

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

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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.

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DRIVING GOOD SHAREHOLDERS VALUE



**GROWTH IN
OPERATING REVENUE**



GROWTH IN PATAMI



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.