

CHAIRMAN'S STATEMENT



SECURITIES MARKET CAPITALISATION

RM1.7

trillion
2017: RM1.9 trillion

PROFIT AFTER TAX AND MINORITY INTEREST

RM224.0

million
2017: RM223.0 million

TOTAL DIVIDEND

33.6

sen per share
2017: 35.7 sen per share

TAN SRI AMIRSHAM A AZIZ

Chairman, **BURSA MALAYSIA BERHAD**

Dear Shareholders,

Bursa Malaysia put in a resilient performance amidst a challenging operating environment, due to strategic initiatives implemented in previous years which mitigated the impact of volatile market conditions. Greater retail investor participation and the positive reception for new products added vibrancy to the market, while new trading incentives and initiatives helped improve liquidity.

DELIVERING VALUE IN CHALLENGING CONDITIONS

2018 was marked by a strong start to the year, continuing the momentum established in 2017. Investor sentiment was generally positive in the first half of 2018 underlined by robust trading on the securities market. Sentiment became more muted in the second half as market conditions grew more uncertain owing to a number of external developments. Following the more challenging second half of the year, the benchmark FBMKLCI fell 5.9% to 1,690.58 points while market capitalisation declined by 10.8% to RM1.7 trillion for the year.

Notwithstanding the challenges, the Exchange continued to deliver on its commitment of creating value for our stakeholders, due in part to our efforts in previous years to build greater resilience and vibrancy in our market. For the year under review, Bursa Malaysia posted a Profit After Tax and Minority Interest (PATAMI) of RM224.0 million, representing an increase of 0.4% from our previous record PATAMI registered a year ago. In view of these results, the Board of Directors is pleased to declare a second interim dividend of 11.6 sen per share, bringing total dividend for 2018, inclusive of the special dividend of 8.0 sen, to 33.6 sen per share.

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ENHANCING THE MARKET ECOSYSTEM

The continued development of our market ecosystem is a top priority for Bursa Malaysia as it is the key to unlocking the sustainable long-term value of our marketplace and transforming us into a developed market. Our initiatives to enhance our market ecosystem are focused on several crucial areas including expanding our range of products and services, deepening market liquidity and growing our investor base to inject greater resilience and dynamism into our market. These initiatives are presented in greater detail in another section of this report and I invite you to refer to the relevant section for additional information.



A detailed list of our market enhancement initiatives is available in our Operational Review from Pages 52 to 69.

One notable development worth mentioning here is the positive growth seen in retail participation for 2018, buoyed by the retail investor initiatives and incentives we have introduced. The number of new retail CDS accounts activated during the year was higher than expected while retail investors closed the year as net buyers—the first time in over a decade. Additionally, retail investors bucked a historical trend when total Retail ADV totalled RM430 million for the year despite the decline in the FBMKLCI. We will be leveraging this momentum and continuing our retail investor efforts via our flagship “Invest Bursa, Invest in You” campaign throughout 2019, which we have designated as Retail Invest Year.



Our initiatives to boost retail participation in our capital market can be found on Page 56 of this report.

STRENGTHENING CORPORATE GOVERNANCE

Bursa Malaysia is committed to the practice and advocacy of good corporate governance (CG) to raise the quality of our own organisation as well as our PLCs. CG is essential to the long-term sustainability of our market and also in elevating the profile of the Malaysian market on the global stage. To this end, we focus on deliverables aimed at promoting good CG practices while ensuring that our own organisation leads the market by example.

GOOD CORPORATE GOVERNANCE IS BEST SERVED BY ENSURING TRANSPARENCY IN THE DISCLOSURE OF CORPORATE ACTIVITY, AND WE HAVE MADE SUBSTANTIAL EFFORTS IN REFINING THE QUALITY OF OUR OWN DISCLOSURES

We believe that good corporate governance is best served by ensuring transparency in the disclosure of corporate activity, and we have made substantial efforts in refining the quality of our own disclosures. Our 2018 report takes another step forward in our Integrated Reporting journey that began with the publication of our 2016 annual report. The preparation of this report challenged us as an organisation to think deeply about our roles, our culture and the actions we take in delivering our commitments to all our stakeholders, and also the way in which we present this information to them.

Improving Corporate Governance in our PLCs

While Bursa Malaysia has in place specific standards regarding the CG standards of our PLCs, we recognise that PLCs must acknowledge and accept the inherent value of practicing good CG to voluntarily embed the principles of good CG in their organisations. Effective self-regulation in line with the principles of good CG is therefore an important cornerstone of our advocacy work, and we provide tools and incentives such as our Green Lane Policy to encourage PLCs in that direction.



Please turn to Page 41 of our Sustainability Report for additional information on the Green Lane Policy.

We are also proud to report that at the 2nd ASEAN Corporate Governance Awards by the ASEAN Capital Markets Forum in November, not only was Bursa Malaysia named among the Top 3 PLCs in Malaysia and Top 5 ASEAN PLCs, but 13 other Malaysian PLCs also made the Top 50 ASEAN PLCs list, reflecting Bursa Malaysia's prominence at the forefront of the region as a responsible Exchange and exemplary PLC as well as the rising standard of corporate governance among Malaysian PLCs.




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WE ARE PLEASED TO NOTE THAT THE MARKETPLACE HAS RESPONDED POSITIVELY TO OUR EFFORTS TO MOVE THE SUSTAINABILITY NEEDLE, AND THIS IS REFLECTED IN SUSTAINABLE PRACTICES BECOMING MORE DEEPLY INGRAINED IN OUR PLCs' OPERATIONS.

BUILDING A SUSTAINABLE MARKETPLACE

Setting the Sustainability Tone


The sustainability agenda remains a key priority for Bursa Malaysia as we recognise it as essential to the long-term growth and development of our organisation and our market. To this end, we embed a strong sustainability mission within our own organisation, aligned with the five Sustainability Principles issued by the World Federation of Exchanges. Bursa Malaysia also takes guidance from the Sustainable Stock Exchanges (SSE) Initiative and became the first Malaysian PLC to officially support the Taskforce on Climate-Related Financial Disclosures (TCFD). In addition, we released our Sustainability Roadmap in 2018 to guide the development of our sustainability initiatives moving forward.


 Please turn to Page 55 of our Sustainability Report for additional information on our support of the TCFD.

Bursa Malaysia is a strong advocate of gender diversity in our PLCs, and this is reflected in the appointment of Ms Chong Chye Neo as our new independent, non-executive director on 21 December 2018. With her appointment, the Exchange meets its commitment of having at least 30% of our Board positions filled by women directors. Ms Chong's leadership experience in the field of information technology will be an invaluable input in Board discussions as Bursa Malaysia will be introducing a number of technology-focused development projects moving forward.

Embedding Sustainability in the Corporate Community

As the market regulator, we are committed to ensuring sustainability for the overall capital market by steering our PLCs towards the adoption of sustainable practices. We support the sustainability efforts of our PLCs through our annual review of their Sustainability Statements and by providing them with the necessary guidance, i.e. through our updated Sustainability Reporting Guide and Toolkit and online BURSASUSTAIN web portal.

 Please turn to Page 53 of our Sustainability Report for additional information on the BURSASUSTAIN web portal.

 Please turn to Page 52 of our Sustainability Report for additional information on the Sustainability Toolkit.



The theme of sustainability was also an important feature in the 2018 Bursa Bull Charge (BBC), our annual run which brings together all our stakeholders. Tagged as “The Day the Marketplace Runs for Others”, BBC is one way in which Bursa Malaysia leads the market and directs the collective effort of our market participants to heighten awareness of development goals while raising money for targeted charities. Held on 27 September 2018, the run raised RM2.1 million for 22 beneficiaries and was held as a carbon-neutral, inclusive event.

We are pleased to note that the marketplace has responded positively to our efforts to move the sustainability needle, and this is reflected in sustainable practices becoming more deeply ingrained in our PLCs' operations.

CHAIRMAN'S STATEMENT

CREATING FUTURE VALUE AND OPPORTUNITIES

The next two years are critical as we near the end of our strategic 10-year business plan in 2020. In order for us to achieve our desired outcomes, we will continue working on key aspects of the Exchange including further enhancing the market ecosystem, strengthening corporate governance and sustainability, and also building up Bursa Malaysia's capabilities. We will also better align our capital market with global standards while continuing to develop features unique to Bursa Malaysia that give us a competitive edge over our peers.

To these ends, we will step up our collaboration with regulators and industry players, including the Malaysian Government, the Securities Commission Malaysia and Bank Negara Malaysia to develop policies and guidelines that are facilitative to new investors and issuers, while strengthening the resilience and vibrancy of our capital markets. As capital market development is crucial to the national economic agenda, we have made deliberate efforts to engage with key decision-makers and align our positions on the development of the capital market with national goals.

In regard to our capabilities, Bursa Malaysia will capitalise on innovation and technology to modernise the core systems that form the backbone of our business over the next few years. On the organisational side, we continue to drive the development of an enterprise-wide data-driven culture. The latter contributes directly to our goal of building a High-Performance Organisation which will include a talent base that has the necessary skills and capabilities to meet mission-critical objectives and step into key leadership roles where and when called upon.

We must also continue to further ingrain sustainability in our PLCs such that we cement the Malaysian market as the leading destination for sustainable investing with a reputation for impeccable corporate governance.

ACKNOWLEDGEMENTS

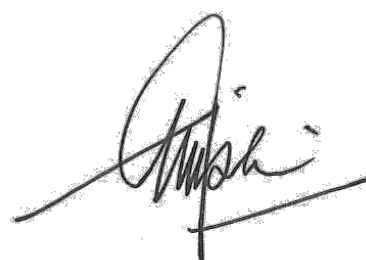
On behalf of Bursa Malaysia's Board of Directors, I would like to extend my sincere and utmost appreciation to Datuk Seri Tajuddin Atan who leaves us after eight years at the helm of Bursa Malaysia as CEO. He has played an instrumental part in transforming our marketplace and setting us on the path towards becoming a developed market. We wish him all the best in his future endeavours.

My special note of gratitude also goes out to Encik Ghazali bin Haji Darman, who will be retiring as Independent Non-Executive Director on 28 March 2019.

Furthermore, I would like to express the Board's gratitude to our valued shareholders for their continued support, and to the Management and staff of the Exchange for their continued dedication to our cause. We also extend our thanks to our regulators and policymakers who have played a vital part in laying the foundation for our market infrastructure, and for enabling us to achieve our goal of becoming ASEAN's market leader.

On a personal note, I would like to extend a warm welcome to the new Bursa Malaysia chairman, Datuk Shireen Ann Zaharah Muhiudeen who takes on the chairmanship following my stepping down on 28 February 2019. Likewise, a warm welcome to Datuk Muhamad Umar Swift who joins us as Bursa Malaysia's CEO on 11 February 2019. I wish the both of them all the best, and I am confident that Datuk Shireen and Datuk Umar will help the Exchange scale even greater heights.

I would like to acknowledge and express thanks for the contributions of my colleagues on the Board for their help these past four years. It has been my special privilege to have served with you on the Board during this time and I hope that you will continue to support the new chairman and CEO with the same enthusiasm as you have shown me.



TAN SRI AMIRSHAM A AZIZ
Chairman