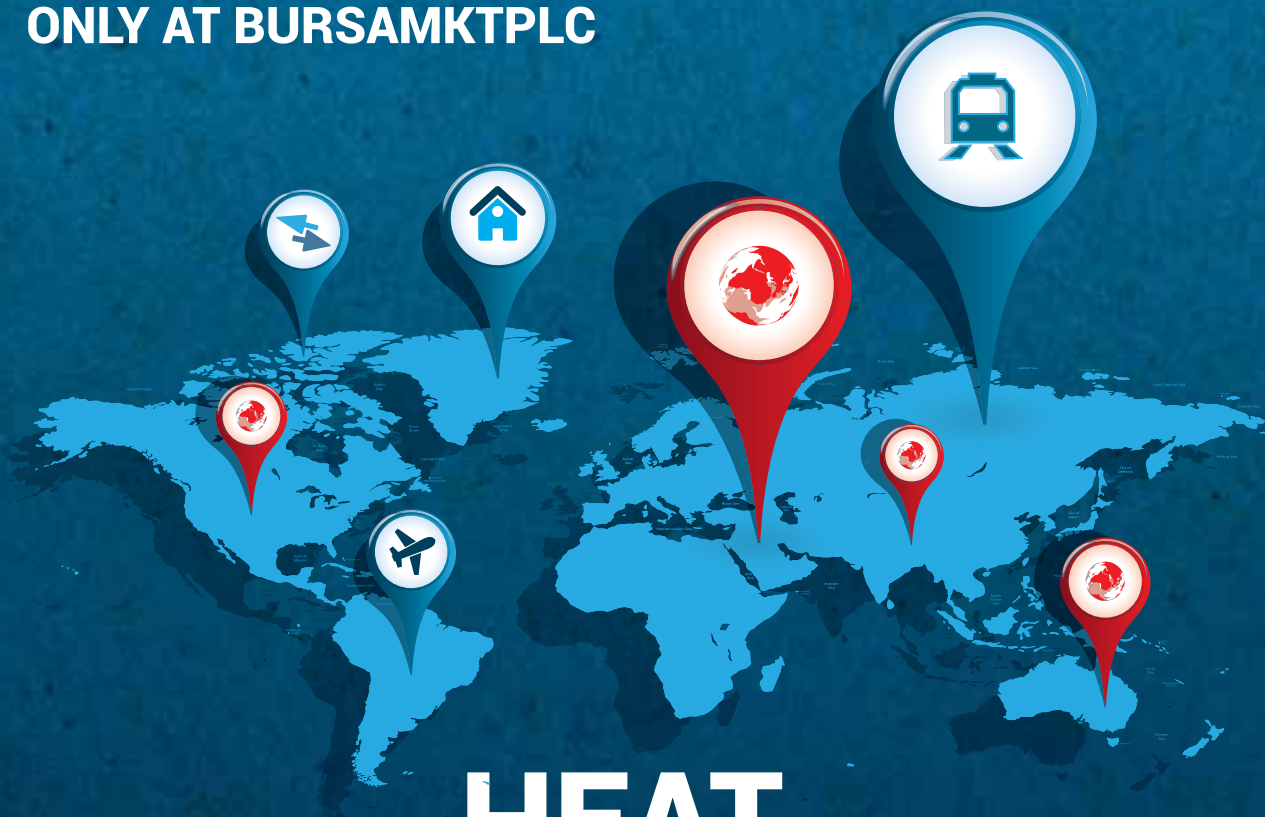
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# HEAT MAPS

A COMPLETE VIEW OF  
THE MARKET IN ONE SCREEN

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MALAYSIA**

**BURSAMKTPLC**  
BursaMarketplace.com

# AWARDS AND RECOGNITION

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Focus Malaysia

ASIA CORPORATE  
GOVERNANCE ASS

4<sup>th</sup>

among 11  
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terms of CG

THINGS YOU'LL FIND  
**ONLY AT BURSAMKTPLC**

# MY.MKT

THE PORTFOLIO  
PLACE



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MALAYSIA**

**BURSAMKTPLC**  
BursaMarketplace.com



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MALAYSIA**

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[BursaMarketplace.com](http://BursaMarketplace.com)

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NEWS

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ASIA CORPOR  
GOVERNANCE ASS

**4<sup>th</sup>**  
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countries in A  
terms of CG

THIS IS WHERE MALAYSIA  
GROWS WEALTHIER

## MAYBE YOU SHOULD BE HERE TOO

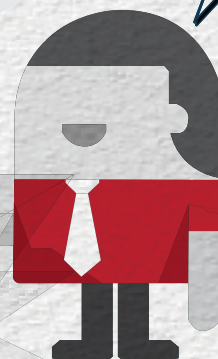
Education, information,  
tools – all an investor or  
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BURSA MARKETPLACE, NINE MONTHS SINCE LAUNCHED...

**AND STILL GROWING**

MORE THAN  
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MORE THAN  
**15,000**  
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RESEARCH  
ARTICLES

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BursaMarketplace.com

IN EXCESS OF  
**640,000**  
TOTAL REPORT VIEWS

# PEER COMPARISON

## Benchmark Index Performance in 2014

**PCOMP INDEX**  
THE PHILIPPINE STOCK EXCHANGE

+22.8%

7,232.71

**JCI**  
INDONESIA STOCK EXCHANGE

+22.3%

5,226.95

**SET INDEX**  
THE STOCK EXCHANGE OF THAILAND

+15.3%

1,497.67

**FSSTI**  
SINGAPORE EXCHANGE

+6.2%

3,365.15

**FBM KLCI**  
BURSA MALAYSIA

-5.7%

1,761.25

■ ASEAN EXCHANGES YoY INDEX GROWTH 2014  
■ INDEX POINT AS AT 31 DECEMBER 2014

Source: Bloomberg

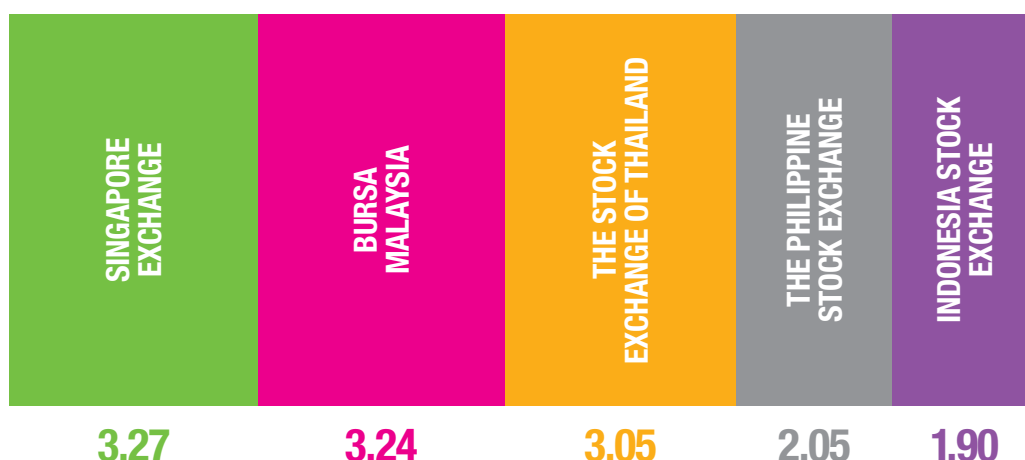
## ASEAN Exchanges 5-Year Index Growth from 2010-2014



## Dividend Yield (%)

**BURSA MALAYSIA**  
**TOP 2**  
in ASEAN

Dividend Yield (%)



Source: Bloomberg

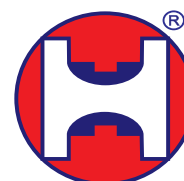


# BURSA MALAYSIA

THE PREFERRED PARTNER FOR FUND RAISING

## WE WELCOME THE NEW LISTINGS OF 2014

**ICON OFFSHORE**

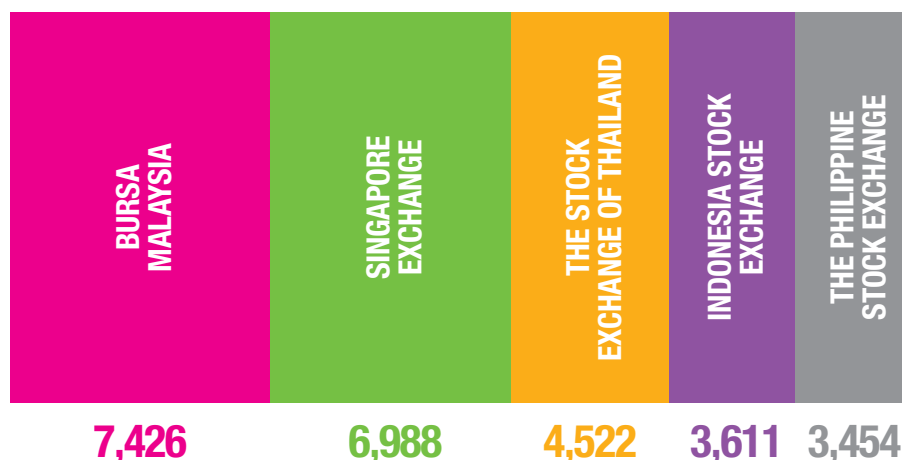


**1,815** USD million  
RAISED FROM IPOs

## TOTAL FUNDS RAISED

**BURSA MALAYSIA**  
**Highest**  
in ASEAN

Funds Raised (in USD million)



Source: World Federation of Exchanges.

# MARKET HIGHLIGHTS

31 DEC 2010      31 DEC 2011      31 DEC 2012      31 DEC 2013      31 DEC 2014

## Securities Market

FBM KLCI	1,518.91	1,530.73	1,688.95	1,866.96	1,761.25
Market Capitalisation (RM billion)	1,275	1,285	1,466	1,702	1,651
Velocity (%)	33	33	28	30	29
Average Daily Trading Volume - OMT & DBT (million shares)	1,021	1,344	1,361	1,567	2,157
Average Daily Trading Volume - OMT (million shares)	953	1,288	1,294	1,477	2,072
Average Daily Trading Value - OMT & DBT (RM million)	1,574	1,788	1,666	2,137	2,162
Average Daily Trading Value - OMT (RM million)	1,454	1,699	1,573	1,915	2,053
Total Trading Volume - OMT & DBT (billion shares)	253	329	334	387	531
Total Trading Value - OMT & DBT (RM billion)	390	438	408	528	532
Total Funds Raised (RM billion)	33.0	15.0	32.0	22.5	24.3
Total Listed Counters	1,392	1,476	1,640	1,566	1,739
• No. of PLCs	957	941	921	911	906
- No. of New Listings - IPOs (including REITs)	29	28	17	18	14
- No. of Delistings (including REITs)	31	43	36	27	21
• No. of Listed REITs	14	15	16	17	16
- No. of New Listing - REITs	2	1	1	1	-
• No. of Listed ETFs	5	5	5	5	6
- No. of New Listings - ETFs	2	-	-	-	1
• No. of Listed Structured Warrants	225	304	477	398	527
- No. of New Listings - Structured Warrants	204	363	551	410	546
No. of Rights & Bonus Issues	77	61	60	54	89
No. of New CDS Accounts opened (yearly)	157,911	164,110	207,393	153,764	136,303
Total CDS Accounts (million) <sup>1</sup>	4.1	4.2	4.3	4.4	2.5
No. of Trading Days	248	245	245	247	246
No. of Participating Organisations of Bursa Malaysia Securities	35	35	33	31	30

## Derivatives Market

Open Interest	132,151	152,419	214,065	196,493	196,413
• Crude Palm Oil Futures (FCPO)	88,544	112,720	173,649	151,486	166,625
• FBM KLCI Futures (FKLI)	21,837	23,505	30,550	40,473	25,476
• Others	21,770	16,194	9,866	4,534	4,312
No. of Contracts Traded:					
• FCPO (million)	4.1	5.9	7.5	8.0	10.2
• FKLI (million)	2.0	2.5	2.1	2.7	2.2
• 3-Month KLIBOR Futures	95,477	92,775	50,946	16,791	13,150
• Gold Futures <sup>2</sup>	-	-	-	24,253	111,844
• Other Products (OCPO <sup>3</sup> , OKLI <sup>4</sup> and FPOL <sup>5</sup> )	-	-	6,314	7,831	5,558
Average Daily No. of Contracts Traded	24,818	34,474	39,387	43,490	50,654
Total Contracts Traded (million)	6.2	8.4	9.6	10.7	12.5
No. of Trading Days	248	245	245	247	246
No. of Trading Participants of Bursa Malaysia Derivatives	20	20	20	18	19

## Islamic Market

% of Shari'ah Compliant PLCs	88	89	88	71	76
% of Shari'ah Compliant (by Market Capitalisation)					
• PLC	63	63	64	63	63
• ETFs	51	40	32	30	31
• REITs	22	18	14	43	42
No. of Sukuk Listings on Bursa Malaysia Securities	19	19	20	20	20
Value of Sukuk Listings (USD billion)	27.7	28.5	33.7	32.9	34.2
Bursa Suq Al-Sila':					
• Average Daily Value Commodity Traded (RM billion)	0.4	1.2	2.3	3.9	6.9
• Total Accumulated Commodity Trade Value (RM billion)	90.2	298.6	563.3	958.9	1,687.9
• Total no. of Matched Contracts	2,273	9,111	20,858	285,547	316,534
• No. of Trading Days	257	245	245	247	246
• No. of BSAS Registered Participants:					
Total	33	55	69	78	93
- Domestic	28	42	51	60	73
- Foreign	5	13	18	18	20

<sup>1</sup> The sharp decline in the number of CDS accounts in 2014 was due to the implementation of automatic closure of dormant CDS accounts that were designated as dormant on or before 2010. This maiden exercise to close such dormant CDS accounts was performed on 25 August 2014 affecting approximately 2.0 million CDS accounts.

<sup>2</sup> Gold Futures Contract was introduced in October 2013

<sup>3</sup> OCPO was introduced in May 2012

<sup>4</sup> OKLI was introduced in July 2012

<sup>5</sup> FPOL was introduced in June 2014

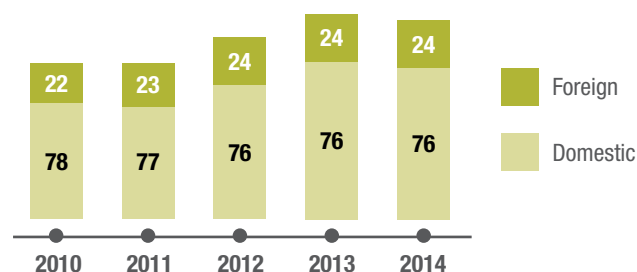


## MARKET HIGHLIGHTS

## SECURITIES MARKET

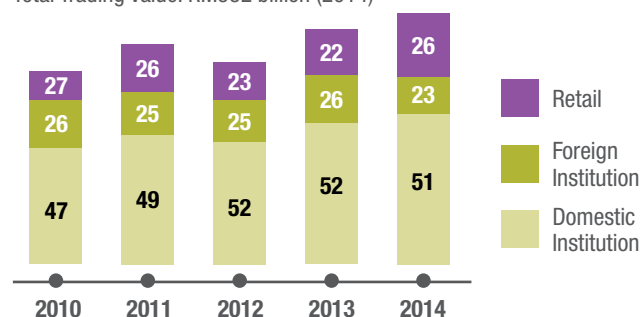
## Share Ownership (%)

Market Capitalisation: RM1,651 billion (31 Dec 2014)



## Market Demography by Trading Value (%)

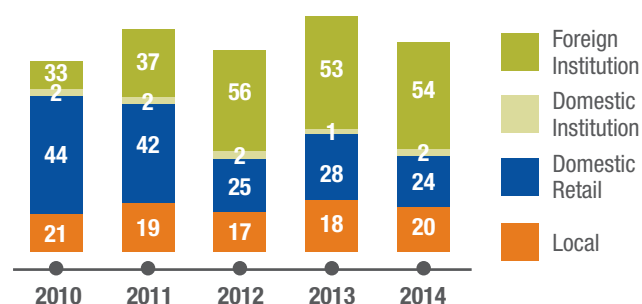
Total Trading Value: RM532 billion (2014)



## DERIVATIVES MARKET

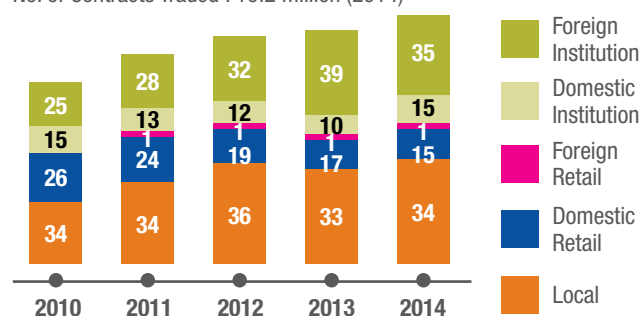
## Market Demography of FKLI Contracts (%)

No. of Contracts Traded: 2.2 million (2014)



## Market Demography of FCPO Contracts (%)

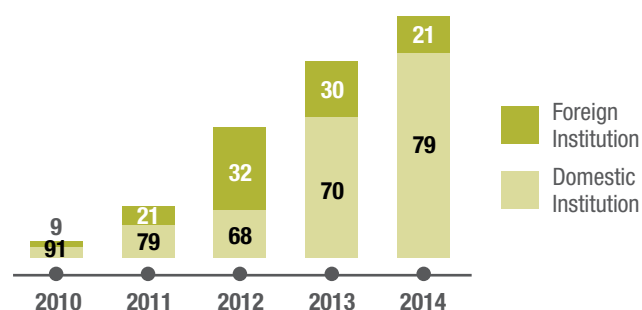
No. of Contracts Traded : 10.2 million (2014)



## ISLAMIC MARKET

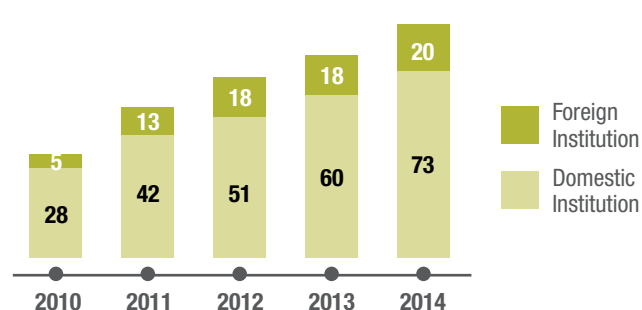
## Market Demography of BSAS Trading Value (%)

Total Commodity Trading Value: RM1,688 billion (2014)



## Demography of BSAS Registered Participants

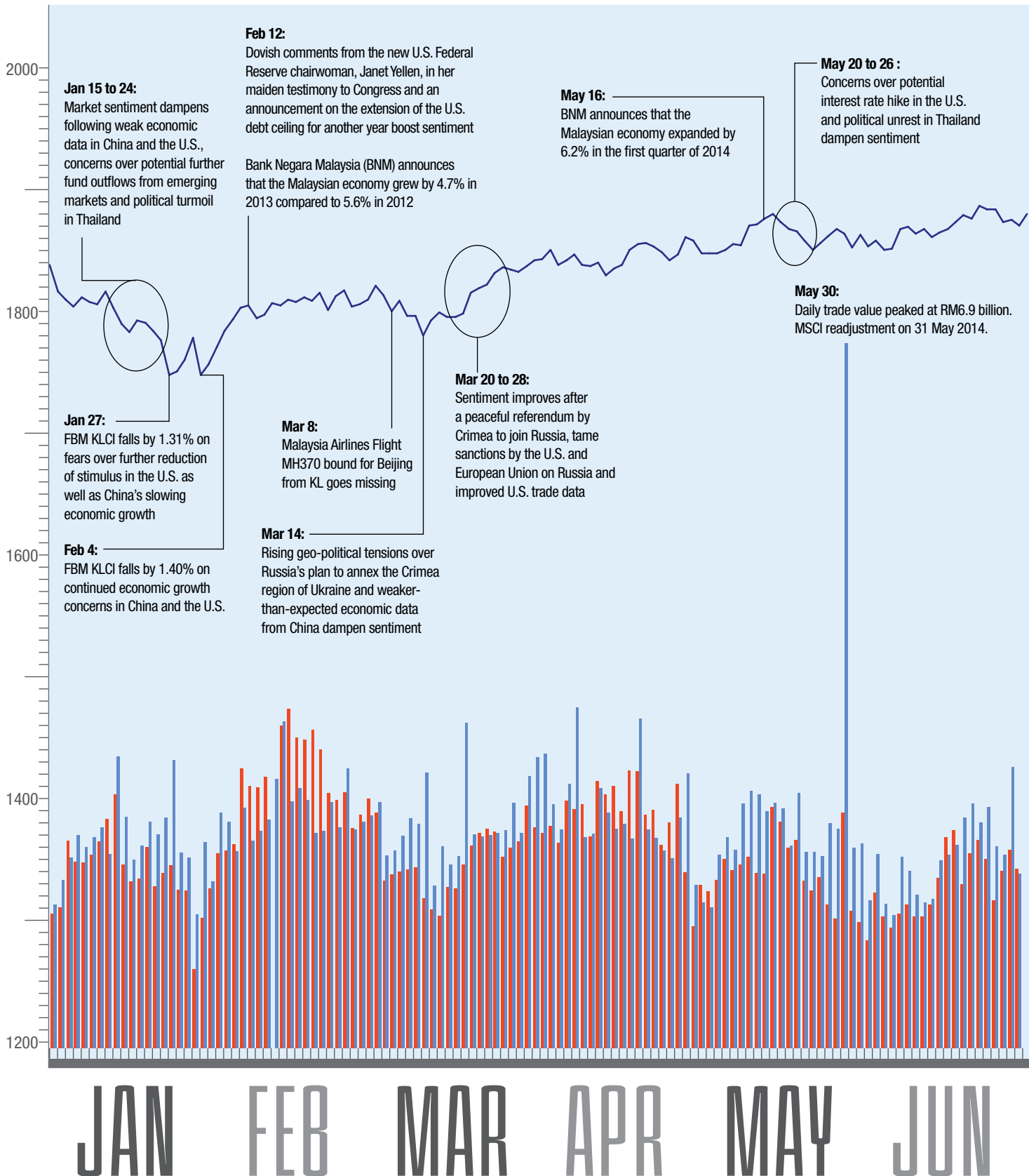
No. of Trading Participants: 93 (2014)



# MARKET PERFORMANCE

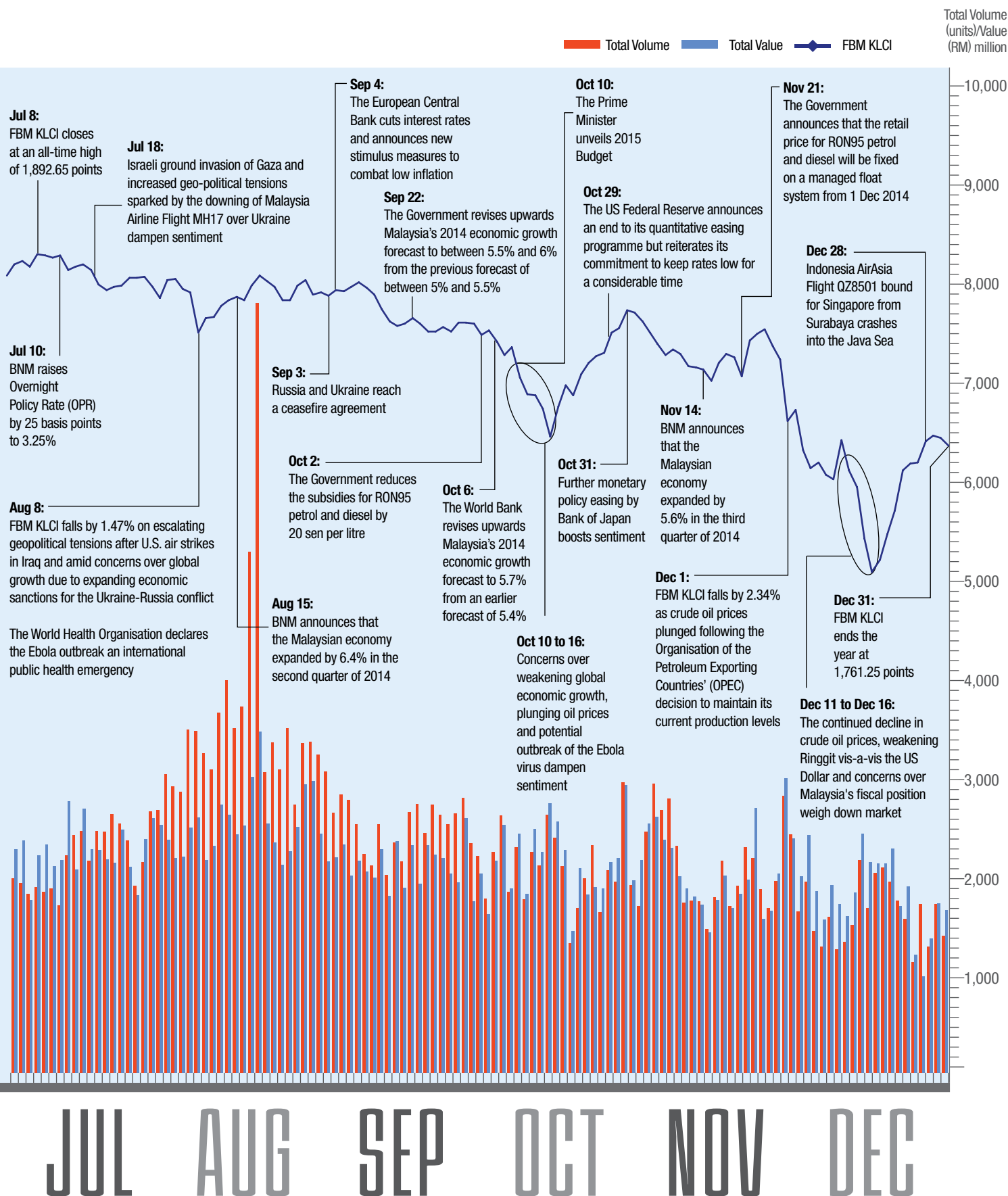
FBM KLCI  
(Points)

Note: Both Total Volume and Total Value include odd lot and direct business transactions





## MARKET PERFORMANCE



# CHAIRMAN'S LETTER TO SHAREHOLDERS



*Dear Shareholders,*

The final few months of 2014 were revealing for several reasons, chief among which was just how volatile the market can be. Financial developments in the global environment in the last quarter of 2014 revealed the extent to which our local and global markets are intertwined, and the continued need for vigilance during these unpredictable times.

**TUN MOHAMED  
DZAIDDIN HAJI  
ABDULLAH**  
*Chairman*



## CHAIRMAN'S LETTER TO SHAREHOLDERS

Despite posting a record high of 1,892.65 points in July and a historical high of 7.67 billion shares traded in August 2014, the FBM KLCI fell to multi-month lows in December dragged down by investor concerns over earnings growth of listed issuers and plunging oil prices. The benchmark index closed 2014 at 1,761.25 points, down 6% from 2013.

The silver lining amidst the gloom is that the Exchange remains operationally sound and was, for the third consecutive year, the largest fund raising destination in ASEAN with a total of RM24.3 billion raised through IPOs and secondary market.

More importantly, we have continued to create shareholder value and grow shareholder returns, thanks to our continued efforts to develop the Malaysian capital market and our focus on financial discipline.

#### BUILDING SHAREHOLDER VALUE IN 2014

We spent the three years prior to 2014 increasing our capacity as a stock exchange and delivering on our four strategic focus areas: creating a more facilitative trading environment, providing more tradable alternatives, reshaping our market structure and framework, and better integrating our activities with the regional marketplace.

With the completion of our core system refresh in 2013, we focused on expanding our reach and capabilities in the past year to make full use of our new capacity. This is in line with our vision to create long-term shareholder value by nurturing a thriving and sustainable exchange in the years to come.

Meanwhile, we continued to turn in a strong set of results in 2014 as operating revenue rose by 7% and PATAMI by 15%.

As part of our continuing commitment to our shareholders, we have in place a policy to pay a dividend of at least 75% of our PATAMI. Our actual dividend pay out has consistently exceeded this threshold as we have paid out more than 90% of PATAMI to our shareholders every financial year since listing.

The Board is pleased to announce that we have recommended a final dividend payment of 18 sen per share, which brings the total dividend declared for FY2014 to 54 sen per share. This represents a dividend yield of 6.7% or about 92% of our FY2014 PATAMI (excluding the special dividend payment).

#### REMAINING COMMITTED TO GOOD CORPORATE GOVERNANCE

The need for clear and consistent regulation and strong oversight of the market has become more important due to the increasing interconnection with regional and global markets. Our challenge as the Malaysian exchange operator and front line regulator is to manage the balance between ensuring fair and orderly markets and driving innovation within our capital market.

Towards this end, we launched the Environmental, Social and Governance Index (ESG Index) in December 2014, which measures and creates greater visibility of our PLCs' ESG practices. The new index places the Exchange closer to best international practices, while at the same time providing greater appeal for investors who make assessments based on sustainability.

The ESG Index is a good example of how we are approaching corporate governance through the introduction of measures that will simultaneously strengthen our regulatory oversight while broadening our investor appeal.

**WE HAVE  
CONTINUED  
TO CREATE  
SHAREHOLDER  
VALUE AND GROW  
SHAREHOLDER  
RETURNS,**

thanks to our continued  
efforts to develop the  
Malaysian capital market  
and our focus on financial  
discipline.

## CHAIRMAN'S LETTER TO SHAREHOLDERS

### DRIVING GOOD SHAREHOLDERS VALUE



**7%**

**GROWTH IN  
OPERATING REVENUE**



**15%**

**GROWTH IN PATAMI**



**6.7%**

**DIVIDEND YIELD**

Meanwhile, Bursa Malaysia continues to build on its regulatory framework and approach to create an orderly capital market. We are continuously looking at ways to develop greater transparency and efficiency in dispensing our regulatory duties and in our corporate governance practices to create a level playing field for all market participants.

We are also aware that the Exchange occupies a unique position among PLCs and therefore stands out as a role model for others to emulate. We believe we must lead by example, and thus take special care to ensure that we adhere to best corporate governance practices as much as possible. We are therefore heartened to note that Malaysia retained its fourth place ranking in the Asian Corporate Governance Association's Corporate Governance Watch 2014 report.

In reflecting our position as the benchmark for other companies, we were the fastest PLC to issue our FY2013 annual report in 2014, 58 days after the close of our books. With timely and accurate reporting being a feature of good governance, we hope that the quick publication of our annual report will inspire others to do the same.

#### BUILDING A MARKETPLACE FOR THE FUTURE

The formation of the ASEAN Economic Community (AEC) in 2015 represents both an opportunity and a challenge for us. For Bursa Malaysia to effectively compete in the region, we must leverage on our competitive advantage to demonstrate the value we can create for market participants within an integrated environment.

To that end, we stepped up our outreach programmes in 2014 to engage a new generation of investors from within and outside Malaysia. Our initiatives also leveraged on digital media to facilitate more effective outreach to young investors.

Further to our efforts to engage the market, we also organised the inaugural Bursa Bull Charge on 21 October. Themed 'The Day the Marketplace Runs for Others', the aim of the event is to enhance sustainability and inclusiveness through market collaboration. The Bursa Bull Charge registered 1,300 runners from over 130 organisations comprising PLCs, brokers, investment banks, ministries, regulators and the media, and also saw a good turnout of young executives.

We also continued to fly the Malaysian flag at investor forums throughout the world to promote the merits of the Malaysian exchange and our PLCs to raise awareness of the value we create for our stakeholders.

#### APPRECIATION

On behalf of the Board of Directors, I wish to take this opportunity to thank our shareholders for their support of the Exchange. We also wish to express our gratitude to our financial regulators and policy makers for their role in strengthening the Malaysian market.

My deepest thanks to my fellow Directors for their insights and help in ensuring that the Exchange stays the course even in these times of volatility and, last but not least, we would like to thank our employees for their loyalty, sacrifices and commitment to our vision which form the very basis of all our success.



# BOARD OF DIRECTORS' PROFILES



**TUN MOHAMED DZAIDDIN  
HAJI ABDULLAH**

## *Chairman, Non-Executive Director and Public Interest Director \**

<b>Nationality/ Age:</b>	Malaysian/ 77
<b>Date of Appointment:</b>	1 March 2004
<b>Length of Service: (as at 28 February 2015)</b>	11 years
<b>Date of Last Re-appointment:</b>	1 March 2014 (pursuant to Section 10(1)(a) and (3) of the CMSA) 27 March 2014 (pursuant to Section 129(6) of the Companies Act 1965)
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Barrister of the Middle Temple, England</li> <li>• Advocate and Solicitor of the High Court of Malaya</li> <li>• Singapore Institute of Arbitrators (Fellow)</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>• Chairman, Deutsche Bank (Malaysia) Berhad</li> </ul> Other PLC(s): Nil
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Legal Consultant, Skrine</li> <li>• Chairman, Institute for Democracy and Economic Affairs (IDEAS) Advisory Council</li> <li>• Chancellor, Wawasan Open University</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Chairman, Tun Suffian Foundation Incorporated (2012-2014)</li> <li>• Chairman, Royal Commission to Enhance Operation and Management of the Royal Malaysia Police (2004-2005)</li> <li>• 9<sup>th</sup> Chief Justice of Malaysia (2000-2003)</li> <li>• President, ASEAN Law Association (1995-2003)</li> <li>• Judge in the High Court, Supreme Court and Federal Court (1982-2000)</li> <li>• Vice President, Malaysian Bar (1982-1983)</li> </ul>

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

## BOARD OF DIRECTORS' PROFILES



### Dato' Tajuddin Atan

CEO, Non-Independent Executive Director

<b>Nationality/ Age:</b>	Malaysian/ 55
<b>Date of Appointment:</b>	1 April 2011
<b>Length of Service:</b> (as at 28 February 2015)	3 years 11 months
<b>Duration of Previous Appointment as Non-Executive Director and Public Interest Director:</b>	14 July 2008 - 31 March 2011
<b>Date of Last Re-election:</b>	27 March 2014
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Science (Agribusiness), Universiti Putra Malaysia</li> <li>• Master of Business Administration, University of Ohio</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>• Bursa Malaysia subsidiary companies</li> <li>• Chairman, Yayasan Bursa Malaysia</li> <li>• Capital Market Development Fund</li> <li>• Securities Industry Development Corporation</li> </ul> Other PLC(s): Nil
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Member, Executive Committee of Malaysia International Islamic Financial Centre</li> <li>• Member, Financial Reporting Foundation</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Managing Director, RHB Bank Berhad and Group Managing Director, RHB Capital Berhad (2009-2011)</li> <li>• Adjunct Professor, Faculty of Economics and Management of Universiti Putra Malaysia (2008-2014)</li> <li>• Member, SME Corp Malaysia (2008-2013)</li> <li>• President/Group Managing Director, Bank Pembangunan Malaysia Berhad (2007-2009)</li> <li>• CEO, Bank Simpanan Nasional (2004-2007)</li> <li>• Managing Director, Chase Perdana Berhad (2001-2004)</li> </ul>



### Datuk Dr. Md Tap Salleh

Non-Executive Director and Public Interest Director \*

<b>Nationality/ Age:</b>	Malaysian/ 65
<b>Date of Appointment:</b>	1 April 2010
<b>Length of Service:</b> (as at 28 February 2015)	4 years 11 months
<b>Date of Last Re-appointment:</b>	1 April 2014 (pursuant to Section 10(1)(a) of the CMSA)
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Arts (Hons), Monash University</li> <li>• Master of Science (Social Planning), University of Wales</li> <li>• PhD (Development Planning), University of Bath</li> </ul>
<b>Present Directorship(s):</b>	Other PLC(s): Nil
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Adjunct Professor, College of Local Government and International Studies, Universiti Utara Malaysia</li> <li>• Industry Advisor, Faculty of Science, Technology and Human Resource Development, University Tun Hussein Onn</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• President, Malaysian Institute of Integrity (2006-2014)</li> <li>• Secretary-General, Ministry of Rural and Regional Development (2004-2006)</li> <li>• Deputy Secretary-General, Ministry of Tourism, Malaysia (2003-2004)</li> <li>• Deputy Director, Governance and Institution Development, Commonwealth Secretariat in London (1996-2002)</li> </ul>

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



## BOARD OF DIRECTORS' PROFILES

**Dato' Zuraidah Atan***Non-Executive Director and Public Interest Director \**

<b>Nationality/ Age:</b>	Malaysian/ 55
<b>Date of Appointment:</b>	19 February 2014
<b>Length of Service: (as at 28 February 2015)</b>	1 year
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• LLB (Hons), University of Buckingham, England</li> <li>• Certificate in Legal Practice, Malaysia</li> <li>• Advocate and Solicitor of the High Court of Malaya</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>• Chairman, Yayasan Sukarelawan Siswa/Students Volunteer Foundation</li> <li>• Universiti Sains Malaysia</li> <li>• Kenanga Islamic Investors Berhad</li> <li>• Northport (Malaysia) Berhad</li> </ul> <p>Other PLC(s):</p> <ul style="list-style-type: none"> <li>• NCB Holdings Berhad</li> <li>• Petron Malaysia Refining and Marketing Berhad</li> <li>• S P Setia Berhad</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Sole Proprietor, Chambers of Zuraidah Atan</li> <li>• Arbitrator, Kuala Lumpur Regional Centre for Arbitration</li> <li>• Honorary Advisor, National Cancer Society of Malaysia</li> <li>• Member, Consultation and Corruption Prevention Panel, Malaysian Anti-Corruption Commission</li> <li>• Member, The Cooperative Education Trust Fund</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Director, Bank Kerjasama Rakyat Malaysia Berhad (2012-2014)</li> <li>• Director, Malaysia Building Society Berhad (2012)</li> <li>• Director, HSBC Bank Malaysia Berhad (2006-2010)</li> <li>• Director, Milux Corporation Berhad (2005-2007)</li> <li>• Director, Commodities and Monetary Exchange of Malaysia (2000-2003)</li> <li>• CEO and President, Affin Merchant Bank Berhad (1999-2003)</li> </ul>

**Eshah Meor Suleiman***Non-Executive Director and Public Interest Director \**

<b>Nationality/ Age:</b>	Malaysian/ 60
<b>Date of Appointment:</b>	1 November 2014
<b>Length of Service: (as at 28 February 2015)</b>	4 months
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Economics (Hons), University of Malaya</li> <li>• Diploma in Public Administration, Institut Tadbiran Awam Negara (INTAN)</li> <li>• Master of Business Administration in Finance, Oklahoma City University</li> </ul>
<b>Present Directorship(s):</b>	<p>Other PLC(s):</p> <ul style="list-style-type: none"> <li>• Pos Malaysia Berhad</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Director, Malaysia Airports Holdings Berhad (January 2004-September 2008 and July 2011-June 2014)</li> <li>• Alternate Director, Malaysian Airline System Berhad (November 2012-June 2014)</li> <li>• Alternate Director, Telekom Malaysia Berhad (June 2011-October 2014)</li> <li>• Director, Global Maritime Ventures Berhad (subsidiary of Bank Pembangunan Malaysia Berhad) (June 2008-June 2014)</li> <li>• Under Secretary, Statutory Bodies Strategic Management Division, Ministry of Finance (January 2014-October 2014)</li> <li>• Principal Assistant Secretary, Deputy Under Secretary and Under Secretary, Investment, Minister of Finance Incorporated and Privatisation Division (1995-2013)</li> <li>• Assistant Secretary, Government Procurement Management Division, Ministry of Finance (1991-1992)</li> <li>• Assistant Director, Macro Economic Section, Economic Planning Unit, Prime Minister's Department (1981-1990)</li> </ul>

\* Appointed by the Minister of Finance pursuant to Section 10 of the CMSA

## BOARD OF DIRECTORS' PROFILES



### Dato' Saiful Bahri Zainuddin

*Independent Non-Executive Director*

<b>Nationality/ Age:</b>	Malaysian/ 53
<b>Date of Appointment:</b>	27 June 2008
<b>Length of Service:</b> (as at 28 February 2015)	6 years 8 months
<b>Date of Last Re-election:</b>	27 March 2014
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>Bachelor of Science (Economics &amp; Finance), Western Michigan University</li> </ul>
<b>Present Directorship(s):</b>	Other PLC(s): Nil
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>Managing Director, Business Development, Affin Hwang Investment Bank Berhad</li> <li>Director, Securities Industry Dispute Resolution Centre</li> <li>Director, Secondary Market Council</li> <li>Financial Adviser to the State Government of Negeri Sembilan</li> <li>Member, Securities Commission's Securities Law Consultative Committee</li> <li>Member, Board of Trustees for Bumiputera Dealer Representatives Education Fund and Bumiputera Training Fund</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>Executive Director, Affin Holdings Berhad (2009-2010)</li> <li>Chairman, Association of Stockbroking Companies Malaysia (2006, 2008-2010)</li> <li>Executive Director and Executive Director Dealing, Rashid Hussain Securities (1992-1999, 2002)</li> <li>CEO/Executive Director Dealing, Fima Securities Sdn Bhd (2000-2001)</li> </ul>



### Tan Sri Ong Leong Huat @ Wong Joo Hwa

*Independent Non-Executive Director*

<b>Nationality/ Age:</b>	Malaysian/ 70
<b>Date of Appointment:</b>	27 June 2008
<b>Length of Service:</b> (as at 28 February 2015)	6 years 8 months
<b>Date of Last Re-election:</b>	27 March 2014
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>Capital Markets Services Representative's Licence</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>Chairman, DMG &amp; Partners Securities Pte. Ltd.</li> <li>Chairman, RHB Holdings Hong Kong Limited</li> <li>Chairman, RHB Investment Bank Berhad</li> <li>RHB Bank Berhad</li> <li>KE-ZAN Holdings Berhad</li> </ul> <p>Other PLC(s):</p> <ul style="list-style-type: none"> <li>CEO/Group Managing Director, OSK Holdings Berhad</li> <li>Managing Director/CEO, OSK Property Holdings Berhad</li> <li>OSK Ventures International Berhad</li> <li>PJ Development Holdings Berhad</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>Group Managing Director/CEO, OSK Investment Bank Berhad (2007-2011)</li> <li>Managing Director/CEO, OSK Securities Berhad (1985-2007)</li> <li>Member, Securities Commission's Capital Market Advisory Council (2004)</li> <li>Director, MESDAQ (1999-2002)</li> </ul>



## BOARD OF DIRECTORS' PROFILES

**Datuk Karownikaran @ Karunakaran Ramasamy***Independent Non-Executive Director*

<b>Nationality/ Age:</b>	Malaysian/ 64
<b>Date of Appointment:</b>	28 March 2013
<b>Length of Service: (as at 28 February 2015)</b>	1 year 11 months
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Economics (Hons) in Accounting, University of Malaya</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>• Etiqa Insurance Berhad</li> <li>• Maybank Asset Management Group Berhad</li> <li>• Maybank (Cambodia) PLC</li> </ul> Other PLC(s): <ul style="list-style-type: none"> <li>• Chairman, Integrated Logistics Berhad</li> <li>• IOI Corporation Berhad</li> <li>• Malayan Banking Berhad</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Director, Chemical Company of Malaysia Berhad (2011-2014)</li> <li>• Director, Maybank Investment Bank Berhad (2009-2014)</li> <li>• Director-General, Malaysian Investment Development Authority (MIDA) (2004-2008)</li> <li>• Deputy Director-General, MIDA (2001-2003)</li> <li>• Director, Industrial Promotion Division overseeing 16 MIDA overseas offices (1996-2000)</li> <li>• Director, MIDA in Singapore, Germany and London (1978-1995)</li> </ul>

**Datuk Chay Wai Leong***Independent Non-Executive Director*

<b>Nationality/ Age:</b>	Singaporean/ 51 Permanent Resident of Malaysia
<b>Date of Appointment:</b>	28 March 2013
<b>Length of Service: (as at 28 February 2015)</b>	1 year 11 months
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Business Administration, National University of Singapore</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>• Kenanga Investment Bank Berhad</li> <li>• Kenanga Vietnam Securities Joint Stock Corporation</li> <li>• Securities Industry Development Corporation</li> </ul> Other PLC(s): <ul style="list-style-type: none"> <li>• K &amp; N Kenanga Holdings Berhad</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Group Managing Director, K &amp; N Kenanga Holdings Berhad</li> <li>• Managing Director, Kenanga Investment Bank Berhad</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Managing Director, RHB Investment Bank Berhad, and Head of Corporate &amp; Investment Banking, RHB Bank Berhad (2006-2010)</li> <li>• Country Head, Standard Bank Group (2002-2006)</li> <li>• Director and Head of Investment Banking, JP Morgan Chase in Malaysia (2001)</li> <li>• Head of Investment Banking, Chase JF Malaysia (1997-2000)</li> <li>• Director of Investment Banking, Jardine Fleming in Hong Kong (1990-1996)</li> <li>• Investment Analyst, Bankers Trust Brokerage in Singapore (1987-1990)</li> </ul>

## BOARD OF DIRECTORS' PROFILES



### Ghazali Haji Darman

*Independent Non-Executive Director*

<b>Nationality/ Age:</b>	Malaysian/ 50
<b>Date of Appointment:</b>	28 March 2013
<b>Length of Service: (as at 28 February 2015)</b>	1 year 11 months
<b>Date of Last Re-election:</b>	27 March 2014
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>Bachelor of Accounting, University of Canberra</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>Commissioner for PT Praisindo Teknologi, Jakarta (subsidiary of Censof Holding)</li> </ul> Other PLC(s): Nil
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>Programme Director for large scale IT implementation in public and private sector</li> <li>Adviser to Outsourcing Malaysia</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>Head of Domain, DHL IT Services Sdn Bhd (2006-2010)</li> <li>Partner, Accenture (1986-2006)</li> <li>Director, Accenture Solutions Sdn Bhd (until 2006)</li> <li>Director, Accenture Sdn Bhd (until 2006)</li> </ul>



### Pushpanathan S.A. Kanagarayar

*Independent Non-Executive Director*

<b>Nationality/ Age:</b>	Malaysian/ 63
<b>Date of Appointment:</b>	23 June 2014
<b>Length of Service: (as at 28 February 2015)</b>	8 months
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>Institute of Chartered Accountants of Scotland (Member)</li> <li>Malaysian Institute of Certified Public Accountants (MICPA) (Member)</li> <li>Malaysian Institute of Accountants (Member)</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>Asian Institute of Finance Berhad</li> <li>Sun Life Malaysia Assurance Berhad</li> <li>Sun Life Malaysia Takaful Berhad</li> </ul> Other PLC(s): <ul style="list-style-type: none"> <li>IJM Corporation Berhad</li> <li>IJM Plantations Berhad</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>Council and Exco member, MICPA</li> <li>Board member, Malaysian Accounting Standards Board (MASB)</li> <li>Honorary Secretary, Financial Reporting Foundation</li> <li>Trustee, World Wildlife Fund Malaysia</li> <li>Trustee, Malaysian Community Education Foundation</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>President, MICPA (2012-2014)</li> <li>Partner, Messrs Ernst &amp; Young (1983-2009)</li> <li>Chairman, Adjudication and/or Organising Committees, National Annual Corporate Report Awards (2003-2009)</li> <li>Chairman, MICPA's Financial Statements Review Committee and Project Chairman, the Insurance Standards Working Group of MASB on Financial Reporting Standard 4 (2003-2007)</li> <li>Member, International Federation of Accountants' Developing Nations Permanent Taskforce (2004-2005)</li> </ul>

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.

Save for the Chief Executive Officer and Executive Director, all the Non-Executive Directors satisfy the criteria of an independent director as defined under Bursa Malaysia Securities Berhad Main Market Listing Requirements, which include being independent of management, 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, and also independent of its major shareholders.





# BUILDING CAPABILITIES

Launched in April 2014, Bursa Marketplace is a first-of-its-kind virtual marketplace that brought a unique experience to all investors, especially to new investors. The platform provides access to market knowledge, market insights and trading ideas as they chart their 'Trip to Trade' while growing their financial literacy. With BursaMKTPLC, we are putting the 'market-in-the-pocket' of all Malaysians by providing online access to comprehensive, objective and accurate information about our marketplace.



# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS



**DATO'  
TAJUDDIN ATAN**  
*Chief Executive Officer*

## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

**Dear Shareholders,**

The financial year under review saw us take a significant step forward in realising value from our latent potential to turn in our best financial performance since 2008. However, this is but the tip of the iceberg as we continue to further expand our capabilities to set the pace for the remaining two years of our strategic blueprint. Our performance in FY2014 has created significant value for our shareholders as we continued to build our investing base by reaching out to new investors and enhancing services for existing ones.

### 2014: BUILDING COMMUNITIES AND CAPABILITIES

With the completion of our technology revamp in 2013, we embarked on our journey forward anchored on two focal points: value extraction and building for the future. Towards these ends, we have implemented outreach initiatives that go beyond the traditional means of communication while at the same time enhancing our market structure.

As a result of these initiatives, we now have a more accessible market, a wider product range and a more facilitative trading environment, all of which encourage greater retail participation in our markets. Some highlights of the year include:

- Creating the dynamic BursaMKTPLC eCommunity to reach out to our new generation of retail investors.
- Introducing the Environmental, Social and Governance (ESG) Index to enhance market sustainability.
- Expanding our range of products to broaden our appeal to investors both new and old.
- Streamlining our policies to make our market more accessible and efficient.
- Being the first Exchange amongst all ASEAN Trading Link participants to offer ASEAN post trade services.

These achievements have increased our relevance as a market for both domestic and regional investors, and taken us closer to our goal of becoming a High Performance Organisation (HPO) and a leading exchange within the ASEAN region.

Today, Bursa Malaysia is a more competitive and facilitative market poised to capitalise on the opportunities that ASEAN has to offer. While we continue to build on our achievements in 2014, particularly in reaching out to the community, the initiatives to attain our long-term sustainability are ongoing.

### 2014 ACHIEVEMENTS

- ✓ Best financial performance since 2008 with PATAMI of RM198.2 million
- ✓ Leveraged on digital communications through the launch of BursaMKTPLC
- ✓ Championed sustainable practices by introducing Environmental, Social and Governance (ESG) Index - FTSE4Good Bursa Malaysia (F4GBM)
- ✓ Expanded market offerings with the addition of USD denominated refined bleached deodorised palm olein futures contract and MyETF MSCI Malaysia Islamic Dividend Fund
- ✓ Revamped derivatives participantship structure to reduce cost of entry
- ✓ Introduced new guide for Independent Advisers and issued framework to accord flexibility for client trading account opening
- ✓ Launched ASEAN post trade services to support our regional investors

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## DEVELOPING CAPABILITIES

Key to our future success and sustainability is the creation of a robust investing community. From digital media innovations to new market structure enhancements, our initiatives in 2014 have created value for our stakeholders while strengthening market integrity and efficiency. These initiatives in 2014 were focused on three core areas:

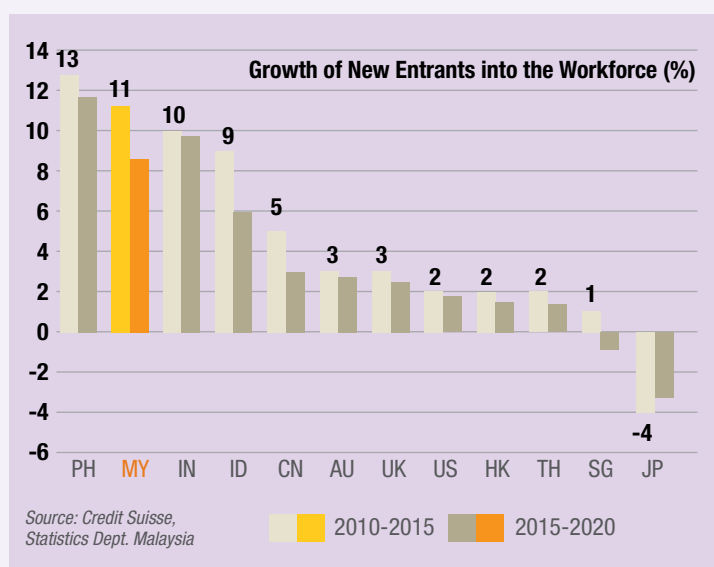
1. Reaching out and building communities
2. Enhancing our market structure and maintaining fair, orderly and efficient markets
3. Further enhancing our transformation into a HPO

These achievements have set us upon the right path towards becoming ASEAN's Multinational Marketplace and towards long-term sustainability.

### REACHING OUT AND BUILDING COMMUNITIES

Just as we have spent the past few years redefining ourselves as a stock exchange, our activities between 2014 and 2016 will see us make a strong statement about our value proposition to both regional and global investors—namely as an interwoven community of our partners, customers, issuers and investors working together to drive the Malaysian capital market forward.

We made community building a key point in 2014, enabling Bursa Malaysia to expand its capabilities and reach out to all stakeholders, particularly to new retail investors and to young working professionals. According to Credit Suisse and the Malaysian Department of Statistics, Malaysia will have one of the fastest growing working population in the world between now and 2020. The demographic group that will be coming into the workforce represents the future core of our retail investor base, and we must start now to encourage their participation in our market.



### REACHING OUT TO THE DIGITAL GENERATION

The flagship programme under our digital outreach initiative is the BursaMKTPLC, a one-stop online portal for all traders and investors that we launched on 28 April 2014. BursaMKTPLC is a first-of-its-kind virtual marketplace that creates a completely unique user experience designed to provide market insights, rich online pricing information and investor education. Our aim is to create an active and vibrant eCommunity focusing on enhancing trading and developing financial literacy.

### STEPPING UP INVESTOR EDUCATION AND AWARENESS

In 2014, we conducted a number of education and engagement programmes via advocacy sessions and workshops to communicate our core messages to our various stakeholders such as issuers, financial intermediaries and retail investors. To create awareness of the level and quality of disclosures by listed issuers in relation to the Malaysia Code of Corporate Governance, we also issued Findings of Corporate Governance Disclosures in Annual Reports. On the youth front, we stepped up our engagement with this demographic group through our Bursa Young Investors' Club (BYIC) and Young Corporate Malaysians (YCM) programmes. I am grateful to have been given the chance to speak directly to some of our programme participants and the feedback I received during the question and answer session has convinced me that we will see continuous growth in our capital market.

### LAUNCHING NEW PRODUCTS AND SERVICES

We continue to expand our range of products and services to offer greater choice to our existing customers and to attract new customers. While innovation is a priority for us, we take prudent measures to ensure our new offerings fall within an acceptable range of risks and that they add value to our role as the Exchange. We also introduced a host of new trading products for our securities and derivatives markets. Information on these products and the ESG are detailed in the respective sections of this annual report.

### COLLABORATING WITH EXTERNAL MARKETS

To further extend the reach of our market outside our borders, we signed a Memorandum of Understanding (MoU) with the Saudi Stock Exchange (Tadawul) to develop cross-border activities in developing both capital markets. The MoU will enhance the financial and economic linkages between Malaysia and Saudi Arabia, whilst facilitating the exchange of knowledge and capital market expertise.



## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

### ENHANCING OUR MARKET STRUCTURE

We are constantly looking at ways to develop our market structure to secure long-term sustainability. One of our core initiatives designed to enhance our market structure is the implementation of ASEAN Post Trade services. We are the first exchange participating in the ASEAN Trading Link to implement the service and we believe that it represents an important value add for our market traders.

We have also taken steps to ease access to our markets by streamlining entry requirements through policy changes such as the revamp in the derivatives market participantship structure. These measures are in line with our overall drive to make us a more efficient and effective market.

### MAINTAINING A FAIR, ORDERLY AND EFFICIENT MARKET

Bursa Malaysia has a regulatory duty to uphold market integrity by ensuring a fair, orderly and efficient market. To this end, we are continuously looking at new developments in best practices for markets and to champion these practices to our PLCs.

Our efforts in this area have helped propel the overall level of corporate governance (CG) in Malaysian PLCs - an improvement that has been recognised by international CG watchdogs.

### TRANSFORMING INTO A HPO

We took another step forward in 2014 towards transforming Bursa Malaysia into a HPO. Talent recruitment and management reform remain key enablers of this transformation and we have continued to drive the development of our talent bench by implementing aggressive employee recruitment and retention strategies.

We have bolstered our capabilities in line with our demand for higher standards of governance, and we continued the process of institutionalising the new performance benchmarks into our corporate culture.

To support our journey towards becoming a HPO organisation, our Group Human Resources (GHR) has instituted a number of talent management programmes designed to secure our long-term sustainability and meet our future talent requirements.

### BEST PERFORMANCE SINCE 2008

Our financial performance in 2014 is the best since 2008 and is trending in the right direction. Bursa Malaysia posted a record profit after tax and minority interest (PATAMI) of RM198.2 million (+15% y-o-y), an improved cost-to-income ratio of 46.1% (-2 percentage points y-o-y) and a higher return on equity (ROE) of 25.4% (+5 percentage points y-o-y). Financial performance for the year under review was driven by higher trade volumes in all three of our markets due to higher domestic participation.

#### FINANCIAL HIGHLIGHTS

	2014	2013	
Financial Results	RM million	RM million	% change
Operating Revenue	471.3	439.8	+7%
Other Income	32.5	35.2	-8%
Operating Expenses	(232.0)	(229.4)	+1%
Profit Before Tax	271.8	245.6	+11%
Income Tax Expense	(67.8)	(66.2)	+2%
Profit After Tax	204.0	179.4	+14%
Minority Interest	(5.8)	(6.3)	-8%
PATAMI	198.2	173.1	+15%
Financial Ratios			
Cost to Income Ratio	46.1%	48.3%	2 percentage points
Return on Equity	25.4%	20.7%	5 percentage points

#### 7% GROWTH IN OPERATING REVENUE

Operating revenue rose to RM471.3 million in 2014 from RM439.8 million in 2013, which represents a growth of 7%. Apart from higher trading revenue from all three markets, the greater number of new structured warrant listings and secondary issues in 2014 also improved revenue growth.

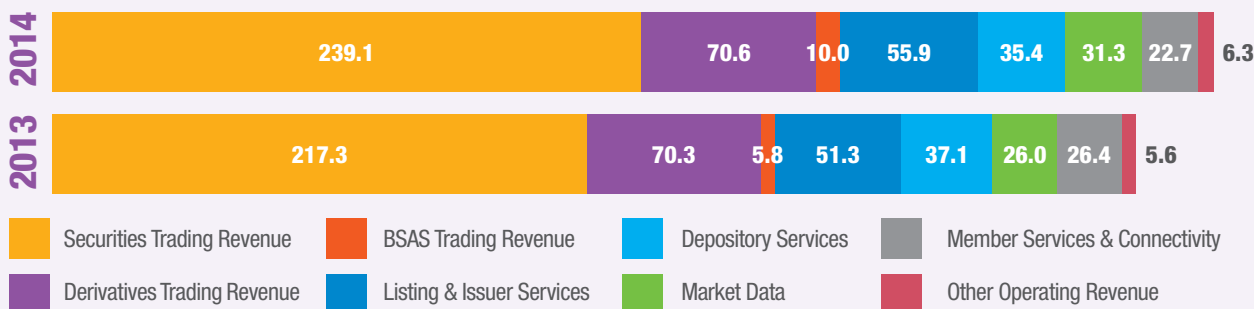
Revenue from our securities trading activities rose 10% to RM239.1 million in 2014 from RM217.3 million in 2013. Revenue growth was supported by higher domestic participation, particularly in the retail segment.

Our Derivatives Market saw a marginal increase in trading revenue of RM70.6 million from RM70.3 million in 2013. Although volume traded showed a healthy 16% increase, lower guarantee and collateral management fees offset the increase.

## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile, Bursa Suq Al-Sila' (BSAS) trading continued its upward trend with revenue growing by 72% to RM10.0 million in 2014. The continuous revenue growth in BSAS trading over the last few years is a positive indication of the growing acceptance of BSAS by domestic banks and sukuk issuers, which bodes well for us as our strategy calls for us to leverage on Malaysia's status as a leading Islamic capital market.

### OPERATING REVENUE (RM million)

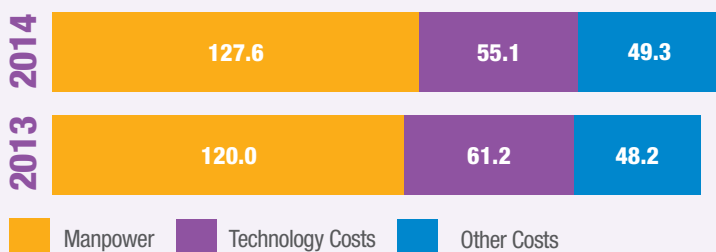


### OPERATING EXPENSE STABILISED; TECHNOLOGY INVESTMENT YIELDING SAVINGS

Total operating expenses grew by 1% to RM232.0 million in 2014 compared to RM229.4 million in 2013. Our expenses for the year continued to focus on talent building and development to support our vision of transforming into a HPO. Staff costs rose 6% to RM127.6 million in 2014 from RM120.0 million in 2013.

Other operating expenses, which include marketing and development, professional fees and administrative expenses, continued to grow as we expanded our capabilities and our reach into the region. However, the overall growth in our operating expenses was offset by lower depreciation costs as we had successfully replaced our previous trading system with a higher capacity but more cost efficient Bursa Trade Securities 2 (BTS 2).

### OPERATING EXPENSES (RM million)



### REWARDING OUR SHAREHOLDERS

Bursa Malaysia's Board of Directors has recommended a final dividend of 18 sen subject to shareholders' approval at our Annual General Meeting to be held in March 2015. If approved, the total dividend paid by Bursa Malaysia in 2014 will amount to 54 sen per share, which includes a 20 sen special dividend and a 16 sen interim dividend paid in August 2014. The total dividend paid of RM288.1 million represents a 6.7% dividend yield.

### SEGMENTAL PERFORMANCE

The Securities Market, as well as the Islamic and Alternative Markets (IAM), continued to make good progress, while the Derivatives Market was affected by lower guarantee and collateral management fees earned. Exchange Holding was affected by lower broker services from the rationalisation effort undertaken by Bursa Malaysia to enable brokers to use their own network, and lower interest income earned subsequent to the distribution of a special dividend in 2013 and 2014 respectively.

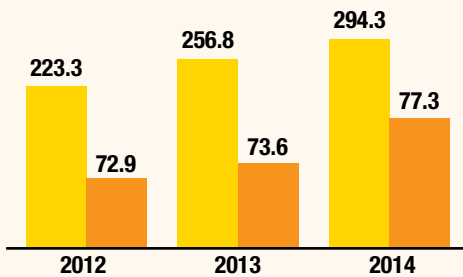
Segmental Review	2014	2013	% change
	RM million	RM million	
Segmental Profit/(Loss) From:			
Securities Market	294.3	256.8	+15%
Derivatives Market	40.8	44.1	-7%
Islamic & Alternative Markets	5.4	0.9	+500%
Exchange Holding	(8.9)	3.1	-387%
Total Segmental Profit	331.6	304.9	+9%
Overheads	(59.8)	(59.3)	+1%
Profit Before Tax	271.8	245.6	+11%

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## SECURITIES MARKET

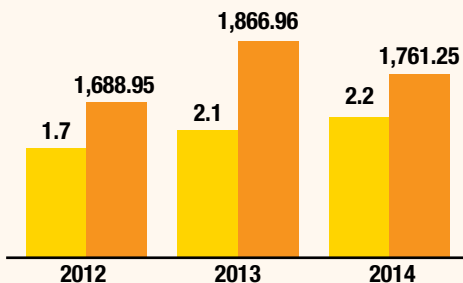
### SEGMENT PROFIT AND OPERATING MARGIN

■ Segment Profit (RM million)  
■ Operating Margin (%)



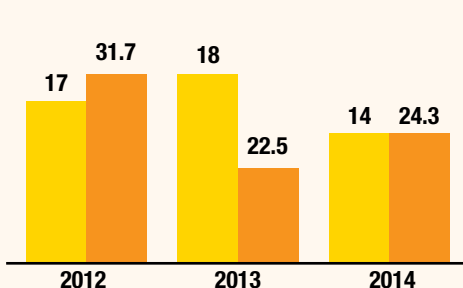
### ADV AND FBM KLCI

■ ADV (RM billion)  
■ FBM KLCI



### NO. OF NEW LISTINGS AND FUNDS RAISED

■ No. of New Listings  
■ Funds Raised for IPOs & Secondary Market (RM billion)



### MARKET AND FINANCIAL HIGHLIGHTS

The FBM KLCI hit an all-time high of 1,892.65 points on 8 July 2014 but moderated to close the year at 1,761.25 points, 5.7% lower than the preceding year end's 1,866.96 points.

### SECURITIES TRADING MAINTAINS MOMENTUM

The Securities Market continued its upward trend, reporting a profit contribution increase of 15% to RM294.3 million from RM256.8 million in 2013. Total operating revenue rose 9% to RM368.1 million from RM338.8 million in 2013.

Trading revenue continued to grow, increasing 10% to RM239.1 million from RM217.3 million in 2013 as a result of higher ADV for on-market trades (OMT) of RM2.1 billion from RM1.9 billion in 2013. Domestic participation ADV for OMT grew 11% to RM1.6 billion in 2014 from RM1.4 billion in 2013, while foreign participation ADV for OMT declined 3% to RM0.5 billion in 2014.

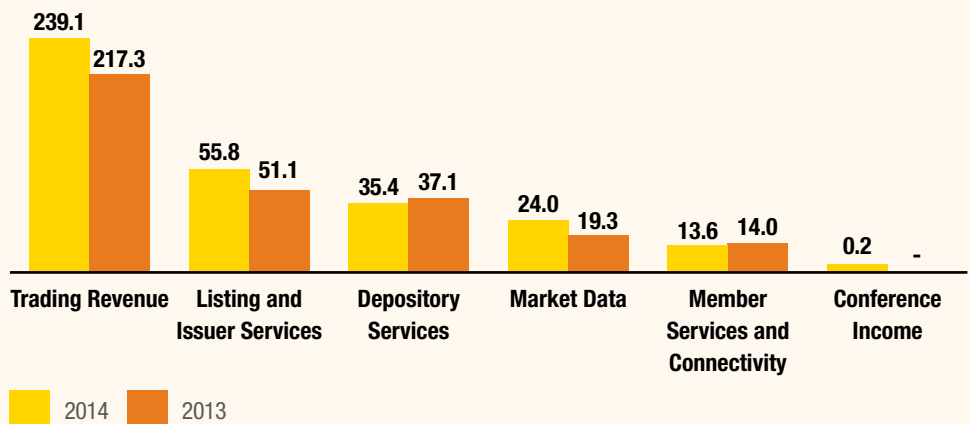
Other factors contributing to the upward trend of the Securities Market include the higher number of corporate exercises as well as a higher number of structured warrants listings. The Market Data segment also posted higher revenues of RM24.0 million, up 24% from RM19.3 million in 2013, contributing to the overall growth in Securities Market revenue. Growth in the Market Data segment is attributed to the introduction of new information packages such as non-display usage data and corporate announcements.

### RETAIL INVESTORS KEY DRIVERS OF GROWTH

Improvements in the Securities Market trading revenue contributions were mainly driven by higher ADV for OMT of RM2.05 billion, up 7% from RM1.92 billion in 2013, as well as higher effective clearing fee rate.

We saw an increase in market activity by retail investors due primarily to global uncertainties, which spurred active trading. The greater retail investors participation was achieved through our constant outreach activities over the last few years. In 2014, retail participation in the Securities Market rose 4 percentage points to represent 26% of total activity (from 22% in 2013).

### OPERATING REVENUE (RM million)





# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## SECURITIES MARKET

### BURSA MALAYSIA MAINTAINS POSITION AS LARGEST ASEAN FUNDRAISING MARKET

Despite fewer IPOs in 2014 compared to 2013, we retained our position as the largest fundraising destination in ASEAN for the third consecutive year, having raised RM24.3 billion through IPOs and the secondary market. The total represents an 8% increase from the RM22.5 billion raised in 2013. It is also a sign that companies are growing more bullish in our ability as an exchange to raise the capital they need.

In terms of listings, Bursa Malaysia saw a total of 14 new companies added to our Securities Market, raising a total of RM5.9 billion, down 28% from the RM8.2 billion raised in 2013. The listing of IOI Properties Group Bhd was the first and largest IPO exercise for 2014, raising RM1.9 billion.

We also saw the continuation of a trend to list Special Purpose Acquisition Companies (SPAC) with Reach Energy Bhd raising RM750 million from its IPO last August.

### OUTREACH INITIATIVES

2014 was a busy year for our outreach team, which engaged with over 30,000 retail investors. We leveraged on established platforms while introducing new ones as we sought to strengthen and build communities in line with our overall strategic plan.

#### 1. Invest Malaysia Programme

The annual Invest Malaysia (IM) programme, which is our flagship platform for engaging fund managers and institutional investors, continued to set new records in 2014. Investors and fund managers with total assets under management (AUM) worth a record of almost USD55 trillion attended our IM events held in Kuala Lumpur, Tokyo, New York, London and Hong Kong.

#### 2. Capital Market and PLC Profiling

In addition to our engagement activities held under the IM banner, we had a number of initiatives to promote our capital markets and PLCs in Malaysia, Singapore, Thailand and Japan. The choice of engagement channels/platforms used differed with each country. In The Spotlight events in 2014, PLCs were profiled under two themes - 2013 IPO Review and Property & REITs - to fund managers, investment advisers and remisiers in Kuala Lumpur.

We promoted our market to retail investors in Singapore via weekly profile of PLCs on the Sharesinv.com website and social media. Through the Spotlight On Malaysia events, we worked with various partners in each country for on-ground profiling of market and PLCs. To extend our outreach, we also invited ASEAN media practitioners to Kuala Lumpur to showcase the diversity of our marketplace and PLCs to share their stories.

In Thailand, Bursa Malaysia collaborated with Money Channel to raise Thai retail investors' awareness of investment opportunities in Malaysia via two programmes, i.e. Good Morning Bursa Malaysia and Stocks Around Us. Good Morning Bursa Malaysia features live phone-in interviews with licensed research analysts, while Stocks Around Us showcases video clips of selected PLCs recorded at the PLCs' business premises/factory. The programmes are aired on Money Channel's network platforms, which include satellite television channels and internet TV.

#### 3. Engaging Youth

Our youth engagement activities focused on increasing financial literacy amongst Gen Y and on better familiarising them with the operations, products and services of the Exchange. In 2014, 10 Bursa Young Investors' Clubs (BYICs) were established in public and private universities in four states across the nation. We supported the BYICs by holding several investor education activities including a leadership boot camp, investment seminars, hosting talks by PLCs and organising field trips to Bursa Malaysia. Some 2,400 students from these universities participated in the clubs. In 2014, the total number of students visiting Bursa Malaysia rose 52% to 5,066 students from 3,343 students in 2013.

#### 4. Engaging Financial Intermediaries

We held numerous activities over the past year to recognise and support financial intermediaries including brokers, dealers and remisiers. Workshops and engagement sessions held in 2014 included Dealers Representative Engagement Sessions, a CPE Accredited Product workshop, an Exchange Traded Fund (ETF) Incentive Programme and the Broker Awards Appreciation Dinner.

#### 5. Online Trading Games and Competition

To further expand our outreach to young investors, we held a unique Fantasy FTBL.TRADR competition in conjunction with World Cup 2014 to give them a taste of trading. The Fantasy FTBL.TRADR competition made use of the same stock portfolio management tools available on BursaMKTPLC, and allowed users to analyse and trade football players much in the same way that traders would analyse and trade stocks. We also held the inaugural Great Bursa Bull Hunt online competition in 2014, which was designed to raise investment awareness in retail investors nationwide.

#### 6. Engaging Institutional Investors

We held the Enhancing Portfolio Returns Using ETF and Securities Borrowing and Lending (SBL) Conference 2014 to help our institutional investors better understand the way that ETF and SBL products can enhance their investment returns.

With respect to ETF, the event was structured to entice domestic and global players to consider Bursa Malaysia as an ETF listing destination. As for the SBL space, the conference served as a platform to attract new players, especially local institutions and investment banks, to participate in our growing SBL/Regulated Short Selling (RSS) market. The conference also served as a networking avenue to both local and foreign institutional players.

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## SECURITIES MARKET

### ENHANCING OUR MARKET STRUCTURE

We continued to work on strengthening the Securities Market infrastructure through our activities in 2014. Our activities in this area included the following:

#### 1. Introduction of ASEAN Post Trade Services

The ASEAN Post Trade services allows any Participating Organisation (PO) performing outbound trades into any of the participating exchanges in the ASEAN Trading Link to clear, settle and hold the securities listed at those exchanges. The introduction of this new service reduces settlement risk while streamlining the post trade procedures pertaining to outbound trades of securities. In effect, this reduces the turnaround time while improving the efficiency of cross-border clearing and settlement. We are the first of the three participating exchanges to offer post trade services for all outbound trades to our POs.

#### 2. Closure of dormant CDS accounts

We have instituted the automatic closure of CDS accounts that have been designated as dormant, i.e. those that contain no securities and have had no credit or debit entries for the past seven years. The closure of the dormant CDS accounts has optimised our use of resources and mitigated the risk of unauthorised use of these accounts. We closed approximately two million dormant CDS accounts in 2014.

#### 3. Enhancing the Bursa Trade Securities 2 (BTS2) engine

Our initiatives to further enhance our trading engine saw the introduction of additional trading and market control features, including the Good-Till-Date, Fill-Or-Kill and Last Price Limits. These enhancements expand the trading features available on our exchange that facilitate trading by our participants.

#### 4. Non-Trade Matching Service

The introduction of the Non-Trade Matching Service facilitates matching for non-trade related instructions during the book building exercise for an IPO. This service offers a more efficient and effective method to move securities and funds on a Delivery Versus Payment basis and expedites book entry transfer of securities between book builders and their clients.

#### 5. Increasing the number of securities eligible for securities borrowing and lending

We updated the list of eligible securities for SBL increasing the size of the pool to 227 stocks from 171 previously. The widened pool will further increase the breadth and depth of the SBL market as well as facilitate better price discovery through more RSS activities. Outstanding SBL loans grew to RM2.4 billion by the end of 2014 from RM1.7 billion in 2013.

### MOVING FORWARD

The Securities Market is making a strong push towards sustainability, and this is best encapsulated in our launch of our FTSE4GOOD Bursa Malaysia ESG Index. The ESG Index, which rates PLCs based on their adherence to internationally benchmarked criteria, adds a new dimension to securities investing in our market. The inclusion of the index will draw a new segment of sustainability-conscious investors, while at the same time provide a new reference point for our PLCs.

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## DERIVATIVES MARKET

### MARKET AND FINANCIAL HIGHLIGHTS

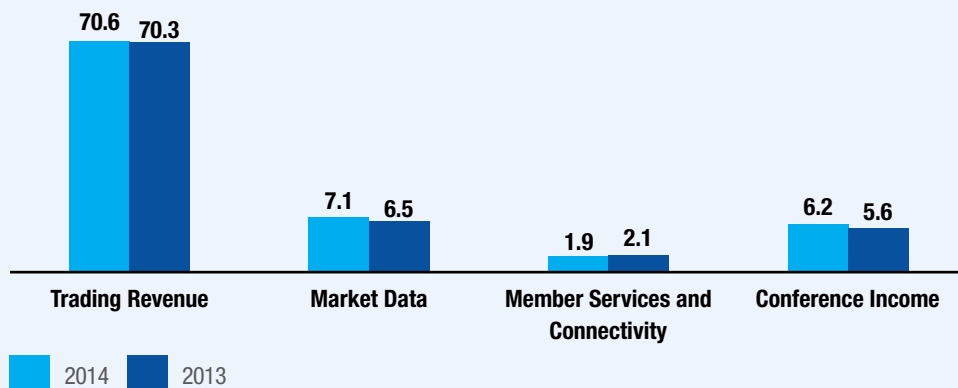
Trading volumes hit an all-time record high with ADC for all contracts coming in at 50,654 in 2014, registering a 16% growth from 2013's 43,490 contracts.

### DERIVATIVES MARKET MAINLY NEUTRAL

We recorded a greater domestic and foreign institutional participation in Crude Palm Oil Futures (FCPO) and higher average daily contracts. Total operating revenue rose marginally by 2% to RM85.8 million from RM84.4 million in 2013.

Despite strong improvements in trading activity, derivatives trading revenue increased marginally to RM70.6 million from RM70.3 million in 2013 as a result of lower guarantee and collateral management fees. This resulted from lower margin requirements and higher non-cash collaterals lodged as margin by participants.

### OPERATING REVENUE (RM million)



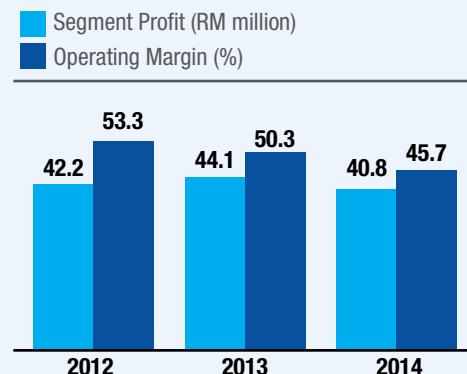
### DERIVATIVES TRADING FUNDAMENTALS SHOW IMPROVEMENT

The marked improvement in trading fundamentals for the Derivatives Market in 2014 is an encouraging sign. The number of FCPO contracts struck in 2014 rose 27% to 10.2 million from 8.0 million contracts a year ago. However, the number of FTSE Bursa Malaysia KLCI Futures (FKLI) contracts fell 19% to 2.2 million from 2.7 million in 2013.

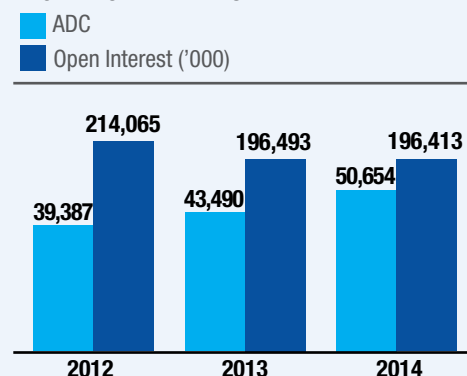
Key achievements of the Derivatives Market in 2014 include:

- A historical month high in the traded volume of FCPO contracts which totalled 1,083,141 contracts in September 2014. The total volume breached the one million contract mark for the first time.
- Open Interest for FCPO rose to an all-time high of 287,859 contracts on 10 September 2014. This also led to a record high (321,077 contracts) for total open interest for all derivative products on the same day.

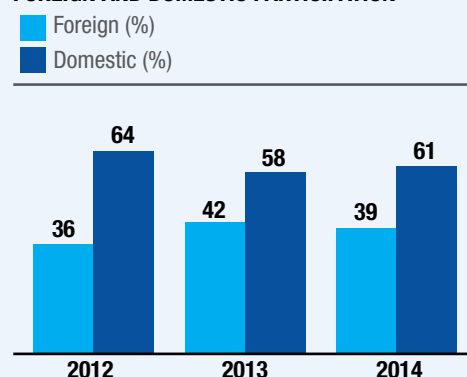
### SEGMENT PROFIT AND OPERATING MARGIN



### ADC AND OPEN INTEREST



### FOREIGN AND DOMESTIC PARTICIPATION





# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## DERIVATIVES MARKET

### OUTREACH INITIATIVES

Developing the Derivatives Market is a key priority for Bursa Malaysia and we continued to expand our marketing activities to reach out to more potential market participants in 2014. Apart from domestic initiatives designed to create greater awareness of derivative products, we also focused our efforts on recruiting clients from foreign countries such as India and China through their intermediary brokers based amongst others in Hong Kong, Singapore and Dubai. These brokers are existing clients of Chicago Mercantile Exchange, which makes it easy for them to connect and trade within our existing infrastructure.

Our activities implemented last year to strengthen our Derivatives Market trading community included the following:

#### 1. Palm and Lauric Oils Conference and Exhibition (POC) 2014

Bursa Malaysia's annual POC conference held annually in Kuala Lumpur, Malaysia has developed a strong global reputation and is well attended by international players from the oils and fats industry from over 50 countries. In 2014, POC marked its Silver Jubilee, celebrating the development of the palm and lauric oils industry over the last 25 years. The POC continues to lead discussions on the future of the edible oil industry and provides an excellent base for networking among its delegates. The event included palm estate visits and a Bursa Malaysia Derivatives Workshop for more than 2,000 participants.

#### 2. Gold & Precious Metals - Price Outlook Symposium (GOC 2014)

The inaugural GOC 2014, themed "Will Gold Still Glitter in 2014?", was attended by 500 participants. The GOC functioned as a platform to educate retail participants about the use of gold as an alternative investment asset, and created awareness about the benefits of trading in the gold futures market over physical gold. We expect the GOC to drive interest in gold futures on our Derivatives Market and build an active trading community around this asset class.

#### 3. Derivatives Education and Awareness Programme

We held our annual Derivatives Day in collaboration with six trading partners to educate the investing public about opportunities available in futures trading. The programme comprised a full range of sessions related to derivatives trading including career information for fresh graduates, information on becoming a full-time trader and information for retirees. As 31% of the trades on the exchange are transacted by Local participants, there is a need to create a new pipeline of new Local participants to replace the ones who will be retiring.

#### 4. Local Participants and Incentives

Incentive programmes specially tailored for Local participants were conducted in 2014 to encourage them to trade and hence increase liquidity of newly launched contracts such as the Refined Bleached and Deodorised (RBD) Palm Olein Futures Contract (FPOL). Increased liquidity entices more institutions and traders to participate in these contracts thus creating a greater interest in these products. As a result of our engagement sessions, we saw 34 new Local participants in the market in 2014.

### ENHANCING OUR MARKET STRUCTURE

In 2014, we revamped derivatives participation structure into a single trading right. The revamp replaced the different classes of Preference shares with a single trading right across all classes of derivatives products thus making the cost of entry as a Trading Participant cheaper and comparable with regional futures exchanges. As a result of the revamp, all brokers are now able to offer all products listed on Derivatives Markets to their clients. On that note, we are pleased to welcome Credit Suisse as our full-fledged Trading Participant and Clearing Participant.

### NEW PRODUCTS FOR THE DERIVATIVES MARKET

In addition to the market enhancements, we recognise the need for us to further broaden the range of products on offer and we continue to make regular innovations in this area. A broader range of products will draw greater participation from the investing public, and help us reach out to a new set of investors both within and outside our borders in line with our overall strategic plan. We introduced two new derivatives products in 2014:

#### 1. Refined Bleached and Deodorised (RBD) Palm Olein Futures Contract:

The FPOL contract is a USD denominated palm olein futures contract trading on our Derivatives Market. FPOL is a complete solution allowing market participants, particularly refiners and palm olein end users, to manage refining margin risk and hedge against unfavourable price movements in the crude palm oil and palm olein markets. The introduction of the FPOL contract is aligned with our ambition to become the global marketplace and benchmark for all palm oil derivatives.

#### 2. Enhanced Five Year Malaysian Government Securities Futures (FGM5):

The enhanced FGM5 extended the selection of bonds to those with between four and six years of maturity, and has an extended trading time until 6.00pm. The enhancement of the FGM5 aims to make our bond-based products more attractive to retail customers and also to draw new customers to the Exchange.

### MOVING FORWARD

On 23 January 2015, Bursa Malaysia Derivatives was granted registration as a Foreign Board of Trade by the U.S. Commodity Futures Trading Commission (CFTC) pursuant to Section 4(b)(1) of the Commodity Exchange Act and Part 48 of the CFTC's regulations. This permits identified members and other participants located in the US to enter trades directly into its electronic order entry and trade matching system on CME's GLOBEX trading platform to trade our derivatives products. It augurs well for the Malaysian derivatives market as it attracts US based Commodity Trading Advisers, hedge funds, high volume traders and commercials who are actively involved in global trades.

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## ISLAMIC AND ALTERNATIVE MARKETS

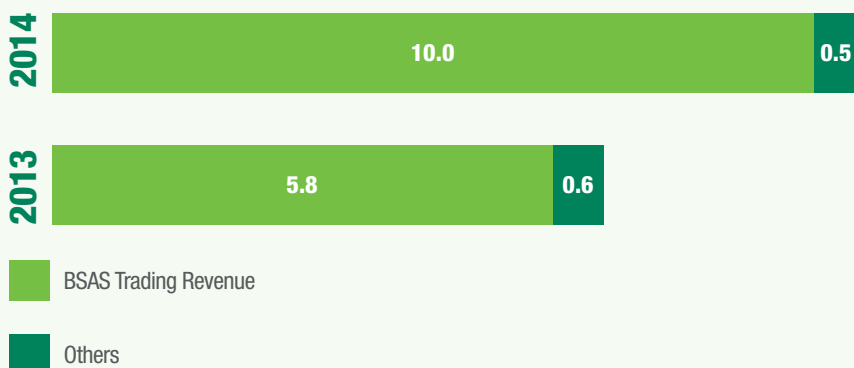
### MARKET AND FINANCIAL HIGHLIGHTS

ADV for BSAS trades increased 77% in 2014 to total RM6.9 billion from RM3.9 billion a year ago, which is a strong endorsement of the market's growing popularity.

### ISLAMIC AND ALTERNATIVE MARKETS EXPANDS REACH

Profit contribution from IAM surged, growing six-fold, contributing RM5.4 million in profits in 2014 compared to RM0.9 million in 2013. Operating revenue showed strong growth, increasing 64% to RM10.5 million from RM6.4 million in 2013. Higher revenue from BSAS was the main contributor to this segment, with an increase of 72% to total RM10.0 million in 2014.

### OPERATING REVENUE (RM million)



### GROWTH DRIVEN BY BETTER RECOGNITION, INTEREST IN ISLAMIC FINANCE

Since BSAS inception in 2009, trades on the platform have recorded annual double-digit growth due to the growing acceptance of Murabahah and BSAS by domestic banks and sukuk issuers. In 2014, the total commodity trade value on BSAS was RM1.7 trillion, up 76% from RM958.9 billion in 2013.

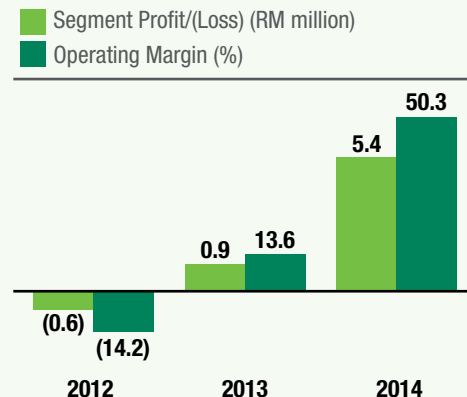
The improved trading activity is indicative of growing interest in Islamic investing and finance, which has grown in stature as a relatively safer avenue of investment post the financial crisis. Malaysia's reputation as a leading Islamic finance hub has also been a key lever for the development of IAM to enhance and innovate our market to better serve the Islamic investing community.

### IAM SHOWS IMPROVING FUNDAMENTALS

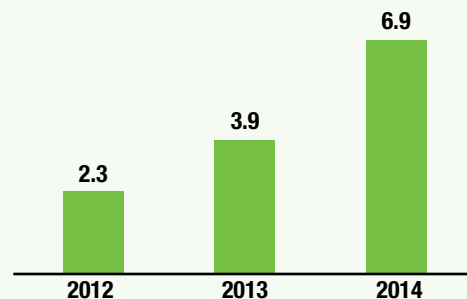
Key achievements in the IAM:

- Posted largest trade in a day on BSAS of RM16.3 billion on 8 December 2014
- Number of BSAS participants continued to rise with the addition of 15 new participants (from 78 in 2013). In 2014, domestic participants accounted for 79% of total trades and foreign participants accounted for the remaining 21%.

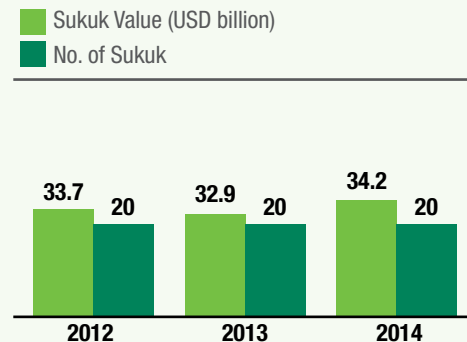
### SEGMENT PROFIT AND OPERATING MARGIN



### BSAS ADV (RM billion)



### SUKUK LISTED ON LABUAN INTERNATIONAL FINANCIAL EXCHANGE



# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## ISLAMIC AND ALTERNATIVE MARKETS

### OUTREACH INITIATIVES

IAM leverages on Malaysia's strength as a world leader in Islamic Finance and aims to be the capital market of choice for global investors. As BSAS is a relatively new trading platform, outreach programmes designed to educate and reach out to participants are critical for its sustained development. To this end, we have leveraged on Islamic finance and palm oil conferences, and workshops as well as hosted our own events to get our message out. Our outreach initiatives in 2014 included the following:

#### 1. Engaging Islamic Finance practitioners

We have made our presence felt in various Islamic conferences and events throughout the year. Our goals at these events are to raise awareness about IAM's products and services, discuss strategy for enhancing Islamic capital markets, explore new opportunities and solicit feedback from other practitioners. Representatives from Bursa Malaysia were given opportunities to speak at these events, among others:

- 5<sup>th</sup> World Islamic Banking Conference – Asia Summit in Singapore
- 1<sup>st</sup> International Conference on Islamic Wealth Management and Financial Planning
- IFN Asia Forum 2014
- 4<sup>th</sup> Global Islamic Finance Forum
- 11<sup>th</sup> Kuala Lumpur Islamic Finance Forum
- 21<sup>st</sup> Annual World Islamic Banking Conference in Bahrain.

As previously mentioned, Bursa Malaysia has signed an MoU with the Saudi Stock Exchange (Tadawul) and we are excited with this development, which is aimed at helping cement the relationship and linkages of our markets while enhancing the profile of Islamic finance.

#### 2. Engaging Retail Investors

Retail investors are one of the focus groups for all of our outreach activities and the same is true for IAM. In 2014, we attended and hosted special events for retail investors designed to educate them about IAM offerings as well as the advantages of Islamic investing. Our objectives are largely guided by our vision to build a strong and vibrant Islamic capital market that is relevant and actively participated in by the retail community.

Meanwhile, we organised workshops specific to the theme of Islamic investing in 2014. These workshops also served to drive the country's Islamic Finance agenda forward by promoting Islamic financial management.

#### 3. Engaging Institutional Investors and Intermediaries

IAM worked together with the Derivatives Market to sponsor events held by the Palm Oil Refiners Association of Malaysia (PORAM) to further enhance BSAS role in the palm oil industry. As BSAS is a commodities trading platform, stronger linkages must be built with associations such as PORAM to raise our relevance in the commodities industry.

We also worked on building linkages with intermediaries by recognising our top BSAS trading participants at our Broker Awards Appreciation Dinner.

### ENHANCING OUR MARKET STRUCTURE

We are constantly looking at ways to expand the role of our Islamic Capital Market to support the growth of Islamic finance. We continued to make adjustments throughout the year to provide industry players a regulated framework with defined codes of conduct governing commodity trade in support of Islamic interbank placements, client deposits and financing as well as sukuk issuances using the concept of Murabahah and Tawaruq.

### NEW PRODUCTS FOR IAM

#### 1. Exempt Regime Sukuk

IAM listed two new exempt regime sukuks including Hong Kong's maiden sovereign sukuk of USD1 billion. The Hong Kong sukuk is based on the Ijarah Structure and issued by Hong Kong Sukuk 2014 Ltd, which is wholly-owned by the Government of the Hong Kong Special Administrative Region. Hong Kong's choice of Malaysia as the listing destination for its inaugural sukuk is a strong vote of confidence in our market's ability to raise the necessary funds, and further reinforces Malaysia's position as the global sukuk leader.

Meanwhile, Malaysia's state investment arm Khazanah Nasional Bhd, via its independent special purpose company Cahaya Capital Ltd, listed a USD500 million Mudharabah-Murabahah exchangeable sukuk, which is the first exchangeable sukuk to be based on the two combined Islamic principles. Through its listing, the sukuk has set a benchmark for exchangeable sukuk offerings, providing future issuers with greater options in structuring their Islamic papers.

#### 2. MyETF MSCI Malaysia Islamic Dividend Fund (MyETF-MMID)

In line with our goal to grow the ETF space in Bursa Malaysia, MyETF-MMID, the second Shariah-compliant ETF, was launched. The listing of MyETF-MMID gives our investors greater choice in ETF investments to further diversify their portfolio. By the end of 2014, there were six ETFs listed on Bursa Malaysia.

#### 3. Third Government Guaranteed Danalnfra Nasional Bhd (DINB) Exchange Traded Bonds and Sukuk (ETBS)

We launched the third series of the government guaranteed DINB ETBS in 2014, which is targeted at retail investors. The product allows investors to benefit from the ongoing development of the MRT project, and functions as a relatively safe investment asset due to the government guarantee. ETBS is a relatively new asset class for us and we hope that the launch of this product will encourage others to follow suit in future.

### MOVING FORWARD

The government-led proposal to trade Malaysian Government Securities and Government Investment Issues on the Exchange aims to strengthen the Islamic financial market. The proposal is expected to promote domestic sukuk and bond issuance and trading. Based on the Prime Minister's announcement, the government papers will be traded as ETBS if the proposal is approved. This move will spur interest among retail investors keen on diversifying their portfolio by investing in a relatively less risky asset with a constant yield.



## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

### UPHOLD MARKET INTEGRITY

Bursa Malaysia has always strived to fulfil its key regulatory role in ensuring a fair, orderly and efficient market. This commitment is the key enabler of all that we do as an organisation, and we are duty-bound to ensure that these obligations are dispensed to the best of our ability. To this end, we are continuously looking at new developments in best practices for markets, and ensuring that these practices are observed by Malaysian public listed companies.

In 2014, to address the International Organisation of Securities Commissions' Principles for Financial Market Infrastructures Principle 4, we restructured the Clearing Guarantee Fund, by replacing the RM60 million Standby Credit Facility from Bursa Malaysia with cash allocated from Bursa Malaysia Securities Clearing. This initiative was part of recommended best practices, published in February 2013, jointly undertaken by World Bank and the International Monetary Fund in relation to the Financial Sector Assessment Program on Principles for Financial Market Infrastructures. The restructure effectively strengthens our credit risk management framework and provides greater clarity on the accessibility and availability of funds in the event of a default. We also took proactive actions to manage the wide variety of risks that could affect our business and the markets.

To ensure that our markets operate in a fair, orderly and efficient manner, and that market integrity is upheld, we implemented mitigation measures and controls to manage business interruption, market regulation and systemic risks. We are pleased to report that both our securities and derivatives trading systems posted a 100% uptime in 2014.

Apart from the usual risks, we are also watchful of any emerging risks that could pose a threat to Bursa Malaysia. For example, we made cyber security a priority in 2014, and have subscribed to a Securities Operations Centre service to address potential digital threats to our systems. We have also received ISO27001 certification from Cyber Security Malaysia, which certifies that our system meets the required data and information protection metrics.

Last year we implemented Last Price Limits to control price aberrations during the last 15 minutes of trading. As part of our mandate to maintain a fair and orderly market, this market control feature complements our current Static Price Limits and Dynamic Price Limits to prevent wild fluctuations in securities prices owing to erroneous trades and other aberrations at market close.

### LEVERAGING ON THE GLOBAL PULSE

As a regional and global player, we keep a finger on the pulse of global trends to ensure that our plans make the most of the opportunities presented by a dynamic investing environment.

Changing global trends represent both challenges and opportunities for us, and we must remain agile to leverage on new developments to remain sustainable. We have already adjusted some of our priorities in response to global developments and been rewarded in doing so. The following are some key trends with respect to the industry and our responses to them.

#### 1. Accelerated growth in the derivatives business:

Over the last few years, the exchange industry has witnessed the increasing importance and rapid growth of the derivatives business. This trend continued in 2014, evidenced by continued mergers and acquisitions activity involving derivatives exchanges and the signing of MoUs aimed at strengthening collaboration and relationships between various exchanges.

We are cognisant of the increasing interest in derivatives products, particularly by the retail segment, and have embarked on a number of initiatives including education and awareness programmes to ensure that our retail participants are equipped to trade in derivatives products. We have also made the cost of entry cheaper for Trading Participants to take advantage of the growing interest in derivatives trading.

#### 2. Growing importance of market data and information:

Market Data and Information Services have in recent years been acknowledged as a key area of growth for exchanges going forward, and are now being viewed as a significant revenue line in their own right. 2014 saw exchanges working to improve in this area by expanding their service offerings and holding cross-border collaborations.

As we have seen in the financial analysis of the Securities Market, contributions from the Market Data segment showed the highest revenue percentage increase as compared to the other segments. This is due largely to our investments in new information packages. We believe that demand for our market data will only continue to grow, especially as ASEAN continues to gain prominence as a major investment destination.

#### 3. Increasing globalisation of trading and investment:

While the globalisation of trading and investment has been a common feature of the exchange industry over the last few decades, 2014 saw further development in this area as countries such as China, Thailand and Saudi Arabia sought regulatory approval for greater cross border trading and listing. The formation of the AEC by the end of 2015 and its expected lifting of barriers are further evidence of this trend.

In addition to our outreach activities conducted in regional countries, we have also expanded our targets to set sights on other strategic partners such as the Saudi Stock Exchange (Tadawul), with whom we have signed an MoU. We remain selective about our partners as we need to be convinced of mutual benefit in terms of value creation.

It is important to note that global trends are dynamic and that they do have both direct and indirect consequences on our business. To ensure our long-term sustainability as a business, we must continue to keep a watchful eye on market trends and changing regulatory requirements, and adjust our position in relation to developments.

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## MOVING FORWARD

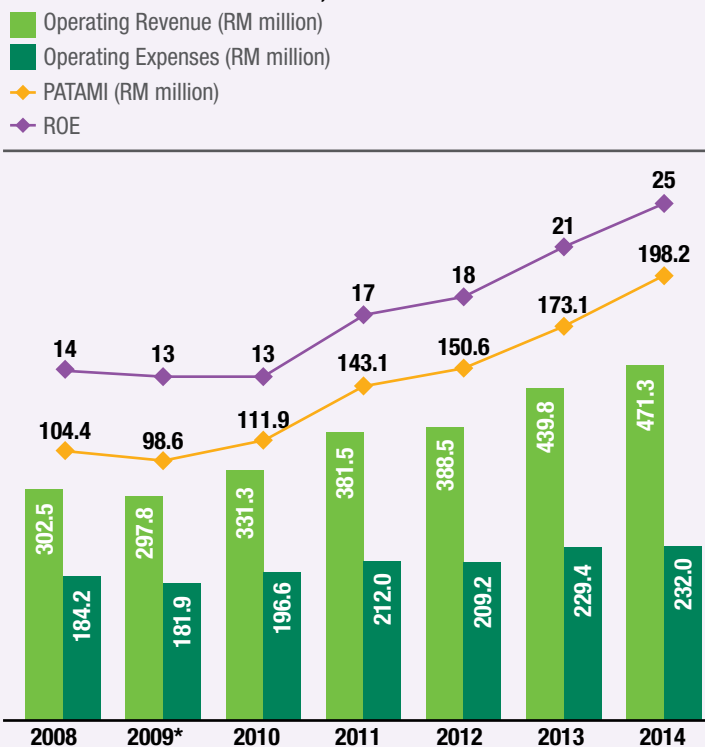
### OUTLOOK OPTIMISTIC DESPITE CHALLENGING 2015

2015 is shaping up to be another challenging year as global markets have remained volatile. We believe that we will continue to see challenges in the form of pressure on commodity prices and volatility in currency prices. However, we remain confident that the initiatives that we have undertaken and planned will enable us to sustain the momentum we have created for ourselves.

Upward-trending PATAMI and operating revenue coupled with managed operating expenses over the past six years are evidence that the building blocks and processes we have put in place have served us well despite challenging operating conditions. With strong fundamentals in place, we believe that we will be able to face 2015 with similarly optimistic expectations.

Aside from the global economy, we also face challenges in the form of greater competition from other exchanges in the region and in navigating changing regulatory requirements. However, we believe that Malaysia's track record of being a resilient market due to its strength in investor protection and robust corporate governance framework will continue to be a draw for investors, hence supporting the growth agenda whilst maintaining market confidence and integrity.

### GROWING REVENUE AND PROFITS; MANAGED EXPENSES



\* PATAMI for 2009 excludes the gain on disposal of a subsidiary.

### TAKING THE NEXT STEP IN REALISING SHAREHOLDER VALUE

We take continuous steps to transform our latent potential into value for our stakeholders. This can be seen from our healthy dividend yield of 6.7% in 2014 and other key financial ratios. Our return to shareholders has been trending in the right direction since 2008. Return on Equity improved to 25.4% in 2014 from 20.7% in 2013.

The additional resources we have put in place over the last few years which include human capital and infrastructure development, and the streamlining of processes, will continue to enhance our returns as an exchange operator to our shareholders, as we keep our focus trained on our role as a market regulator.

We are confident that we have most of the components in place necessary for us to become ASEAN's Multinational Marketplace, and it is now a matter of reaching out to the investing community to determine how we can best serve their needs.

At the same time, we are aware that Bursa Malaysia plays a unique role in serving as a benchmark for other PLCs. Indeed, our theme for action in 2015 is "Open Skies, Driving Sustainability", which puts governance and sustainability within a newly integrated AEC at the centre of our activities.

## APPRECIATION

Over the last few years, we have worked hard to transform Bursa Malaysia into an entity that is capable of competing with leading exchanges in the region, but our work is not yet complete. Now is the time for us to show that we are not an exchange with mere potential, but an exchange capable of delivering value to all stakeholders, from our shareholders to the general public.

On behalf of Bursa Malaysia's management, I would like to express our thanks and appreciation to all our stakeholders who have worked hard together with us to put the Exchange in our current enviable position. I would like to make special mention of appreciation to the staff of Bursa Malaysia without whom our plans would have remained just that: plans. Execution is everything, and I believe that the progress we have made over the past few years is testament to the success of their execution.

Nonetheless, I would like to take this opportunity to remind all of us that the hard work has only just begun. The challenges we will face in the new ASEAN landscape will be unlike anything that we have experienced before, and there will be difficult obstacles ahead of us. But with challenges come opportunity, and I relish the opportunities that will doubtless be presented to us.

I am hopeful that we will continue to enjoy the support of our many stakeholders even as we chart our way through this heretofore new territory and I look forward to the years to come.

# MANAGEMENT COMMITTEE/ SENIOR MANAGEMENT



**Dato' Tajuddin Atan**  
Chief Executive Officer  
Bursa Malaysia Berhad

Leads Bursa Malaysia Berhad  
Group of Companies



**Selvarany Rasiah**  
Director, Regulation

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



**Chua Kong Khai**  
Director, Market Operations

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



**Rosidah Baharom**  
Director, Corporate Services

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



**Ong Li Lee**  
Director, Securities Market

- Market Development
- Issuer Development
- Investor Development
- Information Services
- Customer Care and Complaints Bureau



## MANAGEMENT COMMITTEE/SENIOR MANAGEMENT

**Chong Kim Seng**

Chief Executive Officer  
Bursa Malaysia Derivatives Bhd

Leads derivatives subsidiaries

**Leong Chai Kin**

Director, Technology and Systems

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

**Datin Azalina Adham**

Director, Strategy and  
Transformation

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

**Mohamad Hasnol**

Director, Group Human Resources

- Human Resource Operations
- Human Resource Strategy

**Mazliana Mohamad**

Senior Executive Vice President,  
Group Internal Audit

- Strategic and Operational Audit
- Compliance and Project Audit
- IT Audit
- Audit Strategic Planning

**Siti Zaleha Sulaiman**

Executive Vice President,  
Corporate Risk Management

- Business Continuity Management
- Enterprise Risk Management

**Jamaluddin Nor Mohamad**

Director, Islamic and  
Alternative Markets

- Shari'ah and Governance
- Market Development and Product Development
- Bursa Suq Al-Sila'
- Bonds, Sukuk and ETBS
- Labuan International Financial Exchange

**Yong Hazadurah Md Hashim**

Executive Vice President,  
Corporate Secretarial and  
Compliance / Group Company  
Secretary

- Governance and Corporate Secretarial
- Corporate Compliance
- Regulatory Secretarial

# CORPORATE SUSTAINABILITY STATEMENT

## 01 COMMUNITY

**Elevating lives  
and enriching  
communities**

## 02 WORKPLACE

**Creating a conducive  
environment in which  
our people thrive**

## 03 ENVIRONMENT

**Undertaking responsible  
practices that preserve  
our environment**

## 04 MARKETPLACE

**Promoting ethical  
marketplace practices  
and walking our talk**

**Bursa Malaysia is committed to upholding the principles of corporate sustainability in creating value for all our stakeholders.**

Our sustainability strategy ensures that we maintain highest standards of corporate governance (CG), integrate long-term environmental and social goals with our economic performance and engage our stakeholders on core issues crucial to our marketplace.

# CORPORATE SUSTAINABILITY STATEMENT

## MARKETPLACE

As a frontline regulator and a market operator, we are responsible for ensuring the sustainability of our capital markets. We are committed to building a quality market that is liquid, while offering a diverse range of competitive products and services. We are also committed to robust investor protection and a high standard of integrity. We promote CG and sustainability best practices to all our listed issuers, and require the same of ourselves.

To further facilitate CG and sustainability best practices, we:

- a. Introduced the Best Practice Guide for Independent Advisers;
- b. Conducted various advocacy programmes for directors and practitioners of listed issuers to improve the quality of the Board of Directors, CG disclosure, risk management and internal control practices; and
- c. Supported industry initiatives such as The Edge Billion Ringgit Club Awards 2014, The National Annual Corporate Report Awards (NACRA) 2014, The ACCA Malaysia Sustainability Reporting Awards (MASRA) 2014 and The Star Business Awards 2014.

In 2014, the following initiatives were undertaken to improve the market ecosystem:

- a. Enhancement of the Bursa Trade System 2 (BTS2) with new features and introduction of ASEAN Post Trade services for trades executed on the ASEAN Trading Link;
- b. Revamp of the participantship structure for the Derivatives Market to create a single trading right for all classes of products. We also introduced an Error Trade Policy for the Securities Market and increased stocks available for securities borrowing and lending (SBL);
- c. Issuance of a new framework for opening trading and securities accounts for retail and institutional investors through electronic mediums which offers greater flexibility to Participating Organisations of Bursa Malaysia Securities and Authorised Depository Agents of Bursa Malaysia Depository. We also enabled a seamless registration process for registering individuals such as Dealer's Representatives, Futures Brokers Representatives and Directors of Brokers to further improve efficiency and time to market;
- d. Launch of the USD-denominated Refined Bleached Deodorised (RBD) Palm Olein Futures Contract, MyETF MSCI Malaysia Exchange Traded Fund (ETF), launch of the enhanced 5-year Malaysian bond futures (FMG5) and issuance of our third ETBS by Danalnfra;



- e. Launch of BursaMKTPLC, an online platform developed in collaboration with our broker partners that provides rich market information to all. The objective of the portal is to enhance financial literacy among retail investors with a particular focus on youth. To engage with the youth, we initiated online games, such as Fantasy FTBL, TRADR Challenge and The Great Bursa Bull Hunt;
- f. Holding of our inaugural Gold and Precious Metals Price Outlook Symposium for retail investors, and our first ETFs and SBL Conference to share insights into global practices and trends. We also organised other programmes including Spotlight on Malaysia, Invest Malaysia, Palm and Lauric Oils Conference and Exhibition Price Outlook, Workshop@Bursa, Derivatives Day, Breakfast with BMD and a Dealer Engagement Session. Moreover, we supported various industry initiatives such as the IFN Asia Forum 2014 and the World Islamic Banking Conference – Asia Summit 2014.
- g. Launch of the FTSE4Good Bursa Malaysia (F4GBM) Index, our first Environmental, Social and Governance (ESG) Index, after a series of engagements with our listed issuers to educate them on ESG and FTSE's methodology.

To strengthen our sustainability practices, we:

- a. Revised our Guidelines for Handling Conflict of Interest and the Checklist, amended our Contract Management Guidelines and issued a Capital Market Education and Integrity Fund Authority and Guidelines Manual;
- b. Rolled out Phase 1 of the Customer Relationship Management System to establish a new process for efficient stakeholder engagement and management; and
- c. Continued to report on our sustainability practices in our standalone Sustainability Report 2013, on the basis of which we ranked 55 among the top 100 companies in Asia in Channel NewsAsia's Sustainability Ranking, maintained our 4<sup>th</sup> position in the Asian Corporate Governance Association Corporate Governance Watch 2014 Report and is included in the F4GBM Index.



## CORPORATE SUSTAINABILITY STATEMENT



### COMMUNITY

We invest in our community to improve lives. To this end, we support youth development by providing educational programmes for financial literacy and capital market awareness. We carry out our community outreach programmes and encourage our employees to do their part in helping the underprivileged and deserving.

As part of our support for youth development and to promote excellence in education, we undertook the following programmes:

- Training of 75 graduates and undergraduates from local and foreign universities under our training and internship programmes, exposing them to working life, the business operations of Bursa Malaysia and the industry as a whole;
- We engaged with 7,500 students during the year through the launch of the Bursa Young Investor Club and hosting of student visits to the Exchange. We also supported other youth programmes such as the American Malaysia Chamber of Commerce's Junior Marketplace Workshop.
- We continued to offer the investing community and general public access to our Knowledge Centre and free equities research reports on our Research Repository;
- Talent development through our Yayasan Bursa Malaysia Scholarship Programme, offering five scholarships to underprivileged students to pursue tertiary education in local universities. We also rewarded 55 children of our employees for their excellent performance in national examinations.

To help improve the situation of deserving members of our community, and as part of our effort to encourage employees to volunteer for the benefit of the community:

- We organised the inaugural Bursa Bull Charge 2014, uniting all our stakeholders for a good cause and raising RM1.3 million for eight beneficiaries that champion financial literacy and entrepreneurship;
- We supported and encouraged our employees who contributed their time and energy in a variety of community projects. These projects included establishing pop-up children's libraries at the Kuala Lumpur Hospital and the Putrajaya Hospital, recycling tee shirts for Yayasan Chow Kit to turn into sling bags for sale, collecting used and new school uniforms for needy school children and packing and distributing food for the homeless at Kechara Soup Kitchen. Our employees contributed a total of 4,574 volunteering hours; and
- We visited beneficiaries of the Bursa Bull Charge 2014, namely Sekolah Latihan Wanita Ipoh, Projek Kalsom, My Performing Arts Agency, CADS Enhancement Centre, Women International Network, Persatuan Kebajikan An-Najjah Malaysia and Persatuan Amal Sabah.

### WORKPLACE

#### FOSTERING A POSITIVE WORKPLACE

At Bursa Malaysia, we recognise the strength of diversity in common values. Accordingly, and to realise our aspiration of becoming ASEAN's Multinational Marketplace, we have made it our strategy to nurture the talent within our organisation through a variety of initiatives that will lay the cornerstone for Bursa Malaysia's future success.

#### REWARDING PERFORMANCE

Bursa Malaysia has established a fair remuneration policy with the objective of achieving a sustainable performance over the long-term and offers employees a transparent, market-rate compensation system. It incorporates both fixed (78%) and variable (22%) elements, as well as short-term and long-term components. These include a basic salary, benefits, and short-term and long-term incentives. The fixed salaries of employees are supplemented by performance-based compensation components that are linked to the attainment of key performance indicators as well as to employees' individual performances.

## CORPORATE SUSTAINABILITY STATEMENT

In 2014, we continued to offer eligible employees long-term incentives as part of our retention strategy. Employees were granted restricted shares in the Restricted Share Plan according to their performance rating and grade entitlement. These restricted shares will be vested progressively over a period of three years, with the value received depending on the movement in the share price over that time. The participation rate for the scheme in 2014 was 99%, an increase over the previous year. Selected senior level employees were also awarded performance shares in the Performance Share Plan. These will be vested after three years, and are contingent upon Bursa Malaysia's achievement of a set of challenging long-term performance conditions. The value received depends on the achievement of Return on Equity and total shareholder return targets, thus aligning the interests of employees of the shares with the interests of our shareholders.

### NURTURING PEOPLE THROUGH DEVELOPMENT

In 2014, with the implementation of a new behavioural competencies model, Group Human Resources (GHR) focused its efforts on ensuring that employees attained the competencies required to succeed in their respective jobs.

To this end, GHR rolled out a comprehensive development programme structured to enhance employees' competencies and to ensure they possess the knowledge and skills required of their various positions.

To create awareness of the new behavioural competencies and to establish a common platform among staff, Bursa Malaysia embarked on a teambuilding programme to introduce the new competencies. The programme, known as 'Bursa Amazing Race 2014', is a core training programme that cuts across all categories of staff from all divisions. Its aim is to foster teamwork and collaboration, and to develop leaders among high achievers.



In 2014, supervisors working closely with GHR played a more active role in learning and development by creating opportunities in the workplace for their staff to apply lessons learnt through their development programmes. A post-training feedback/evaluation was also put in place to gauge the effectiveness of the learning and development programmes in meeting business needs.

To ensure that supervisors have the necessary skills to develop their staff, managerial skills programmes were introduced at each supervisory level, with emphasis on those transitioning into a management role. These training programmes focus on coaching and mentoring skills, as well as needs analysis, and are a continuation of programmes offered in 2013.

Recognising the value of a knowledge-based workforce, in 2014 Bursa Malaysia invested RM1.4 million in the development of its staff, with an average of four learning days recorded per employee.

We also make available our Knowledge Centre to both staff and the general public for research purposes. The Knowledge Centre is a rich source of information on capital market-related subjects and is easily accessible.

Finally, Bursa Malaysia also nurtures future leaders by providing learning opportunities for fresh graduates to acquire knowledge and exposure to the working environment. Accordingly, we actively support the Skim Latihan 1Malaysia programme and its goal of improving the employability of graduates.

### TOWARDS A BETTER WORKPLACE

In securing our organisational goals and objectives, we must not lose sight of the importance of a healthy work-life balance, which is essential for our employees' wellbeing and also contributes to a more productive workforce. Encouraging our employees to cultivate a healthy lifestyle has always been our priority, and to this end we have made available various sporting facilities, including squash courts, a fully-equipped gymnasium and a multi-functional court for our employees to use during lunch breaks and after working hours. Moreover, we organise wellness campaigns throughout the year, with nutritionists and other experts providing health tips, health screenings and health education to participants.

Bursa Malaysia also supports several celebrations throughout the year to foster camaraderie, instil a spirit of togetherness and recognise the hard work and contributions of employees. The Company also organises an Annual Dinner each year which is a much anticipated affair, the Treasure Hunt 'Feisty Pirates' held in Penang, and the Family Carnival. Thematic dress-down Fridays are also held throughout the year, with such themes as 'Footie-licious Friday', 'Merdeka Friday' and 'Bursa goes Bollywood'.

# CORPORATE SUSTAINABILITY STATEMENT

## PERFORMANCE THROUGH ENGAGEMENT

Bursa Malaysia values and recognises that the heart of any organisation lies in its human capital. An engaged workforce is vital to sustaining growth and productivity, thus the underlying purpose of all our employee engagement programmes is to impart and internalise the organisation's core values.

Employee engagement represents a state of emotional and intellectual commitment to an organisation. It has direct correlation to desired behaviours, which in turn have bearing on the organisation's performance. Each year, employees are given the opportunity to express their thoughts on the various issues that affect them in the workplace by means of an employee engagement survey (EES). These issues include leadership, career development, work-life balance, communication, infrastructure, customers, rewards and recognition and organisation culture and values.

The buoyant spirits and enhanced morale are reflective in the engagement scores of 81% - the highest ever registered by Bursa in the last six years since 2008 when EES was first administered online. This also runs in tandem with the rate of staff participation of 98.5% in the survey which is also a new record high.

## DYNAMIC AND HIGH PERFORMANCE WORKFORCE

Bursa Malaysia places great importance on hiring the right candidate for the right job. As we go forward, we will continue to focus on attracting quality talent who best fit our job requirements and complement our progressive culture. We firmly believe that by aligning our recruitment strategy to Bursa Malaysia's needs, we will continue to attract the best talent, and through our development programmes, nurture them into high achievers, thus realising our aspiration of becoming a world-class exchange.

At Bursa Malaysia, we have been successful in maintaining a balanced representation of women in management positions. Currently, women comprise more than 40% of management at middle and top management levels. Our male to female employee ratio shows a healthy distribution of 54:46. Our total staff strength in 2014 stands at 606 as compared to 614 in December 2013.

A Succession Planning Framework was also developed to ensure continuity of key critical positions and to guide development activities. The framework governs the process of identifying roles, crafting successor profiles, identification of successors and creating customised development programmes. The framework has been in full motion since the beginning of 2014.

The successors to mission critical positions have been identified and are currently undergoing a structured development programme. The development plans (2014 – 2015) are heavily focused on leadership competencies through experiential learning and networking to ensure that learning is maximised and to also close the successors' readiness gaps.



## ENVIRONMENT

We are committed to minimising the impact of our operations on the environment. We actively monitor our operational carbon footprint, promote recycling and the responsible use of resources by our employees and stakeholders and educate them about climate change and the importance of environmental protection. More specifically:

- a. We undertook several energy-saving initiatives that resulted in an 8% savings in our electricity usage year-on-year. Our greenhouse gas emissions from electricity usage, business air travel and paper consumption reduced by 7% year-on-year;
- b. We carried out a 'Building Off-Loading Drive', collecting recycled items in a company-wide cleaning effort to create a safe and healthy work environment; and
- c. We hosted a MyCarbon Corporate Greenhouse Gas Emission Accounting and Reporting (MYCarbon) Awards 2014 to recognise efforts by 26 pilot reporting organisations in the MYCarbon programme, which was launched in 2013.

## MOVING FORWARD

We believe that launching the F4GBM Index will spur more listed issuers to enhance their governance measures, sustainability practices and improve disclosure of their sustainability issues, thus enhancing their appeal to socially-responsible investors and fulfilling stakeholders' expectations. We strive to be a model for other listed issuers, and hope to see others follow our lead in setting new and higher standards of CG and sustainability practices.



An abstract background featuring several hands in various colors (blue, orange, purple, pink) reaching out and overlapping. The hands are set against a backdrop of soft, blended colors. Scattered throughout the background are various white icons representing different themes: a handshake, a group of people, a dollar sign, a lightbulb, a padlock, a factory, a bicycle, a globe, a leaf, and a ship. The overall composition is vibrant and symbolic of global unity and sustainable development.

# SUSTAINABILITY & GOVERNANCE

## FORGING THE WAY

Bursa Malaysia continues to set higher benchmarks for sustainable practices and good corporate governance. The launch of the Environmental, Social and Governance (ESG) Index in December 2014, the first internationally benchmarked index in Asia, provides a new value proposition and perspective of listed companies vis-a-vis their environmental and societal initiatives. Our improving Corporate Governance track record has been internationally endorsed, which places us in a strong position as we strive towards becoming ASEAN's Multinational Marketplace.



# REGULATORY STATEMENT

## “Building on our Regulatory Strengths for Sustainable Growth”

We have an obligation to ensure that our markets operate in a fair and orderly manner. To this end, we have established sound regulatory foundations for our markets, achieving favourable outcomes in key areas such as disclosure, corporate governance, and standards of business conduct. There is high level of compliance with our rules. In 2014, we focused on enhancing market quality and facilitating sustainable growth of the markets we operate.

### DEVELOPMENT OF THE RULES FRAMEWORK

Rules are essential for market regulation and development. We continuously review our rules to ensure that they are balanced, current, effective, consistent and facilitative of market development, providing a clear, comprehensive and accessible set of rules to regulate the market and its participants. In 2014, the key developments of our rules framework included:

- a. Changes to enhance the regulatory framework and market efficiency (including changes to the Rules of Bursa Malaysia Derivatives in relation to amendments to Contracts, Position Limits and Specified Exchanges and changes to the Rules of Bursa Malaysia Depository in relation to the closure of dormant accounts);
- b. Changes to facilitate the offer of new or enhanced products or services (including changes to the Rules of Bursa Malaysia Derivatives in relation to the introduction of the USD Refined, Bleached and Deodorised (RBD) Palm Olein Futures (FPOL) Contract and the changes to the contract specifications of the 5-Year Malaysian Government Securities Futures (FMG5) Contract); and
- c. Changes to achieve compliance or consistency with changes made during the year to the guidelines of the Securities Commission (including amendments to the Securities Commission's outsourcing requirements).

In 2014, we issued four public consultation papers on the following initiatives to seek public feedback on proposed rule changes:

- a. Review of Main Market Listing Requirements e.g. related party transactions, regularisation plans for financially distressed listed issuers;
- b. Closure of dormant accounts in respect of the Rules of Bursa Malaysia Depository;
- c. Non face-to-face verification for account opening in respect of the Rules of Bursa Malaysia Depository; and
- d. Review of the ACE Market Listing Requirements to enhance the attractiveness of the ACE Market.

### EFFICIENT CAPITAL RAISING FRAMEWORK

We are focused on enhancing the effectiveness of our capital raising framework by, among others, improving the efficiency and cost-effectiveness of our processes. We continue to ensure that our time-to-market for secondary fundraising is competitive and on par with other markets in the region. Capital raising through the secondary issuance of securities remained active in 2014, with total funds raised increasing from RM14.34 billion in 2013 to RM18.38 billion in 2014.

In 2014, Bursa Malaysia embarked on a review of the ACE Market framework to enhance its competitiveness, with the objective to clarify the admission criteria and liberalise certain requirements on sponsorship and moratorium on sponsors. Following industry engagement to gather feedback, a consultation paper containing various proposals to enhance the ACE Market framework was issued on 18 November 2014 for public comment. The proposals, once approved, are expected to be issued in 2015.

### SURVEILLANCE OF THE MARKET AND OF LISTED ISSUERS

Our main focus in the area of market surveillance is to detect and deter abusive trading practices and facilitate genuine price discovery, which are key to building and maintaining market confidence. Trading in the securities and derivatives markets remained dynamic in 2014, with necessary measures taken to ensure they remained fair and orderly. We monitored vigilantly trading activities and utilised the various regulatory tools at our disposal to address trading concerns, including suspected market manipulation, and safeguard the orderliness and fairness of dealings. We also engaged market participants to address instances of trading concerns. Possible violations were referred for investigation and enforcement. We also issued unusual market activity queries to listed issuers to obtain disclosures that could explain unusual movements in price and/or volume.

Additionally, we engaged brokers to enhance their surveillance of trading activities that take place in their respective broking houses. To this end, during our inspection of brokers, we reviewed the effectiveness of front office monitoring implemented by brokers and provided recommendations to further improve the effectiveness of their monitoring capabilities, including, where possible, recommendations to invest in electronic monitoring systems. We continued to provide guidance to brokers in establishing surveillance monitoring functions by recommending key indicators and alerts that should be present in their system.

## REGULATORY STATEMENT

With regards to listed issuers, our focus in the area of corporate surveillance is to ensure our listed issuers comply with the Listing Requirements (LR). To this end, we continued to improve our detection capabilities and conducted thematic studies to identify areas of concern and addressed them as necessary. In 2014, we monitored the financial condition and corporate developments of listed issuers, and concerns noted were addressed through effective regulatory actions including pre-emptive actions. All possible material breaches of LR were forwarded to the investigation department and those which involved potential breach of the law were sent to the relevant regulatory authorities.

We continued to enhance our surveillance capabilities by adopting new systems, as well as providing staff with up-skilling programmes. All these contributed to timely regulatory measures to guard against abusive practices.

### QUALITY AND TIMELY DISCLOSURES

Our focus remains on increasing the timeliness and quality of disclosures made by listed issuers. Accordingly, we continued to review our supervisory approaches as well as implemented new approaches relating to announcement and circulars. In the course of our continuous supervisory activities, we also sought to ensure that investors are provided with adequate information by reviewing corporate announcements, circulars and media articles on corporate information as well as monitoring the timeliness of financial report submissions. Moreover, to enhance the quality of disclosures in Independent Advice Letters (IAL), we issued the Best Practice Guide for IAL in July 2014. The Guide clarifies the role of an Independent Adviser and provides guidance on the standards of disclosure in IALs.

In cultivating a stronger culture of disclosure, we undertook greater engagements with listed issuers through our advocacy programmes on corporate disclosures for directors of listed issuers. In 2014, we embarked on a new initiative comprising customised advocacy sessions for listed issuers and technical advocacy programmes for company secretaries. During the year, we undertook the following programmes which were attended by 667 directors and senior management of listed issuers and 665 company secretaries:

- a. Four advocacy sessions for Directors of Public Listed Companies (PLCs)
- b. Six technical briefings for company secretaries
- c. Two customised advocacy sessions for selected listed issuers

The Listing Advisory Team, established in 2013, also facilitates understanding of the disclosure requirements and other obligations as stipulated in the Listing Requirements. In 2014, we improved its functionality by implementing an online Customer Relationship System (the Listing Advisory Portal) to receive enquiries on matters relating to Listing Requirements. The turnaround time in responding to queries remained swift, ranging from one to three days depending on the complexity of the matter.

As a result of these initiatives, 2014 saw improved standards of disclosure and a high level of adherence to the prescribed requirements. We noted a general improvement in the quality of disclosure in circulars with queries issued on announcements being lower at 0.82% of total general announcements, as compared to 1.1% in 2013. The adherence to the timeliness of submission of periodic financial information remained strong in 2014 at 99.48%, as compared to 99.52% in 2013.

### CORPORATE GOVERNANCE STANDARDS AND SUSTAINABILITY PRACTICES

Bursa Malaysia is focused on having a strong culture of corporate governance (CG). In 2014, our efforts were recognised in a survey undertaken by the Asian Corporate Governance Association in collaboration with CLSA Asia Pacific (ACGA CG Watch). The survey noted that Malaysia is the only capital market in the region that has consistently improved its CG performance, with its score for CG rules and practices improving from 52% in 2013 to 55% in 2014, and from 38% in 2013 to 43% in 2014 in the area of CG culture.

As part of this effort to improve the quality of corporate governance disclosures in annual reports, we undertook an assessment of 300 annual reports of listed issuers. We assessed the quality and level of disclosures in the Corporate Governance Statement, Audit Committee Report and Statement of Internal Control. We issued the report and engaged with the listed issuers by providing them with the results of our assessment to improve their disclosures.

As in previous years, we engaged with gatekeepers such as the Minority Shareholder Watchdog Group and the Institute of Internal Auditors, as well as international investors, to promote good CG culture.

Continuing our efforts to improve market quality through good sustainability performance and reporting, we assessed listed issuers' sustainability reports to identify areas for improvement and new opportunities, and engaged with investors and other stakeholders to formulate strategies to improve sustainability performance and reporting.

### STANDARDS OF BUSINESS CONDUCT OF BROKERS

We remain focused on ensuring sound business conduct, that brokers comply with minimum financial requirements, and that incidences which pose systemic risk to the market do not arise. Thus, in 2014 we continued our on-site audits and monitoring of brokers' financial health, client asset protection, business conduct and compliance with our rules. All brokers were found to comply with the minimum financial requirements. Additionally, there were no material findings that could cause systemic risk to the industry and no industry-wide breaches in 2014.

Furthermore, we rolled out several initiatives in 2014 to increase the ease of doing business. These initiatives included:

- a. Straight Through Processing (STP) for Registration – Application requirements of participants were simplified to enable one-time applications for participants by establishing an electronic link between Securities Commission's Electronic Licensing Application (ELA) System and Bursa Malaysia's Integrated Participants Registration Information System (IPRIS).
- b. Non Face-to-Face Approach for Flexible Account Opening for Individual Clients – A regulatory framework was introduced to allow brokers to open accounts without requiring clients to be present in person or before an acceptable witness, thus enabling the use of technology such as online mediums to expedite the opening of accounts.
- c. Flexibilities on Account Opening for Prescribed Corporate Clients – A regulatory framework was introduced to simplify the requirements of account opening documentation for prescribed corporate clients.



## REGULATORY STATEMENT

We also embarked on several initiatives to enhance the management of cyber threats, namely:

- Issuing guidance notes to brokers on managing the risks of cybercrime and on enhancing the resilience of their networks
- Developing an inspection programme to assess and review brokers' measures to combat cybercrime/cyberattacks
- Conducting continuous engagements and advocacy efforts to increase awareness of these matters

### ENFORCEMENT ACTIVITIES

Enforcement of the Listing Requirements and Business Rules is necessary to secure market integrity and uphold investor protection. In initiating enforcement proceedings, due process is undertaken to give defaulting parties the opportunity to explain their actions prior to determination of breach and appropriate sanctions. Where a breach is determined, sanctions are imposed appropriate to the nature, circumstances and severity of the transgression, taking into account the character and background of the defaulting party and any mitigating or aggravating factors. Possible sanctions include public/private reprimands, fines, suspension or striking off. Our focus is always on ensuring an adequate level of investor protection and deterring violations through enforcement actions.

In 2014, a total of 78 enforcement actions (reprimand and above) were taken against 21 listed issuers and 38 directors of eight listed issuers for various breaches of the Listing Requirements. As part of enforcement, we also issued directives against the defaulting parties including, where relevant, directives for directors to undergo mandatory training as well as for errant listed issuers to conduct limited reviews on quarterly reports.

As a result of our regulatory and enforcement activities, we noted a declining trend of more than 60% in the number of delays in submission of financial statements and in the deviation of financial figures reported (i.e. profit and loss) between audited and unaudited accounts since 2008.

A total of 44 enforcement actions (reprimand and above) were taken against brokers, their key personnel and dealer representatives for various breaches of the Business Rules, which included market offences or trading related breaches (for which enforcement actions were taken against 14 Dealer's Representatives (DRs)). In an effort to improve the conduct of errant DRs, we also issued directives for mandatory training requirements when misconduct showed ignorance or lack of understanding of the rules and requirements, similar to the approach under the Listing Requirements.

### UTILISATION OF FINES AND TRANSFER FEES

In 2014, the functions of the Capital Market Education & Integrity Fund (CMEIF) Committee were subsumed under the Regulatory and Conflicts Committee (RACC). The CMEIF consists of all the fines imposed by Bursa Malaysia and its subsidiaries and transfer fees collected, and does not form part of Bursa Malaysia's revenue. The CMEIF may only be utilised for, among others, education/advocacy programmes with the aim to elevate standards of CG, disclosure and business conduct as well as matters relating to the capital markets, including investing knowledge for our market participants and investors.

In 2014, 62 advocacy programmes were conducted for Directors of listed issuers, Chief Financial Officers, Chief Risk Officers, internal auditors, company secretaries and brokers. These programmes were well-attended by 3,389 participants representing 942 PLCs and 49 brokers (equities and derivatives).

### **"We see regulatory strength as a strong value proposition for our markets"**

- **99.5% timely submission of financial statements**
- **Improved scores in ASEAN CG Scorecard ratings from 62.3 in 2012 to 71.7 in 2013**
- **Analysis of Corporate Governance Disclosures in annual reports showed high level of adherence to the Listing Requirements**
- **Efficient capital raising for secondary fund raising- comparable with other markets**
- **Trading remained fair and orderly**
- **No industry-wide breaches of our business rules**
- **Our brokers' Capital Adequacy Ratios are well above the minimum requirement**

# CORPORATE GOVERNANCE STATEMENT

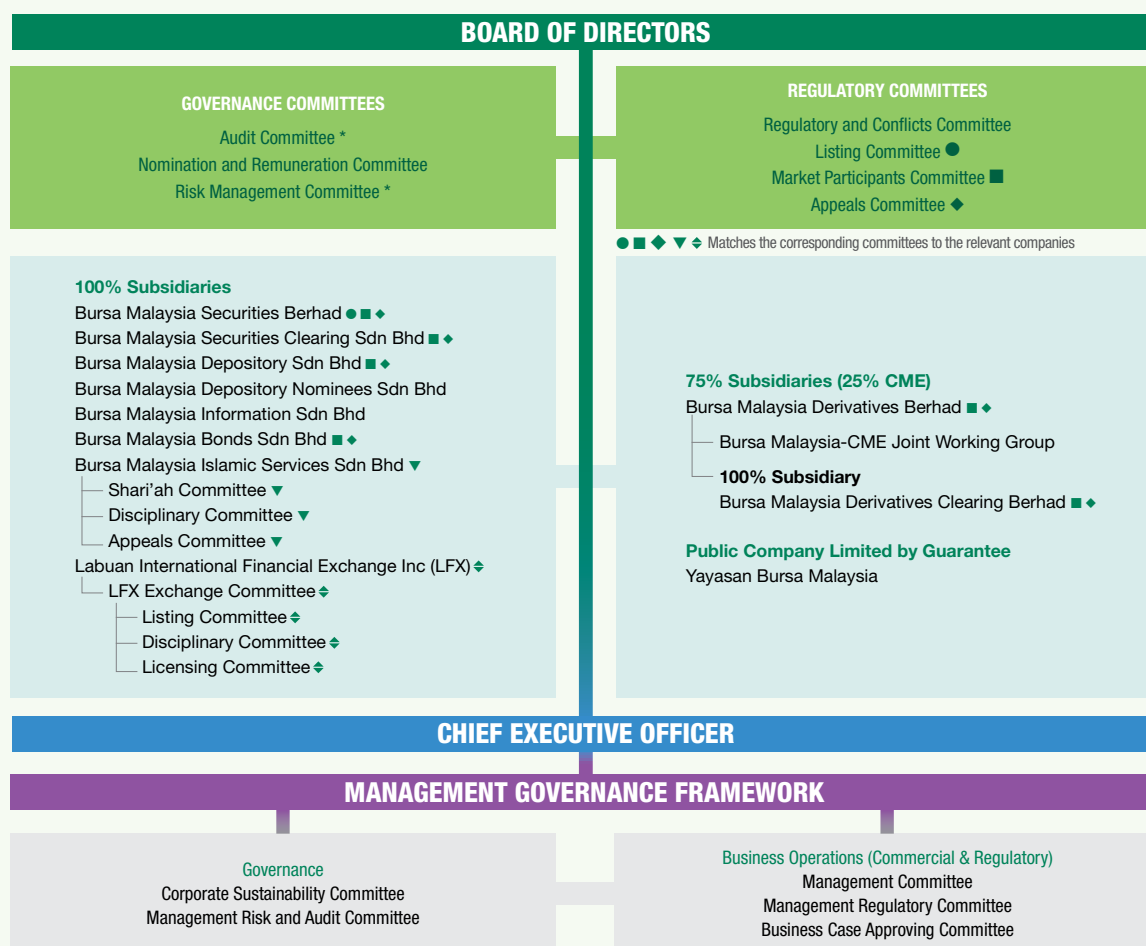
The Board of Directors of Bursa Malaysia (Board) presents this statement to provide an insight into the corporate governance (CG) practices of the Company under the leadership of the Board.

In building a sustainable business, and discharging its regulatory role, the Board is mindful of its accountability to the shareholders and various stakeholders of Bursa Malaysia. This statement demonstrates the Board's commitment to cultivating a responsible organisation by ensuring 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 the oversight and overall management of the Company. In order to ensure the effective discharge of its function and responsibilities, it has established a Governance Model for the Group where specific powers of the Board are delegated to the relevant Board Committees<sup>1</sup> and the Chief Executive Officer (CEO), as depicted below.



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 two Governance Committees, and the applicable Regulatory Committees

<sup>1</sup> Board Committees comprise three Governance Committees and four Regulatory Committees as set out in the Governance Model of Bursa Malaysia Group, after the Compensation Committee was dissolved on 11 May 2014

# CORPORATE GOVERNANCE STATEMENT

The Governance Model is supported by the Corporate Authority Manual (CAM), which clearly delineates relevant matters and applicable limits, including those reserved for the Board's approval, and those which the Board may delegate to the Board Committees, the CEO and Management. Key matters reserved for the Board's approval include the annual business plan and budget, dividend policy, business continuity plan, new issues of securities, business restructuring, expenditure above a certain limit, disposals of significant fixed assets and the acquisition or disposal of companies within the Group.

The Governance Model and the CAM are reviewed as and when required, to ensure an optimum structure for efficient and effective decision-making in the organisation. In April 2014, the Board conducted a holistic review of the Governance Model of Bursa Malaysia Group, including the structure and membership composition of the Board of subsidiaries and the Board Committees. The Governance Model document was reviewed during the year to reflect various changes arising from new requirements or for compliance with standards and best practices that were applicable to Bursa Malaysia as a listed entity, an exchange holding company (EHC) and a frontline regulator.

One of the key changes to the Governance Model in 2014 was the dissolution of the Compensation Committee (CC) following the transfer of the Securities Compensation Fund and the Derivatives Fidelity Fund to the Capital Market Compensation Corporation in 2013. All outstanding claims against the funds under the purview of the CC had been dealt with at its meetings prior to the dissolution in May 2014. In view that the Depository Compensation Fund still remains with Bursa Malaysia Group, the Board delegated to the Market Participants Committee (MPC) the authority to determine the claims made against the Depository Compensation Fund and to make related decisions on such claims. The Appeals Committee will determine any appeals arising from decisions made by the MPC in relation to the said claims.

The CAM was also reviewed in 2014, to provide clarity and the necessary updates based on changes to the Terms of Reference (TOR) of the Board Committees throughout 2014 relating to their respective authorities and responsibilities.

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 TOR<sup>2</sup>. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairman of the Board Committee and the tabling of minutes of the Board Committee meetings at Board meetings.

## 1.2 Clear roles and responsibilities

The Board has wide responsibilities which are discharged in the best interests of the Company in pursuance of its regulatory and commercial objectives. Amongst the key responsibilities of the Board are as described below:

### 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 an annual strategy planning process, whereby Management presents to the Board its recommended strategy and proposed business and regulatory plans for the following year at a dedicated session. At this session, the Board reviews and deliberates upon both Management's and its own perspectives, as well as challenges Management's views and assumptions, to deliver the best outcomes. In conjunction with this, the Board also reviews and approves the annual budget for the coming year and sets the Key Performance Indicators (KPIs) under the Corporate Balanced Scorecard (CBS).

The strategy planning process for 2014 began at an off-site Board meeting held in June 2013, where Management presented the proposed 2014-2016 strategy and framework for discussion with the Board. Subsequent to this, Management prepared and presented the 2014-2016 Business Plan, the 2014 Detailed Action Plan and Budget for the Board's review at the Board meeting in October 2013. The Director of Regulation also presented the 2014-2016 Regulatory Plan and Budget for the Board's review. Both the 2014 Business and Regulatory Plans (BRP), including the 2014 Key Action Plan, were approved by the Board at this meeting.

In June 2014, the Board conducted a mid-year review of the 2014 BRP and the Budget at an off-site meeting, where the targets set by the Board were compared against the actual performance for the year to date. The Board reviewed the sustainability, effectiveness and implementation status of the 2014 BRP, and provided guidance and input to Management, taking into consideration the need to continuously invest, build and grow the three main markets of Bursa Malaysia as well as to maintain orderly markets in line with the approved plans. In its review, the Board also discussed strategy implementation processes, identifying the internal and external factors which had supported various achievements in the past, or will constitute future challenges for Management. At the same off-site meeting, the Board gave its feedback on focus areas, key initiatives, and the product roadmap in planning the 2015 Key Action Plan.

<sup>2</sup> The TOR of each Board Committee, as well as the names of members of the Board Committees for the term of appointment from 1 July 2014 to 30 June 2015, are available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us - Corporate Governance



## CORPORATE GOVERNANCE STATEMENT

In October 2014, the Director of Regulation presented to the Regulatory and Conflicts Committee (RACC) an overview of the 2015 Regulatory Plan which provides the regulatory roadmap to discharge Bursa Malaysia's regulatory function, in conjunction with its efforts to develop capital markets. The RACC is a Board Committee responsible for overseeing the regulatory functions of Bursa Malaysia. In its review of the proposed 2015 Regulatory Plan and Budget, the RACC also considered the corresponding regulatory issues and challenges expected during this period. The RACC then approved the 2015 Regulatory Plan and Budget, and recommended the same to the Board for approval.

The 2015 BRP and the 2015 Budget and Key Action Plan were subsequently approved by the Board in October 2014.

### b. Overseeing the conduct of the Company's business

The CEO is responsible for the day-to-day management of the business and operations of the Group with respect to both its regulatory and commercial functions. He is supported by the Management Committee<sup>3</sup> and other committees established under the Group's Management Governance Framework<sup>4</sup>.

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 includes a comprehensive summary of the Group's operating drivers and financial performance during each reporting period. The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance based on the approved KPIs in the CBS.

To ensure independence of the regulatory function, the Director of Regulation provides the Board with a separate status report on a regular basis, informing the Board of actions taken by the Regulation division and providing updates on regulatory initiatives. In the first quarter of each year, Management reports to the Board on Bursa Malaysia's compliance with its regulatory duties and obligations under the Capital Markets and Services Act 2007 (CMSA) in the previous year. In March 2014, the Board reviewed the Annual Regulatory Report 2013 before it was submitted to the Securities Commission (SC) in compliance with Section 16 of the CMSA.

In May 2014, the Board reviewed the results of the 2013 employee engagement survey (EES) to assess the level of employee satisfaction. An external firm was engaged to conduct the survey to ensure improvement in the operating environment by maintaining areas of strength and improving opportunities for internal stakeholders. In June 2014, the Board considered the analysis on the key drivers of engagement at Bursa Malaysia. Group Human Resources (GHR) further presented the proposed action plans as post EES initiatives to address those areas below benchmark norms at Bursa-wide and divisional levels.

### 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 and the adequacy of compliance and control procedures throughout the organisation.

The RMC reviews and recommends the annual Corporate Risk Profile which specifies the key enterprise risks for approval by the Board. The RMC also reviews the risk management policies formulated by Management and makes relevant recommendations to the Board for approval, particularly with regard to risk oversight structure, accountability for risk management and the TOR of the RMC. In January 2014, the Board approved amendments to the TOR of the RMC to clarify its roles and responsibilities in formulating guidelines on risk management, monitoring and assessing the effectiveness of risk management and mitigation action plans, and controlling enterprise risk.

Details of the RMC and the Company's ERM framework are set out in the Statement on Internal Control and Risk Management of this Annual Report.

### d. Succession planning

The Nomination and Remuneration Committee (NRC) is responsible for reviewing candidates for key management positions and determining the remuneration for these appointments. It is also responsible for formulating nomination, selection and succession policies for members of the Board and Board Committees, the Senior Independent Non-Executive Director (SID), the CEO, the Deputy CEO, the Company Secretaries, and the Group's key management personnel. The Board is satisfied that the NRC efficiently

<sup>3</sup> The Management Committee members are as set out in the Management Committee/Senior Management section of this Annual Report

<sup>4</sup> The Management Governance Framework, which took effect from 25 May 2011, comprises two committees for governance function and three committees for business operations functions as set out under Section 1.1 of this CG Statement. It is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Corporate Governance

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and effectively discharges its functions with respect to its nomination and remuneration functions as listed in its TOR. As such, there is no need to separate the nomination and remuneration functions into distinct nomination and remuneration committees.

In discharging its responsibility on succession planning, the NRC receives succession management updates from GHR in accordance with the succession management framework which was approved by the Board in November 2012. The NRC reviews the successors' assessment results, monitors the progress of action taken, including the development programme for the readiness and potential of identified candidates to assume mission critical positions. Bursa Malaysia's behavioural competencies are mapped against the competency norm of the critical behaviours identified.

The NRC also initiated the establishment of the Deputy CEO position in the organisation, as part of the CEO succession planning. In May 2014, GHR presented to the NRC the job description, key accountabilities and reporting structure of the Deputy CEO position for the NRC's consideration. These were approved by the NRC in October 2014 when considering the appointment for this position.

In 2014, the NRC considered new appointments and renewal of service contracts of key management positions including the CEO. In ensuring that all candidates appointed to senior management positions are of sufficient calibre, the NRC considered at length the suitability of shortlisted candidates based on their profiles, professional achievements and personality assessments. Interviews were also conducted by the NRC members with shortlisted candidates to validate the assessment of the individuals. For the renewal of service contracts, the NRC considered the key management personnel's performance, contributions, achievements and deliverables for the past three years. In accordance with its TOR, the NRC would also consider their remuneration packages when finalising the terms and conditions of their service contracts.

Pursuant to Clause 12.1 under Part II: Regulatory Oversight of the Guidance on the Regulatory Role of Bursa Malaysia dated 28 March 2012, the appointment of any Management Committee position in Bursa Malaysia is subject to consultation with the SC, taking into account full and proper consideration of the SC's view on this matter. Accordingly, the SC had been consulted on all proposed appointments or renewal of service contracts for key management positions

during the year. Further, the appointment of the CEO of Bursa Malaysia is subject to the SC's approval in accordance with Section 10(5) of the CMSA. Hence, the SC's approval was also obtained in respect of the renewal of service contract of the CEO in March 2014.

The NRC undertakes annual evaluation of the performance of key management personnel based on their scorecards (except for the Head of Group Internal Audit (GIA)), whose remunerations are directly linked to performance. For this purpose, the 2013 CBS and KPI results of the CEO and relevant key management personnel were reviewed by the NRC in January 2014. The Head of GIA reports to the AC, which evaluates and reviews her performance. The CEO's annual reward allocation is reviewed by the NRC, after which it is put to the Board for a 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 IR Policy, which is available on its website. Details of the value created for shareholders through these IR activities are available in the Shareholder Value Creation 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 its effectiveness are available in the Statement on Internal Control and Risk Management of this Annual Report.

## **1.3 Formalised Ethical Standards through Code of Ethics**

The Company's codes of ethics for Directors and employees govern the standards of conduct and behaviour expected from Directors and employees respectively. The Code of Ethics for Directors includes principles relating to Directors' duties, conflicts of interest (COI) and dealings in securities. The Code of Ethics for employees promotes integrity and ethical conduct in all aspects of the Company's operations, including privacy and confidentiality of information, dealings in securities and COI. It also sets out prohibited activities or misconducts such as gifts, bribes, dishonest behaviour and sexual harassment.

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Moreover, the Company's Whistleblower Policy and Procedures (WPP) fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct or wrongdoing within the company. The Board is responsible for overseeing the implementation of the WPP for Directors, and all whistle-blowing reports are addressed to the Non-Executive Chairman of the Board or SID of Bursa Malaysia<sup>5</sup>. The AC is responsible for overseeing the implementation of the WPP for the Group's employees, whilst duties relating to the day-to-day administration of the WPP are performed by the Head of GIA. The SID is also responsible for receiving whistle-blower reports made by employees or external parties as prescribed under the WPP<sup>6</sup>.

As an EHC and a frontline regulator, internal guidelines are in place requiring certain standards of practices for the employees of Bursa Malaysia, in carrying out their functions in the organisation having regard to public interest and the need to manage conflict of interest. In November 2014, the Guidelines for Handling Conflict of Interest and Checklist were revised, as were the Contract Management Guidelines. A Capital Market Education and Integrity Fund (CMEIF) Authority and Guidelines Manual was also issued in 2014 to serve as guidance to Management on the overarching principle for the utilisation of CMEIF that is, it cannot be used to defray expenses relating to commercial activities of Bursa Malaysia.

### 1.4 Strategies promoting Sustainability

The Board promotes good CG through sustainability practices which are believed to translate into better corporate performance throughout Bursa Malaysia. A summary of these practices – which demonstrates Bursa Malaysia's commitment to the evolving global environmental, social, governance and sustainability agenda – appears in the Corporate Sustainability Statement of this Annual Report. A more detailed account can be found in the Sustainability Report, which is available on the Bursa Malaysia website.

### 1.5 Access to Information and Advice

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

Bursa Malaysia's green initiative, created in February 2013 to encourage a paperless environment for all Board and Board Governance Committee meetings, was expanded to include Board Regulatory Committee meetings subsequent to training for the members of the Regulatory Committees in December 2014. This initiative enables digital access to meeting documents instead of requiring distribution of hard copies. The customised solution also provides various functionalities which enable Directors and committee members to access various Company documents, including Board policies, procedures, rules and guidelines, which are uploaded onto personal iPads for convenient reference. As a result, Directors and committee members are able to access meeting documents and Company information in a timely and more efficient manner, thus improving Board performance and overall effectiveness of decision-making.

The Board may seek independent professional advice at the Company's expense in discharging its various duties for Bursa Malaysia. Individual Directors may also obtain independent professional or other advice in fulfilling their duties, subject to approval by the Chairman or the Board, and depending on the quantum of the fees involved.

### 1.6 Qualified and competent Company Secretaries

Both Company Secretaries of Bursa Malaysia have legal credentials, and are qualified to act as company secretary under Section 139A of the Companies Act 1965. The Company Secretaries play an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislation. The Company Secretaries also support the Board in managing the Group Governance Model to ensure its relevance and effectiveness.

The Company Secretaries ensure that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions. The Board is updated by the Company Secretaries on the follow-up of its decisions and recommendations by the Management.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions.

<sup>5</sup> The contact details are set out under Corporate Information in this Annual Report. It is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Other Corporate Information

<sup>6</sup> The whistle-blowing report form is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), Contact Us-Complaints Against Bursa Malaysia



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## 1.7 Board Charter

In addition to the TOR contained in the Company's Governance Model document which is available on the Bursa Malaysia website, the Board Charter<sup>7</sup> clearly delineates the roles and responsibilities of the Board and the Board Committees and explains the processes and procedures for their meetings. The Charter also elaborates the fiduciary and leadership functions of Directors of Bursa Malaysia, and serves as a primary reference for prospective and existing Board members and Management. The Board Charter is reviewed regularly to ensure it complies with legislation and best practices, and remains relevant and effective in the light of the Board's objectives.

## 2. STRENGTHEN COMPOSITION

### 2.1 Nominating Committee

In 2014, the NRC comprised five Non-Executive Directors (NEDs) of whom two are Public Interest Directors (PIDs) and three are Independent NEDs, where the NRC is chaired by a PID.

In January 2015, the Board approved changes to the TOR of the NRC to provide that it shall comprise four NEDs of whom one is a PID and three are Independent NEDs. Further, the NRC is to be chaired by a SID.

The TOR of the NRC provides that the NRC shall have specific responsibilities with respect to the nomination and remuneration matters, the full TOR is available on the Bursa Malaysia website. Regarding nomination, the specific responsibilities of the NRC include, amongst others:

- formulating the nomination, selection and succession policies for the members of the Board and Board Committees, as well as for the SID and CEO;
- making recommendations to the Board on new candidates for election/appointment, and re-election/re-appointment of Directors to the Board;
- making recommendations to the Board on the appointment of Nominee Directors on the functional Board of the subsidiaries of Bursa Malaysia;
- reviewing the skills, experience and other qualities of the Board annually to ensure an appropriate range and mix of capacities among members;
- reviewing and recommending to the Board the appointment of members to Board Committees established by the Board annually for each term;
- 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 and the CEO; and

- 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 and appointment (including re-election/re-appointment) of Directors are set out in a document approved by the Board, referred to as the Protocol for Appointment of Directors and Board Committee Members of Bursa Malaysia (the Protocol). In October 2014, the Protocol was amended to include the process for nominating and appointing Directors for the Boards of the subsidiaries of Bursa Malaysia. It also elaborates the process for recruiting independent candidates to serve as new members on the Regulatory Committees in accordance with the relevant criteria and membership classifications of the respective TOR of the Regulatory Committees.

The NRC is guided by the Protocol in carrying out its responsibilities in respect of the nomination, selection and appointment process which also provides the requirements under the relevant laws and regulations on the matter. In this respect, the Board has established a pool of potential Directors/Committee members 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 talent/skills required.

In its effort to promote boardroom diversity, the NRC has taken various steps to ensure that women candidates are sought from various sources as part of its recruitment exercise. Apart from the nominations which the NRC may receive from Directors, Committee members and the regulator for the pool, candidates were also sourced from NAM Institute of the Empowerment of Women (NIEW) and Malaysian Directors Academy (MINDA). Invitations were sent out to the candidates to participate in the pool by providing their particulars and confirming certain personal information which would be relevant for the NRC's reference in the process.

In January 2014, the pool was further refreshed with new candidates and nominations based on the guidelines and criteria set for the NRC's consideration.

<sup>7</sup> The Board Charter as approved by the Board in November 2013 is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Corporate Governance

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The NRC conducted a review of the candidates to identify suitable individuals for the Board who would meet the criteria of having accounting professional qualifications, business and/or finance related experience (to keep abreast of the development in accounting standards and financial reporting standards), and who have human resource management and development related experience. The NRC shortlisted two candidates in April 2014, one in accordance with the Board's gender diversity policy and the other in compliance with Paragraph 15.09 of Bursa Malaysia Securities Main Market Listing Requirements (MMLR). Prior to submitting its recommendation to the Board, two NRC members interviewed informally the shortlisted candidates to ascertain their ability to spend sufficient time on Bursa Malaysia's matters, and to gauge their suitability in creating a good mix of skills and composition in the Board. Having conducted its review, the NRC decided to recommend Mr. Pushpanathan a/l S.A. Kanagarayar to be appointed as an Independent NED of Bursa Malaysia.

The Board approved the NRC's recommendation of Mr. Pushpanathan a/l S.A. Kanagarayar in May 2014, and the SC's concurrence was sought in compliance with Section 10(1)(b) of the CMSA.

### i. Review of candidates proposed for appointment as Directors

The NRC's review of the criteria to be used in the appointment process was largely focused on ensuring a good mix of skill, experience and strength in the qualities necessary for the Board to discharge its responsibilities in an effective and competent manner. Other factors considered by the NRC include the candidates' ability to commit sufficient time and energy to Bursa Malaysia's matters, and the ability to satisfy the test of independence taking into account the candidate's character, integrity and professionalism. Diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. Diversity criteria reviewed by the NRC include experience, skills, competence, race, gender, culture and nationality.

An assessment of independence under the nomination and election process of Independent NED was conducted in line with Recommendation 3.1 of the Malaysian Code on Corporate Governance (MCCG) 2012. The NRC was satisfied that the proposed Director met the criteria for an independent director as prescribed in MMLR and its Practice Note 13 prior to recommending for the Board's approval the candidate's appointment as an Independent NED.

### ii. Review of Directors proposed for re-election/re-appointment

Pursuant to Article 69 of the Company's Articles of Association (AA), Directors (other than PIDs) are to be elected at every Annual General Meeting (AGM) of the Company when one-third of the Directors who have been the longest in office since their last election should retire. Eligible directors may seek re-election at the AGM. Based on the schedule of retirement by rotation, 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 interests of the Company in decision-making.

In December 2014, the Board approved the recommendation of the NRC that four Directors – Dato' Saiful Bahri Zainuddin, Encik Ghazali Haji Darman, Datuk Karownikaran @ Karunakaran a/l Ramasamy and Mr. Chay Wai Leong, all of whom are due to retire at the 38<sup>th</sup> AGM – be eligible to stand for re-election. All four Directors had expressed their intention to seek re-election at the 38<sup>th</sup> AGM.

Pursuant to Article 76 of the AA, Mr. Pushpanathan a/l S.A. Kanagarayar who was appointed by the Board on 23 June 2014 as Independent NED and AC Chairman of Bursa Malaysia shall hold office until the 38<sup>th</sup> AGM and shall then be eligible for re-election. As the Directors' Self and Peer Assessment (SPA) under the BEE 2013/2014 was not available for Mr. Pushpanathan a/l S.A. Kanagarayar, the NRC considered his contribution at the Board meetings which he had attended and also referred to the BEE 2013/2014 result for Listing Committee (LC) which reflected his satisfactory performance as a LC member during the assessment period.

The Board also approved the NRC's recommendation to support the re-appointment of Tan Sri Ong Leong Huat who is over the age of 70 years and scheduled to retire at the 38<sup>th</sup> AGM, in accordance with Section 129(2) of the Companies Act 1965 (CA). The approval of the re-appointment took into consideration the Directors' SPA results under the BEE 2013/2014 and his actual performance/contribution and attendance in Board meetings. However, Tan Sri Ong Leong Huat does not

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wish to seek re-appointment pursuant to Section 129(6) of the CA. Hence, he will retire at the conclusion of the 38<sup>th</sup> AGM in accordance with Section 129(2) of the CA.

Section 10(1)(b) of the CMSA requires Bursa Malaysia, as an EHC, to obtain the SC's concurrence on any proposed appointment or re-appointment of Directors (other than PIDs) on the Board of the Company. Hence, a formal submission was made to the SC in December 2014 to seek its concurrence on the re-election and re-appointment of those Directors prior to seeking the shareholders' approval at the 38<sup>th</sup> AGM. As part of the approval process, the SC conducts vetting on each Director to determine if he or she is a person of integrity, and is fit and proper to be a Director of an EHC.

The NRC reviews the composition of the Board Committees annually in accordance with the procedures set out in the Protocol. In determining candidates for appointment to the Board Committees, various factors are considered, including the time commitment of the Board Committee members in discharging their role and responsibilities through attendance at their respective meetings. The attendance at Board Committee meetings during the financial year ended 31 December 2014 is provided under Section 4.1 of this CG Statement.

The NRC also refers to the results of the Board Committee Effectiveness Assessment and Board Committee members' SPA under the BEE, to ensure that feedback given is taken into consideration by the relevant Board Committees in determining action plans for enhancements.

### 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 in this assessment, with the last one conducted by an external consultant in 2011. KPMG Management & Risk Consulting Sdn Bhd (KPMG) was appointed on 18 June 2014 to carry out the BEE 2013/2014 for the period from 1 July 2013 to 30 June 2014. In July 2014, the BEE was conducted by the external consultant, KPMG via questionnaires, that included a Board and Board Committee Effectiveness Assessment, Individual Directors'/ Independent Individuals' and/or Board Committee members' SPA. The NRC had in October 2014 reviewed the outcome of the BEE and recommended to the Board on areas which had been identified for improvement.

The effectiveness of the Board is assessed in the areas of Board mix/diversity, composition and governance, quality of information and decision-making and Boardroom activities, as well as in terms of each Director's skill set matrix. 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 effectiveness of the Board Committees is assessed in terms of composition and governance, meeting administration and conduct, skills and competencies, and roles and responsibilities.

The Directors' SPAs are intended to assess their contribution, performance, calibre and personality in relation to the skills, experience and other qualities they bring to the Board. The SPA process also examines the ability of each Board or Committee member to give input at meetings and to demonstrate a high level of professionalism and integrity in the decision-making process. It also takes into account the ability of each individual Director and Board Committee member to exercise independent judgement and demonstrate objectivity and clarity of thought on issues during deliberations at meetings, provide logical honest opinion, offer practical and realistic advice to the Board and/or Committee discussions. The results of these assessments form the basis of the NRC's recommendations to the Board for the re-election and re-appointment of Directors at the next AGM, and the re-appointment of Board Committee members for the ensuing term of one year from 1 July 2015.

In December 2014, each Board 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's policy on gender diversity is to have two women Directors by 2013 and three women Directors by 2016. In 2014, the NRC reviewed the refreshed pool of candidates, taking into account candidate criteria as determined by the NRC and approved by the Board.

In February 2014, Dato' Zuraidah Atan was appointed as PID to replace Datuk Puteh Rukiah Abd Majid, who retired on 26 May 2013. After the retirement of Datuk Dr. Syed Muhamad Syed Abdul Kadir on 4 August 2014, Puan Eshah Meor Suleiman was appointed PID on 1 November 2014. With the



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appointment of these two women Directors, the target of the Board's gender diversity policy was met in the fourth quarter of 2014.

The NRC would consider the appointment of an Independent NED in pursuit of its target of three women directors by 2016, taking into account the combination of skill, experience and strength in the qualities necessary to strengthen the composition of the Board. Pending this appointment by 2016, the Board shall retain its size at 11.

### d. Appointment of SID

Dato' Saiful Bahri Zainuddin who served as a member of the NRC since 12 May 2009 was appointed the SID for 2014, replacing the SID for 2013, Tan Sri Ong Leong Huat.

Prior to expiry of the term of appointment of the fourth SID in December 2014, the NRC undertook the nomination process to recommend a new SID for 2015, who will carry out the responsibilities in accordance with the TOR of the SID<sup>8</sup>. As Dato' Saiful Bahri Zainuddin is one of the longest serving Independent NEDs of Bursa Malaysia, the Board had in December 2014 extended his term of appointment as SID for a further one-year term commencing 1 January 2015.

## 2.3 Remuneration policies

The specific responsibilities of the NRC in relation to remuneration matters as set out under its TOR include, amongst others:

- formulating and reviewing the remuneration policies and remuneration for the members of the Board, Board Committees, and the CEO, and recommending 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 NRC has also been appointed by the Board to implement and administer the Share Grant Plan (SGP) in accordance with the SGP By-Laws which was approved by the shareholders, since 26 May 2011.

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals serving as members of the Board Regulatory Committees. The Board has thus established formal and transparent remuneration policies and procedures for the Board and Board

Committees. The NRC reviews the Board remuneration policy annually, and in the course of deliberating on the remuneration policy, considers various factors including the NEDs' fiduciary duties, time commitments expected of NEDs and Board Committee members and the Company's performance and market condition. The NRC also takes into consideration remuneration of directors of other public listed companies (PLCs), particularly those in the financial sector, government-linked companies and other stock exchanges to ensure that the Board's remuneration policies are competitive in reflecting the prevalent market rate.

In January 2014, the Board approved the NRC's recommendation to maintain the same remuneration policy and fees of the NEDs as in 2013, which in turn were approved by the shareholders at the 37<sup>th</sup> AGM. The Board decided to maintain the remuneration level for the fifth consecutive year in view of having a comprehensive Board remuneration review by an external consultant.

The remuneration policy for the NEDs comprises the following:

### a. Directors' Fees

The Directors' Fees are at 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 33<sup>rd</sup>, 34<sup>th</sup>, 35<sup>th</sup>, 36<sup>th</sup> and 37<sup>th</sup> AGMs for 2009, 2010, 2011, 2012 and 2013 respectively).

In June 2014, the Board via NRC engaged KPMG to conduct a Board remuneration review to ascertain the competitiveness of the Board's remuneration policy in comparison with other PLCs and exchanges (Comparator Companies and Comparator Exchanges). This is to ensure that current remuneration levels are sufficient to attract, retain and motivate qualified directors to serve on the Board. Between July and September 2014, the NRC had reviewed Bursa's positioning on the Directors' remuneration over the past 10 years from 2004 to 2013.

In benchmarking against an average remuneration of the market of Comparator Exchanges and Comparator Companies, the Board in September 2014 approved the NRC's recommendation for revision based on a comparative analysis of the remuneration of the NEDs, taking into account the increasing responsibilities and time commitment expected of them. The NEDs' fees in respect of 2014 is proposed to increase to RM150,000 per annum for the Chairman and RM100,000 per annum for each NED of Bursa Malaysia. This is subject to shareholders' approval at the forthcoming 38<sup>th</sup> AGM.

<sup>8</sup> The TOR of the SID is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Corporate Governance

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## b. Meeting allowance for each Board or Board Committee<sup>9</sup> meeting attended by a NED

Meeting allowances for Board and Board Committee meetings as approved by the Board in 2012 remain the same as follows:

Meeting Allowance for	Board of Directors	Board Committees
Chairman	RM4,000	RM2,500
Member	RM2,000	RM1,500

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

In addition, members of the Regulatory Committee who are not Directors of Bursa Malaysia have been paid a monthly fixed allowance of RM1,000 since 2010, so as to retain and motivate qualified individuals to serve in view of the duties, responsibilities and time commitments expected of them.

## 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 employees of the Group. They are given other allowances, such as travelling and mobile phone allowances. The Chairman is also provided with a monthly fixed allowance, which was revised from RM50,000 to RM52,000 effective 1 January 2014 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 so as 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.

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. The award of Plan Shares to the CEO in 2014 had been announced via Bursa LINK on 31 March 2014 and 1 July 2014.

In addition to the above, the Directors have the benefit of Directors & 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 sets out policies and procedures to ensure the effectiveness of the Independent NEDs on the Board, including new appointments. The Board, through the NRC, annually assesses the independence of NEDs using the Directors' SPA under the BEE. This is in line with Recommendation 3.1 of the MCCG 2012, as one of the factors in determining the NEDs' eligibility to stand for re-election/re-appointment.

Based on the above assessment in 2014, the Board is satisfied with the level of independence demonstrated by all the NEDs and their ability to act in the best interests of the Company during deliberations at Board meetings.

With regard to the five Independent NEDs who are eligible to stand for re-election at the forthcoming 38<sup>th</sup> AGM (as mentioned under Section 2.2.a.ii of this CG Statement), the NRC is satisfied that they are independent of management and free from any business or other relationships which could interfere with their exercise of independent judgement, objectivity or ability to act in the best interests of the Company. The Board, therefore, recommends and supports their proposed re-election in accordance with Article 69 and Article 76 of the AA.

### 3.2 Tenure of Independent Director

The Board has implemented a nine-year policy for Independent NEDs, in line with Recommendation 3.2 of the MCCG 2012. The Directors among the first batch of Independent NEDs of the demutualised Bursa Malaysia had already retired on a gradual basis at the 35<sup>th</sup> and 36<sup>th</sup> AGMs to enable the progressive refreshing of the Board in line with best CG practice.

<sup>9</sup> Information on the composition, number of meetings held and attendance of meetings of the Board and all Board Committees is set out under Section 4.1 of this CG Statement

# CORPORATE GOVERNANCE STATEMENT

All NEDs have served the Board for less than nine years, except for the outgoing Chairman of the Board of Bursa Malaysia, Tun Mohamed Dzaiddin Haji Abdullah who has served on the Board of Bursa Malaysia for 11 years from 1 March 2004 to 28 February 2015. Tan Sri Amirsham A Aziz, who is appointed by the Minister of Finance (MOF) in consultation with the SC pursuant to Section 10(1)(a) and (3) of the CMSA, will succeed as a PID and Chairman of the Board of Bursa Malaysia effective 1 March 2015. The tenures of service of the Directors are set out in the Board of Directors' Profiles of this Annual Report.

### 3.3 Shareholders' approval for re-appointment as Independent Non-Executive Director after a tenure of nine years

Currently, none of the Independent NEDs of Bursa Malaysia has served the Board for nine years.

### 3.4 Separation of positions of the Chairman and CEO

As a PID, the Chairman 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 their clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.

### 3.5 Composition of the Board

The Board of Bursa Malaysia, chaired by a PID, comprises 11 Directors of whom four are PIDs, six are Independent NEDs and one is an Executive Director who also serves as the CEO. Section 10(1)(a) of the CMSA provides that one-third of the Board shall be PIDs, including the Chairman. Their appointment by the MOF in consultation with the SC, is in line with the requirements of the CMSA for the Company to act in the public interest, having particular regard for investors in performing its duties as an EHC.

The Independent NEDs account for more than 50% of the Board, where the Chairman of the Board is not an independent director pursuant to Recommendation 3.5 of the MCGG 2012. The Directors play an active role in the Board's decision-making process, offering vast experience and knowledge as well as independence and objectivity, acting in the best interests of Bursa Malaysia, and thereby safeguarding the public interests.

## 4. FOSTER COMMITMENT

### 4.1 Time commitment

The TOR of the Board of Directors was amended in 2014 to set higher quorum and attendance requirements in Board meetings. The quorum for Board meetings was revised from at least 50% to two-thirds of the number of Directors on the Board, while Board meeting attendance requirement for Directors was revised from at least 50% to 75% attendance.

All the Directors had attended at least 75% of all Board of Directors and Board Committee meetings held in 2014. The quorum of Board meetings had been met with attendance of not less than seven out of 10 Directors who participated in decision-making at each Board meeting. This is evidenced by the attendance record set out in the table below. The NEDs met twice in 2014 without the presence of the CEO and Executive Director. The attendance of individual Regulatory Committee members who are not Directors of Bursa Malaysia is also provided in the same table.

<span style="color: green;">■</span>	Chairman
<span style="color: blue;">■</span>	Member
<span style="color: grey;">■</span>	Non-member

#### Notes:

- + from 1 July 2014
- ~ up to 30 June 2014
- # resigned on 10 February 2014 and no MPC meeting held between 1 January 2014 and 9 February 2014
- \* no RACC held between 1 July 2014 and 4 August 2014
- ∞ Two NED meetings were held in 2014 i.e. on 19 June 2014 and 6 December 2014 respectively
- \*\* Two meetings were held between the AC and the external auditors, Ernst & Young i.e. on 16 October 2014 and 20 November 2014 respectively
- ^ dissolved on 11 May 2014
- 10 appointed as Public Interest Director on 19 February 2014
- 11 appointed as Public Interest Director on 1 November 2014
- 12 retired as Public Interest Director with effect from 5 August 2014
- 13 appointed as Independent Non-Executive Director on 23 June 2014
- 14 retired as Independent Non-Executive Director at the 37<sup>th</sup> AGM held on 27 March 2014



## CORPORATE GOVERNANCE STATEMENT

	Board of Directors	∞ NED Meeting	Board Committees							
			Governance Committees			Regulatory Committees				
Name			AC**	RMC	NRC	RACC	LC	MPC	CC^	APC
Non-Executive and Public Interest Directors										
Tun Mohamed Dzaiddin Haji Abdullah (Chairman)	9/11	2/2			11/11	7/7				7/8
Datuk Dr. Md Tap Salleh	10/11	2/2			11/11	7/7	13/13			
Dato' Zuraidah Atan <sup>10</sup>	7/9	2/2		1/1 ~		3/4				
Eshah Meor Suleiman <sup>11</sup>	1/1	1/1	1/1			2/2		1/1		
Datuk Dr. Syed Muhamad Syed Abdul Kadir <sup>12</sup>	8/8	1/1	2/3			—+*		5/5		
Independent Non-Executive Directors										
Dato' Saiful Bahri Zainuddin	10/11	2/2		5/5	10/11			4/4 ~		
Tan Sri Ong Leong Huat @ Wong Joo Hwa	9/11	1/2		2/2 ~	10/11				1/1	
Datuk Karownikaran @ Karunakaran a/l Ramasamy	11/11	2/2	2/2 ~	3/3 +	11/11	7/7				6/8
Chay Wai Leong	11/11	2/2	4/5	3/3 +			5/6 ~			
Ghazali Haji Darman	11/11	2/2	5/5	5/5				7/7		
Pushpanathan a/l S.A. Kanagarayar <sup>13</sup>	3/4	0/1	3/3				13/13			
Tan Sri Datuk Dr. Abdul Samad Haji Alias <sup>14</sup>	3/3	—	1/1			1/2	1/2			
Non-Independent Executive Director										
Dato' Tajuddin Atan (CEO)	11/11									
Independent individuals with significant and relevant industry experience										
Dato' Thomas Lee Mun Lung										5/8
Dato' Mohammed Adnan Datuk Shuaib										8/8
Datuk Syed Zaid Syed Jaffar Albar										6/8
Cheah Tek Kuang								3/4 ~		3/5 +
Kuok Wee Kiat										5/5 +
Ooi Giap Ch'ng										5/5 +
Wong Chong Wah							10/13			
Yon See Ting							12/13			
Salwah Abdul Shukor							11/13		1/1	
Dato' Sri Abdul Hamidy Abdul Hafiz							11/13			
Prof. Dr. Aiman @ Nariman Mohd Sulaiman							6/7 +			
Datuk Mohd Nasir Ahmad							6/7 +			
Dato' Feizal Mustapha							7/7 +			
Lee Kha Loon							7/7 +			
Gan Kim Khoon							6/6 ~			
Assoc. Prof. Dr. Shanthi a/p Rachagan							6/6 ~			
Khoo Guan Huat								5/7		
Dato' Abdul Shukor Ahmad								5/7		
Azura Azman								6/7		
Dato' Dr. Zaha Rina Zahari								3/3 +		
Azila Abdul Aziz								2/3 +		
Datuk Noripah Kamso								3/3 +		
Dato' Wan Asmadi Wan Ahmad								3/3 +		
Dr. Chung Tin Fah								3/3 +		
Prof. Dr. Muhammad Rizal Salim								4/4 ~		
Natarajan a/l Narayanasamy								#		
John Mathew a/l Mathai									1/1	
<b>Total number of meetings for 2014</b>	<b>11</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>11</b>	<b>7</b>	<b>13</b>	<b>7</b>	<b>1</b>	<b>8</b>

# CORPORATE GOVERNANCE STATEMENT

## a. Protocol for Appointment of Director

To ensure that Directors have sufficient time to 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 (as prescribed in Paragraph 15.06 of MMLR).

Under Recommendation 4.1 of the MCCG 2012, the Board should stipulate the expectations of time commitments for members who accept new directorships. The Protocol requires the Directors to notify the Chairman before accepting any new directorship. The notification should include an indication of the time that will be spent on the new appointment. This information will be shared with the Board, together with a quarterly update by individual Directors on their directorships and shareholdings in Bursa Malaysia, to confirm the Board members' commitment in devoting sufficient time to carry out their responsibilities.

Such information is also used to monitor the number of directorships held by the Directors of Bursa Malaysia, particularly those on PLCs, and to notify the Companies Commission of Malaysia of any changes in other directorships on public companies.

The Protocol has been further updated to formalise the processes undertaken by the NRC and the Board in assessing the performance, contribution and independence of the NEDs for determining the eligibility of Directors to stand for re-election or re-appointment at the AGM, in line with Recommendation 3.1 of the MCCG 2012. The nomination and selection process for the pool of independent candidates was also formalised, as the NRC determines the eligibility of the candidates in terms of their qualifications and professional membership, relevant background and industry experience, as well as knowledge and expertise in line with the membership classifications of the respective Regulatory Committees for which they are being considered.

With the proposed establishment of the functional Board of the subsidiaries within the Group, the NRC's role has expanded to be responsible for reviewing the suitability of Directors of the EHC and the suitability of external independent individuals with relevant industry experience to sit on the Board of subsidiary companies as Nominee Directors of Bursa Malaysia. This was also incorporated in the Protocol which was approved by the Board in October 2014.

## b. Annual Meeting Calendar

To facilitate the Directors' planning, an annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with 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. This calendar is available on the electronic devices provided to all Directors.

## 4.2 Training

The Board takes a strong view on 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 that requires 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 shall further determine the areas of training that he or she may require for personal development as a Director or Board Committee member. The Company Secretaries arrange for the Directors' attendance at these training programmes, which are conducted either in-house or by external service providers.

The newly appointed PIDs, Dato' Zuraidah Atan and Puan Eshah Meor Suleiman had completed the Mandatory Accreditation Programme (MAP) in August 2005 and August 2001 respectively when they were first appointed as directors of listed issuers. Mr. Pushpanathan a/I S.A. Kanagarayar, an Independent NED had also completed the MAP in March 2013 when he was first appointed as a director of a listed issuer. All three individuals attended the induction programme organised by the Company Secretaries to be familiarised with the Group's business and governance process. They were also familiarised with operations through briefings by the relevant Management teams.

The Directors observe Principle 4 of the MCCG 2012 by attending conferences, briefings and workshops to update their knowledge and enhance their skills. All Directors of Bursa Malaysia attended at least five training programmes in 2014, of which at least three programmes focused on capital market development. The three newly appointed Directors have also met the requirements on a pro-rated basis since the dates of their respective appointments.

Overall, the development programmes focused on CG (including audit, risk management and internal audit), leadership, legal and business management and financial and capital markets. The Directors were also invited to attend series of talks organised by Bursa Malaysia and various professional associations and regulatory bodies. Some Directors attended conferences and seminars as guest speakers, panellists or moderators. The Directors also attended the two main conferences on

# CORPORATE GOVERNANCE STATEMENT

capital markets organised by the Company, namely Invest Malaysia 2014 held on 9-10 June 2014 and the Palm & Lauric Oils Conference held on 4-5 March 2014.

In 2014, several in-house development programmes were organised for Directors as below:

- Derivatives Trading, Global Trends and Moving Forward, 20 June 2014
- Environmental, Social & Governance (ESG) Index, 19 August 2014
- Peeking into the Future, 7 December 2014
- Boardpac application training on iPads for Directors and Regulatory Committee members.

The Directors also attended various external programmes, including the following:

## Corporate Governance

### (including audit, risk management and internal control)

- Financial Institutions Directors' Education (FIDE) Programme: Human Capital Management in the Boardroom and "C" Suite Programme Tools and Techniques for Nominating and Remuneration Committee, 18 February 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Directors' Forum on The Innovation Zone: Unleashing The Mindset, 23-25 February 2014 (Attended by En. Ghazali Haji Darman)
- Corporate Governance Guide: Towards Boardroom Excellence, 26 March 2014 (Attended by Dato' Saiful Bahri Zainuddin)
- Corporate Integrity, 2 April 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Director Duties, Governance and Regulatory Updates Seminar, 22 April 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Roundtable on the Malaysian Code for Institutional Investors, 27 June 2014 (Attended by Tun Mohamed Dzaiddin Haji Abdullah)
- International Financial Reporting Standards: Train the Trainer Session, 30 June 2014 & 1 July 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- Annual Risk Workshop, 22 July 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Enhancing Internal Audit Practice, 13 August 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- FIDE Forum: Risks – From Whereof?, 21 August 2014 (Attended by Tun Mohamed Dzaiddin Haji Abdullah)
- Appreciation and Application of ASEAN Corporate Governance Scorecard by Minority Shareholder Watchdog Group, 21 August 2014 (Attended by Dato' Saiful Bahri Zainuddin, Tan Sri Ong Leong Huat and Mr. Pushpanathan S.A. Kanagarayar)
- FIDE: Board Strategic Leadership in Managing Cyber Security Risk and Financial Institutions, 27 August 2014 (Attended by Mr. Chay Wai Leong)

- Board Risk Intelligence: Risk Governance into Practice, 3-4 September 2014 (Attended by En. Ghazali Haji Darman)
- ASEAN Corporate Governance Summit 2014: Governance and Regulatory Updates 1-2 October 2014 (Attended by Dato' Saiful Bahri Zainuddin, Tan Sri Ong Leong Huat, En. Ghazali Haji Darman and Mr. Pushpanathan S.A. Kanagarayar)
- Great Companies Deserve Great Boards and Great Boards Leading the Way for Highly Innovative Companies, 8 October 2014 (Attended by Dato' Zuraidah Atan)
- Great Companies Deserve Great Boards, 10 October 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- Emerging Risk Surrounding the Financial Risk Industry, 6 November 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Nominating Committee 2 Programme: Board Effectiveness and Succession Planning, 28 August 2014 / 9 October 2014 / 18 November 2014 (Attended by Dato' Saiful Bahri Zainuddin / Tan Sri Ong Leong Huat / Datuk Dr. Md Tap Salleh respectively)

## Leadership, Legal and Business Management

- 3<sup>rd</sup> Annual National Procurement & Integrity Forum for the Public and Private Sectors 2014, 16 January 2014 (Attended by Datuk Dr. Md Tap Salleh)
- Post Auditor General's Report 2012: Learning from Project Management Mistakes, 21 January 2014 (Attended by Datuk Dr. Md Tap Salleh)
- ICLIF Leadership & Governance Centre: Asian Leadership Index, 1 April 2014 (Attended by Tun Mohamed Dzaiddin Haji Abdullah)
- Advanced Leadership and Management Programme, 4 April 2014 (Attended by Datuk Dr. Md Tap Salleh)
- Corruption in Malaysia: The Making of an Unequal Society, 7 April 2014 (Attended by Datuk Dr. Md Tap Salleh)
- International Corporate Sustainability Conference: Showcasing Bursa Malaysia's Leading Example, 16-17 April 2014 (Attended by Tun Mohamed Dzaiddin Haji Abdullah)
- Common Offences Committed by Directors under the Companies Act 1965: Pitfalls and Remedies, 16 May 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Technology for the Future Conference, 19-20 May 2014 (Attended by Dato' Tajuddin Atan)
- Business Leaders Dialogue, 26 August 2014 (Attended by Dato' Tajuddin Atan)
- Innovating Malaysia Conference 2014: Return on Innovation - Dialogue Session (Attended by Dato' Tajuddin Atan)
- International Seminar on Goods and Services Tax, 15 September 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- Leadership Energy Summit Asia 2014: 1-2 October 2014 (Attended by Mr. Chay Wai Leong)
- International Conference on Financial Crime & Terrorism Financing 2014: Evolution of Compliance, Are We Ready, 8-9 October 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)



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- Building a Stronger Organisation through Talent & Culture, 15 October 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- Anti-Money Laundering/Counter Financing of Terrorism, 28 October 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Global Financial Leadership Conference, 17-18 November 2014 (Attended by Tun Mohamed Dzaiddin Haji Abdullah, and Dato' Tajuddin Atan)
- Goods and Services Tax: Implication on Director's Fee, 4 December 2014 (Attended by Mr. Chay Wai Leong)
- The Companies Bill: The Significant Changes for Directors, 22 December 2014 (Attended by Dato' Zuraidah Atan)

## Financial and Capital Markets

- 5<sup>th</sup> Securities Commission-Oxford Centre for Islamic Studies Roundtable: "Harnessing Waqf into a Bankable Social Financing and Investment", 21-22 March 2014 (Attended by Tun Mohamed Dzaiddin Haji Abdullah)
- FIDE Forum: Economic & Financial Services Sector - Trends and Challenges Moving Forward, 24 March 2014 (Attended by Tun Mohamed Dzaiddin Haji Abdullah)
- 1<sup>st</sup> Annual Gold & Precious Metals – Price Outlook Symposium: "Will Gold Still Glitter in 2014?", 28 June 2014 (Attended by Dato' Zuraidah Atan)
- Crude and Petroleum Commodity Hedging Program, 7 July 2014 (Attended by Dato' Zuraidah Atan)
- Towards a Sustainable Financial System, 21 August 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- 54<sup>th</sup> General Assembly of the World Federation of Exchanges, 27 October 2014-1 November 2014 (Attended by Dato' Tajuddin Atan)

An off-site development session was held on 30 October 2014 for the Listing Committee to deliberate its enforcement policies and the impact with regard to key breaches, and related issues and challenges. The Market Participants Committee held its off-site development session on 18 November 2014 to inform members of updates regarding Bursa Malaysia's supervision approach and observations, common areas of breach, proposed enforcement actions and policies, and related issues and challenges. The Appeals Committee had its first off-site development session on 3 December 2014 to deliberate on enforcement updates, false trading and market manipulation, having regard to the overview of the regulatory function and direction.

In 2014, induction programmes for the newly appointed Board Regulatory Committee members were arranged and attended by relevant Management teams to brief them on the regulatory role of the Group.

## 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, including its position and future prospects through the issuance of Annual Audited Financial Statements and quarterly financial reports, and through corporate announcements on significant developments affecting the Company in accordance with MMLR.

The AC Chairman Mr. Pushpanathan a/l S.A. Kanagarayar<sup>15</sup>, a member of three professional accounting organisations, together with AC members, all of whom are financially literate, reviewed the Company's financial statements in the presence of both external and internal auditors prior to recommending them for approval by the Board and issuance to stakeholders.

The Chief Financial Officer (CFO) formally presented to the AC and the Board details of revenues and expenditures in the form of charts for review of quarter-to-quarter and year-to-date financial performance against budget. The Chairman's Message, the CEO's Message, and the Management Discussion and Analysis of this Annual Report all provide additional analysis and commentary on the Group's financial performance.

As part of the governance process in reviewing the quarterly and yearly financial statements by the AC, the CFO provided assurance to the AC on a quarterly basis that appropriate accounting policies had been adopted and applied consistently; that the going concern basis applied in the Condensed Consolidated Financial Statements (CCFS) and Annual Financial Statements was appropriate; that prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards (MFRSs); that adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, International Financial Reporting Standards and MMLR; and that the CCFS and Annual Financial Statements did not contain material misstatement and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2014.

In addition to the above, the Head of GIA 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 noted which would pose a high risk to the overall system of internal control under review.

<sup>15</sup> Mr. Pushpanathan a/l S.A. Kanagarayar's profile is set out in the Board of Directors' Profile of this Annual Report

# CORPORATE GOVERNANCE STATEMENT

## 5.2 Assessment of suitability and independence of external auditors

The AC at its meeting held on 26 January 2015 undertook 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. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of Messrs. Ernst & Young (EY) and the level of non-audit services to be rendered by EY to the Company for the financial year 2015.

Being satisfied with EY's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Auditor Independence Policy, the AC recommended the appointment of EY as external auditors for the financial year ending 31 December 2015, with the rotation of audit engagement partner. The Board at its meeting held on 29 January 2015 approved the AC's recommendation for the shareholders' approval to be sought at the 38<sup>th</sup> AGM on the appointment of EY as external auditors of the Company for the financial year 2015.

## 6. RECOGNISE AND MANAGE RISKS

### 6.1 Sound framework to manage risks

The RMC oversees the ERM framework of the Group and 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 Head of GIA who reports directly to the AC.

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

## 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, 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 to enhance awareness of corporate disclosure requirements among employees. Clear roles and responsibilities of Directors, Management and employees are provided together with the levels of authority to be accorded to 'designated person(s)'<sup>16</sup>, spokespersons and committees in the handling and disclosure of material information. The persons responsible for preparing the disclosure will conduct due diligence and proper verification, and coordinate the timely disclosure of material information to the investing public.

The Company has put in place an internal policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and other 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 includes a Corporate section which provides all relevant information on the Company, and it is accessible to the public. This Corporate section enhances the Investor Relations function by including all announcements made by Bursa Malaysia, share price information, annual reports and the corporate and governance structure of Bursa Malaysia. Notices of general meetings, minutes of general meetings, slide presentations made at such meetings and webcasts are also made available on the Bursa Malaysia website for the benefit of shareholders unable to attend meetings.

The Company has utilised information technology to more broadly and effectively disseminate information with regard to the dates scheduled for release of its quarterly results. After the end of every quarter, the Company Secretary will announce these dates in advance via Bursa LINK.

The quarterly financial results are announced via Bursa LINK immediately after the Board's approval between 12.30 p.m. and 1.30 p.m. on the same day and analyst/media briefings are conducted for second and fourth quarterly financial results. This is important in ensuring equal and fair access to information by the investing public.

<sup>16</sup> Name and contact information are available at [www.bursamalaysia.com](http://www.bursamalaysia.com), Contact Us-Contact Details

# CORPORATE GOVERNANCE STATEMENT

## 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Encourage shareholder participation at general meetings

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

Bursa Malaysia distributes an Administrative Guide when giving notice of the AGM, which provides information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM, their right to appoint a proxy and information as to who may count as a proxy. The Company allows a member to appoint a proxy who may but need not be a member of the Company. If the proxy is not a member of the Company, he or she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

At the 37<sup>th</sup> AGM held on 27 March 2014, the Chairman briefed members, corporate representatives and proxies who were present of their right to speak and vote on the resolutions set out in the Notice of 37<sup>th</sup> AGM dated 27 February 2014. This is in line with Paragraph 7.21A(2) of MMLR for promoting participation of members through proxies.

Commencing with the 35<sup>th</sup> 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 or by corporate representative, proxy or attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote both on a show of hands and on a poll as if they were a member of the Company.

In line with Section 145A of the CA, the AA of the Company has been amended to allow for the use of technology to facilitate shareholders' participation at general meetings.

### 8.2 Encourage poll voting

In line with international best practice in CG, voting at the 37<sup>th</sup> AGM, held on 27 March 2014, was conducted by poll, instead of by a show of hands. Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognised, in accordance with the principle of 'one share one vote'. The practice thus enforces greater shareholder rights, and allows shareholders who appoint the Chairman of the Meeting as their proxy to have their votes properly counted in fulfilment of their voting rights.

In accordance with Article 54 of the AA, the Chairman of the Meeting exercised his right to demand a poll with respect to all resolutions which were put to vote at the 37<sup>th</sup> AGM except for two resolutions on which he was required to abstain from voting. Two other shareholders demanded poll voting for Resolutions 6 and 8 as set out in the Notice of 37<sup>th</sup> AGM.

Voting slips for the 37<sup>th</sup> AGM were issued by the Share Registrar upon registration, and were pre-printed with details of the shareholder's name, identity card number/company number and number of shares held. The polling process for the resolutions was conducted upon completion of deliberation of all items to be transacted at the 37<sup>th</sup> AGM.

Article 55 of the AA allows poll voting to be conducted manually using voting slips, or electronically using various electronic voting devices, for the purpose of more efficiently determining the outcome of resolutions.

The 37<sup>th</sup> AGM was adjourned for the Poll Administrator, Tricor Investor Services Sdn Bhd to commence the poll vote count, where the votes as cast on the voting slips were input for computation using an electronic system. The results of the poll were verified by the Scrutineers, Ernst & Young. The meeting resumed and the results of the poll for each resolution, including votes in favour and against, were announced by the Scrutineers, upon which the Chairman declared whether the resolutions were carried. The poll results were also announced by Bursa Malaysia via Bursa LINK on the same day for the benefit of all shareholders.

### 8.3 Effective communication and proactive engagements

At the 37<sup>th</sup> AGM, all 11 Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company. The proceedings of the 37<sup>th</sup> AGM included the CEO's presentation of the Company's operating and financial performance for 2013, the presentation of the external auditors' unqualified report to the shareholders, and a Questions & Answers 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 37<sup>th</sup> 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

This Statement on the Company's CG practices is made in compliance with Paragraphs 15.25 and 15.08A of MMLR.

The Board is satisfied that in 2014, the Company fully complied with the principles and recommendations of the MCCG 2012.

This Statement was approved by the Board on 29 January 2015.



# STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

**The Board of Directors of Bursa Malaysia is committed to maintaining a sound internal control and risk management system. Each business unit or 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 and risk management in 2014.**

## 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 matters. The Board recognises that this system is designed to manage, rather than eliminate, the risks of not adhering to the Group's policies and achieving goals and objectives within the risk tolerance established by the Board and Management. Therefore, the system provides reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.

In 2014, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee (AC) in relation to the internal audits conducted by Group Internal Audit (GIA) during the year. Audit issues and actions taken by Management to address the issues tabled by GIA were deliberated during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

A Risk Management Committee (RMC) was established and maintained in accordance with Section 22 of the Capital Markets and Services Act 2007 (CMSA) to provide risk oversight and ensure prudent risk management of Bursa Malaysia's business and operations. At its meetings in 2014, the RMC reviewed, deliberated and provided advice on matters pertaining to the key corporate risks, risk assessment of projects and programmes, operational risks and mitigation measures, as well as enterprise risk management (ERM) activities.

Internal control and risk-related matters which warranted the attention of the Board were recommended by the AC and RMC to the Board for its approval and matters or decisions made within the AC and RMC's purview were updated to the Board for its notation.

## KEY INTERNAL CONTROL PROCESSES

The Group's internal control system comprises 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 unduly influence any regulatory decision made by the Regulation unit. It is Bursa Malaysia's statutory duty to always act in the best interest of the public, with particular regard for the need to protect investors. Public Interest Directors are appointed by the Minister of Finance to Bursa Malaysia's Board to ensure decisions are made in the public interest.

To this end, regulatory committees have been set up to deliberate and decide on regulatory matters to ensure Bursa Malaysia upholds its obligation to safeguard the public interest. These committees, apart from Board members, comprise independent individuals with significant and relevant industry experience.

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

### 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 periodically 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 the governance function and three committees for the 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. These are deliberated and approved by the Board before implementation.
- b. The Board is updated on the Group's performance at scheduled meetings. The Group's business plan and budget performance for the year are 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, which informs the Securities Commission (SC), under Section 16 of the CMSA, of the extent to which Bursa Malaysia and its subsidiaries have complied with their duties and obligations under Sections 11 and 21 of the CMSA.

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

- d. The Director of Corporate Services, who is also the Chief Financial Officer (CFO), is required to provide assurance to the AC that appropriate accounting policies have been adopted and applied consistently, the going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements is appropriate; and that prudent judgements and reasonable estimates have been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards (MFRSs). The CFO also assures that adequate processes and controls are in place for effective and efficient financial reporting and disclosures under the MFRSs and Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR); and that the Annual Financial Statements and quarterly Condensed Consolidated Financial Statements give a true and fair view of the financial position of the Group and do not contain material misstatement.

### 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 employees.
- b. GIA conducts a system readiness review to ensure that due process has been complied with prior to the implementation or launch of significant system development and enhancement projects. Post implementation reviews are also conducted after a predefined period of time to assess the realised benefit of the implemented systems and projects.

### 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 using the Committee of Sponsoring Organisations of the Treadway Commission Internal Control - Integrated Framework as a guide.

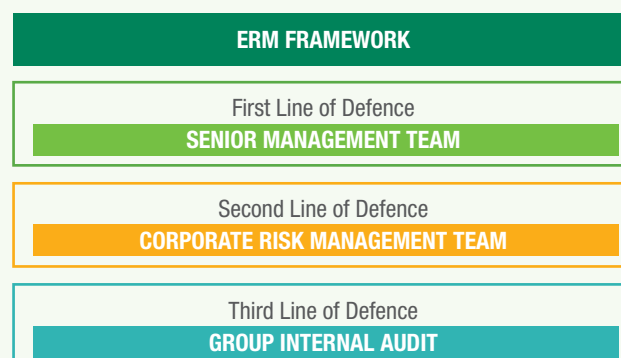
GIA assesses the Group's Internal Control system according to the following five interrelated control elements:

- Control Environment
  - Risk Assessment
  - Control Activity
  - Information and Communication
  - Monitoring
- 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. The yearly certification for Information Security Malaysian Standard, MS ISO/ IEC 27001:2007 Information Security Management Systems was carried out by CyberSecurity Malaysia.

- d. The Auditor Independence Policy requires the lead audit engagement and concurring partners be subject to a five-year rotation with a five-year cooling off period. An annual plan, comprising a planned statutory audit, recurring non-audit services and other anticipated non-audit services by the External Auditors, requires prior approval by the AC. The AC's approval is also required for unplanned non-audit services obtained from the current External Auditors.
- e. The GIA team 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 the reliability and integrity of such information. The Senior Executive Vice President, GIA who is also the Head of GIA is required to confirm the effective operation of process controls which support the preparation of the financial statements.
- f. In addition to the annual audit, the External Auditors are engaged to conduct limited reviews of the quarterly financial results together with the cumulative quarters in accordance with International Standard on Review Engagements 2410 (ISRE 2410), "Review of Interim Financial Reporting Information Performed by the Independent Auditor of the Entity" for the first three quarters of the financial year.

### 6. Risk Management

- a. The Group has in place an Enterprise Risk Management (ERM) framework for managing risks affecting its business and operations. One of the key features of our ERM framework is a risk governance structure comprising three lines of defence with established and clear functional responsibilities and accountabilities for the management of risk.



- b. Senior Management, which includes Management Committee members and Divisional Heads, are the first line of defence and are accountable for all risks assumed under their respective areas of responsibility in line with the Risk Management Policy and Guidelines. This group is also responsible for creating a risk-awareness culture, which will ensure greater understanding of the importance of risk management and ensure that its principles are embedded in key operational processes and in all projects.

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

- c. The second line of defence is provided by the Corporate Risk Management team, with oversight by the RMC. The Corporate Risk Management team is responsible for monitoring the risk management activities of the Group and ensuring compliance with, as well as effective implementation of risk policies and objectives. The RMC provides directions and has an oversight role in the risk management process. The ToR of the RMC were revised in January 2014 to provide clarity to the purpose and responsibilities of the RMC with regard to risk management. At its scheduled meetings in 2014, the RMC appraised and assessed the efficacy of the controls and progress of action plans taken to mitigate and monitor the risk management exposure of the Group, including Bursa Malaysia Securities Clearing Sdn Bhd and Bursa Malaysia Derivatives Clearing Berhad. The RMC also monitored the progress and status of ERM activities, as well as raised issues of concern for Management's attention.
- d. The third line of defence is provided by the GIA. The GIA reports directly to the AC and provides independent assurance of the adequacy and reliability of risk management processes and system of internal control, and ensures compliance with risk-related regulatory requirements.
- e. Within the framework, there is an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the divisional and corporate levels. In order to improve our risk management process and reporting, our risk management system has been upgraded to the latest software version with new and enhanced functionalities.
- f. Our level of risk tolerance is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to have "exceeded risk tolerance" and those which have not. We have clear risk treatment guidance on the actions to be taken for the relevant risks.
- g. To ensure that our ERM framework and processes remain sound and are in compliance with international recognised standards, we are reviewing our existing ERM framework and processes against the ISO 31000 Risk Management – Principles and Guidelines and will revise and update our Risk Management Policy and Guidelines accordingly in 2015.
- h. The management of the significant risks identified for the financial year 2014 are outlined below:

### SIGNIFICANT RISKS

for the financial year 2014

**RISK 1** BUSINESS INTERRUPTION RISK

**RISK 2** CYBERATTACK RISK

**RISK 3** TALENT MANAGEMENT RISK

**RISK 4** COMPETITION RISK

**RISK 5** COUNTERPARTY CREDIT RISK

**RISK 6** MARKET REGULATION RISK

### i. Business Interruption Risk

A comprehensive Business Continuity Plan (BCP), including a Disaster Recovery Plan which is tested annually, is in place to ensure continuity of our business and technology operations. We conducted two BCP exercises in 2014, one for the Derivatives Market and the other for the Securities Market. The Islamic, Bond and Offshore markets were tested together with the Securities Market industry wide testing. This is to provide assurance that in the unlikely event that Bursa Malaysia encounters major business interruption, its alternate site and backup systems can be successfully activated to resume its critical business operations. In 2014, Bursa Malaysia did not face any major business interruption.

A BCP exercise for the Securities Market, which operates on the Bursa Trade Securities 2 (BTS2) platform, was conducted on 16 August 2014 by means of a simulated power failure. The Securities, Islamic, Bond and Offshore markets were all tested, as well as other Bursa Malaysia's supporting functions and systems. Since some of the test objectives were not fully met, a re-test for those systems/functions was conducted on 13 September 2014. All test objectives were met in this second test, and the recovery was successfully completed within the target recovery time for all the systems/functions.

A BCP exercise for the Derivatives Market, which operates on the Globex platform, was conducted on 1 March 2014 between Bursa Malaysia Derivatives (BMD)'s primary site and CME Group Inc. (CME)'s new disaster recovery (DR) site in New York City. The primary focus was on establishing connectivity to CME's DR site. The second test between BMD's primary site and CME's DR site was successfully conducted on 29 March 2014 with industry participants.

As part of the Business Continuity Management (BCM) improvement exercise, in 2014, we conducted an internal review of our BCM framework, processes and procedures to comply with the ISO 22301:2012 Standards. A review of Bursa Malaysia's existing BCM programme, framework and practices to benchmark against the BCM System requirements in ISO 22301:2012 Standards was completed in May 2014. The updating of the BCM framework, processes and procedures to comply with the Principles of ISO 22301:2012 Standards is ongoing and with enhancements to our BCM framework, processes and procedures planned for operationalisation in 2015.

### ii. Cyberattack Risk

To ensure that our systems are secured, Bursa Malaysia has set in place adequate IT security tools and mechanisms to detect, protect against and respond to cyberattacks. These tools and mechanisms include:

- Firewall and intrusion prevention system;
- Clean pipe services;
- Applications and systems segmentation;
- Anti-virus and anti-malware; and
- Round-the-clock cyber threats monitoring.



# STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

We will continue to review and enhance these tools and mechanisms to address new and increasingly sophisticated cyber threats.

## iii. Talent Management Risk

In 2014, we undertook several initiatives to ensure accelerated growth in behavioural, technical and functional competencies with an emphasis on increasing our employee value proposition and motivating our employees. These initiatives included:

- Embarking on a Senior Leadership Development Programme to harness leadership capability and groom future leaders for mission critical positions;
- Introducing the Individual Development Plan/Programme to equip our employees with the necessary behavioural, technical and functional competencies to increase the capacity and productivity of the talent within the organisation;
- Performance improvement planning to help identified employees attain the desired level of performance and behaviour; and
- A Bursa Malaysia-wide team building programme for all employees to internalise our core values, instil behavioural values and develop a strong commitment towards making Bursa Malaysia a High Performance Organisation.

## iv. Competition Risk

In order to maintain Bursa Malaysia's competitive position, we have established a Blueprint to guide us in our journey to become Asia's Leading Marketplace. We have identified various initiatives in our 2014-2016 strategy to enable Bursa Malaysia to:

- Stay relevant in a more competitive environment;
- Leverage our strength and infrastructure to facilitate capital market development and capture new opportunities; and
- Tap regional growth through alliances and collaborations.

## v. Counterparty Credit Risk

Bursa Malaysia has set in place robust risk management processes and procedures to manage counterparty/settlement risks and prevent any systemic impact on the market. In the area of managing counterparty/settlement risks, Bursa Malaysia Securities Clearing Sdn Bhd and Bursa Malaysia Derivatives Clearing Berhad act as the clearing houses for equities and derivatives trades, respectively. These processes and procedures of the clearing houses are in line with the Principles for Financial Market Infrastructures issued by the Committee on Payment and

Settlement Systems, Technical Committee of the International Organisation of Securities Commissions, which include the following:

- Daily mark-to-market positions, initial and variation margin requirements and collateral management;
- Monitoring capital requirements and adequacy;
- Managing credit exposures via price, trading, single client, equity and position limits;
- Monitoring monthly the financial health of the clearing settlement banks via the risk weighted capital ratio and credit ratings. The concentration risk is also monitored based on the Trading Clearing Participant's (TCP) or Clearing Participant's (CP) total trade settlements with the relevant clearing settlement banks;
- Maintenance and stress-testing the adequacy of the Clearing Guarantee Fund (CGF) and the Clearing Fund for equities and derivatives trading, respectively; and
- Conducting annual default drill exercises by stimulating default scenarios to test the effectiveness of the Default Management Procedures.

In 2014, there were no settlement defaults by any TCP or CP and neither the CGF nor the Clearing Fund was called upon.

We will continue to review and enhance the above processes and procedures in accordance with best practices and standards to ensure they are viable and robust.

## vi. Market Regulation Risk

The discharge of our regulatory functions ensures that our market continues to operate in an orderly and fair manner with sound investor protection. In regulating the market we adopt a five-pronged approach comprising development, supervision, engagement, enforcement and education. We also adopt a risk-based approach in regulating the market and seek to ensure that the key risk areas are identified, monitored and managed effectively.

## 7. Performance Measurement

- a. Key Performance Indicators, which are based on the Corporate and Divisional Balanced Scorecard approach, are used to track and measure staff performance.
- b. Yearly employee engagement and customer satisfaction surveys are conducted to gain feedback on the effectiveness and efficiency of stakeholder engagement for continuous improvement.

# STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

## 8. Staff Competency

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

## 9. Conduct of Staff

- a. Bursa Malaysia's corporate culture is founded on the following core values which are continuously inculcated in staff in their service to Bursa Malaysia and its stakeholders:

**B** – uilding Relationships  
**U** – nited to Achieve  
**R** – esponsibility  
**S** – implicity  
**A** – gility

- b. A Code of Ethics is established for all employees, which defines the ethical standards and work conduct required at Bursa Malaysia.
- c. Bursa Malaysia has a 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. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Company. The AC has the overall responsibility in overseeing the implementation of the WPP for Bursa Malaysia Group.
- d. 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.
- e. A Corporate Fraud Policy is established to aid in the detection and prevention of fraud and to promote consistent organisational behaviour and practices.
- f. 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.
- g. Management and employees at Grade E6 and above are required to annually declare and provide an update on assets acquired or disposed during the year.

- h. Segregation of duties is practised whereby conflicting tasks are assigned to different members of staff to reduce the scope for error and fraud.

## 10. Insurance

Sufficient insurance coverage and physical safeguards on major assets are in place 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 by Management to review the coverage based on the current fixed asset register and the respective net book values and "replacement values", 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 to assess the adequacy of the intended coverage. There is also a yearly exercise to ensure adequacy and renewal of the Group's professional indemnity insurance coverage.

## REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of MMLR, the External Auditors have reviewed this Statement for inclusion in the 2014 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate. This Statement was approved by the Board on 29 January 2015. GIA has reviewed this Statement and reported to the AC that, while it has addressed certain 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 and risk management 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, is sound and sufficient to safeguard the Group's assets, as well as the shareholders' investments, the interests of customers, regulators, employees and other stakeholders.

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

# AUDIT COMMITTEE REPORT

**The Board of Directors of Bursa Malaysia presents the Audit Committee Report which provides insights into the manner in which the Audit Committee discharged its functions for the Group in 2014.**

## COMPOSITION AND ATTENDANCE

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

The AC Chairman, Mr. Pushpanathan a/l S.A. Kanagarayar, is a member of the Institute of Chartered Accountants of Scotland, the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. Accordingly, Bursa Malaysia complies with paragraph 15.09(1)(c)(i) of MMLR. Mr. Pushpanathan a/l S.A. Kanagarayar was appointed Independent Non-Executive Director and AC Chairman on 23 June 2014, replacing Tan Sri Datuk Dr. Abdul Samad bin Haji Alias who retired as Independent Non-Executive Director at Bursa Malaysia's 37<sup>th</sup> Annual General Meeting (AGM) and ceased as AC Chairman on 27 March 2014. Prior to the appointment of Mr. Pushpanathan, an AC meeting held on 14 April 2014 was chaired by Datuk Dr. Syed Muhamad bin Syed Abdul Kadir.

The Board reviews the terms of office of the AC members and assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation. The Board is satisfied that the AC and its members discharged their functions, duties and responsibilities in accordance with the AC's Terms of Reference, supporting the Board in ensuring the Group upholds appropriate CG standards.

## MEETINGS

The AC held five meetings in 2014 without the presence of other Directors and employees, except when the AC requested their attendance. The Chief Executive Officer (CEO) was invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the Group's operations. The Senior Executive Vice President, Group Internal Audit (GIA), who is also the Head of GIA, and departmental heads of the respective GIA functions attended all AC meetings to table the respective Internal Audit (IA) reports. The relevant responsible Management members of the auditees were invited to brief the AC on specific issues arising from audit reports.

As part of the AC's efforts to ensure the reliability of Bursa Malaysia's quarterly financial statements and compliance with applicable Financial Reporting Standards, the 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 attended four AC meetings in 2014 to present the auditors' report on the annual audited financial statements for 2013, as well as the auditors' review reports on the unaudited quarterly financial statements together with that of the cumulative quarters for 2014.

During the first meeting in 2014 between the External Auditors and the AC, the AC obtained the External Auditors' confirmation that they were provided unfettered access to information and co-operation from the Management throughout the course of the audit. The External Auditors were also invited to raise any matter that they considered was important for the AC's attention.

The AC had two private meetings with the External Auditors in 2014 without the presence of the CEO, Management and Internal Auditors. At these meetings, the AC enquired about Management's co-operation with the External Auditors, their sharing of information and the proficiency and adequacy of resources in financial reporting functions, particularly in relation to the applicable Financial Reporting Standards. The AC Chairman also permitted the External Auditors to contact him at any time that they became aware of incidents or matters in the course of their audits or reviews that needed his attention or that of the AC or Board.

Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation. In 2014, the AC Chairman presented the Board with the Committee's recommendations to approve 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 2014 comprised 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 2013 and the annual audited financial statements of 2013 at its meeting on 27 January 2014.



## AUDIT COMMITTEE REPORT

The quarterly financial statements for the first, second and third quarters of 2014, which were prepared in compliance with the Malaysian Financial Reporting Standard (MFRS) 134 *Interim Financial Reporting*, International Accounting Standard 34 *Interim Financial Reporting* and paragraph 9.22, including Appendix 9B of the MMLR, were reviewed at the AC meetings on 14 April 2014, 14 July 2014 and 16 October 2014 respectively.

On 26 January 2015, the AC reviewed the quarterly financial statements for the fourth quarter of 2014 and the annual audited financial statements for 2014.

The AC's recommendations were presented for approval at the subsequent Board meetings.

- b. To safeguard the integrity of information, the Director of Corporate Services who is also the Chief Financial Officer (CFO) had, on 10 April 2014, 10 July 2014, 10 October 2014 and 21 January 2015, given assurance to the AC that:
  - Appropriate accounting policies had been adopted and applied consistently;
  - The going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements was appropriate;
  - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards (MFRSs);
  - Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, International Financial Reporting Standards and MMLR; and
  - The Annual Financial Statements and Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2014.
- c. On 27 January 2014, the previous CFO sought the AC's approval for the proposed audit and non-audit services to be provided by the External Auditors for 2014 (Annual Plan 2014) in accordance with the Auditor Independence Policy.

### 2. External Audit

- a. The AC deliberated the External Auditors' report at its meeting on 27 January 2014 with regard to the relevant disclosures in the annual audited financial statements for 2013. The AC also considered suggestions to improve the accounting procedures and internal control measures.
- b. On 27 January 2014, the AC reviewed the list of services in the Annual Plan 2014 which comprised the audit services as well as non-recurring and recurring non-audit services that may be provided by the External Auditors. The non-recurring non-audit services that were expected to be utilised in 2014 were ad-hoc accounting and tax advisory services including that on Goods and Services Tax (GST) implementation. The recurring non-audit services were in respect of tax compliance,

services as scrutineers at Bursa Malaysia's AGM, the annual review of the Statement on Internal Control and Risk Management and limited reviews of quarterly financial statements. In considering the nature and scope of non-audit fees, the AC was satisfied that they were not likely to create any conflicts of interest nor impair the independence and objectivity of the External Auditors.

- c. Bursa Malaysia's Auditor Independence Policy states that the lead audit engagement and concurring partners of Bursa Malaysia Group be subject to a five-year rotation with a five-year cooling-off period. Mr. Chan Hooi Lam became the lead audit engagement partner in 2010 and will be rotated in 2015, while Mr. Abraham Verghese became the audit concurring partner on 1 October 2014, replacing Ms. Gloria Goh who retired as a partner on 30 September 2014.

In this respect, the AC carries out an annual review of the performance of the External Auditors, including assessment of their independence in performing their obligations. Based on the annual evaluation of their performance and audit fees, the AC was satisfied with the External Auditors' technical competency and independence for 2014. With that, the AC further recommended to the Board the reappointment of the External Auditors for 2014.

- d. On 16 October 2014, the AC reviewed the External Auditors' 2014 Audit Plan outlining their scope of work and proposed fees for the statutory audit and review of the Statement of Internal Control and Risk Management for 2014. The AC further resolved to recommend the proposed fees to the Board for approval.
- e. On 26 January 2015, the CFO presented that non-audit fees incurred in 2014 amounted to RM289,100, constituting approximately 49% of the total remuneration of RM587,100 to the External Auditors for the 2014 financial year. At the same meeting, the CFO also presented for the AC's review the list of services in the Annual Plan 2015.
- f. On 26 January 2015, the AC undertook an annual assessment of the suitability and independence of the External Auditors in accordance with the Auditor Independence Policy of the Group which was adopted in 2006. In its assessment, the AC considered several factors including the adequacy of experience and resources of the firm and the professional staff assigned to the audit, and the level of non-audit services to be rendered by the External Auditors to the Group for the 2015 financial year.

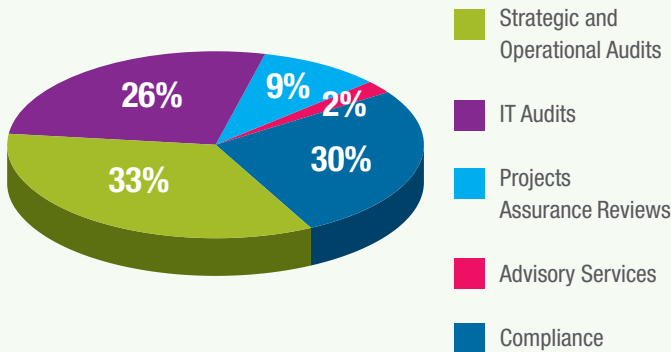
In accordance with the Auditor Independence Policy which requires the lead audit partner to be subject to a five-year rotation with a five-year cooling-off period, the AC conducted a further review on EY and assessed the performance of the external audit function, to determine whether to maintain the incumbent audit firm or to appoint a new one. Feedback on the conduct of the external audit was obtained from the Management for assessing the quality of services rendered to the Group.

The External Auditors provided written assurance on 26 January 2015 to the AC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2014.

## AUDIT COMMITTEE REPORT

Being satisfied with EY's performance, technical competency and audit independence as well as fulfilment of the criteria as set out in the Auditor Independence Policy, the AC recommended to the Board for approval of the appointment of EY as External Auditors for the financial year ending 31 December 2015, with the rotation of the audit engagement partner.

### 3. Internal Audit

- a. The GIA team conducted the audit activities as per the 2014 Risk-Based Audit Plan approved by the AC on 19 November 2013. The Head of GIA and departmental heads of the respective GIA functions presented the GIA's reports at every AC meeting during the year. The reports contain:
- The status and progress of IA assignments including summaries of the audit reports issued;
  - Audit recommendations provided by the Internal Auditors; and
  - Management's responses to those recommendations.
- b. During AC Meetings in 2014, GIA gave assurance to the AC via Representation Letters that there was no material issue or major deficiency noted that posed a high risk to the overall system of internal control over derivatives clearing fees, brokers service fees, securities clearing fees and listing fees.
- c. The 2014 Risk-Based Audit Plan is reviewed on a half-yearly basis or as required to reflect the changing risk landscape of the organisation and industry. A total of 46 audit engagements were completed in 2014, categorised as follows:
- 
- | Category                         | Percentage |
|----------------------------------|------------|
| Strategic and Operational Audits | 33%        |
| IT Audits                        | 26%        |
| Projects Assurance Reviews       | 9%         |
| Advisory Services                | 2%         |
| Compliance                       | 2%         |
- i. The nature of the categories of engagements was as follows:
- Strategic and Operational Audits – Audits of core operations and support services within Bursa Malaysia;
  - IT Audits – Information Security/Information Technology related audits;
  - Projects Assurance Reviews – System Readiness Reviews, Implementation Reviews or Post Implementation Reviews;
  - Advisory Services – Consulting services as agreed with Management to add value and improve Bursa Malaysia's governance, risk management and control processes; and
  - Compliance – Audits in relation to internal policies and procedures, and external rules and regulations.
- ii. GIA's scope of audit engagements is aligned with Bursa Malaysia's 'Top 10 risks' in the Corporate Risk Profile 2014 and its key strategic initiatives. The identified key audit areas/portfolios in 2014 covered the following:
- Islamic and Alternative Markets
  - Securities Market
  - Regulation
  - Market Operations
  - Review on critical systems and their disaster recovery process – Trading, Depository and Clearing
  - IT Security
  - Functional – Human Resources, Corporate Services, and Compliance
- d. Effective January 2014, GIA incorporated a quantitative assessment to assign audit ratings for audit reports. The methodology is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s Internal Control framework to provide a more objective assignment of audit ratings. The strengths of the controls are assessed against the criteria set out in the five inter-related control elements of the COSO model.
- e. In the effort to establish rapport and partnership, GIA continuously engages with ASEAN and Asia Pacific regional exchanges. These engagements are undertaken for benchmarking and knowledge-sharing in governance, risk management and controls. As part of the initiative, a knowledge-sharing session was conducted in 2014 with the stock exchange of a developing country in ASEAN.
- f. At the meeting on 27 January 2014, the AC deliberated the GIA's 2013 Balanced Scorecard and Key Performance Indicators (KPIs) which recorded 'Exceed Target' from the four categories of KPI measurement; while the other three categories were 'Minimum-on-Target', 'Target' and 'Stretch'. The GIA's 2014 Balanced Scorecard and KPIs were considered and approved on 14 April 2014.
- g. At the meeting on 14 April 2014, the AC reviewed the results of GIA's Customer Satisfaction Survey for 2013, which included an analysis of IA's strengths, weaknesses and action plans to improve audit services to GIA's customers. The results indicated that GIA's customers were generally satisfied with the performance of the IA function.
- h. On 14 April 2014, GIA presented the Audit Activities Summary for the 2013 audits which indicated the adequacy and effectiveness of controls implemented within the Group to mitigate its key risks.
- i. During the same meeting, the AC deliberated and approved GIA's proposals to enhance the Audit Charter in line with the current standards for risk-based Professional Practice of Internal Auditing and to reflect the changes to the IA practice on auditing.

## AUDIT COMMITTEE REPORT

- j. The revised Post-Implementation Review (PIR) Framework was presented to the AC for approval on 14 April 2014. The main purposes of the PIR are to assess the performance and internal control of key projects undertaken by Bursa Malaysia and include:

- Ascertaining the achievement of the projects' intended objectives;
- Reviewing the performance of project management activities;
- Capturing learning points for future improvements; and
- Examining the outputs delivered against the actual needs of the projects.

- k. On 14 July 2014, GIA presented to the AC the half-yearly updates on its activities comprising the progress of the 2014 Annual Audit Plan, ad-hoc assignments and project assurance reviews, GIA manpower planning, GIA's key initiatives for 2014, revision of GIA's organisation chart and its Auditors' Profile.

- l. A quality assessment review, required at least once every five years, was carried out on GIA by an external qualified independent assessor, namely the Institute of Internal Auditors Malaysia (IIAM). The IIAM presented their External Quality Assessment Report to the AC on 16 October 2014, showing that GIA achieved the 'Generally Conforms' rating for the key elements of the International Professional Practice Framework promulgated by the global Institute of Internal Auditors (IIA), out of the three ratings which are 'Generally Conforms', 'Partially Conforms' and 'Does Not Conform'.

- m. At the same meeting, the AC deliberated and approved the GIA's 2014-2016 Strategic Plan, which details the expected value drivers to be delivered for the three years, with a focus on four key strategic areas. International, professionally-recognised benchmarks i.e. IIA's IA Capability Model and the IIA Global Competency Frameworks were also used as references in preparing the GIA's 2014-2016 Strategic Plan.

- n. At the meeting on 20 November 2014, the AC considered the adequacy of scope and coverage of the Group's activities and approved the GIA's Annual Audit Plan for 2015.

- o. On 20 November 2014 and 26 January 2015, the AC reviewed the annual Statement on Internal Control and Risk Management for publication in the 2014 Annual Report.

- p. The AC on 20 November 2014 reviewed the verification of share grants under Bursa Malaysia's Share Grant Plan (SGP), which comprises two components: the Restricted Share Plan (RSP) for employees at Grade E7 and above, and the Performance Share Plan (PSP) for key management personnel in addition to their RSP. The AC concurred that the award of shares under the SGP complied with the criteria approved by the Nomination and Remuneration Committee pursuant to Paragraph 8.17(2) of the MMLR, which included the following:

- The award of Bursa Malaysia Plan Shares to eligible employees of the Group on 1 July 2014 for the 2014 RSP Grant based on their job grades and performance ratings for 2013;
- The vesting of Plan Shares for the 2011, 2012 and 2013 RSP Grants on 16 July 2014; and

- The award of Plan Shares to selected executives of the Group on 1 July 2014 for the 2014 PSP Grant based on performance targets for the period 2014 to 2016.

### INTERNAL AUDIT FUNCTION

GIA's vision is to become a provider of leading internal audit, risk management and governance services as well as a strategic business partner to the organisation.

Its mission is to provide independent, objective assurance and consulting services designed to add value and improve Bursa Malaysia's operations. By creating value through its services, GIA can become a partner to business and actively facilitate transformational change.

The IA functions include providing the Board, through the AC, reasonable assurance of the effectiveness of the Group's risk management, control and governance processes. GIA, which reported functionally to the AC and administratively to the CEO during the financial year 2014, was led by the Head of GIA.

The GIA comprises four departments: Strategic and Operational Audit, Compliance and Project Audit, IT Audit and Audit Strategic Planning. To ensure that the responsibilities of 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.

The Internal Auditors also highlighted to the Management Risk and Audit Committee the audit findings which required follow-up actions by Management as well as outstanding audit issues which required corrective actions to ensure an adequate and effective internal control system within the Group.

The IA activities were carried out based on a risk-based audit plan approved by the AC. The audit plan took into consideration the Corporate and Divisional Risk Profiles and input from Senior Management and the AC members. Further, GIA engaged with the Heads of the Strategic Business Units/Support Functional Units in the development of the 2014 risk-based audit plan.

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

The GIA also leverages on reports received annually from the Chicago Mercantile Exchange Group's (CME) Independent Service Auditor's Report (McGladery LLP) - Service Organisation Control 1, on Controls Placed in Operation and Tests of Operating Effectiveness relevant to the CME Globex Trading, CME Clearport and CME Clearing Services. These reports are received due to the listing of all of Bursa Malaysia Derivatives' (BMD) products on CME's Globex Trading Platform. The CME's auditors examine and express their opinion on CME's description of its trade matching and clearing services system for processing transactions for user entities and the suitability of the design and operating effectiveness of controls in achieving the related control objectives. GIA communicates with CME's auditor for further information if necessary.

The total costs incurred by GIA in discharging its functions and responsibilities in 2014 amounted to RM2,798,842 against RM2,780,624 in 2013.



# CORPORATE INFORMATION

## GROUP CORPORATE STRUCTURE

### BURSA MALAYSIA BERHAD (30632-P)



## CORPORATE INFORMATION

### OTHER CORPORATE INFORMATION

#### SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Saiful Bahri Zainuddin

Tel: 03-2145 4528

E-mail: saiful.zainuddin@affinhwang.com

#### COMPANY SECRETARIES

Yong Hazadurah Md. Hashim

LS 006674

Hong Soo Yong, Suzanne

MAICSA 7026744

#### CUSTOMER SERVICE

Bursa Malaysia Berhad

3<sup>rd</sup> 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

14<sup>th</sup> 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)

5<sup>th</sup> Floor, Bangunan CIMB

Jalan Semantan

Damansara Heights

50490 Kuala Lumpur

Malayan Banking Berhad (3813-K)

Menara Maybank

100, Jalan Tun Perak

50050 Kuala Lumpur

#### REGISTERED OFFICE

15<sup>th</sup> 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

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



# FINANCIAL STATEMENTS

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97	Statement of Changes in Equity
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# 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), 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 of the Company at the end of the financial year, and of the results and cash flows of the Group and of 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 of 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 of 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 2014.

## 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	204,022	174,636
Profit attributable to:		
Owners of the Company	198,226	174,636
Non-controlling interest	5,796	-
	204,022	174,636

There were no material transfers to or from reserves or provisions during the financial year, other than those 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.

## Dividends

The amount of dividends paid by the Company since 31 December 2013 were as follows:

	RM'000
In respect of the financial year ended 31 December 2013, as reported in the Directors' report of that year:	
Final dividend under the single-tier system of 16.0 sen per share, on 532,862,000 ordinary shares, declared on 27 March 2014 and paid on 16 April 2014	85,258
In respect of the financial year ended 31 December 2014:	
Interim dividend under the single-tier system of 16.0 sen per share, on 533,520,000 ordinary shares, declared on 17 July 2014 and paid on 14 August 2014	85,363
Special dividend under the single-tier system of 20.0 sen per share, on 533,520,000 ordinary shares, declared on 17 July 2014 and paid on 14 August 2014	106,704
Total dividends paid since 31 December 2013	277,325

## DIRECTORS' REPORT

### Dividends (cont'd.)

At the forthcoming Annual General Meeting, a final dividend under the single-tier system in respect of the financial year ended 31 December 2014 of 18.0 sen per share on 533,520,000 ordinary shares, amounting to a dividend payable of approximately RM96,034,000 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 2015.

### 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	
Dato' Saiful Bahri bin Zainuddin	
Tan Sri Ong Leong Huat @ Wong Joo Hwa	
Datuk Karownakaran @ Karunakaran a/l Ramasamy	
Chay Wai Leong	
Ghazali bin Hj Darman	
Dato' Zuraidah binti Atan	(appointed on 19 February 2014)
Pushpanathan a/l S.A. Kanagarayar	(appointed on 23 June 2014)
Eshah binti Meor Suleiman	(appointed on 1 November 2014)
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	(retired on 27 March 2014)
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	(retired on 5 August 2014)

### 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' REPORT

## Directors' interests

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

	Number of ordinary shares of RM0.50 each			
	Shares vested under the SGP			31.12.2014
	1.1.2014		Sold	
	'000	'000	'000	'000
<b>Direct interests</b>				
Tun Mohamed Dzaidin bin Haji Abdullah	90	-	-	90
Dato' Tajuddin bin Atan	507	266	(751)	22

	Number of ordinary shares of RM0.50 each			
	Purchased			31.12.2014
	1.1.2014		Sold	
	'000	'000	'000	'000
<b>Indirect interest - Child</b>				
Tun Mohamed Dzaidin bin Haji Abdullah	6	-	-	6

	Number of ordinary shares of RM0.50 each granted under the SGP			
	Granted			31.12.2014
	1.1.2014		Vested	
	'000	'000	'000	'000
Dato' Tajuddin bin Atan	165	342	(266)	241

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 RM266,306,000 to RM266,760,000 by way of the issuance of 908,000 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.

# DIRECTORS' REPORT

## 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 ten years from the date of implementation.

The salient features, terms and details of the SGP are as disclosed in Note 28(b) to the financial statements.

During the financial year, the Company granted 1,478,000 shares under the RSP and 450,000 shares under the PSP to its eligible employees. The details of the shares granted under SGP and its vesting conditions are disclosed in Note 28(b) to the financial statements.

## Other statutory information

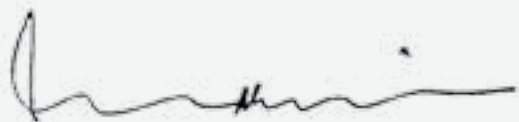
- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making 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.
- (f) In the opinion of the Directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## DIRECTORS' REPORT

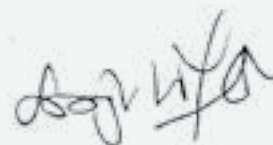
### Auditors

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 29 January 2015.



**Tun Mohamed Dzaiddin bin Haji Abdullah**



**Dato' Tajuddin bin Atan**



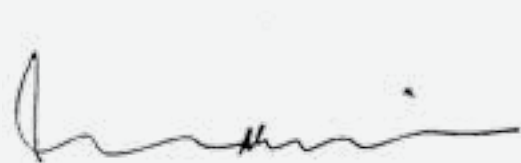
# STATEMENTS BY DIRECTORS

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 91 to 178 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2014 and of their financial performance and cash flows for the year then ended.

The information set out in Note 41 to the financial statements has 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 29 January 2015.



**Tun Mohamed Dzaiddin bin Haji Abdullah**



**Dato' Tajuddin bin Atan**

# STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Rosidah binti Baharom, 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 91 to 179 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 Rosidah binti Baharom at Kuala Lumpur in the Federal Territory on 29 January 2015.

Before me,




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



**Rosidah binti Baharom**

# 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 2014 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 91 to 178.

### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements so as to 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 2014 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.

## 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.

## INDEPENDENT AUDITORS' REPORT

To the Members of Bursa Malaysia Berhad (Incorporated in Malaysia)

### Other reporting responsibilities

The supplementary information set out in Note 41 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**

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

29 January 2015



**Chan Hooi Lam**

No. 2844/02/16(J)

Chartered Accountant



# INCOME STATEMENTS

For the financial year ended 31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Operating revenue	3	471,268	439,822	344,541	295,908
Other income	4	32,488	35,172	16,799	21,803
		503,756	474,994	361,340	317,711
Staff costs	5	(127,604)	(119,965)	(117,395)	(109,290)
Depreciation and amortisation	6	(25,287)	(34,964)	(20,627)	(31,175)
Other operating expenses	7	(79,106)	(74,485)	(52,845)	(50,877)
Profit before tax		271,759	245,580	170,473	126,369
Income tax expense	9	(67,737)	(66,195)	4,163	(5,366)
<b>Profit for the year</b>		<b>204,022</b>	<b>179,385</b>	<b>174,636</b>	<b>121,003</b>
<b>Profit attributable to:</b>					
Owners of the Company		198,226	173,075	174,636	121,003
Non-controlling interest		5,796	6,310	-	-
		204,022	179,385	174,636	121,003
<b>Earnings per share attributable to owners of the Company (sen per share):</b>					
Basic	10(a)	37.2	32.5		
Diluted	10(b)	37.0	32.4		

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 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Profit for the year</b>		<b>204,022</b>	179,385	<b>174,636</b>	121,003
<b>Other comprehensive income:</b>					
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Foreign currency translation		132	112	-	-
Net fair value changes in available-for-sale (AFS) financial assets		19,954	38,171	20,033	38,801
Income tax relating to AFS financial assets	18	42	143	16	69
		<b>20,128</b>	38,426	<b>20,049</b>	38,870
<b>Items that will not be subsequently reclassified to profit or loss:</b>					
Actuarial gains/(losses) on defined benefit obligations	28(a)	1,806	(1,029)	1,806	(1,029)
Income tax relating to actuarial gains and losses on defined benefit obligations	18	(451)	257	(451)	257
		<b>1,355</b>	(772)	<b>1,355</b>	(772)
<b>Total other comprehensive income for the year, net of income tax</b>		<b>21,483</b>	37,654	<b>21,404</b>	38,098
<b>Total comprehensive income for the year</b>		<b>225,505</b>	217,039	<b>196,040</b>	159,101
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		219,709	210,729	196,040	159,101
Non-controlling interest		5,796	6,310	-	-
		<b>225,505</b>	217,039	<b>196,040</b>	159,101

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	197,264	206,356	196,061	203,872
Computer software	13	57,122	61,404	46,134	47,338
Goodwill	14	42,957	42,957	29,494	29,494
Investment in subsidiaries	15	-	-	152,142	152,142
Investment securities	16	188,449	163,495	118,631	98,584
Staff loans receivable	17	5,919	7,122	5,401	6,514
Deferred tax assets	18	3,673	1,648	-	-
		495,384	482,982	547,863	537,944
<b>Current assets</b>					
Trade receivables	19	41,289	32,733	938	1,286
Other receivables	20	17,412	15,794	13,517	11,884
Due from subsidiaries	21	-	-	32,847	30,682
Tax recoverable		2,721	6,612	2,746	6,612
Investment securities	16	41,916	51,183	31,928	36,268
Cash for trading margins, security deposits, Securities Borrowing and Lending (SBL) collaterals and eDividend distributions	22	717,133	735,543	-	-
Cash and bank balances of Clearing Funds	23	126,261	65,374	-	-
Cash and bank balances of the Group/Company	24	214,367	351,442	56,651	144,759
		1,161,099	1,258,681	138,627	231,491
<b>Total assets</b>		1,656,483	1,741,663	686,490	769,435

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

		Group		Company	
	Note	2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	25	266,760	266,306	266,760	266,306
Share premium		100,064	94,167	100,064	94,167
Other reserves	26	76,658	67,716	41,514	18,551
Retained earnings	27	305,218	382,962	179,461	280,795
<b>Equity attributable to owners of the Company</b>		<b>748,700</b>	811,151	<b>587,799</b>	659,819
<b>Non-controlling interest</b>		<b>14,001</b>	16,330	-	-
<b>Total equity</b>		<b>762,701</b>	827,481	<b>587,799</b>	659,819
<b>Non-current liabilities</b>					
Retirement benefit obligations	28(a)	26,605	28,950	26,605	28,950
Deferred grants	29	5,193	7,768	3,876	4,779
Deferred tax liabilities	18	8,149	12,892	5,261	9,388
		<b>39,947</b>	49,610	<b>35,742</b>	43,117
<b>Current liabilities</b>					
Trade payables	22	715,815	734,318	-	-
Participants' contribution to Clearing Funds	23	36,261	35,374	-	-
Other payables	30	93,532	89,134	62,949	66,499
Tax payable		8,227	5,746	-	-
		<b>853,835</b>	864,572	<b>62,949</b>	66,499
<b>Total liabilities</b>		<b>893,782</b>	914,182	<b>98,691</b>	109,616
<b>Total equity and liabilities</b>		<b>1,656,483</b>	1,741,663	<b>686,490</b>	769,435

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 2014

Note	Attributable to owners of the Company											
	Non-distributable								Distributable		Non-controlling interest (Note a)	Total equity
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Foreign currency translation reserve	Share grant reserve	Clearing fund reserves	AFS reserve	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2014</b>	266,306	94,167	14,100	5,250	72	4,582	30,000	13,712	382,962	811,151	16,330	827,481
Profit for the year	-	-	-	-	-	-	-	-	198,226	198,226	5,796	204,022
Other comprehensive income for the year	-	-	-	-	132	-	-	19,996	1,355	21,483	-	21,483
<b>Total comprehensive income for the year</b>	-	-	-	-	132	-	-	19,996	199,581	219,709	5,796	225,505
Transactions with owners of the Company:												
Issuance of ordinary shares pursuant to Share Grant Plan (SGP)	25	454	5,897	-	-	-	(6,351)	-	-	-	-	-
Redemption of preference shares	26(a)	-	-	(14,100)	-	-	-	-	-	(14,100)	-	(14,100)
SGP expense	5	-	-	-	-	9,265	-	-	-	9,265	-	9,265
Dividends paid	11	-	-	-	-	-	-	-	(277,325)	(277,325)	-	(277,325)
Dividends paid to non-controlling interest	15(b)	-	-	-	-	-	-	-	-	-	(8,125)	(8,125)
<b>Total transactions with owners of the Company</b>		454	5,897	(14,100)	-	2,914	-	-	(277,325)	(282,160)	(8,125)	(290,285)
<b>At 31 December 2014</b>		266,760	100,064	-	5,250	204	7,496	33,708	305,218	748,700	14,001	762,701

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

Attributable to owners of the Company												
Note	Non-distributable								Distributable		Non-controlling interest (Note a)	Total equity
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Foreign currency translation reserve	Share grant reserve	Clearing fund reserves	AFS reserve	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 January 2013	266,012	90,505	13,900	5,250	(40)	2,320	30,000	(24,602)	474,256	857,601	15,770	873,371
Profit for the year	-	-	-	-	-	-	-	-	173,075	173,075	6,310	179,385
Other comprehensive income for the year	-	-	-	-	112	-	-	38,314	(772)	37,654	-	37,654
Total comprehensive income for the year	-	-	-	-	112	-	-	38,314	172,303	210,729	6,310	217,039
Transactions with owners of the Company:												
Issuance of ordinary shares pursuant to SGP	25	294	3,662	-	-	-	(3,956)	-	-	-	-	-
Issuance of preference shares by a subsidiary		-	-	200	-	-	-	-	-	200	-	200
SGP expense	5	-	-	-	-	-	6,218	-	-	6,218	-	6,218
Dividends paid	11	-	-	-	-	-	-	-	(263,597)	(263,597)	-	(263,597)
Dividends paid to non-controlling interest	15(b)	-	-	-	-	-	-	-	-	-	(5,750)	(5,750)
Total transactions with owners of the Company		294	3,662	200	-	-	2,262	-	(263,597)	(257,179)	(5,750)	(262,929)
At 31 December 2013	266,306	94,167	14,100	5,250	72	4,582	30,000	13,712	382,962	811,151	16,330	827,481

## Note a

Included in non-controlling interest of the Group at 1 January 2014 are 85 non-cumulative preference shares of RM1 each in a subsidiary, Bursa Malaysia Derivatives Berhad (Bursa Malaysia Derivatives), for registration as Trading Participants, at a subscription price determined by Bursa Malaysia Derivatives. On 16 April 2014, the revamp of Bursa Malaysia Derivatives' participantship structure was completed and all existing non-cumulative preference shares were cancelled, as disclosed in Note 26(a).

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 2014

Note	Non-distributable				Distributable	Total equity RM'000
	Share capital	Share premium	Share grant reserve	AFS reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2014</b>	<b>266,306</b>	<b>94,167</b>	<b>4,582</b>	<b>13,969</b>	<b>280,795</b>	<b>659,819</b>
Profit for the year	-	-	-	-	174,636	174,636
Other comprehensive income for the year	-	-	-	20,049	1,355	21,404
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,049</b>	<b>175,991</b>	<b>196,040</b>
Transactions with owners of the Company:						
Issuance of ordinary shares pursuant to SGP	25	454	5,897	(6,351)	-	-
SGP expense (Note a)		-	-	9,265	-	9,265
Dividends paid	11	-	-	-	(277,325)	(277,325)
<b>Total transactions with owners of the Company</b>		<b>454</b>	<b>5,897</b>	<b>2,914</b>	<b>(277,325)</b>	<b>(268,060)</b>
<b>At 31 December 2014</b>		<b>266,760</b>	<b>100,064</b>	<b>7,496</b>	<b>34,018</b>	<b>179,461</b>
<b>At 1 January 2013</b>		266,012	90,505	2,320	(24,901)	424,161
Profit for the year		-	-	-	-	121,003
Other comprehensive income for the year		-	-	-	38,870	(772)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>38,870</b>	<b>120,231</b>
Transactions with owners of the Company:						
Issuance of ordinary shares pursuant to SGP	25	294	3,662	(3,956)	-	-
SGP expense (Note a)		-	-	6,218	-	-
Dividends paid	11	-	-	-	(263,597)	(263,597)
<b>Total transactions with owners of the Company</b>		<b>294</b>	<b>3,662</b>	<b>2,262</b>	<b>(263,597)</b>	<b>(257,379)</b>
<b>At 31 December 2013</b>		<b>266,306</b>	<b>94,167</b>	<b>4,582</b>	<b>13,969</b>	<b>280,795</b>

## Note a

SGP expense comprises RM8,622,000 (2013: RM5,807,000) relating to shares granted to the employees of the Company (as disclosed in Note 5) and RM643,000 (2013: RM411,000) 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 2014

		Group		Company	
	Note	2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before tax		271,759	245,580	170,473	126,369
Adjustments for:					
(Accretion of discounts)/amortisation of premiums, net	7	(259)	631	(298)	578
Depreciation and amortisation	6	25,287	34,964	20,627	31,175
Dividend income from investment securities	4	(3,523)	(3,825)	(3,523)	(3,825)
Grant income	4	(2,750)	(2,166)	(1,078)	(1,155)
Gross dividend income from subsidiaries	3	-	-	(195,134)	(142,569)
Interest income	4	(18,827)	(22,133)	(4,894)	(9,798)
Net loss on disposal of investment securities	4	566	130	517	46
Net (reversal of impairment loss)/impairment loss on:					
Amount due from a subsidiary	7	-	-	4	-
Trade and other receivables	7	(673)	23	(27)	(32)
Gain on disposal of motor vehicle	4	(200)	-	(200)	-
Property, plant and equipment and computer software written off	7	5	1,568	5	1,568
Retirement benefit obligations	5	1,414	1,481	1,414	1,481
Provision for/(reversal of) short-term accumulating compensated unutilised leave	5	261	(441)	260	(307)
SGP expense	5	9,265	6,218	8,622	5,807
Unrealised loss/(gain) on foreign exchange differences		115	79	(5)	-
Operating profit/(loss) before working capital changes		282,440	262,109	(3,237)	9,338
Increase in receivables		(11,140)	(3,153)	(2,460)	(1,476)
Increase/(decrease) in payables		4,802	2,459	(2,655)	(965)
Changes in subsidiaries' balances		-	-	(1,526)	13,765
Cash generated from/(used in) operations		276,102	261,415	(9,878)	20,662
Staff loans repaid, net of disbursements		1,466	2,355	1,357	2,286
Retirement benefits paid		(1,774)	(3,583)	(1,774)	(3,583)
Net tax (paid)/refund		(68,542)	(67,863)	3,467	(3,421)
Net cash from/(used in) operating activities		207,252	192,324	(6,828)	15,944



# STATEMENTS OF CASH FLOW

For the financial year ended 31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
<b>Cash flows from investing activities</b>					
Interest received		19,496	22,385	5,525	10,629
Dividends received		3,851	2,942	198,985	145,511
Decrease in deposits not for short-term funding requirements		104,834	100,569	56,087	107,015
Proceeds from disposal of investment securities		97,986	81,401	53,312	54,724
Proceeds from disposal of motor vehicle		200	-	200	-
Purchases of investment securities		(94,026)	(79,951)	(49,205)	(47,112)
Purchases of property, plant and equipment and computer software		(12,796)	(40,111)	(12,772)	(39,715)
<b>Net cash from investing activities</b>		<b>119,545</b>	<b>87,235</b>	<b>252,132</b>	<b>231,052</b>
<b>Cash flows from financing activities</b>					
Additional cash resources to Clearing Funds	23	(60,000)	-	-	-
Dividends paid	11	(277,325)	(263,597)	(277,325)	(263,597)
Dividends paid by a subsidiary to non-controlling interest		(8,125)	(5,750)	-	-
Preference share issued by a subsidiary		-	200	-	-
Redemption of preference shares		(13,718)	-	-	-
<b>Net cash used in financing activities</b>		<b>(359,168)</b>	<b>(269,147)</b>	<b>(277,325)</b>	<b>(263,597)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(32,371)</b>	<b>10,412</b>	<b>(32,021)</b>	<b>(16,601)</b>
Effects of exchange rate changes		130	96	-	-
Cash and cash equivalents at beginning of year		246,608	236,100	88,672	105,273
<b>Cash and cash equivalents at end of year</b>	24(ii)	<b>214,367</b>	<b>246,608</b>	<b>56,651</b>	<b>88,672</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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 15<sup>th</sup> 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 29 January 2015.

## 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 Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted Amendments to MFRSs and Issues Committee (IC) Interpretations which are mandatory for the financial periods beginning on or after 1 January 2014 as disclosed in Note 2.2.

The financial statements, other than for financial instruments and retirement benefit obligations, 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*, and the retirement benefit obligations include actuarial gains and losses in accordance with MFRS 119 *Employee Benefits*.

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.

### 2.2 Adoption of Amendments to MFRSs and IC Interpretation

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year, except as follows:

Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Investment Entities</i>
Amendments to MFRS 127	<i>Separate Financial Statements: Investment Entities</i>
Amendments to MFRS 132	<i>Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 136	<i>Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to MFRS 139	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IC Interpretation 21	<i>Levies</i>

The adoption of the above pronouncements did not have any impact on the financial statements of the Group and of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**2. Significant accounting policies (cont'd.)****2.3 Standards issued but not yet effective**

As at the date of authorisation of these financial statements, the following Standards, Amendments and Annual Improvements 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 2014**

Amendments to MFRS 119	<i>Defined Benefit Plans: Employee Contributions</i>
Annual improvements to MFRSs 2010 - 2012 Cycle	
Annual improvements to MFRSs 2011 - 2013 Cycle	

**Effective for financial periods beginning on or after 1 January 2016**

MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to MFRS 127	<i>Equity Method in Separate Financial Statements</i>
Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to MFRS 116 and MFRS 138	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 116 and MFRS 141	<i>Agriculture: Bearer Plants</i>
Annual improvements to MFRSs 2012 - 2014 Cycle	

**Effective for financial periods beginning on or after 1 January 2017**

MFRS 15	<i>Revenue from Contracts with Customers</i>
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**Effective for financial periods beginning on or after 1 January 2018**

MFRS 9	<i>Financial Instruments (IFRS 9 as issued by International Accounting Standards Board in July 2014)</i>
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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 15 Revenue from Contracts with Customers**

MFRS 15 *Revenue from Contracts with Customers* was issued in September 2014 and establishes a new five-step model that will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group and the Company are currently assessing the impact of this Standard and plan to adopt this Standard on the required effective date.

**(b) MFRS 9 Financial Instruments**

In November 2014, the MASB issued the final version of MFRS 9 *Financial Instruments*, replacing MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

MFRS 9 *Financial Instruments* also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 *Financial Instruments* aligns hedge accounting more closely with risk management, establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the previous model.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2. Significant accounting policies (cont'd.)

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

#### (b) MFRS 9 *Financial Instruments* (cont'd.)

This Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The Group and the Company are currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment, but the requirements for hedge accounting is not relevant to the Group and the Company.

### 2.4 Summary of significant accounting policies

#### (a) Subsidiaries and basis of consolidation

##### (i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 recognised 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 transactions and events in similar circumstances.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**2. Significant accounting policies (cont'd.)****2.4 Summary of significant accounting policies (cont'd.)****(a) Subsidiaries and basis of consolidation (cont'd.)****(ii) Basis of consolidation (cont'd.)**

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 2.4(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 statements of financial position, separately from the parent shareholder's equity. Transactions with non-controlling interest 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 interest, 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 interest 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 Company 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 Company 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.

Projects-in-progress are not depreciated as these assets are not yet available for use. Leasehold lands classified as operating leases are for a period of 99 years as disclosed in Note 32(a). Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and office lots	Fifty years
Renovation	Five years
Office equipment, furniture and fittings	Three to five years
Computers and office automation	Three to ten years
Motor vehicles	Five years

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2. Significant accounting policies (cont'd.)

### 2.4 Summary of significant accounting policies (cont'd.)

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

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's 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 initially measured at cost. Following initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

The useful lives of computer software are assessed to be finite. Computer software are amortised over their estimated useful lives of five to ten years and assessed for impairment whenever there is an indication that they 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 are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

#### (d) Impairment of non-financial assets

The Group and the Company assess 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 and the Company make 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**2. Significant accounting policies (cont'd.)****2.4 Summary of significant accounting policies (cont'd.)****(d) Impairment of non-financial assets (cont'd.)**

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 initially recognised, 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 financial assets upon initial recognition. 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.

**(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 income or other losses.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2. Significant accounting policies (cont'd.)

### 2.4 Summary of significant accounting policies (cont'd.)

#### (e) Financial assets (cont'd.)

##### (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 through the amortisation process and when the loans and receivables are impaired or derecognised.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the financial year end; these 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 and the Company have 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 through the amortisation process and when the HTM investments are impaired or derecognised.

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

##### (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 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**2. Significant accounting policies (cont'd.)****2.4 Summary of significant accounting policies (cont'd.)****(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.

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 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 objectively related 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 and/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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2. Significant accounting policies (cont'd.)

### 2.4 Summary of significant accounting policies (cont'd.)

#### (h) Financial liabilities

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

Financial liabilities 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.

#### (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 ends.

#### (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 instrument 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) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**2. Significant accounting policies (cont'd.)****2.4 Summary of significant accounting policies (cont'd.)****(i) Fair value measurement (cont'd.)**

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

**(j) 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.

**(k) Deferred 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 expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is recognised in the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by its related depreciation or amortisation charges.

**(l) 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.

**(m) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2. Significant accounting policies (cont'd.)

### 2.4 Summary of significant accounting policies (cont'd.)

#### (m) Revenue recognition (cont'd.)

##### (iii) Other securities trading revenue

Other securities trading revenue mainly comprise institutional settlement services fees (ISS). ISS fees from the securities exchange are recognised in full when services are rendered.

##### (iv) Other derivatives trading revenue

Other derivatives trading revenue mainly comprise collateral management services fee, guarantee and tender fees. Collateral management services fee is recognised on an accrual basis. Guarantee fees are recognised on a daily basis on day end margin requirements for open contracts. Tender fees are recognised on per contract tendered.

##### (v) Listing and issuer services

Listing and issuer services revenue comprise:

###### (a) Listing fees

Initial listing fees for Initial Public Offering 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.

###### (b) 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.

##### (vi) Depository services

Fees from depository services are recognised when the services are rendered.

##### (vii) Market data

Fees from sale of information are recognised when the services are rendered.

##### (viii) Member services and connectivity

Member services and connectivity mainly comprise:

###### (a) Access fees

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

###### (b) Participants' fees

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



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**2. Significant accounting policies (cont'd.)****2.4 Summary of significant accounting policies (cont'd.)****(m) Revenue recognition (cont'd.)****(viii) Member services and connectivity (cont'd.)****(c) Broker services**

Fees from broker services are recognised when the services are rendered.

**(ix) Other operating revenue**

Other operating revenue represents conference fees and exhibition related income and are recognised when the events are held.

**(x) 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.
- 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 and equipment is recognised on a straight-line basis over the term of the rental agreement.

**(n) 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 and the Company pay 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).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2. Significant accounting policies (cont'd.)

### 2.4 Summary of significant accounting policies (cont'd.)

#### (n) Employee benefits (cont'd.)

##### (iii) Defined benefit plan

The Group and the Company operate 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 and the Company's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by an independent actuary, through which the amount of benefit that employees have earned in return for their services up to 1 September 2003 is estimated.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation at each financial year end less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds in which the benefits will be paid, and that have terms to maturity approximating to the terms of the pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Net interest is recognised in profit or loss. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

##### (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 while 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 and the Company revise 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 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 and the Company recognise 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 the financial year end are discounted to present value.

#### (o) Leases

##### (i) The Group and the Company as lessee

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

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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**2. Significant accounting policies (cont'd.)****2.4 Summary of significant accounting policies (cont'd.)****(o) Leases (cont'd.)****(ii) The Group and the Company as lessor**

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the assets 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 basis as rental income. The accounting policy for rental income is set out in Note 2.4(m)(x).

**(p) 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.

**(q) Income taxes****(i) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax 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 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 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2. Significant accounting policies (cont'd.)

### 2.4 Summary of significant accounting policies (cont'd.)

#### (q) Income taxes (cont'd.)

##### (ii) Deferred tax (cont'd.)

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.

#### (r) 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 from 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 not included in profit or loss for the period until their impairment or disposal.

##### (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 approximate 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**2. Significant accounting policies (cont'd.)****2.4 Summary of significant accounting policies (cont'd.)****(s) 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 in the current and previous financial year ends.

**2.5 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 and the Company review 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 and the Company 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 and the Company 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 amounts 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 and the Company determine 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.

**(c) Impairment of investment securities**

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

The impairment review comprises the following judgement made by management:

- (i) Determination whether its investment security 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 the "significant" or "prolonged" criteria 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2. Significant accounting policies (cont'd.)

### 2.5 Significant accounting judgements and estimates (cont'd.)

#### Key sources of estimation uncertainty (cont'd.)

##### (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 ten 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 amounts 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 amounts 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. The unutilised tax losses of the Group as at the financial year end are disclosed in Note 18.

##### (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 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 terms of the liabilities.

##### (g) Share grant plan

The Group and the Company measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the dates which they are granted. In estimating the fair value of the share-based payment transactions, it requires the determination of the appropriate valuation model and the inputs (for example, expected volatility of the share price and/or dividend yield) to the valuation model. The key assumptions are disclosed in Note 28(b).

## NOTES TO THE FINANCIAL STATEMENTS

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## 3. Operating revenue

	Group	
	2014	2013
	RM'000	RM'000
Securities clearing fees <sup>1</sup>	193,693	175,530
Securities trade fees	25,250	23,647
Other securities revenue	20,173	18,124
Securities trading revenue	239,116	217,301
Derivatives clearing fees	16,366	14,552
Derivatives trade fees	43,375	41,047
Other derivatives revenue	10,862	14,651
Derivatives trading revenue	70,603	70,250
Bursa Suq Al-Sila trading revenue	9,962	5,790
Listing and issuer services	55,931	51,305
Depository services	35,368	37,061
Market data	31,300	26,035
Member services and connectivity	22,654	26,467
Other operating revenue	6,334	5,613
Total operating revenue	471,268	439,822

<sup>1</sup> Securities clearing fees of the Group are stated net of the amount payable to the Securities Commission of RM51,794,000 (2013: RM45,473,000).

	Company	
	2014	2013
	RM'000	RM'000
Broker services	6,906	10,191
Income from subsidiaries:		
Dividend income	195,134	142,569
Management fees	125,855	114,197
Office space rental income	4,607	5,042
Lease rental income	11,880	23,909
Other operating revenue	159	-
Total operating revenue	344,541	295,908

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 4. Other income

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
Deposits with financial institutions	12,938	16,027	2,811	7,102
Investment securities	5,576	5,713	1,819	2,373
Others	313	393	264	323
Net loss on disposal of investment securities	(566)	(130)	(517)	(46)
Gain on disposal of motor vehicle	200	-	200	-
Rental income	6,658	6,593	6,658	6,593
Dividend income	3,523	3,825	3,523	3,825
Grant income (Note 29)	2,750	2,166	1,078	1,155
Miscellaneous income	1,096	585	963	478
	<b>32,488</b>	<b>35,172</b>	<b>16,799</b>	<b>21,803</b>

## 5. Staff costs

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	74,344	68,399	67,730	62,123
Bonus	20,303	23,011	18,577	20,345
Social security contributions	355	343	335	323
Contributions to a defined contribution plan - EPF	14,116	13,524	13,277	12,623
Provision for/(reversal of) short-term accumulating compensated unutilised leave	261	(441)	260	(307)
Retirement benefit obligations (Note 28(a))	1,414	1,481	1,414	1,481
SGP expense	9,265	6,218	8,622	5,807
Other benefits	7,546	7,430	7,180	6,895
	<b>127,604</b>	<b>119,965</b>	<b>117,395</b>	<b>109,290</b>

Included in staff costs of the Group and of the Company is the Executive Director's remuneration of RM5,691,000 (2013: RM5,613,000), as further disclosed in Note 8.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 6. Depreciation and amortisation

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment (Note 12)	12,928	14,677	11,628	13,492
Amortisation of computer software (Note 13)	12,359	20,287	8,999	17,683
	25,287	34,964	20,627	31,175

## 7. Other operating expenses

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Administrative expenses	5,507	5,571	5,253	5,298
(Accretion of discounts)/amortisation of premiums, net	(259)	631	(298)	578
Auditors' remuneration:				
Statutory audit	295	295	68	68
Tax and assurance related <sup>1</sup>	170	171	98	99
Other non-audit services	112	42	112	28
Building management costs:				
Office rental	76	83	76	83
Upkeep and maintenance	11,116	10,576	11,116	10,576
Central Depository System (CDS) consumables	3,762	3,758	3,762	3,758
Commitment fees	-	96	-	-
Net (reversal of impairment loss)/impairment loss on:				
Amount due from a subsidiary	-	-	4	-
Trade and other receivables	(673)	23	(27)	(32)
Marketing and development expenses	10,750	8,344	5,262	3,148
Net loss/(gain) on foreign exchange differences	209	(98)	113	28
Operating lease payments (Note 32(a))	539	539	539	539
Professional fees	680	1,032	624	949
Property, plant and equipment and computer software written off	5	1,568	5	1,568
Rental of equipment	209	169	200	162
Technology charges:				
Information technology maintenance	18,848	17,836	16,256	15,378
Service fees	18,356	15,781	1,131	1,385
Others <sup>2</sup>	9,404	8,068	8,551	7,264
	79,106	74,485	52,845	50,877

<sup>1</sup> Tax and assurance related services provided by the auditors are in respect of tax compliance, quarterly limited reviews, annual review of the statement on internal control and risk management, and scrutineer fees for the Company's Annual General Meeting.

<sup>2</sup> Others include Non-Executive Directors' remuneration as disclosed in Note 8.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 8. Directors' remuneration

	Group and Company	
	2014 RM'000	2013 RM'000
Executive Director's remuneration (Note 5):		
Salaries and other emoluments	5,273	5,195
Defined contribution plan - EPF	418	418
	5,691	5,613
Estimated monetary value of benefits-in-kind	35	32
	5,726	5,645
Non-executive Directors' remuneration:		
Fees	990	608
Other emoluments	1,526	1,333
	2,516	1,941
Estimated monetary value of benefits-in-kind	35	32
	2,551	1,973
Total Directors' remuneration	8,277	7,618
Total Directors' remuneration excluding benefits-in-kind	8,207	7,554
Estimated monetary value of benefits-in-kind	70	64
Total Directors' remuneration including benefits-in-kind	8,277	7,618

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 8. Directors' remuneration (cont'd.)

	2014		2013	
	Directors' fees	Other allowances <sup>1</sup> / salaries	Directors' fees	Other allowances <sup>1</sup> / salaries
	RM'000	RM'000	RM'000	RM'000
Tun Mohamed Dzaiddin bin Haji Abdullah	150	813	90	737
Dato' Tajuddin bin Atan	-	5,726	-	5,645
Datuk Dr. Md Tap bin Salleh	100	117	60	88
Dato' Saiful Bahri bin Zainuddin	100	89	60	88
Tan Sri Ong Leong Huat @ Wong Joo Hwa	100	70	60	53
Datuk Karownikaran @ Karunakaran a/l Ramasamy	100	109	46	47
Chay Wai Leong	100	76	46	41
Ghazali Bin Hj Darman	100	82	46	58
Dato' Zuraidah binti Atan	87	49	-	-
Pushpanathan a/l S.A. Kanagarayar	53	43	-	-
Eshah binti Meor Suleiman	17	14	-	-
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	24	39	60	64
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	59	60	60	90
Dato' Wong Puan Wah @ Wong Sulong	-	-	14	14
Izham bin Yusoff	-	-	14	16
Dato' Dr. Thillainathan a/l Ramasamy	-	-	14	14
Cheah Tek Kuang	-	-	14	25
Datuk Puteh Rukiah binti Abd Majid	-	-	24	30
	990	7,287	608	7,010

<sup>1</sup> 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 9. Income tax expense

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current year provision	74,844	68,602	327	1,810
Under/(over) provision of tax in prior years	70	(7,434)	72	(2,132)
	74,914	61,168	399	(322)
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	(5,258)	(2,288)	(2,741)	(1,504)
Relating to reduction in Malaysian income tax rate	(918)	-	(820)	-
(Over)/under provision of tax in prior years	(1,001)	7,315	(1,001)	7,192
	(7,177)	5,027	(4,562)	5,688
Total income tax expense	67,737	66,195	(4,163)	5,366

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 31 December 2013 is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Accounting profit before tax	271,759	245,580	170,473	126,369
Taxation at Malaysian statutory tax rate of 25%	67,940	61,395	42,618	31,592
Deferred tax not recognised in respect of current year's tax losses	1	89	-	-
Effect of tax rate of 3% on profit before tax for subsidiary incorporated in Labuan	(55)	(35)	-	-
Effect of expenses not deductible for tax purposes	5,670	5,981	4,949	5,181
Effect of reduction in Malaysian income tax rate	(918)	-	(820)	-
Effect of income not subject to tax	(1,637)	(911)	(49,981)	(36,262)
Recognition of previously unrecognised deferred tax assets	(1,586)	-	-	-
Utilisation of previously unrecognised tax losses by a subsidiary	(747)	-	-	-
Utilisation of subsidiaries losses under group relief	-	(205)	-	(205)
Under/(over) provision of income tax in prior years	70	(7,434)	72	(2,132)
(Over)/under provision of deferred tax in prior years	(1,001)	7,315	(1,001)	7,192
Tax expense for the year	67,737	66,195	(4,163)	5,366

In the previous financial year, the Group and the Company's tax charge was reduced by RM205,000 as unutilised tax losses of certain subsidiaries were offset against its taxable income. No payments were made by the Company to its subsidiaries for the surrendering of these tax losses.

The Malaysian statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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	
	2014	2013
Profit for the year, net of tax, attributable to owners of the Company (RM'000)	198,226	173,075
Weighted average number of ordinary shares in issue ('000)	533,114	532,373
Basic EPS (sen)	37.2	32.5

## (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	
	2014	2013
Profit for the year, net of tax, attributable to owners of the Company (RM'000)	198,226	173,075
Weighted average number of ordinary shares in issue ('000)	533,114	532,373
Effect of dilution of share grants ('000)	2,209	1,454
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	535,323	533,827
Diluted EPS (sen)	37.0	32.4

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 11. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Special dividends on ordinary shares</b>				
20.0 sen per share under the single-tier system, on 533,520,000 ordinary shares	-	-	106,704	-
20.0 sen per share under the single-tier system, on 532,612,000 ordinary shares	-	-	-	106,522
<b>Interim dividends on ordinary shares</b>				
16.0 sen per share under the single-tier system, on 533,520,000 ordinary shares	85,363	-	85,363	-
16.0 sen per share under the single-tier system, on 532,612,000 ordinary shares	-	85,218	-	85,218
<b>Final dividends on ordinary shares</b>				
16.0 sen per share under the single-tier system, on 532,862,000 ordinary shares	-	85,258	85,258	-
13.5 sen per share under the single-tier system, on 532,274,000 ordinary shares	-	-	-	71,857
	<b>85,363</b>	<b>170,476</b>	<b>277,325</b>	<b>263,597</b>

At the forthcoming Annual General Meeting, a final dividend under the single-tier system in respect of the financial year ended 31 December 2014 of 18.0 sen per share on 533,520,000 ordinary shares, amounting to a dividend payable of approximately RM96,034,000 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 2015.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 12. Property, plant and equipment

Group	Note	Buildings and office lots (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in- progress RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2014		320,723	31,603	60,785	2,157	1,725	416,993
Additions		104	664	2,020	837	216	3,841
Disposal		-	-	-	(806)	-	(806)
Write-offs		-	(94)	(15,046)	-	-	(15,140)
Exchange differences		14	4	83	-	-	101
Reclassification		-	-	1,511	-	(1,511)	-
At 31 December 2014		320,841	32,177	49,353	2,188	430	404,989
<b>Accumulated depreciation</b>							
At 1 January 2014		132,712	30,346	45,974	1,605	-	210,637
Depreciation charge for the year	6	6,291	586	5,577	474	-	12,928
Disposal		-	-	-	(806)	-	(806)
Write-offs		-	(94)	(15,041)	-	-	(15,135)
Exchange differences		14	4	83	-	-	101
At 31 December 2014		139,017	30,842	36,593	1,273	-	207,725
<b>Net carrying amount at 31 December 2014</b>							
		181,824	1,335	12,760	915	430	197,264
<b>Cost</b>							
At 1 January 2013		319,580	31,205	84,963	2,157	725	438,630
Additions		1,121	890	7,616	-	1,673	11,300
Write-offs		-	(499)	(32,618)	-	-	(33,117)
Exchange differences		22	7	151	-	-	180
Reclassification		-	-	673	-	(673)	-
At 31 December 2013		320,723	31,603	60,785	2,157	1,725	416,993
<b>Accumulated depreciation</b>							
At 1 January 2013		126,286	30,250	71,182	1,179	-	228,897
Depreciation charge for the year	6	6,404	588	7,259	426	-	14,677
Write-offs		-	(499)	(32,618)	-	-	(33,117)
Exchange differences		22	7	151	-	-	180
At 31 December 2013		132,712	30,346	45,974	1,605	-	210,637
<b>Net carrying amount at 31 December 2013</b>							
		188,011	1,257	14,811	552	1,725	206,356

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

Company	Note	Buildings and office lots (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in- progress RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2014		320,460	31,166	60,093	1,979	1,724	415,422
Additions		104	655	2,010	837	216	3,822
Disposal		-	-	-	(806)	-	(806)
Write-offs		-	(94)	(15,046)	-	-	(15,140)
Reclassification		-	-	1,511	-	(1,511)	-
At 31 December 2014		320,564	31,727	48,568	2,010	429	403,298
<b>Accumulated depreciation</b>							
At 1 January 2014		132,478	29,959	47,650	1,463	-	211,550
Depreciation charge for the year	6	6,282	562	4,345	439	-	11,628
Disposal		-	-	-	(806)	-	(806)
Write-offs		-	(94)	(15,041)	-	-	(15,135)
At 31 December 2014		138,760	30,427	36,954	1,096	-	207,237
<b>Net carrying amount at 31 December 2014</b>							
		181,804	1,300	11,614	914	429	196,061
<b>Cost</b>							
At 1 January 2013		319,367	30,736	83,160	1,979	724	435,966
Additions		1,093	890	7,565	-	1,673	11,221
Write-offs		-	(460)	(31,305)	-	-	(31,765)
Reclassification		-	-	673	-	(673)	-
At 31 December 2013		320,460	31,166	60,093	1,979	1,724	415,422
<b>Accumulated depreciation</b>							
At 1 January 2013		126,079	29,853	72,818	1,073	-	229,823
Depreciation charge for the year	6	6,399	566	6,137	390	-	13,492
Write-offs		-	(460)	(31,305)	-	-	(31,765)
At 31 December 2013		132,478	29,959	47,650	1,463	-	211,550
<b>Net carrying amount at 31 December 2013</b>							
		187,982	1,207	12,443	516	1,724	203,872



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

## (a) Buildings and office lots

Group	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2014	285,960	19,862	14,901	320,723
Additions	-	-	104	104
Exchange differences	-	-	14	14
At 31 December 2014	285,960	19,862	15,019	320,841
<b>Accumulated depreciation</b>				
At 1 January 2014	109,706	10,456	12,550	132,712
Depreciation charge for the year	5,242	282	767	6,291
Exchange differences	-	-	14	14
At 31 December 2014	114,948	10,738	13,331	139,017
<b>Net carrying amount at 31 December 2014</b>	<b>171,012</b>	<b>9,124</b>	<b>1,688</b>	<b>181,824</b>
<b>Cost</b>				
At 1 January 2013	285,960	19,862	13,758	319,580
Additions	-	-	1,121	1,121
Exchange differences	-	-	22	22
At 31 December 2013	285,960	19,862	14,901	320,723
<b>Accumulated depreciation</b>				
At 1 January 2013	104,464	10,175	11,647	126,286
Depreciation charge for the year	5,242	281	881	6,404
Exchange differences	-	-	22	22
At 31 December 2013	109,706	10,456	12,550	132,712
<b>Net carrying amount at 31 December 2013</b>	<b>176,254</b>	<b>9,406</b>	<b>2,351</b>	<b>188,011</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

### (a) Buildings and office lots (cont'd.)

Company	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2014	285,960	19,862	14,638	320,460
Additions	-	-	104	104
At 31 December 2014	285,960	19,862	14,742	320,564
<b>Accumulated depreciation</b>				
At 1 January 2014	109,706	10,456	12,316	132,478
Depreciation charge for the year	5,242	282	758	6,282
At 31 December 2014	114,948	10,738	13,074	138,760
<b>Net carrying amount at 31 December 2014</b>	<b>171,012</b>	<b>9,124</b>	<b>1,668</b>	<b>181,804</b>
<b>Cost</b>				
At 1 January 2013	285,960	19,862	13,545	319,367
Additions	-	-	1,093	1,093
At 31 December 2013	285,960	19,862	14,638	320,460
<b>Accumulated depreciation</b>				
At 1 January 2013	104,464	10,175	11,440	126,079
Depreciation charge for the year	5,242	281	876	6,399
At 31 December 2013	109,706	10,456	12,316	132,478
<b>Net carrying amount at 31 December 2013</b>	<b>176,254</b>	<b>9,406</b>	<b>2,322</b>	<b>187,982</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 13. Computer software

	Note	2014			2013		
		Implemented projects	Projects-in-progress	Total	Implemented projects	Projects-in-progress	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>							
<b>Cost</b>							
At 1 January		107,326	2,261	109,587	133,969	7,176	141,145
Additions		5,639	2,438	8,077	19,724	2,261	21,985
Write-offs		(3,156)	-	(3,156)	(53,543)	-	(53,543)
Reclassification		785	(785)	-	7,176	(7,176)	-
At 31 December		110,594	3,914	114,508	107,326	2,261	109,587
<b>Accumulated amortisation</b>							
At 1 January		48,183	-	48,183	79,871	-	79,871
Amortisation charge for the year	6	12,359	-	12,359	20,287	-	20,287
Write-offs		(3,156)	-	(3,156)	(51,975)	-	(51,975)
At 31 December		57,386	-	57,386	48,183	-	48,183
<b>Net carrying amount at 31 December</b>		<b>53,208</b>	<b>3,914</b>	<b>57,122</b>	<b>59,143</b>	<b>2,261</b>	<b>61,404</b>
<b>Company</b>							
<b>Cost</b>							
At 1 January		88,193	2,261	90,454	114,952	7,176	122,128
Additions		5,357	2,438	7,795	19,608	2,261	21,869
Write-offs		(3,156)	-	(3,156)	(53,543)	-	(53,543)
Reclassification		785	(785)	-	7,176	(7,176)	-
At 31 December		91,179	3,914	95,093	88,193	2,261	90,454
<b>Accumulated amortisation</b>							
At 1 January		43,116	-	43,116	77,408	-	77,408
Amortisation charge for the year	6	8,999	-	8,999	17,683	-	17,683
Write-offs		(3,156)	-	(3,156)	(51,975)	-	(51,975)
At 31 December		48,959	-	48,959	43,116	-	43,116
<b>Net carrying amount at 31 December</b>		<b>42,220</b>	<b>3,914</b>	<b>46,134</b>	<b>45,077</b>	<b>2,261</b>	<b>47,338</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. Goodwill

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	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		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Securities market	33,273	33,273	29,494	29,494
Derivatives market	9,684	9,684	-	-
	42,957	42,957	29,494	29,494

### 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 assessment 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 between 4% to 5% per annum, which is in line with the expected inflation rate. No revenue and expense growth was projected from the 6<sup>th</sup> 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 average revenue and expenses growth in the five year financial projections was at 15% and 10% respectively, based on the expected developments. No revenue and expense growth was projected from the 6<sup>th</sup> year to perpetuity.

#### (iii) Discount rate

A discount rate of 11% 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.



## NOTES TO THE FINANCIAL STATEMENTS

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## 15. Investments in subsidiaries

	Company	
	2014	2013
	RM'000	RM'000
Unquoted shares, at cost	174,183	174,183
Less: Accumulated impairment losses	(22,041)	(22,041)
	152,142	152,142

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Proportion of ownership interest		Ordinary paid-up capital as at 31.12.2014 RM'000	Principal activities
	2014 %	2013 %		
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.

## NOTES TO THE FINANCIAL STATEMENTS

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## 15. Investments in subsidiaries (cont'd.)

Name of subsidiaries	Proportion of ownership interest		Ordinary paid-up capital as at	Principal activities
	2014 %	2013 %	31.12.2014 RM'000	
<b>Subsidiary held through Bursa Malaysia Depository</b>				
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.
<b>Subsidiary held through Bursa Malaysia Derivatives</b>				
Bursa Malaysia Derivatives Clearing Berhad (Bursa Malaysia Derivatives Clearing)	75	75	20,000	Provide, operate and maintain a clearing house for the derivatives exchange.

\* Incorporated in the Federal Territory of Labuan, Malaysia.

~ Denotes RM2.

All subsidiaries are consolidated. The proportion of the voting rights in the subsidiaries held directly by the parent company does not differ from the proportion of ordinary shares held.

The summarised financial information of Bursa Malaysia Derivatives Group that has a non-controlling interest, representing 25% of ownership interest, is as follows:

## (a) Summarised consolidated statement of financial position

	2014 RM'000	2013 RM'000
<b>Assets</b>		
Non-current assets	17,142	21,436
Current assets	800,327	836,067
<b>Total assets</b>	<b>817,469</b>	<b>857,503</b>
<b>Equity attributable to owners of the company</b>	<b>61,005</b>	<b>84,420</b>
<b>Liabilities</b>		
Non-current liabilities	4,165	6,447
Current liabilities	752,299	766,636
<b>Total liabilities</b>	<b>756,464</b>	<b>773,083</b>
<b>Total equity and liabilities</b>	<b>817,469</b>	<b>857,503</b>

## NOTES TO THE FINANCIAL STATEMENTS

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## 15. Investments in subsidiaries (cont'd.)

## (b) Summarised consolidated income statement

	2014 RM'000	2013 RM'000
Revenue	89,664	87,688
Expenses	(58,400)	(53,370)
Profit for the year	23,183	25,239
Dividend paid to non-controlling interests	8,125	5,750

## (c) Summarised consolidated statement of cash flows

	2014 RM'000	2013 RM'000
Net cash from operating activities	26,500	28,265
Net cash from investing activities	1,651	2,300
Net cash used in financing activities	(46,547)	(23,220)
Net (decrease)/increase in cash and cash equivalents	(18,396)	7,345
Cash and cash equivalents at the beginning of year	72,172	64,827
Cash and cash equivalents at the end of year	53,776	72,172

The summarised financial information represents the amount before inter-company eliminations between Bursa Malaysia Berhad Group and Bursa Malaysia Derivatives Group.

## 16. Investment securities

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Non-current</b>				
AFS financial assets				
- Shares (quoted outside Malaysia)	118,631	98,584	118,631	98,584
- Bonds (unquoted)	69,818	64,911	-	-
	188,449	163,495	118,631	98,584
<b>Current</b>				
AFS financial assets				
- Bonds (unquoted)	37,014	36,551	27,026	26,545
HTM investment				
- Commercial papers	4,902	14,632	4,902	9,723
	41,916	51,183	31,928	36,268
Total investments	230,365	214,678	150,559	134,852

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. Staff loans receivable

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Housing loans	6,555	7,787	5,964	7,104
Vehicle loans	57	83	57	83
Computer loans	59	74	57	72
	6,671	7,944	6,078	7,259
Less: Portion within 12 months, included in other receivables (Note 20)	(752)	(822)	(677)	(745)
	5,919	7,122	5,401	6,514

## 18. Deferred tax assets/(liabilities)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	(11,244)	(6,617)	(9,388)	(4,026)
Recognised in income statement (Note 9)	7,177	(5,027)	4,562	(5,688)
Recognised in other comprehensive income	(409)	400	(435)	326
At 31 December	(4,476)	(11,244)	(5,261)	(9,388)

Presented after appropriate offsetting as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets (before offsetting)	20,677	19,010	16,942	17,077
Offsetting	(17,004)	(17,362)	(16,942)	(17,077)
Deferred tax assets (after offsetting)	3,673	1,648	-	-
Deferred tax liabilities (before offsetting)	(25,153)	(30,254)	(22,203)	(26,465)
Offsetting	17,004	17,362	16,942	17,077
Deferred tax liabilities (after offsetting)	(8,149)	(12,892)	(5,261)	(9,388)
	(4,476)	(11,244)	(5,261)	(9,388)



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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	Allowance for impairment of receivables RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
At 1 January 2014	7,236	8,401	10	42	3,321	-	19,010
Recognised in income statement	(134)	(659)	9	5	1,311	1,586	2,118
Recognised in other comprehensive income	(451)	-	-	-	-	-	(451)
At 31 December 2014	6,651	7,742	19	47	4,632	1,586	20,677
At 1 January 2013	7,505	6,705	847	38	-	-	15,095
Recognised in income statement	(526)	1,696	(837)	4	3,321	-	3,658
Recognised in other comprehensive income	257	-	-	-	-	-	257
At 31 December 2013	7,236	8,401	10	42	3,321	-	19,010

## Deferred tax assets of the Company:

	Provision for retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment of receivables RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Total RM'000
At 1 January 2014	7,237	6,471	11	37	3,321	17,077
Recognised in income statement	(135)	(865)	-	5	1,311	316
Recognised in other comprehensive income	(451)	-	-	-	-	(451)
At 31 December 2014	6,651	5,606	11	42	4,632	16,942
At 1 January 2013	7,506	5,286	692	35	-	13,519
Recognised in income statement	(526)	1,185	(681)	2	3,321	3,301
Recognised in other comprehensive income	257	-	-	-	-	257
At 31 December 2013	7,237	6,471	11	37	3,321	17,077

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 18. Deferred tax assets/(liabilities) (cont'd.)

## Deferred tax liabilities:

	2014			2013		
	Accelerated capital allowances	AFS investments	Total	Accelerated capital allowances	AFS investments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
At 1 January	(30,032)	(222)	(30,254)	(21,607)	(105)	(21,712)
Recognised in income statement	5,040	19	5,059	(8,425)	(260)	(8,685)
Recognised in other comprehensive income	-	42	42	-	143	143
At 31 December	(24,992)	(161)	(25,153)	(30,032)	(222)	(30,254)
<b>Company</b>						
At 1 January	(26,378)	(87)	(26,465)	(17,435)	(110)	(17,545)
Recognised in income statement	4,233	13	4,246	(8,943)	(46)	(8,989)
Recognised in other comprehensive income	-	16	16	-	69	69
At 31 December	(22,145)	(58)	(22,203)	(26,378)	(87)	(26,465)

At the financial year end, the Group has unutilised tax losses of RM14,496,000 (2013: RM17,483,000) that are available for offset against future taxable profits of the companies in which the losses arose. Deferred tax asset has been recognised at the current financial year end in respect of RM6,345,000 (2013: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining RM8,151,000 (2013: RM17,483,000) as it is not probable that there is sufficient taxable profits in the subsidiaries in which they occur to utilise these tax losses. The availability of unutilised 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		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Trade receivables	41,677	33,234	1,196	1,480
Less: Allowance for impairment	(388)	(501)	(258)	(194)
	41,289	32,733	938	1,286

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 20. Other receivables

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits	735	733	613	613
Prepayments	7,472	5,282	7,048	4,931
Interest receivables	3,759	4,708	698	1,593
Staff loans receivable within 12 months (Note 17)	752	822	677	745
Sundry receivables	10,962	11,253	7,065	6,677
	23,680	22,798	16,101	14,559
Less: Allowance for impairment	(6,268)	(7,004)	(2,584)	(2,675)
	17,412	15,794	13,517	11,884

## 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 for trading margins, security deposits, SBL collaterals and eDividend distributions

	Group	
	2014	2013
	RM'000	RM'000
Trading margins and security deposits	715,815	733,601
SBL collaterals	-	717
Trade payables (Note c)	715,815	734,318
Cash received for eDividend distributions (included in other payables (Note 30))	1,318	1,225
Total cash for trading margins, security deposits, SBL collaterals and eDividend distributions	717,133	735,543

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 22. Cash for trading margins, security deposits, SBL collaterals and eDividend distributions (cont'd.)

### Note a

The cash received from Clearing Participants (CPs) and Trading Clearing Participants (TCPs) are 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 is placed in interest-bearing deposits until such time when dividend payment is due. Details of the cash received are as follows:

	Group	
	2014	2013
	RM'000	RM'000
Cash on hand and at banks	125,418	170,876
Deposits with licensed financial institutions	591,715	564,667
	<b>717,133</b>	<b>735,543</b>

### Note b

The amount of non-cash collaterals for trading margins, security deposits and SBL collaterals 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	
	2014	2013
	RM'000	RM'000
Collaterals in the form of letters of credit	494,115	499,385
Collaterals in the form of shares	6,220	3,216
	<b>500,335</b>	<b>502,601</b>

### Note c

Trade payables comprise trading margins and security deposits 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 23. Cash and bank balances of Clearing Funds

Group	Participants' contribution RM'000	Cash set aside by the Group RM'000	Total RM'000
Contributions from:			
TCPs of Bursa Malaysia Securities Clearing	13,832	-	13,832
Bursa Malaysia Securities Clearing	-	25,000	25,000
Additional cash resources from Bursa Malaysia Securities Clearing	-	60,000	60,000
Clearing Guarantee Fund (CGF) contributions	13,832	85,000	98,832
Contributions from:			
CPs of Bursa Malaysia Derivatives Clearing	22,429	-	22,429
Bursa Malaysia Derivatives Clearing	-	5,000	5,000
Derivatives Clearing Fund (DCF) contributions	22,429	5,000	27,429
<b>Total cash and bank balances of Clearing Funds as at 31 December 2014</b>	<b>36,261</b>	<b>90,000</b>	<b>126,261</b>
Contributions from:			
TCPs of Bursa Malaysia Securities Clearing	13,178	-	13,178
Bursa Malaysia Securities Clearing	-	25,000	25,000
CGF contributions	13,178	25,000	38,178
Contributions from:			
CPs of Bursa Malaysia Derivatives Clearing	22,196	-	22,196
Bursa Malaysia Derivatives Clearing	-	5,000	5,000
DCF contributions	22,196	5,000	27,196
<b>Total cash and bank balances of Clearing Funds as at 31 December 2013</b>	<b>35,374</b>	<b>30,000</b>	<b>65,374</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 23. Cash and bank balances of Clearing Funds (cont'd.)

- (i) As at the financial year end, the total cash and non-cash components of the CGF are as follows:

	2014 RM'000	2013 RM'000
Cash and bank balances	98,832	38,178
Bank guarantees from TCPs of Bursa Malaysia Securities Clearing	4,496	4,438
Standby Credit Facility from the Company	-	60,000
<b>Total CGF</b>	<b>103,328</b>	<b>102,616</b>

On 1 August 2014, Bursa Malaysia Securities Clearing replaced the Standby Credit Facility from the Company by setting aside RM60,000,000 as additional cash resources to CGF.

- (ii) There are no non-cash collaterals from CPs of Bursa Malaysia Derivatives Clearing for DCF held by the Group as at 31 December 2014 and 31 December 2013.

## 24. Cash and bank balances

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash on hand and at banks	4,068	2,375	621	362
Deposits with:				
Licensed banks	190,571	286,231	53,121	120,203
Licensed investment banks	19,728	62,836	2,909	24,194
	210,299	349,067	56,030	144,397
<b>Total cash and bank balances</b>	<b>214,367</b>	<b>351,442</b>	<b>56,651</b>	<b>144,759</b>

- (i) Included in the Group's and the Company's cash and bank balances is an amount of RM1,668,000 (2013: RM2,207,000) 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**24. Cash and bank balances (cont'd.)**

(ii) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the financial year:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total cash and bank balances	<b>214,367</b>	351,442	<b>56,651</b>	144,759
Less: Deposits not for short-term funding requirements	-	(104,834)	-	(56,087)
	<b>214,367</b>	246,608	<b>56,651</b>	88,672

**25. Share capital**

	<b>Number of ordinary shares of RM0.50 each</b>		<b>Amount</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>'000</b>	<b>'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised</b>				
At 1 January/31 December	<b>2,000,000</b>	2,000,000	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid</b>				
At 1 January	<b>532,612</b>	532,024	<b>266,306</b>	266,012
Issued during the year pursuant to SGP (Note 28(b))	<b>908</b>	588	<b>454</b>	294
At 31 December	<b>533,520</b>	532,612	<b>266,760</b>	266,306

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 regards to the Company's residual assets.

**26. Other reserves**

		<b>Group</b>		<b>Company</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Capital reserve	(a)	-	14,100	-	-
Capital redemption reserve	(b)	<b>5,250</b>	5,250	-	-
Foreign currency translation reserve	(c)	<b>204</b>	72	-	-
Share grant reserve	(d)	<b>7,496</b>	4,582	<b>7,496</b>	4,582
Clearing fund reserves	(e)	<b>30,000</b>	30,000	-	-
AFS reserve	(f)	<b>33,708</b>	13,712	<b>34,018</b>	13,969
		<b>76,658</b>	67,716	<b>41,514</b>	18,551

# NOTES TO THE FINANCIAL STATEMENTS

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## 26. Other reserves (cont'd.)

### (a) Capital reserve

On 6 December 2013, the Board of Directors of Bursa Malaysia Derivatives approved the proposed revamp of Bursa Malaysia Derivatives' participantship structure which creates a single trading right that would enable Bursa Malaysia Derivatives' Trading Participants to trade all categories of products on the derivatives exchange ("the Proposed Revamp").

On 24 January 2014, the ordinary shareholders and holders of the non-cumulative "A", "B" and "C" preference shares of Bursa Malaysia Derivatives approved the proposed share capital reduction and capital repayment.

On 3 April 2014, the High Court of Malaya confirmed the proposed share capital reduction and capital repayment pursuant to Section 64 of the Companies Act, 1965.

The Proposed Revamp was completed in the following manner upon obtaining the above requisite approvals and confirmation:

- (1) On 14 April 2014, the Rules of Bursa Malaysia Derivatives were amended and all the existing non-cumulative preference shares of RM1.00 each were cancelled as follows:
  - (i) 40 non-cumulative "A" preference shares;
  - (ii) 17 non-cumulative "B" preference shares; and
  - (iii) 28 non-cumulative "C" preference shares.
- (2) On 15 April 2014, 19 new redeemable "A" and 14 new redeemable "B" preference shares of RM1.00 each were issued and allotted to the previous holders of non-cumulative "A", "B" and "C" preference shares who were entitled to the new redeemable "A" and "B" preference shares of RM1.00 each. The entitlement to the new redeemable "A" or "B" preference shares were as follows:
  - (i) Active holders of non-cumulative "A", "B" and "C" preference shares were allotted 1 new redeemable "A" preference share; and
  - (ii) Dormant holders of non-cumulative "A", "B" and "C" preference shares who surrender their participantship were allotted 1 new redeemable "B" preference share.
- (3) On 16 April 2014, all the new redeemable "A" and "B" preference shares were redeemed based on the terms and conditions of the new redeemable preference shares as set out in the Articles of Association of Bursa Malaysia Derivatives. Bursa Malaysia Derivatives' share premium account of RM14,100,000 recognised as capital reserve in the Group's financial statements, was fully utilised for the redemption.

In the previous financial years, the capital reserve was in relation to share premium in Bursa Malaysia Derivatives, which arose 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 was as follows:

Type of preference shares	No. of shares issued	Share premium RM'000
"B" preference shares	17	8,500
"C" preference shares	28	5,600
		14,100

The share premium from the above issues were not refundable to the preference shareholders and thus were treated as a non-distributable capital reserve. The "B" and "C" preference shares had been accounted for as part of the Group's non-controlling interest.

## NOTES TO THE FINANCIAL STATEMENTS

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**26. Other reserves (cont'd.)****(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:

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Bursa Malaysia Depository	<b>5,000</b>	5,000
Bursa Malaysia Securities	<b>250</b>	250
	<b>5,250</b>	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 value of equity-settled shares granted to employees under the SGP. This reserve is made up of the cumulative value of services received from employees recorded on grant of shares.

**(e) Clearing fund reserves**

		<b>Group</b>	
		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Amount set aside for:			
CGF, in accordance with Rules of Bursa Malaysia Securities Clearing	(i)	<b>25,000</b>	25,000
DCF, in accordance with Rules of Bursa Malaysia Derivatives Clearing	(ii)	<b>5,000</b>	5,000
		<b>30,000</b>	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 and appropriation from Bursa Malaysia Securities Clearing, and other financial resources. The CGF composition is disclosed in Note 23(i).

**(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. The DCF composition is disclosed in Note 23.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 26. 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.

## 27. Retained earnings

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

## 28. 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.

The amounts recognised in the statements of financial position were determined as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
Present value of funded defined benefit obligations	27,943	30,440
Fair value of plan assets	(1,338)	(1,490)
Net liability arising from defined benefit obligations	26,605	28,950



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 28. Employee benefits (cont'd.)

## (a) Retirement benefit obligations (cont'd.)

The movements in the net liability were as follows:

	Note	Group and Company		
		Present value of funded defined benefit obligations	Fair value of plan assets	Total
		RM'000	RM'000	RM'000
<b>At 1 January 2014</b>		<b>30,440</b>	<b>(1,490)</b>	<b>28,950</b>
Interest expense/(income)	5	1,488	(74)	1,414
		31,928	(1,564)	30,364
Remeasurements:				
Return on plan assets		-	57	57
Experience gain		(1,459)	-	(1,459)
Actuarial changes arising from changes in financial and demographic assumptions		(404)	-	(404)
		(1,863)	57	(1,806)
Contributions by employer		-	(1,774)	(1,774)
Payments from plan		(2,122)	1,943	(179)
<b>At 31 December 2014</b>		<b>27,943</b>	<b>(1,338)</b>	<b>26,605</b>
<b>At 1 January 2013</b>		<b>31,392</b>	<b>(1,369)</b>	<b>30,023</b>
Interest expense/(income)	5	1,551	(70)	1,481
		32,943	(1,439)	31,504
Remeasurements:				
Return on plan assets		-	45	45
Experience loss		984	-	984
		984	45	1,029
Contributions by employer		-	(3,249)	(3,249)
Payments from plan		(3,487)	3,153	(334)
<b>At 31 December 2013</b>		<b>30,440</b>	<b>(1,490)</b>	<b>28,950</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 28. Employee benefits (cont'd.)

### (a) Retirement benefit obligations (cont'd.)

The plan assets comprise as follows:

	Group and Company	
	2014	2013
	%	%
Malaysian Government Securities	47	40
Cash and fixed deposits	53	60

Principal actuarial assumptions used:

	Group and Company	
	2014	2013
	%	%
Discount rate	5.3	5.0
Expected rate of salary increase	5.0	5.0

The discount rate is determined based on the values of AA rated corporate bond yields with 3 to 15 years of maturity.

Significant actuarial assumptions for determination of the defined benefits obligation are discount rate and expected salary increase. The sensitivity analysis below has been determined based on changes to individual assumptions, with all other assumptions held constant:

	Group and Company			
	Discount rate		Expected salary growth	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
	RM'000	RM'000	RM'000	RM'000
<b>At 31 December 2014</b>				
(Decrease)/increase on defined benefit obligations	(1,547)	1,689	1,747	(1,631)
<b>At 31 December 2013</b>				
(Decrease)/increase on defined benefit obligations	(1,994)	2,134	2,198	(2,050)

The sensitivity analysis presented above may not be representative of the actual change in defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**28. 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 Restricted Share Plan (RSP) and Performance Share Plan (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 and/or Executive Directors of the Group, wherein 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 to 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 and/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 and/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 and/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 and/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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 28. Employee benefits (cont'd.)

## (b) SGP (cont'd.)

The following table illustrates the movement of shares granted under the SGP during the financial year:

2014	Movements during the year				At 31 December '000
	At 1 January '000	Granted '000	Vested '000	Forfeited '000	
2011 grant:					
RSP	140	-	(135)	(5)	-
2012 grants:					
RSP	331	-	(167)	(16)	148
PSP	224	-	-	(8)	216
2013 grants:					
RSP	1,096	-	(356)	(79)	661
PSP	475	-	-	(35)	440
2014 grants:					
RSP	-	1,478	(250)	(45)	1,183
PSP	-	450	-	-	450
	2,266	1,928	(908)	(188)	3,098

## 2013

2011 grant:					
RSP	306	-	(154)	(12)	140
2012 grants:					
RSP	549	-	(184)	(34)	331
PSP	380	-	-	(156)	224
2013 grants:					
RSP	-	1,375	(250)	(29)	1,096
PSP	-	475	-	-	475
	1,235	1,850	(588)	(231)	2,266

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 28. Employee benefits (cont'd.)

## (b) SGP (cont'd.)

As disclosed in Note 25, share grants vested during the financial year resulted in the issuance of 908,000 (2013: 588,000) ordinary shares of RM0.50 each. The weighted average share price at the date of vesting for the financial year was RM7.87 (2013: RM7.42).

The outstanding share grants at the end of the financial year are to be vested on specific dates in the following periods:

- (i) The 2012 grant is to be vested within the next year.
- (ii) The 2013 grants are to be vested within the next 2 years.
- (iii) The 2014 grants are to be vested within the next 3 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 RM7.76 (2013: RM7.45). An average expected dividend yield of 5.5% (2013: 4.7%) 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:

	2014	2013
Share price	RM7.80	RM7.56
Expected dividend yield	5.0%	4.9%
Expected volatility	18.0%	18.0%
Risk free rate	3.5%	3.3%

## 29. Deferred grants

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	7,768	9,934	4,779	5,934
Grant income (Note 4)	(2,750)	(2,166)	(1,078)	(1,155)
Received during the year	175	-	175	-
At 31 December	5,193	7,768	3,876	4,779

The deferred grants of the Group refer to grants for the development of the bond trading platform, the development of clearing facilities, licence for the order management system for the derivatives market and Environmental, Social and Governance (ESG) index. The deferred grants of the Company refers to the grant for the development of the bond trading platform and ESG index. There are no unutilised conditions or contingencies attached to these grants.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 30. Other payables

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Accruals	18,679	18,071	12,577	14,985
Amount due to Securities Commission	5,187	3,963	-	-
Capital Market Education and Integrity Fund (CMEIF)	20,424	17,701	20,424	17,701
Provision for employee benefits	24,377	28,268	22,171	25,619
Receipts in advance	3,743	2,536	676	791
Sundry payables	21,122	18,595	7,101	7,403
	93,532	89,134	62,949	66,499

Included in sundry payables of the Group is cash received for eDividend distributions amounting to RM1,318,000 (2013: RM1,225,000).

## 31. Bursa Malaysia Depository Sdn Bhd - Compensation Fund (Depository - CF)

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 monies in the Depository - CF and insurance policies. Bursa Malaysia Depository's policy is to maintain the balance in the Depository - CF at RM50,000,000. In consideration for the above, all revenue accruing to the Depository - CF's deposits and investments are to be credited to Bursa Malaysia Depository and all expenditure incurred for and on behalf of the Depository - CF will be paid for by Bursa Malaysia Depository.

The net assets of the fund are as follows:

	2014	2013
	RM'000	RM'000
Depository - CF	50,000	50,000

The assets of the fund are segregated from the financial statements of the Group and are accounted for separately.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**32. Operating lease arrangements****(a) The Group and Company as lessee of land**

The Company has entered into two non-cancellable operating lease agreements for the use of land. The leases are for a period 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:

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than one year	<b>539</b>	539
Later than one year and not later than five years	<b>2,155</b>	2,155
Later than five years	<b>39,179</b>	39,718
	<b>41,873</b>	42,412

The lease rental for the current financial year is disclosed in Note 7.

**(b) The Group and Company as lessee of equipment**

The Company has entered into an operating lease arrangement for the use of equipment. The leases have lives of five years with no renewal or purchase option included in the contracts.

The future aggregate minimum lease payments under operating leases contracted for as at the financial year end but not recognised as liabilities are as follows:

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than one year	<b>152</b>	152
Later than one year and not later than five years	<b>278</b>	430
	<b>430</b>	582

The lease rental for the current financial year is disclosed in Note 7.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 32. Operating lease arrangements (cont'd.)

### (c) The Group and Company as lessor of building

The Company has entered into operating lease agreements for the rental of office space in the building. The lease period is for 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 operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Group and Company	
	2014 RM'000	2013 RM'000
Not later than one year	5,509	6,382
Later than one year and not later than two years	2,597	6,263
Later than two years and not later than five years	14	2,982
	<b>8,120</b>	15,627

The lease rental for the current financial year is disclosed in Note 4.

### (d) 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 is for a period of three years and shall be automatically renewed for further periods of three years for each renewal unless terminated.

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	
	2014 RM'000	2013 RM'000
Not later than one year	4,607	4,607
Later than one year and not later than two years	4,607	4,607
Later than two years but not later than five years	10,513	11,615
	<b>19,727</b>	20,829

The lease rental for the current financial year is disclosed in Notes 3 and 34(a).

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 32. Operating lease arrangements (cont'd.)

## (e) 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	
	2014	2013
	RM'000	RM'000
Not later than one year	14,917	15,075
Later than one year and not later than five years	43,689	47,744
Later than five years	10,347	12,759
	<b>68,953</b>	<b>75,578</b>

The lease rental for the current financial year is disclosed in Notes 3 and 34(a).

## 33. Commitments

## (a) Capital commitments

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Approved and contracted for</b>				
Computers and office automation	4,077	4,200	3,771	4,200
Office equipment	16	19	16	19
Renovations	220	96	220	96
	<b>4,313</b>	<b>4,315</b>	<b>4,007</b>	<b>4,315</b>
<b>Approved but not contracted for</b>				
Computers and office automation	2,626	7,838	2,626	7,838

## (b) Other commitments

In the previous financial year, a Standby Credit Facility of RM60,000,000 was provided by the Company to Bursa Malaysia Securities Clearing in respect of the CGF (Note 23(i)).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 34. Significant related party disclosures

### (a) Transactions with subsidiaries

Significant transactions between the Company and its subsidiaries are as follows:

	2014 RM'000	2013 RM'000
Management fee income from:		
Bursa Malaysia Securities	76,575	67,290
Bursa Malaysia Derivatives	10,410	9,618
Bursa Malaysia Securities Clearing	7,405	6,786
Bursa Malaysia Derivatives Clearing	2,964	3,275
Bursa Malaysia Depository	17,812	17,316
Bursa Malaysia Information	5,173	4,562
Bursa Malaysia Islamic Services	5,499	5,337
Bursa Malaysia Bonds	2	2
AFX	15	11
	<b>125,855</b>	<b>114,197</b>
Office space rental income from:		
Bursa Malaysia Securities	1,682	2,110
Bursa Malaysia Derivatives	1,103	522
Bursa Malaysia Securities Clearing	275	675
Bursa Malaysia Depository	1,062	935
Bursa Malaysia Information	287	389
Bursa Malaysia Islamic Services	198	411
	<b>4,607</b>	<b>5,042</b>



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**34. Significant related party disclosures (cont'd.)****(a) Transactions with subsidiaries (cont'd.)**

Significant transactions between the Company and its subsidiaries are as follows: (cont'd.)

	2014 RM'000	2013 RM'000
Lease rental income from:		
Bursa Malaysia Securities	7,518	19,688
Bursa Malaysia Derivatives	780	682
Bursa Malaysia Securities Clearing	1,024	856
Bursa Malaysia Derivatives Clearing	173	198
Bursa Malaysia Depository	1,037	1,110
Bursa Malaysia Information	153	145
Bursa Malaysia Islamic Services	1,195	1,230
	<b>11,880</b>	<b>23,909</b>
Dividend income from:		
Bursa Malaysia Securities	78,500	55,800
Bursa Malaysia Derivatives	24,634	17,669
Bursa Malaysia Securities Clearing	35,000	16,300
Bursa Malaysia Depository	43,200	40,800
Bursa Malaysia Information	13,800	12,000
	<b>195,134</b>	<b>142,569</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 34. 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Administration fee income from Bursa Malaysia Securities Berhad - Compensation Fund (BMSB - CF), a fund previously managed by the Company	-	158	-	158
Administration fee income from Bursa Malaysia Derivatives Berhad - Fidelity Fund (BMDB - FF), a fund previously managed by a subsidiary	-	20	-	-

With effect from the previous financial year, the Group and the Company no longer earn administration fees as the functions and funds of BMSB - CF and BMDB - FF were transferred to the Capital Market Compensation Fund Corporation.

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 and other entities 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 entities 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	
	2014	2013
	RM'000	RM'000
Short term employee benefits	9,940	9,364
Contributions to defined contribution plan - EPF	1,106	1,047
Shares granted under SGP	2,954	2,460
	14,000	12,871

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**34. Significant related party disclosures (cont'd.)****(c) Compensation of key management personnel (cont'd.)**

Included in total remuneration of key management personnel is:

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Executive Director's remuneration (Note 8)	<b>5,691</b>	5,613
Benefits-in-kind (Note 8)	<b>35</b>	32
	<b>5,726</b>	5,645

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:

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>604</b>	288
Granted	<b>732</b>	670
Vested	<b>(326)</b>	(280)
Forfeited	<b>(65)</b>	(74)
At 31 December	<b>945</b>	604

**35. 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.

**36. 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 their 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 36. Financial risk management objectives and policies (cont'd.)

### (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% (2013: 1%) in the quoted price of the instrument would result in an increase/decrease in equity of RM1,186,000 (2013: RM986,000).

### (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 with 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 points (2013: 25 basis points) increase/decrease in interest rates with all other variables held constant:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Effects on profit after tax if:				
- increase by 25 basis points	546	713	105	271
- decrease by 25 basis points	(564)	(713)	(105)	(271)
Effects on equity if:				
- increase by 25 basis points	(37)	(86)	(163)	(43)
- decrease by 25 basis points	37	86	163	43

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.

## NOTES TO THE FINANCIAL STATEMENTS

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## 36. 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.

Group	Maturity			Total RM'000	Effective interest rate %
	Less than one year RM'000	One to five years RM'000	More than five years RM'000		
<b>At 31 December 2014</b>					
Investment securities	14,908	75,055	21,771	111,734	4.58
Deposits with licensed financial institutions:					
Cash set aside by the Group for Clearing Funds	90,000	-	-	90,000	3.88
Cash and bank balances	210,299	-	-	210,299	3.77
<b>At 31 December 2013</b>					
Investment securities	25,511	67,358	23,225	116,094	4.31
Deposits with licensed financial institutions:					
Cash set aside by the Group for Clearing Funds	30,000	-	-	30,000	3.35
Cash and bank balances	349,067	-	-	349,067	3.36
<b>Company</b>					
<b>At 31 December 2014</b>					
Investment securities	4,920	10,222	16,786	31,928	5.08
Deposits with licensed financial institutions:					
Cash and bank balances	56,030	-	-	56,030	3.84
<b>At 31 December 2013</b>					
Investment securities	10,596	12,391	13,281	36,268	4.34
Deposits with licensed financial institutions:					
Cash and bank balances	144,397	-	-	144,397	3.40

## (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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 36. 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:

	2014		2013	
	USD RM'000	SGD RM'000	USD RM'000	SGD RM'000
<b>Group</b>				
<b>Financial assets</b>				
Investment securities - shares quoted outside Malaysia	118,631	-	98,584	-
Trade receivables	881	-	1,063	-
	119,512	-	99,647	-
<b>Financial liabilities</b>				
Other payables	5,067	64	3,662	54
<b>Company</b>				
<b>Financial assets</b>				
Investment securities - shares quoted outside Malaysia	118,631	-	98,584	-
<b>Financial liabilities</b>				
Other payables	-	64	66	54

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
<b>Group</b>				
<b>At 31 December 2014</b>				
<b>Financial assets</b>				
Cash for trading margins and security deposits	165,937	892	4,643	171,472
<b>Financial liabilities</b>				
Trade payables	(165,937)	(892)	(4,643)	(171,472)
	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 36. Financial risk management objectives and policies (cont'd.)

## (c) Market risk: Foreign currency risk (cont'd.)

	USD RM'000	SGD RM'000	Total RM'000
<b>Group</b>			
<b>At 31 December 2013</b>			
<b>Financial assets</b>			
Cash for trading margins and security deposits	275,500	1,045	276,545
<b>Financial liabilities</b>			
Trade payables	(275,500)	(1,045)	(276,545)
	-	-	-

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.

	<b>Group</b>		<b>Company</b>	
	<b>Profit after tax RM'000</b>	<b>Equity RM'000</b>	<b>Profit after tax RM'000</b>	<b>Equity RM'000</b>
<b>At 31 December 2014</b>				
USD - strengthen by 5% against RM	(157)	5,932	-	5,932
SGD - strengthen by 5% against RM	(2)	(2)	(2)	(2)
<b>At 31 December 2013</b>				
USD - strengthen by 5% against RM	(98)	4,927	(3)	4,927
SGD - strengthen by 5% against RM	(2)	(2)	(2)	(2)

An equivalent weakening of the foreign currency as shown above would have resulted in an equivalent, but opposite, impact.

## (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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 36. Financial risk management objectives and policies (cont'd.)

### (d) Liquidity risk (cont'd.)

#### (i) Liabilities related risk (cont'd.)

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.

Group	Maturity			Total RM'000
	On demand RM'000	Less than three months RM'000	Three to twelve months RM'000	
At 31 December 2014				
Current liabilities				
Other payables which are financial liabilities	11,782	13,804	723	26,309
At 31 December 2013				
Current liabilities				
Other payables which are financial liabilities	10,600	10,590	1,368	22,558
Company				
At 31 December 2014				
Current liabilities				
Other payables which are financial liabilities	3,137	3,241	723	7,101
At 31 December 2013				
Current liabilities				
Other payables which are financial liabilities	3,044	2,991	1,368	7,403

#### (ii) Clearing and settlement related risk

The clearing house subsidiaries of the Group act as a counterparty 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. CGF and DCF, as disclosed in Note 26(e), were set up to further mitigate this risk.

## NOTES TO THE FINANCIAL STATEMENTS

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## 36. Financial risk management objectives and policies (cont'd.)

## (d) Liquidity risk (cont'd.)

## (ii) Clearing and settlement related risk (cont'd.)

The liabilities and corresponding assets in relation to clearing and settlement risk as at the financial year end are shown below:

	Note	On demand	
		2014	2013
		RM'000	RM'000
<b>Group</b>			
<b>Current assets</b>			
Cash for trading margins, security deposits and SBL collaterals	22	715,815	734,318
Cash and bank balances of Clearing Funds - Participants' contribution	23	36,261	35,374
<b>Current liabilities</b>			
Trade payables		(715,815)	(734,318)
Participants' contribution to Clearing Funds		(36,261)	(35,374)
		-	-

## (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 end, 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 36. 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	P1	AAA	AA	A	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
At 31 December 2014						
Cash and bank balances	-	-	640,575	352,662	64,524	1,057,761
AFS financial assets - unquoted bonds	-	-	9,976	96,856	-	106,832
HTM investment - commercial papers	-	4,902	-	-	-	4,902
At 31 December 2013						
Cash and bank balances	-	-	710,502	388,697	53,160	1,152,359
AFS financial assets - unquoted bonds	1,939	-	26,840	72,683	-	101,462
HTM investment - commercial papers	-	14,632	-	-	-	14,632
Company						
At 31 December 2014						
Cash and bank balances	-	-	17,893	37,405	1,353	56,651
AFS financial assets - unquoted bonds	-	-	-	27,026	-	27,026
HTM investment - commercial papers	-	4,902	-	-	-	4,902
At 31 December 2013						
Cash and bank balances	-	-	42,506	81,973	20,280	144,759
AFS financial assets - unquoted bonds	1,939	-	6,861	17,745	-	26,545
HTM investment - commercial papers	-	9,723	-	-	-	9,723



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 36. 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:

					Past due not impaired					Total past due not impaired
	Note	Total RM'000	Impaired RM'000	Neither past due nor impaired RM'000	< 30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-180 days RM'000	>181 days RM'000	RM'000
Group										
At 31 December 2014										
Staff loans receivable	17	6,671	-	6,671	-	-	-	-	-	-
Trade receivables	19	41,677	388	32,667	4,426	2,440	346	1,043	367	8,622
Other receivables which are financial assets *	20	15,456	6,268	9,188	-	-	-	-	-	-
At 31 December 2013										
Staff loans receivable	17	7,944	-	7,944	-	-	-	-	-	-
Trade receivables	19	33,234	501	26,388	3,394	1,167	380	480	924	6,345
Other receivables which are financial assets *	20	16,694	7,004	9,690	-	-	-	-	-	-
Company										
At 31 December 2014										
Staff loans receivable	17	6,078	-	6,078	-	-	-	-	-	-
Trade receivables	19	1,196	258	354	270	83	84	102	45	584
Other receivables which are financial assets *	20	8,376	2,584	5,792	-	-	-	-	-	-
Due from subsidiaries	21	44,702	11,855	32,847	-	-	-	-	-	-
At 31 December 2013										
Staff loans receivable	17	7,259	-	7,259	-	-	-	-	-	-
Trade receivables	19	1,480	194	498	506	63	56	54	109	788
Other receivables which are financial assets *	20	8,883	2,675	6,208	-	-	-	-	-	-
Due from subsidiaries	21	42,533	11,851	30,682	-	-	-	-	-	-

\* Other receivables which are financial assets include deposits, interest receivables and sundry receivables.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 36. Financial risk management objectives and policies (cont'd.)

### (e) Credit risk (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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
At nominal amounts	388	601	6,268	7,004
Less: Allowance for impairment	(388)	(501)	(6,268)	(7,004)
	-	100	-	-
Movement in allowance accounts:				
At 1 January	501	458	7,004	7,024
Charge/(reversal) of impairment loss for the year	63	43	(736)	(20)
Written off	(176)	-	-	-
At 31 December	388	501	6,268	7,004

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 36. Financial risk management objectives and policies (cont'd.)

## (e) Credit risk (cont'd.)

## (ii) Receivables that are impaired (cont'd.)

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: (cont'd.)

	Trade receivables		Other receivables		Due from subsidiaries	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Company</b>						
At nominal amounts	258	194	2,584	2,675	11,855	11,851
Less: Allowance for impairment	(258)	(194)	(2,584)	(2,675)	(11,855)	(11,851)
	-	-	-	-	-	-
Movement in allowance accounts:						
At 1 January	194	206	2,675	2,695	11,851	11,851
Charge/(reversal) of impairment loss for the year	64	(12)	(91)	(20)	4	-
At 31 December	258	194	2,584	2,675	11,855	11,851

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 other than as disclosed in Note 22.

## 37. Classification of financial instruments

The Group and the Company's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2.4 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 37. Classification of financial instruments (cont'd.)

	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>Group</b>					
<b>At 31 December 2014</b>					
<b>Assets</b>					
Investment securities					
- Shares (quoted equity)	118,631	-	-	-	118,631
- Bonds	106,832	-	-	-	106,832
- Commercial papers	-	4,902	-	-	4,902
	225,463	4,902	-	-	230,365
Staff loans receivable	-	-	6,671	-	6,671
Trade receivables	-	-	41,289	-	41,289
Other receivables which are financial assets *	-	-	9,188	-	9,188
Cash for trading margins, security deposits, SBL collaterals and eDividend distributions	-	-	717,133	-	717,133
Cash and bank balances of Clearing Funds	-	-	126,261	-	126,261
Cash and bank balances	-	-	214,367	-	214,367
Total financial assets	225,463	4,902	1,114,909	-	1,345,274
<b>Liabilities</b>					
Trade payables	-	-	-	715,815	715,815
Participants' contributions to Clearing Funds	-	-	-	36,261	36,261
Other payables which are financial liabilities **	-	-	-	26,309	26,309
Total financial liabilities	-	-	-	778,385	778,385

\* Other receivables which are financial assets include deposits, interest receivables, sundry receivables and allowance for impairment as disclosed in Note 20.

\*\* Other payables which are financial liabilities include amount due to Securities Commission and sundry payables as disclosed in Note 30.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 37. Classification of financial instruments (cont'd.)

	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>Group</b>					
<b>At 31 December 2013</b>					
<b>Assets</b>					
Investment securities					
- Shares (quoted equity)	98,584	-	-	-	98,584
- Bonds	101,462	-	-	-	101,462
- Commercial papers	-	14,632	-	-	14,632
	200,046	14,632	-	-	214,678
Staff loans receivable	-	-	7,944	-	7,944
Trade receivables	-	-	32,733	-	32,733
Other receivables which are financial assets *	-	-	9,690	-	9,690
Cash for trading margins, security deposits, SBL collaterals and eDividend distributions	-	-	735,543	-	735,543
Cash and bank balances of Clearing Funds	-	-	65,374	-	65,374
Cash and bank balances	-	-	351,442	-	351,442
Total financial assets	200,046	14,632	1,202,726	-	1,417,404
<b>Liabilities</b>					
Trade payables	-	-	-	734,318	734,318
Participants' contributions to Clearing Funds	-	-	-	35,374	35,374
Other payables which are financial liabilities **	-	-	-	22,558	22,558
Total financial liabilities	-	-	-	792,250	792,250

\* Other receivables which are financial assets include deposits, interest receivables, sundry receivables and allowance for impairment as disclosed in Note 20.

\*\* Other payables which are financial liabilities include amount due to Securities Commission and sundry payables as disclosed in Note 30.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 37. Classification of financial instruments (cont'd.)

	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>Company</b>					
<b>At 31 December 2014</b>					
<b>Assets</b>					
Investment securities					
- Shares (quoted equity)	118,631	-	-	-	118,631
- Bonds	27,026	-	-	-	27,026
- Commercial papers	-	4,902	-	-	4,902
	145,657	4,902	-	-	150,559
Staff loans receivable	-	-	6,078	-	6,078
Trade receivables	-	-	938	-	938
Other receivables which are financial assets *	-	-	5,792	-	5,792
Due from subsidiaries	-	-	32,847	-	32,847
Cash and bank balances	-	-	56,651	-	56,651
Total financial assets	145,657	4,902	102,306	-	252,865
<b>Liability</b>					
Other payables which are financial liabilities **	-	-	-	7,101	7,101

\* Other receivables which are financial assets include deposits, interest receivables, sundry receivables and allowance for impairment as disclosed in Note 20.

\*\* Other payables which are financial liabilities include sundry payables as disclosed in Note 30.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 37. Classification of financial instruments (cont'd.)

	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>Company</b>					
<b>At 31 December 2013</b>					
<b>Assets</b>					
Investment securities					
- Shares (quoted equity)	98,584	-	-	-	98,584
- Bonds	26,545	-	-	-	26,545
- Commercial papers	-	9,723	-	-	9,723
	125,129	9,723	-	-	134,852
Staff loans receivable	-	-	7,259	-	7,259
Trade receivables	-	-	1,286	-	1,286
Other receivables which are financial assets *	-	-	6,208	-	6,208
Due from subsidiaries	-	-	30,682	-	30,682
Cash and bank balances	-	-	144,759	-	144,759
Total financial assets	125,129	9,723	190,194	-	325,046
<b>Liability</b>					
Other payables which are financial liabilities **	-	-	-	7,403	7,403

\* Other receivables which are financial assets include deposits, interest receivables, sundry receivables and allowance for impairment as disclosed in Note 20.

\*\* Other payables which are financial liabilities include sundry payables as disclosed in Note 30.

## 38. Fair value

## (a) Financial instruments that are carried at fair value

AFS financial assets are measured at fair value at different measurement hierarchies (i.e. Level 1, 2 and 3). The hierarchies reflect the level of objectiveness of inputs used when measuring the fair values.

- (i) Level 1: Quoted prices (unadjusted) in active markets for identical assets.

Quoted equity is measured at Level 1. The fair value of quoted equity is determined directly by reference to its published market bid price at the financial year end.

- (ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Unquoted bonds are measured at Level 2. The fair value of unquoted bonds 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 38. Fair value (cont'd.)

### (a) Financial instruments that are carried at fair value (cont'd.)

(iii) Level 3: Inputs for the asset that are not based on observable market data (unobservable inputs).

The Group and the Company do not have any financial assets in Level 3 as at the financial year end.

	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>Group</b>			
<b>At 31 December 2014</b>			
<b>Asset</b>			
AFS financial assets	118,631	106,832	225,463
<b>At 31 December 2013</b>			
<b>Asset</b>			
AFS financial assets	98,584	101,462	200,046
<b>Company</b>			
<b>At 31 December 2014</b>			
<b>Asset</b>			
AFS financial assets	118,631	27,026	145,657
<b>At 31 December 2013</b>			
<b>Asset</b>			
AFS financial assets	98,584	26,545	125,129

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 liabilities classified as Level 3 as at 31 December 2014 and 31 December 2013.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**38. Fair value (cont'd.)****(b) Financial instruments that are not carried at fair value**

Financial instruments classified as HTM investments, loans and receivables and financial liabilities are carried at amortised cost.

The carrying amount of these financial instruments, other than staff loans receivable, are reasonable approximation of their fair values due to their short-term nature:

	<b>Note</b>
HTM investment securities	16
Trade receivables	19
Other receivables which are financial assets (except staff loans receivable within 12 months)	20
Due from subsidiaries	21
Cash for trading margins, security deposits, SBL collaterals and eDividend distributions	22
Cash and bank balances of Clearing Funds	23
Cash and bank balances of the Group and of the Company	24
Trade payables	22
Participants' contributions to Clearing Funds	23
Other payables which are financial liabilities	30

The carrying amount of staff loans receivable approximates its fair value, and is estimated by discounting the expected future cash flows using the current interest rates for loans with similar risk profiles. The staff loans receivable is measured at level 3 under the measurement hierarchy.

	<b>Group</b>		<b>Company</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 31 December 2014</b>				
Staff loans receivable (Note 17)	<b>6,671</b>	<b>6,416</b>	<b>6,078</b>	<b>5,843</b>
<b>At 31 December 2013</b>				
Staff loans receivable (Note 17)	7,944	7,641	7,259	6,981

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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 at least 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 RM753,893,000 (2013: RM818,919,000) 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) Others mainly comprises the provision of a Shari'ah compliant commodity trading platform, a reporting platform for 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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
<b>At 31 December 2014</b>					
Operating revenue	368,080	85,769	6,905	10,514	471,268
Other income	12,731	3,633	15,990	134	32,488
Direct costs	(86,474)	(48,566)	(31,794)	(5,297)	(172,131)
Segment profit/(loss)	294,337	40,836	(8,899)	5,351	331,625
Overheads					(59,866)
<b>Profit before tax</b>					<b>271,759</b>
<b>Segment assets</b>					
Assets	382,468	105,950	284,890	33,387	806,695
Clearing Funds	98,832	27,429	-	-	126,261
Cash for trading margins, security deposits and eDividend distributions	1,318	715,815	-	-	717,133
Segment assets	482,618	849,194	284,890	33,387	1,650,089
Unallocated corporate assets					6,394
<b>Total assets</b>					<b>1,656,483</b>
<b>Segment liabilities</b>					
Liabilities	24,367	13,371	55,087	31,187	124,012
Participants' contribution to Clearing Funds	13,832	22,429	-	-	36,261
Trading margins and eDividend distributions	1,318	715,815	-	-	717,133
Segment liabilities	39,517	751,615	55,087	31,187	877,406
Unallocated corporate liabilities					16,376
<b>Total liabilities</b>					<b>893,782</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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
<b>At 31 December 2014</b>					
<b>Other information</b>					
Depreciation and amortisation in:					
Segments	7,285	4,761	1,616	976	14,638
Overheads	-	-	-	-	10,649
Other significant non-cash expenses:					
Net reversal of impairment loss on trade and other receivables	(560)	(85)	(28)	-	(673)
Property, plant and equipment and computer software written off	-	-	5	-	5
Retirement benefit obligations	-	-	-	-	1,414
SGP expense in:					
Segments	3,710	964	2,788	259	7,721
Overheads	-	-	-	-	1,544

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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
<b>At 31 December 2013</b>					
Operating revenue	338,827	84,433	10,191	6,371	439,822
Other income	10,108	3,284	21,654	126	35,172
Direct costs	(92,089)	(43,589)	(28,750)	(5,615)	(170,043)
Segment profit	256,846	44,128	3,095	882	304,951
Overheads					(59,371)
<b>Profit before tax</b>					<b>245,580</b>
<b>Segment assets</b>					
Assets	415,821	128,963	357,617	30,085	932,486
Clearing Funds	38,178	27,196	-	-	65,374
Cash for trading margins, security deposits, SBL collaterals and eDividend distributions	1,942	733,601	-	-	735,543
Segment assets	455,941	889,760	357,617	30,085	1,733,403
Unallocated corporate assets					8,260
Total assets					1,741,663
<b>Segment liabilities</b>					
Liabilities	19,696	11,877	62,683	30,371	124,627
Participants' contribution to Clearing Funds	13,178	22,196	-	-	35,374
Trading margins, SBL collaterals and eDividend distributions	1,942	733,601	-	-	735,543
Segment liabilities	34,816	767,674	62,683	30,371	895,544
Unallocated corporate liabilities					18,638
Total liabilities					914,182

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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
<b>At 31 December 2013</b>					
<b>Other information</b>					
Depreciation and amortisation in:					
Segments	17,541	3,974	1,283	1,046	23,844
Overheads	-	-	-	-	11,120
Other significant non-cash expenses:					
Net impairment loss/(reversal of impairment loss) on trade and other receivables	79	(24)	(32)	-	23
Property, plant and equipment and computer software written off	1,568	-	-	-	1,568
Retirement benefit obligations	-	-	-	-	1,481
SGP expense in:					
Segments	2,084	633	2,320	79	5,116
Overheads	-	-	-	-	1,102

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

**41. Supplementary information pursuant to Bursa Malaysia Securities Listing Requirements**

The following breakdown and components of retained earnings are identified and disclosed 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 Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings:				
Realised	<b>315,853</b>	395,350	<b>184,710</b>	290,150
Unrealised	<b>(3,893)</b>	(11,414)	<b>(5,249)</b>	(9,355)
	<b>311,960</b>	383,936	<b>179,461</b>	280,795
Consolidation adjustments	<b>(6,742)</b>	(974)	-	-
	<b>305,218</b>	382,962	<b>179,461</b>	280,795



# LIST OF PROPERTIES OWNED BY BURSA MALAYSIA GROUP

as at 31 December 2014

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 December 2014 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 *	78 years (14 April 2092)	17 years	7,144 / 71,347	August 1997	127,276
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 *	81 years (28 February 2095)	16 years	9,314 / 38,609	March 1998	43,736
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	4 <sup>th</sup> Floor, Wisma Chase Perdana, Off Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur	Four office units on the 4 <sup>th</sup> Floor of a 12-storey office building	Office	Freehold	N/A	31 years	N/A / 3,355	May 1998	9,124

\* The buildings are on freehold land which has been leased to Bursa Malaysia Berhad by the Federal Land Commissioner for a period of 99 years.

# STATISTICS OF SHAREHOLDINGS

as at 30 January 2015

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 : **RM266,759,900** comprising **533,519,800** 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	162	1	163	0.85	2,029	12	2,041	0.00
100 – 1,000	7,656	114	7,770	40.66	6,475,196	95,600	6,570,796	1.23
1,001 – 10,000	8,869	325	9,194	48.12	33,926,419	1,556,321	35,482,740	6.65
10,001 – 100,000	1,567	179	1,746	9.14	41,249,962	6,124,894	47,374,856	8.88
100,001 – less than 5% of issued shares	127	105	232	1.21	140,410,590	112,303,082	252,713,672	47.37
5% and above of issued shares	3	0	3	0.02	191,375,695	0	191,375,695	35.87
<b>Total</b>	<b>18,384</b>	<b>724</b>	<b>19,108</b>	<b>100.00</b>	<b>413,439,891</b>	<b>120,079,909</b>	<b>533,519,800</b>	<b>100.00</b>

## 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	15,967	379	75,822,266	4,309,412	14.21	0.81
2.	Body Corporate						
	a. Banks/finance companies	30	0	69,238,825	0	12.98	0.00
	b. Investment trust/foundation/charities	9	0	331,600	0	0.06	0.00
	c. Industrial and commercial companies	225	18	11,867,129	653,100	2.22	0.12
3.	Government agencies/institutions	2	0	161,400,001	0	30.25	0.00
4.	Nominees	2,150	327	94,770,070	115,117,397	17.76	21.58
5.	Others	1	0	10,000	0	0.00	0.00
	<b>Total</b>	<b>18,384</b>	<b>724</b>	<b>413,439,891</b>	<b>120,079,909</b>	<b>77.49</b>	<b>22.51</b>

# STATISTICS OF SHAREHOLDINGS

as at 30 January 2015

## Top 30 Securities Account Holders

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Capital Market Development Fund	100,200,001	18.78
2.	Minister of Finance	61,200,000	11.47
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	29,975,694	5.62
4.	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	25,000,000	4.69
5.	CIMSEC Nominees (Tempatan) Sdn Bhd Minister of Finance Incorporated (ESOS Pool Account)	25,000,000	4.69
6.	Kumpulan Wang Persaraan (Diperbadankan)	21,179,800	3.97
7.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Resident USA-2)	14,108,200	2.64
8.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	12,083,282	2.26
9.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Norges BK)	6,735,400	1.26
10.	HSBC Nominees (Asing) Sdn Bhd Pictet and Cie (Europe) for Pictet Global Selection Fund - Global High Yield Emerging Equities Fund	6,193,600	1.16
11.	The Nomad Group Bhd	6,072,728	1.14
12.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A.	5,225,800	0.98
13.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund JY63 for Russell Emerging Markets Equity Fund (RIC PLC)	5,153,800	0.97
14.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt AN for Eastspring Investments Berhad	4,948,900	0.93
15.	Amanahraya Trustees Berhad Amanah Saham Malaysia	4,478,100	0.84
16.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	3,640,500	0.68
17.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	3,632,100	0.68
18.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	3,420,500	0.64
19.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	3,396,500	0.64
20.	Amanahraya Trustees Berhad Amanah Saham Nasional 3 Imbang	2,993,900	0.56
21.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	2,783,300	0.52
22.	Citigroup Nominees (Tempatan) Sdn Bhd Bank Negara Malaysia National Trust Fund (Hwang)	2,431,900	0.46
23.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas SECS SVS LUX for Aberdeen Global	2,350,000	0.44

# STATISTICS OF SHAREHOLDINGS

as at 30 January 2015

## Top 30 Securities Account Holders (cont'd.)

No.	Name	No. of Issued Shares	% of Issued Shares
24.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (FORSTAAP-FONDEN)	2,297,000	0.43
25.	DB (Malaysia) Nominee (Asing) Sdn Bhd State Street Australia Fund SGBV for Cathay Life Insurance Co Ltd	2,264,200	0.42
26.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A. (2)	2,224,400	0.42
27.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	2,185,800	0.41
28.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	2,116,300	0.40
29.	HSBC Nominees (Asing) Sdn Bhd SEB LUX for ABB Capital Selection Asian Smaller Companies Fund	2,109,100	0.40
30.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for AMB Value Trust Fund (4249)	2,088,000	0.39
<b>Total</b>		<b>367,488,805</b>	<b>68.89</b>

## 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 30 January 2015 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:

Name of Directors	Direct Interest		Deemed Interest		
	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	90,000	0.016	-	5,800	0.001
Datuk Dr. Md Tap bin Salleh	0	0.00	-	-	-
Dato' Zuraidah binti Atan	0	0.00	-	-	-
Eshah binti Meor Suleiman	0	0.00	-	-	-
Dato' Saiful Bahri bin Zainuddin	0	0.00	-	-	-
Tan Sri Ong Leong Huat @ Wong Joo Hwa	0	0.00	-	-	-
Datuk Karownakaran @ Karunakaran a/l Ramasamy	0	0.00	-	-	-
Chay Wai Leong	0	0.00	-	-	-
Ghazali bin Haji Darman	0	0.00	-	-	-
Pushpanathan a/l S.A. Kanagarayar	0	0.00	-	-	-
Dato' Tajuddin bin Atan	21,800	0.004	-	-	Refer Note *
<b>Total</b>	<b>111,800</b>	<b>0.02</b>			

# STATISTICS OF SHAREHOLDINGS

as at 30 January 2015

## Directors' Direct and Deemed Interests in the Company and/or its related corporations (cont'd.)

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) The vesting of Plan Shares granted under the Restricted Share Plan (RSP) of the SGP is subject to fulfilment of vesting conditions as at the vesting dates:

RSP Grant	Number of Plan Shares	Vesting Dates
2012 RSP Grant	6,700	15 July 2015
2013 RSP Grant	19,200	15 July 2015, 15 July 2016
2014 RSP Grant	28,800	15 July 2015, 15 July 2016, 17 July 2017

- (2) The vesting of Plan Shares granted under the Performance Share Plan (PSP) of the SGP is contingent on achievements against various performance targets for Bursa Malaysia group, and is subject to fulfilment of vesting conditions as at the vesting dates:

PSP Grant	Number of Plan Shares	Vesting Dates
2012 PSP Grant	Up to 59,400	30 April 2015
2013 PSP Grant	Up to 63,600	3 May 2016
2014 PSP Grant	Up to 63,600	3 May 2017

## Substantial Shareholders according to the Register of Substantial Shareholders as at 30 January 2015

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Capital Market Development Fund	100,200,001	18.78
2.	Minister of Finance Incorporated (MOF Inc) <sup>1</sup>	86,200,000	16.16
3.	Employees Provident Fund Board (EPF) <sup>2</sup>	31,475,694	5.90

Notes: <sup>1</sup> Total shares held by MOF Inc are set out in Items 2 and 5 of the Top 30 Securities Account Holders.

<sup>2</sup> Total shares held by EPF are set out in Item 3 of the Top 30 Securities Account Holders together with 1,500,000 shares representing 0.28% of its total shareholding in Bursa Malaysia.

## Changes in Share Capital of the Company

The issued and paid-up share capital as at 30 January 2015 is RM266,759,900 comprising 533,519,800 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)
1 April 2014	250,000	Subscription by the Trustee at RM7.55 per share under the SGP	532,861,800	266,430,900
11 July 2014	134,800	Subscription by the Trustee at RM7.11 per share under the SGP	532,996,600	266,498,300
	166,800	Subscription by the Trustee at RM5.63 per share under the SGP	533,163,400	266,581,700
	356,400	Subscription by the Trustee at RM7.20 per share under the SGP	533,519,800	266,759,900

# STATISTICS OF SHAREHOLDINGS

as at 30 January 2015

## Share Grant Plan (SGP)

Under the SGP which is the only share issuance scheme of Bursa Malaysia in FY 2014, 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 28(b) of the Annual Audited Financial Statements for FY 2014 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, FY 2012, FY 2013 and FY 2014 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
	<b>Total</b>	<b>1,226,600</b>	<b>329,600</b>	<b>175,200</b>	<b>721,800</b>
Number of Plan Shares vested	2011 RSP Grant	(174,700)	-	(6,600)	(168,100)
	2012 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(424,700)</b>	<b>(250,000)</b>	<b>(6,600)</b>	<b>(168,100)</b>
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)	-
	<b>Total</b>	<b>(107,700)</b>	<b>-</b>	<b>(19,500)</b>	<b>(88,200)</b>
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
	<b>Total</b>	<b>1,235,300</b>	<b>79,600</b>	<b>169,800</b>	<b>985,900</b>



# STATISTICS OF SHAREHOLDINGS

as at 30 January 2015

## Share Grant Plan (SGP) (cont'd.)

For the period from 1 January 2013 to 31 December 2013	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2013 RSP Grant	1,374,700	278,800	100,300	995,600
	2013 PSP Grant	475,000	63,600	200,600	210,800
	<b>Total</b>	<b>1,849,700</b>	<b>342,400</b>	<b>300,900</b>	<b>1,206,400</b>
Number of Plan Shares vested	2011 RSP Grant	(154,500)	-	(6,200)	(148,300)
	2012 RSP Grant	(183,500)	(6,800)	(10,000)	(166,700)
	2013 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(588,000)</b>	<b>(256,800)</b>	<b>(16,200)</b>	<b>(315,000)</b>
Number of Plan Shares forfeited	2011 RSP Grant *	(12,600)	-	-	(12,600)
	2012 RSP Grant *	(33,900)	-	-	(33,900)
	2012 PSP Grant <sup>∞</sup>	(155,800)	-	(63,400)	(92,400)
	2013 RSP Grant *	(28,500)	-	-	(28,500)
	<b>Total</b>	<b>(230,800)</b>	<b>-</b>	<b>(63,400)</b>	<b>(167,400)</b>
Number of Plan Shares outstanding as at 31 December 2013	2011 RSP Grant	139,900	-	6,200	133,700
	2012 RSP Grant	331,300	13,400	19,200	298,700
	2012 PSP Grant	223,800	59,400	64,800	99,600
	2013 RSP Grant	1,096,200	28,800	100,300	967,100
	2013 PSP Grant	475,000	63,600	200,600	210,800
	<b>Total</b>	<b>2,266,200</b>	<b>165,200</b>	<b>391,100</b>	<b>1,709,900</b>

Note: <sup>∞</sup> A portion of 2012 PSP Grant was forfeited, as the performance targets in respect of performance period from 2011 to 2013 were not achieved

## STATISTICS OF SHAREHOLDINGS

as at 30 January 2015

## Share Grant Plan (SGP) (cont'd.)

For the period from 1 January 2014 to 31 December 2014	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2014 RSP Grant	1,478,000	278,800	100,300	1,098,900
	2014 PSP Grant	449,600	63,600	200,600	185,400
	<b>Total</b>	<b>1,927,600</b>	<b>342,400</b>	<b>300,900</b>	<b>1,284,300</b>
Number of Plan Shares vested	2011 RSP Grant	(134,800)	-	(4,800)	(130,000)
	2012 RSP Grant	(166,800)	(6,700)	(8,400)	(151,700)
	2013 RSP Grant	(356,400)	(9,600)	(27,600)	(319,200)
	2014 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(908,000)</b>	<b>(266,300)</b>	<b>(40,800)</b>	<b>(600,900)</b>
Number of Plan Shares forfeited	2011 RSP Grant *	(5,100)	-	(1,400)	(3,700)
	2012 RSP Grant *	(15,900)	-	(2,500)	(13,400)
	2012 PSP Grant *	(8,400)	-	(8,400)	-
	2013 RSP Grant *	(78,700)	-	(17,700)	(61,000)
	2013 PSP Grant *	(35,400)	-	(35,400)	-
	2014 RSP Grant *	(44,700)	-	-	(44,700)
	<b>Total</b>	<b>(188,200)</b>	<b>-</b>	<b>(65,400)</b>	<b>(122,800)</b>
Number of Plan Shares outstanding as at 31 December 2014	2011 RSP Grant	-	-	-	-
	2012 RSP Grant	148,600	6,700	8,300	133,600
	2012 PSP Grant	215,400	59,400	56,400	99,600
	2013 RSP Grant	661,100	19,200	55,000	586,900
	2013 PSP Grant	439,600	63,600	165,200	210,800
	2014 RSP Grant	1,183,300	28,800	100,300	1,054,200
	2014 PSP Grant	449,600	63,600	200,600	185,400
	<b>Total</b>	<b>3,097,600</b>	<b>241,300</b>	<b>585,800</b>	<b>2,270,500</b>

Note: \* These Plan Shares were forfeited as they 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 2014 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 2014 was 31.59% 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**

There was no share buy-back by the Company during the financial year.

**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 PENALTIES**

There were no sanctions and/or penalties 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 2014 and the audited financial results for the year ended 31 December 2014 announced by the Company on 29 January 2015.

**7. PROFIT GUARANTEE**

There was no profit guarantee for the financial year.

**8. MATERIAL CONTRACTS**

There was no material contract 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 2014 or entered into since the end of the previous financial year.

# NOTICE OF 38<sup>TH</sup> ANNUAL GENERAL MEETING

**BURSA MALAYSIA BERHAD** (30632-P)  
(Incorporated in Malaysia under the Companies Act, 1965)

**NOTICE IS HEREBY GIVEN THAT** the 38<sup>th</sup> Annual General Meeting (AGM) of Bursa Malaysia Berhad (the Company) will be held at Nexus Ballroom 2 & 3, Level 3A, Connexion@Nexus, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Tuesday, 31 March 2015 at 10.00 a.m. for the transaction of the following business:

## Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and Auditors thereon.
2. To approve the payment of final dividend of 18 sen per share under single-tier system in respect of the financial year ended 31 December 2014.
3. To re-elect the following Directors who retire by rotation in accordance with Article 69 of the Company's Articles of Association and who being eligible offer themselves for re-election:
  - (1) Dato' Saiful Bahri bin Zainuddin
  - (2) Encik Ghazali bin Haji Darman
  - (3) Datuk Karownakaran @ Karunakaran a/l Ramasamy
  - (4) Datuk Chay Wai Leong
4. To re-elect Encik Pushpanathan a/l S.A. Kanagarayar who retires in accordance with Article 76 of the Company's Articles of Association and who being eligible offers himself for re-election.
5. To approve the payment of Directors' fees amounting to RM150,000 per annum for the Non-Executive Chairman and RM100,000 per annum for each of the Non-Executive Directors in respect of the financial year ended 31 December 2014.
6. To appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2015 and to authorise the Board of Directors to determine their remuneration.
7. 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.

**Resolution 1**

**Resolution 2**  
**Resolution 3**  
**Resolution 4**  
**Resolution 5**

**Resolution 6**

**Resolution 7**

**Resolution 8**

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 38<sup>th</sup> 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 24 March 2015. Only a depositor whose name appears on the Record of Depositors as at 24 March 2015 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the shareholders' approval for the payment of final dividend of 18 sen per share under single-tier system in respect of the financial year ended 31 December 2014 (Dividend) under Resolution 1 at the 38<sup>th</sup> AGM of the Company, the Dividend will be paid to the shareholders on 16 April 2015. The entitlement date for the Dividend shall be 3 April 2015.

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 2015 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.

# NOTICE OF 38<sup>TH</sup> ANNUAL GENERAL MEETING

**BURSA MALAYSIA BERHAD** (30632-P)  
(Incorporated in Malaysia under the Companies Act, 1965)

## BY ORDER OF THE BOARD

Yong Hazadurah binti Md. Hashim, LS 006674  
Hong Soo Yong, MAICSA 7026744  
Company Secretaries

Kuala Lumpur  
3 March 2015

## 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.

## Audited Financial Statements for financial year ended 31 December 2014

7. The audited financial statements are for discussion only under Agenda 1, as it does not require shareholders' approval under the provisions of Section 169(1) and (3) of the Companies Act 1965. Hence, it will not be put for voting.

## Re-election of Directors who retire in accordance with Article 69 and Article 76 of the Company's Articles of Association (AA)

8. Article 69 of the AA provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. With the current Board size of 11, four (4) Directors are to retire in accordance with Article 69 of the AA. Article 76 of the AA provides amongst others, that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

For the purpose of determining the eligibility of the Directors to stand for re-election or re-appointment at the 38<sup>th</sup> AGM, the Nomination and Remuneration Committee (NRC) has considered the following:

- (1) The performance and contribution of each of the Directors based on their Self and Peer Assessment (SPA) results of the Board Effectiveness Evaluation (BEE) 2013/2014;
- (2) The assessment of the individual Director's level of contribution to the Board through each of their skills, experience and strength in qualities; and
- (3) The level of independence demonstrated by each of the Non-Executive Directors (NEDs), and his ability to act in the best interest of the Company in decision-making, to ensure that the NEDs were independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or the ability to act in the best interests of the Company.

# NOTICE OF 38<sup>TH</sup> ANNUAL GENERAL MEETING

**BURSA MALAYSIA BERHAD** (30632-P)  
(Incorporated in Malaysia under the Companies Act, 1965)

In line with Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012, the Board has conducted an assessment of independence of the NEDs, and also other criteria i.e. character, integrity, competence, experience and time to effectively discharge their respective roles as Directors of the Company. As the Directors' SPA under the BEE 2013/2014 was not available for Encik Pushpanathan a/l S.A. Kanagarayar, who was appointed on 23 June 2014 and retires in accordance with Article 76 of the AA, the NRC had considered his contribution at the Board meetings which he attended and also referred to the BEE 2013/2014 result for Listing Committee (LC) which reflected his satisfactory performance as a LC member during the assessment period from 1 July 2013 to 30 June 2014. The Board approved the NRC's recommendation that the Directors who retire in accordance with Article 69 and Article 76 of the AA are eligible to stand for re-election. All these retiring Directors had abstained from deliberation and decision on their own eligibility to stand for re-election at the relevant NRC and Board meetings, where applicable.

Section 10(1)(b) of the Capital Markets and Services Act 2007 (CMSA) provides that the appointment, re-appointment, election or re-election as a Director of the Company is subject to concurrence by the Securities Commission (SC). In this respect, the SC's concurrence has been sought in respect of the proposed re-election of the Directors of the Company pursuant to Section 10(1)(b) of the CMSA.

## Retirement of Directors

9. Tan Sri Ong Leong Huat @ Wong Joo Hwa, an Independent Non-Executive Director has attained the age of 70 years in April 2014 after the last 37<sup>th</sup> AGM held on 27 March 2014. Tan Sri Ong Leong Huat via his letter dated 21 January 2015 informed the Board of Directors of the Company that he does not wish to seek re-appointment pursuant to Section 129(6) of the Companies Act 1965. Hence, he will retire at the conclusion of the 38<sup>th</sup> AGM in accordance with Section 129(2) of the Companies Act 1965.
10. Tun Mohamed Dzaiddin Haji Abdullah has retired as Public Interest Director and Non-Executive Chairman of the Board of Bursa Malaysia upon expiry of his term of appointment on 28 February 2015, after serving on the Board of Bursa Malaysia for 11 years. Tan Sri Amirsham A Aziz is appointed the Public Interest Director and Non-Executive Chairman of the Board of Bursa Malaysia effective 1 March 2015, as announced via Bursa LINK on 9 January 2015.

## Non-Executive Directors' (NEDs) Fees

11. In June 2014, the Board via the NRC engaged an external consultant, KPMG Management & Risk Consulting Sdn Bhd (KPMG) to review the Remuneration Policy for the members of the Board and Board Committees of Bursa Malaysia, with focus on the components of fixed fee(s) for the Board/Board Committees, meeting allowance, and other allowances for the members of the Board and Board Committees. KPMG had adopted comparators which comprised several stock exchanges (Comparator Exchanges) and public listed companies based on selected companies comparable to Bursa Malaysia in terms of market capitalisation, being in the finance industry and sole provider of goods/services in other industries (Comparator Companies).

The remunerations of the NEDs are segregated into two (2) parts i.e. Remuneration per Non-Executive Director (excluding Board Chairman) and Board Chairman's remuneration, for benchmarking against the average remuneration of those of the Comparator Exchanges and Comparator Companies. In this respect, the NRC also considered the positioning of the Board's remuneration over the past 10 years from 2004 to 2013. The Board at its meeting held on 18 September 2014 approved the NRC's recommendation for the proposed revision to the NEDs' fees as set out in the right column of the table below:

Directors' Fees (as approved at AGMs)	2004 to 2008 (5 consecutive years)	2009 to 2013 (5 consecutive years)	Financial Year (FY) 2014 (Approval sought at 38 <sup>th</sup> AGM)
Non-Executive Chairman	RM60,000 per annum	RM90,000 per annum	RM150,000 per annum
Non-Executive Director	RM40,000 per annum	RM60,000 per annum	RM100,000 per annum

The shareholders' approval is hereby sought on the payment of the NEDs' fees in respect of FY 2014, under **Resolution 7**.



# NOTICE OF 38<sup>TH</sup> ANNUAL GENERAL MEETING

**BURSA MALAYSIA BERHAD** (30632-P)  
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## Appointment of Auditors

12. The Audit Committee (AC) at its meeting held on 26 January 2015 undertook an annual assessment of the suitability and independence of the external auditors in accordance with the Auditor Independence Policy of the Group which was adopted in 2006. In its assessment, the AC considered several factors which include the following:

- (1) Adequacy of experience and resources of the firm and the professional staff assigned to the audit; and
- (2) Independence of Messrs. Ernst & Young (EY) and the level of non-audit services to be rendered by EY to the Company for the FY 2015.

Being satisfied with EY's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Auditor Independence Policy, the AC recommended the appointment of EY as external auditors for the FY ending 31 December 2015, with the rotation of audit engagement partner. The Board at its meeting held on 29 January 2015 approved the AC's recommendation for the shareholders' approval to be sought on the appointment of EY as external auditors of the Company for the FY 2015, under **Resolution 8**.

## Abstention from Voting

13. All the NEDs of the Company who are shareholders of the Company will abstain from voting on **Resolution 7** concerning remuneration to the NEDs at the 38<sup>th</sup> AGM.
14. Any Director referred to in **Resolutions 2, 3, 4, 5 and 6**, who is a shareholder of the Company will abstain from voting on the resolution in respect of his re-election at the 38<sup>th</sup> AGM.

# STATEMENT ACCOMPANYING NOTICE OF 38<sup>TH</sup> ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

- A. The profiles of the Directors who are standing for re-election as per Agenda 3 of the Notice of 38<sup>th</sup> AGM are stated on pages 24 to 26 of this Annual Report.
- B. The profile of the Director who is standing for re-election as per Agenda 4 of the Notice of 38<sup>th</sup> AGM is stated on page 26 of this Annual Report.
- C. The details of the Directors' interests in the securities of the Company as at 30 January 2015 are stated on pages 183 and 184 of this Annual Report.



# FINANCIAL CALENDAR

# 2015 2016

## JANUARY

Announcement of the audited consolidated results for the 4<sup>th</sup> quarter and financial year ended 31<sup>st</sup> December 2014

## JANUARY/ FEBRUARY

Announcement of the audited consolidated results for the 4<sup>th</sup> quarter and financial year ending 31<sup>st</sup> December 2015

## MARCH

38<sup>th</sup> Annual General Meeting

## APRIL

Announcement of the consolidated results for the 1<sup>st</sup> quarter ending 31<sup>st</sup> March 2015

## JULY

Announcement of the consolidated results for the 2<sup>nd</sup> quarter ending 30<sup>th</sup> June 2015

## OCTOBER

Announcement of the consolidated results for the 3<sup>rd</sup> quarter ending 30<sup>th</sup> September 2015





**[www.bursamalaysia.com](http://www.bursamalaysia.com)**

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