

## 19. DETAILS OF THE INITIAL PUBLIC OFFERING

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The Initial Public Offering is subject to the terms and conditions of this Prospectus and upon acceptance, the Issue Shares are expected to be allocated in the manner described below, subject to clawback and reallocation provisions as set out in Section 19.5 (Details of the Initial Public Offering — Clawback and Reallocation). All percentages of share capital stated in this section are based on our enlarged share capital upon Listing but before conversion of the Options.

### 19.1 Status of the Issue Shares

Immediately after the Listing, the Issue Shares will rank equally in all respects with our existing issued Shares including as to voting rights and rights to all dividends and distributions, the entitlement date of which is subsequent to the date of their allotment. There are no special rights attached to the Issue Shares. As the allotment of the Issue Shares will occur after the implementation of the distribution of capital pursuant to the Capital Reduction, investors who are allotted the Issue Shares will not be entitled to participate in the Capital Reduction. See Section 20.2 (Listing Scheme and Capital Reduction — Initial Public Offering) for further information. Our Company only has one (1) class of share, namely ordinary shares of RM0.50 each.

### 19.2 The Initial Public Offering

The Initial Public Offering comprises an offering of:

- (i) 116,900,000 Issue Shares, subject to reallocation, outside the United States, to selected Malaysian and foreign investors in reliance on Regulation S under the US Securities Act under the Institutional Offering; and
- (ii) 49,100,000 Issue Shares, subject to reallocation, to (a) our eligible employees, Directors and persons who have contributed to our success (other than Entitled Shareholders); (b) Entitled Shareholders; and (c) Malaysian citizens, companies, societies, co-operatives and institutions under the Retail Offering.

The minimum subscription to be raised from the Initial Public Offering is RM400.0 million. Completion of the Institutional Offering and the Retail Offering are inter-conditional.

The Institutional Offering and the Retail Offering are each conditional upon, among other things:

- (i) all Issue Shares under the Retail Offering and Institutional Offering having been fully subscribed for;
- (ii) the raising of the minimum subscription amount of RM400.0 million from the Initial Public Offering;
- (iii) approval having been granted by the Securities Commission for our Listing and permission to deal in the Issue Shares offered in the Initial Public Offering and such approval having not been revoked; and
- (iv) the Retail Offering (in the case of the Institutional Offering) and the Institutional Offering (in the case of the Retail Offering) becoming unconditional and not having been terminated in accordance with their respective terms.

**19. DETAILS OF THE INITIAL PUBLIC OFFERING (cont'd)**

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If the Retail Offering and the Institutional Offering are not completed, monies paid in respect of any application for the Issue Shares will be returned to applicants without interest.

The Issue Shares have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the US Securities Act. The Issue Shares are being offered under transactions outside the United States in reliance on Regulation S under the US Securities Act.

**19.2.1 The Institutional Offering**

Institutional Offering is made at the Institutional Price payable in full upon allocation and determined by way of bookbuilding and agreement between the Joint Lead Managers and us.

116,900,000 Issue Shares, subject to re-allocation, representing approximately 23.4 per cent. of our enlarged issued share capital are available under transaction outside the United States by selected foreign and Malaysian investors, of which 30.0% will be allocated to Bumiputera investors on a best efforts basis.

116,900,000 Issue Shares, subject to reallocation, are available for application by selected Malaysian and foreign investors, of which 30.0 per cent will be allocated to Bumiputera investors on a best efforts basis.

Applications for Institutional Offering should comply with the procedures set out in accordance to the separate letters/forms delivered to the respective identified investors. The actual allocation of Issue Shares between the selected Malaysian and foreign investors will be determined based on the outcome of the bookbuilding. The Issue Shares under the Institutional Offering are presently not underwritten and will only be underwritten upon the completion of the book-running exercise, when the Institutional Price has been agreed between the Joint Lead Managers and us.

**19.2.2 The Retail Offering**

The Retail Offering is made at the Retail Price of RM3.00 per Issue Share, payable in full upon application and subject to refund in the event that the Final Retail Price is less than RM3.00 per Issue Share. 49,100,000 Issue Shares, subject to reallocation, representing 9.8 per cent. of our enlarged issued share capital will be allocated in the following manner:

- (i) 12,500,000 Issue Shares, representing 2.5 per cent. of our enlarged issued share capital are available for application by our eligible employees, Directors and persons who have contributed to our success, other than our Entitled Shareholders;
- (ii) 16,600,000 Issue Shares, representing 3.3 per cent. of our enlarged issued share capital, are available for application by our Entitled Shareholders; and
- (iii) 20,000,000 Issue Shares representing 4.0 per cent. of our enlarged issued share capital are available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30.0 per cent. is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

19. DETAILS OF THE INITIAL PUBLIC OFFERING (*cont'd*)

Any Issue Share not subscribed for under paragraph (i) will be made available for application by the investors under paragraph (iii).

Any Issue Share not subscribed for under paragraphs (ii) and (iii) will be made available for application under the Institutional Offering subject to clawback and reallocation provisions as set out in Section 19.5 (Details of the Initial Public Offering — Clawback and Reallocation), and with any remaining amount thereof subscribed by the Underwriters.

The terms of the Retail Offering as contained in the underwriting agreement dated February 15, 2005 for the Retail Offering (“Underwriting Agreement”) includes the following:

- (i) Subject to the terms and conditions contained in the Underwriting Agreement among the Underwriters and ourselves, the Underwriters have severally (but not jointly) agree, subject to certain conditions, to underwrite the number of Shares set forth opposite their respective names below, at a price to be determined up to the Retail Price and/or to procure the subscription of those Issue Shares at the Final Retail Price:

<u>Underwriters</u>	<u>Number of Shares</u>
CIMB.....	29,100,000
Hwang-DBS Securities Berhad.....	5,000,000
Mayban Securities Sdn. Bhd.....	5,000,000
OSK Securities Berhad.....	5,000,000
RHB Securities Sdn. Bhd.....	5,000,000
Total.....	<u>49,100,000</u>

**Note:**

- (i) *The Underwriters are our existing shareholders who obtained their Shares pursuant to our demutualization. Hwang-DBS Securities Berhad and OSK Securities Berhad each own 6,072,727 Shares, while CIMB Securities Sdn. Bhd. (a subsidiary of CIMB), Mayban Securities Sdn. Bhd. and RHB Securities Sdn. Bhd. each own 3,036,364 Shares as at January 31, 2005.*
- (ii) We will pay the Underwriters an underwriting commission of 0.4 per cent of the Retail Price multiplied by the number of Issue Shares under in the Retail Offering. We will pay the Managing Underwriter a managing underwriting commission of 0.1 per cent. of the Retail Price multiplied by the number of Issue Shares under the Retail Offering.
- (iii) Three (3) or more Underwriters which have agreed to underwrite more than 75.0 per cent. of the Issue Shares which are undertaken under the Retail Offering (“Majority Underwriters”) may elect to treat any misrepresentation or any breach of any representation, warranty and undertaking on our part set out in the Underwriting Agreement as releasing and discharging the Underwriters of their obligations under the Underwriting Agreement.

**19. DETAILS OF THE INITIAL PUBLIC OFFERING (cont'd)**

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- (iv) If any of the conditions precedent set out in the Underwriting Agreement is not satisfied on or before the date of the closing of the Retail Offering, the Underwriters, with the prior consent of the Managing Underwriter, will thereupon be entitled to terminate their commitment to underwrite the Retail Offering by notice in writing to ourselves. However, the Managing Underwriter is expected to undertake not to provide such consent without the agreement of UBS. The Underwriting Agreement is also subject to termination by the Majority Underwriters upon the occurrence of certain events including force majeure, suspension of trading of securities on our Securities Exchange, any change in national or international monetary, financial (including stock market conditions and interest rates), political or economic conditions or currency exchange rates as would in the opinion of the Majority Underwriters materially and adversely affect the success of the Initial Public Offering (whether in the primary market or in respect of dealings in the secondary market), or the Malaysian Placement Agreement or the International Placement Agreement has not been executed or is terminated or rescinded for any reason whatsoever.

**19.3 Details of Allocation to Eligible Employees, Directors and Persons Who Have Contributed to Our Success, and Entitled Shareholders**

Our eligible employees, Directors and persons who have contributed to our success (other than our Entitled Shareholders) are allocated in aggregate 12,500,000 Issue Shares under the Initial Public Offering. 10,809,000 Issue Shares, 1,450,000 Issue Shares and 241,000 Issue Shares are allocated to 584 employees, 12 Directors, and 17 persons who have contributed to our success (other than our Entitled Shareholders), respectively, based on among other things, their staff grade, length of service and nature of relationship (as applicable).

See Section 15.1.2 (Management — Board of Directors — Directors' Shareholding) and Section 15.2.2 (Management — Key Management Personnel — Key Management Personnel's Shareholding) for information on the number of Issue Shares that will be allocated to each individual Director and key management personnel, respectively.

The Entitled Shareholders are allocated in aggregate 16,600,000 Issue Shares, on the basis of 332 Issue Shares for every 1,000 Shares held on January 26, 2005. The Entitled Shareholders, being shareholders who have received their Shares due to their positions as remisers, are a specific class of shareholder who have contributed to our success.

**19.4 Brokerage, Commissions and Other Fees**

Brokerage is payable by us to the participating organizations, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or the Issuing House in respect of the sale of the Issue Shares to the Malaysian public at the rate of 1.0 per cent. of the Final Retail Price in respect of successful applications under the Retail Offering.

We will pay the Underwriters an underwriting commission of 0.4 per cent. of the Retail Price multiplied by the number of Issue Shares offered under the Retail Offering. We will pay the Managing Underwriter a managing underwriting commission of 0.1 per cent. of the Retail Price multiplied by the number of Issue Shares under the Retail Offering.

## 19. DETAILS OF THE INITIAL PUBLIC OFFERING (*cont'd*)

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We expect to pay an underwriting and selling commission of 1.15 per cent. of the Institutional Price multiplied by the number of Issue Shares placed to Malaysian investors under the Institutional Offering. We expect to pay an underwriting management and selling commission of up to 2.0 per cent. of the Institutional Price multiplied by the number of Issue Shares placed to foreign investors under the Institutional Offering. In respect of the Joint Lead Managers, we may, at our sole discretion pay a commission of 0.20 per cent. and 0.25 per cent. of an amount equal to the aggregate of the Institutional Price multiplied by the number of Issue Shares sold to Malaysian investors and foreign investors respectively under the Institutional Offering.

Purchasers of the Issue Shares in the Institutional Offering to foreign investors will be required to pay brokerage (and such brokerage will be 1.0 per cent. of the Institutional Price), stamp taxes and other similar charges in accordance with the laws and practices of the country of purchase, in addition to the Institutional Price, as applicable.

### 19.5 Clawback and Reallocation

The allocation of Issue Shares between and within the Retail Offering and Institutional Offering is subject to adjustment. For instance, in the event of an over-application in the Retail Offering, and an under-application in the Institutional Offering, Issue Shares may be clawed back from the Institutional Offering and reallocated to the Retail Offering. If there is an under-application in the Retail Offering and there is an over-application in the Institutional Offering, Issue Shares in the Retail Offering may be clawed back from the Retail Offering and reallocated to the Institutional Offering. The clawback and reallocation shall not apply in the event of over-application in both the Retail Offering and the Institutional Offering. Any such re-allocation is subject to the agreement of our Company and the Joint Lead Managers.

### 19.6 Purposes of the Initial Public Offering

The purposes of the Initial Public Offering are as follows:

- (i) to enable existing and continuing shareholders to realize all or part of their investments;
- (ii) to achieve listing status for our Company;
- (iii) to restore our consolidated balance sheet after the Capital Reduction (see Section 20.1 (Listing Scheme and Capital Reduction — Members' Scheme of Arrangement));
- (iv) to enable us to have access to the capital market for cost effective capital raising in order to give us the financial flexibility to pursue growth opportunities;
- (v) to enhance our profile internationally;
- (vi) to enhance the liquidity of our Shares;
- (vii) to enhance our transparency and discipline of our corporate management; and
- (viii) to provide an opportunity for the investing community, including the Malaysian public, eligible employees and Directors and persons who have contributed to our success, to participate in our equity and future performance.

**19. DETAILS OF THE INITIAL PUBLIC OFFERING (cont'd)**

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**19.7 Basis of Arriving at the Final Retail Price**

Upon application, the applicants under the Retail Offering will pay the Retail Price of RM3.00 per Share. The Final Retail Price will be the lower of:

- (i) the Retail Price of RM3.00 per Share; and
- (ii) 97.0 per cent. of the Institutional Price, subject to rounding adjustments.

The Institutional Price will be determined using a process known as “bookbuilding” where prospective selected investors specify the number of Shares they would be prepared to acquire at different prices. This “bookbuilding” process is expected to continue up to and to cease on or about March 3, 2005. Following the bookbuilding process, the Institutional Price will be determined by agreement between Joint Lead Managers and ourselves on the Price Determination Date, which is expected to be on or about March 3, 2005, subject to change. Among the factors that will be taken into account in determining the Institutional Price are the demand for the Shares, the prevailing conditions in the securities markets and our historical performance.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date. If the Final Retail Price is lower than the Retail Price, a refund of the difference will be made without any interest. The refund in the form of a cheque will be dispatched to successful applicants ordinary mail to the addresses of the successful applicants as stated in the records of Bursa Depository within ten (10) Market Days from the final ballot of the applications at the successful applicants own risk.

We will announce the Final Retail Price and the Institutional Price in a Bahasa Malaysia and English daily newspaper circulating generally in Malaysia within two (2) days after the Price Determination Date. We will send all successful applicants a written notice of the Final Retail Price and Institutional Price in the notices of allotment.

Prior to the Initial Public Offering, there has been no trading market for our Shares within or outside Malaysia. You should also note that the market price of our Shares upon the Listing is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares.

19. DETAILS OF THE INITIAL PUBLIC OFFERING (*cont'd*)**19.8 Important Dates**

The following events are intended to take place on the following tentative dates:

<b>Event</b>	<b>Tentative dates</b>
Opening of the Institutional Offering .....	February 17, 2005*
Opening of the Retail Offering.....	February 23, 2005
Closing of the Retail Offering.....	March 2, 2005
Closing of the Institutional Offering .....	March 3, 2005
Price Determination .....	March 3, 2005
Balloting of applications for the Issue Shares pursuant to the Retail Offering.....	March 4, 2005
Allotment of Issue Shares to successful applicants.....	March 11, 2005
Listing.....	March 18, 2005

**Note:**

\* *Being the date of commencement of bookbuilding.*

The Institutional Offering and Retail Offering will open and close at the dates stated above or such other later date or dates as our Directors and Joint Global Coordinators may mutually decide, at their absolute discretion. We will announce any extension of the Retail Offering in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia. In the event either the Institutional Offering or Retail Offering is extended, the dates for the allotment of the Issue Shares and our Listing will be extended accordingly.

**19.9 Estimated Expenses of the Initial Public Offering**

The expenses of this Initial Public Offering are estimated to be RM20.0 million, including RM7.7 million estimated for commissions and other fees payable to the Underwriters and Joint Lead Managers, RM1.5 million for brokerage, RM4.0 million are estimated professional fees and RM6.0 million are other fees and expenses, such as printing, advertising and travelling expenses incurred in connection with the Initial Public Offering. All of the expenses of the Initial Public Offering will be borne by us.

**19.10 Trading and Settlement in Secondary Market**

Upon listing and quotation on Bursa Securities, our Issue Shares that are being offered in the Initial Public Offering will be traded through Bursa Securities and settled by book-entry settlement through CDS, which will be effected in accordance with the rules of Bursa Depository for the operation of CDS accounts, as amended from time to time and the provisions of the SICDA. Accordingly, we will not deliver share certificates to subscribers for, or purchasers of, the Issue Shares. Bursa Depository operates the CDS.

Beneficial owners of Shares are required under the CDS rules to maintain CDS accounts, either directly in their name or through authorized nominees. Persons whose names appear in the records of depositors maintained by Bursa Depository, will be treated as our shareholders in respect of the number of Shares credited to their respective securities accounts.

**19. DETAILS OF THE INITIAL PUBLIC OFFERING (cont'd)**

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Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10.00 payable for each transfer not transacted on the market.

All Shares held in CDS accounts may not be withdrawn from CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List of Bursa Securities;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances determined by Bursa Depository from time to time, after consultation with Securities Commission.

For all trades in ordinary shares, preference shares and other securities listed and traded on our Securities Exchange but excluding certain instruments specified in the rules (where the brokerage payable is on a fully negotiated basis between the participating organization and its clients), the brokerage payable shall be the minimum brokerage as prescribed below or such brokerage on a fully negotiated basis between the participating organizations and its clients subject to a maximum of 0.7 per cent. of the contract value, whichever is the higher.

A minimum fixed brokerage fee on the basis of RM2.00 on transactions relating to loan instruments and RM12.00 for any other transactions traded on our Securities Exchange ("Minimum Fixed Brokerage Fee") is payable by both the buyer and seller. Notwithstanding the above, for retail trades executed with a contract value of RM0.1 million or less, the minimum brokerage payable is 0.6 per cent. of the contract value or the Minimum Fixed Brokerage Fee, whichever is the higher. For retail trades where the contract value exceeds RM0.1 million, the minimum brokerage payable is 0.3 per cent. of the contract value or the Minimum Fixed Brokerage Fee, whichever is the higher. For trades of particular securities where the outstanding purchase positions are settled against sale positions of the same securities on the same contract date, the minimum brokerage payable is 0.15 per cent. of the contract value or the Minimum Fixed Brokerage Fee, whichever is the higher.

Participating organizations are permitted to give discounts on online routed retail trades of up to 30.0 per cent. of the minimum brokerage prescribed above except where the Minimum Fixed Brokerage Fee is payable, subject to the internal policy of the participating organization.



**19. DETAILS OF THE INITIAL PUBLIC OFFERING (cont'd)**

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In addition to the above brokerage fees and clearing fees payable to Bursa Securities Clearing (which is currently at a rate of 0.04 per cent. of the transacted value, subject to a cap of RM200.00 for both on-market and direct business transactions and a minimum of RM10.00 which is applicable to direct business transactions only), contract stamp duty of RM1.00 per RM1,000 of transacted value or part thereof, subject to a maximum of RM200.00, is payable by both buyer and seller in respect of transactions executed by participating organizations of Bursa Securities on our Securities Exchange.

Trading of shares of companies listed on our Securities Exchange is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot board.

Settlement of trades done on a "ready" basis on our Securities Exchange generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the third Market Day following the transaction date.

It is expected that the Shares offered in the Initial Public Offering will not commence trading on the Securities Exchange until on or about March 18, 2005, or approximately 15 days after the Price Determination Date. Subscribers of the Shares will not be able to sell or otherwise deal in the Shares (except by way of book entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on the Securities Exchange. See Section 4.2.7 (Risk Factors — Risks Relating to our shares — There may be a delay or failure in our Listing).

**19.11 Shareholder Lock-up**

Two (2) of our shareholders, namely MOF Inc and CMDF who will own in aggregate 200,400,001 Shares or approximately 40.1 per cent. of our issued share capital upon completion of the Initial Public Offering, will enter into an agreement with the Joint Lead Managers, that subject to certain exceptions, including with the prior written consent of the Joint Lead Managers, for a period from the date of their respective lock-up agreements to the date falling six (6) months after the Listing date ("Lock-Up Period"), they will not:

- (i) offer, sell, contract to sell, grant any option to purchase, grant security over, encumber or otherwise dispose of any Shares (or any securities convertible into or exchangeable for Shares or which carry rights to subscribe or purchase Shares);
- (ii) enter into a transaction (including a derivative transaction) with a similar economic effect to any of the foregoing;
- (iii) deposit any Shares (or any securities convertible into or exchangeable for Shares or which carry rights to subscribe or purchase Shares) in any depository receipt facilities; or
- (iv) publicly announce any intention to do so.

## 19. DETAILS OF THE INITIAL PUBLIC OFFERING (*cont'd*)

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This restriction shall apply to all Shares (or interest in Shares) held or acquired, directly or indirectly, by MOF Inc and CMDF prior to or after the Listing date. This restriction does not apply to disposals of Shares which are:

- (i) made with the prior written consent at the Joint Lead Managers (such consent not to be unreasonably withheld or delayed);
- (ii) to a related corporation of all Shares then held by MOF Inc or CMDF, as applicable, subject to provision by the related corporation of a lock-up undertaking on substantially the same terms for the unexpired period of the Lock-Up Period and the re-transfer of Shares to MOF Inc, or CMDF, as applicable if the related corporation or affiliate ceases to be a related corporation or affiliate; or
- (iii) in the case of MOF Inc, only, made on behalf of the Company to facilitate the sale of Shares by employees under the ESOS.

If our shareholders sell, or are perceived to sell, substantial amounts of Shares in the public market following the six (6) months period following our Listing, the market price of our Shares could fall.

### 19.12 Bursa Malaysia's Lock-up

We will agree with the Joint Lead Managers, subject to certain exceptions including the issue of Shares pursuant to the ESOS, that from the date of the placement agreement for the offering to foreign investors to the date falling six (6) months after the Listing date we will not:

- (i) issue, offer, sell, contract to sell or grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchange for Shares or which carry rights to subscribe or purchase Shares);
- (ii) enter into a transaction (including a derivative transaction) with a similar economic effect to any of the foregoing;
- (iii) deposit any Shares (or any securities convertible into or exchangeable for Shares or which carry rights to subscribe or purchase Shares) in any depositary receipt facilities; or
- (iv) publicly announce any intention to do so.

This restriction will not apply to disposals and the issuance of Shares which are:

- (i) made pursuant to the Initial Public Offering;
- (ii) made with the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed), or
- (iii) made pursuant to the ESOS.

## 19. DETAILS OF THE INITIAL PUBLIC OFFERING (*cont'd*)

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All of our issued Shares will be freely tradable on Bursa Securities. It is also possible that we may issue additional Shares after six (6) months have elapsed following the date of commencement of trading on Bursa Malaysia in connection with financing activities, acquisition activities or otherwise. Any Shares that we issue will also be listed and freely tradable on Bursa Securities.

### 19.13 Other Relationships

The Joint Lead Managers, Co-Managers and Underwriters and their affiliates engage in transactions with, and perform services for, us in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and investment banking transactions with ourselves and companies which are listed or intend to list on our Securities Exchange, for which they have received, and may in the future receive, customary compensation.

CIMB Securities Sdn. Bhd. (wholly-owned subsidiary of CIMB), AmSecurities Sdn. Bhd. (a related company of AmMerchant Bank Berhad), Hwang-DBS Securities Berhad, Mayban Securities Sdn. Bhd., OSK Securities Berhad and RHB Securities Sdn. Bhd. are our shareholders, each holding less than 2.0 per cent. of our Shares as at January 31, 2005. See also Section 26.3 (Additional Information — Declaration by the Advisers).

Dato' Seri Hwang Sing Lue, who is a Director of our Company, is also the Executive Chairman and substantial shareholder of Hwang-DBS (Malaysia) Berhad. Hwang-DBS Securities Berhad is a subsidiary of Hwang-DBS (Malaysia) Berhad. He also holds various directorships in the Hwang-DBS (Malaysia) Berhad group of companies.

Cheah Tek Kuang, who is a Director of our Company, is also the Group Managing Director of AMMB Holdings Berhad. AmSecurities Sdn Bhd is a subsidiary of AMMB Holdings Berhad. He also holds various other directorships in the AMMB Holdings Berhad group of companies.

### 19.14 Persons Intending to Purchase in the Offering

We are not aware of any person who intends to purchase more than 5.0 per cent. of our Issue Shares offered pursuant to the Initial Public Offering.

No action has been or will be taken in any jurisdiction that would permit the Retail Offering being offered outside Malaysia, or the possession, circulation or distribution of this Prospectus or any other material relating to us or our Issue Shares in any jurisdiction where action for the purpose is required. Accordingly, our Issue Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with our Issue Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

**19. DETAILS OF THE INITIAL PUBLIC OFFERING (cont'd)**

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The Securities Industry Act provides that no person shall enter into any agreement or arrangement to acquire shares in our Company if the acquisition of such shares, together with any shares already held by such person or by such person and persons acting in concert with him would amount to 5.0 per cent. or more of the issued and paid-up share capital of our Company, without obtaining the prior approval of the Minister of Finance. The Minister of Finance may grant such approval subject to such conditions as he deems fit.

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## 20. LISTING SCHEME AND CAPITAL REDUCTION

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### 20.1 Members' Scheme of Arrangement

In connection with the Listing, our shareholders have, on December 12, 2004, approved a scheme of arrangement ("Scheme") that allowed us to repay capital to our existing shareholders. The Scheme was sanctioned by the High Court of Malaya on January 14, 2005. Under the Scheme, we increased our Shares in issue to 1,834,000,000 via the issuance of 1,334,000,000 Shares credited as fully paid-up from the capitalization of our retained earnings, on the basis of 2,668 new Shares for every 1,000 Shares. Subsequently, upon completion of the share issuance, we reduced our capital by the cancellation of approximately RM0.41 from the par value of each Share resulting in a credit of RM750.0 million which was reflected as a liability in our books of account on January 27, 2005. We will repay this liability to our shareholders immediately prior to the Initial Public Offering in cash at a date which falls after the completion of the Listing. We subsequently consolidated the 1,834,000,000 ordinary shares of approximately RM0.09 each to 334,000,000 Shares on the basis of approximately 5.491 ordinary shares of approximately RM0.09 each to one (1) Share.

In the event the Initial Public Offering or Listing is not successful, the cash amounting to RM498.0 million out of the RM750.0 million arising from the Capital Reduction will be used to subscribe for 166,000,000 new Shares at RM3.00 per Share, with the remaining RM252.0 million to be used to repay our shareholders, in order to ensure that we will not be under-capitalized.

### 20.2 Initial Public Offering

Pursuant to the Initial Public Offering, we will issue 166,000,000 Issue Shares, representing approximately 33.2 per cent. of our enlarged issued and paid-up share capital. All percentages of share capital stated in this section are based on our enlarged share capital upon Listing but before conversion of Options. The Initial Public Offering was approved by the Securities Commission in letters dated December 10, 2004 and January 3, 2005 and is subject to the terms and conditions as stated in Section 20.4 (Listing Scheme and Capital Reduction — Approvals). Details of the Initial Public Offering are set out in Section 19 (Details of the Initial Public Offering).

The minimum subscription amount to be raised from the Initial Public Offering is RM400.0 million.

### 20.3 Listing

An application will be made to the Securities Commission for the admission of our Shares to the Official List of the Main Board of Bursa Securities and the listing of and quotation for our entire issued and paid-up share capital.

## 20. LISTING SCHEME AND CAPITAL REDUCTION (cont'd)

## 20.4 Approvals

The Securities Commission approved the Initial Public Offering and the Listing under the SCA and Bursa Securities LR in letters dated December 10, 2004 and January 3, 2005. Under the Guidelines on Acquisitions of Interest, Mergers and Takeovers of the FIC, the Securities Commission has stated in its letter dated December 10, 2004 that it has noted our Company's indicative equity structure after the Listing as follows:

Category	Equity structure before the Initial Public Offering	Indicative equity structure after the Initial Public Offering
	%	%
Bumiputera.....	61.87	41.33 <sup>(1)</sup>
Others.....	38.13	58.67
Total.....	100.00	100.00

**Note:**

- <sup>(1)</sup> Represents the minimum number of Bumiputera shareholders in our Company after the Initial Public Offering.

The conditions imposed on us by the Securities Commission and the status of our compliance with these conditions are as follows:

Details of conditions imposed	Status of compliance
(i) Bursa Malaysia to assess whether all subsisting related-party transactions are based on terms and conditions which are unfavorable to the Bursa Malaysia group.  Bursa Malaysia to ensure that the existing and future business transactions between the Bursa Malaysia group and the businesses in which the directors and major shareholders have interest are conducted at an arm's length basis, are not to the disadvantage of the Bursa Malaysia group and are subjected to the scrutiny of the Audit Committee.	Assessed. Our Directors are of the view that all our subsisting related-party transactions are not unfavorable to us.  To be complied with.
(ii) Bursa Malaysia to fully disclose in its listing prospectus the fact that no underwriting agreement will be entered into for the institutional offering until the bookbuilding exercise has been completed and the institutional price has been determined.	Disclosed in Section 19.2.1 (Details of the Initial Public Offering — The Initial Public Offering — The Institutional Offering) of this Prospectus.
(iii) At least 30.0 per cent. of the issued and paid-up share capital of Bursa Malaysia after the public issue should be held by Bumiputra shareholders approved by the MITI to comply with the National Development Policy ("NDP") requirement.	Complied with. Pursuant to MITI's letter dated January 31, 2005, 40.08 per cent. of the issued and paid-up share capital of Bursa Malaysia after the public issue will be held by Bumiputra shareholders approved by the MITI.
(iv) CIMB/Bursa Malaysia to provide the Securities Commission with the status of compliance with the NDP requirement upon completion of the Listing.	To be complied with.
(v) Bursa Malaysia to disclose the status of the utilization of proceeds from the flotation proposal in its quarterly and annual reports until the proceeds are fully utilized.	To be complied with.

## 20. LISTING SCHEME AND CAPITAL REDUCTION (cont'd)

Details of conditions imposed	Status of compliance
(vi) With regard to the proposed allocation of any part of the 116,900,000 Issue Shares meant for institutional investors to persons connected to CIMB and UBS:	
(a) CIMB and UBS should establish internal arrangements (Chinese walls) to prevent the persons connected to it from accessing the book;	Complied with.
(b) allocations to the persons connected to CIMB and UBS should be consistent with the allocation policy that has been communicated to Bursa Malaysia, including the number of shares to be allocated to a single party;	To be complied with.
(c) the connected persons should disclose to Bursa Malaysia and CIMB and UBS (the bookrunner) the amount of order which they have put in for their own/proprietary account and customer account, whichever is applicable; and	To be complied with.
(d) CIMB and UBS should fully inform and obtain Bursa Malaysia's consent on inviting the connected persons to bid for the Shares.	To be complied with.
(vii) Bursa Malaysia to comply with all the other relevant requirements as stipulated in the Securities Commission Guidelines.	Complied with where applicable.

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## 21. ACCOUNTANTS' REPORT



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17 February 2005

The Board of Directors  
 Bursa Malaysia Berhad  
 14th Floor, Exchange Square  
 Bukit Kewangan, 50200 Kuala Lumpur

Dear Sirs

**BURSA MALAYSIA BERHAD (formerly known as Kuala Lumpur Stock Exchange Berhad)**  
**("Bursa Malaysia")**  
**ACCOUNTANTS' REPORT**

### 1. INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of Bursa Malaysia to be dated 23 February 2005, in connection with the listing of and quotation for the entire issued share capital of the Bursa on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

### 2. ABBREVIATIONS

Unless the context otherwise requires, the following definitions shall apply throughout this report :

Bursa Depository	Bursa Malaysia Depository Sdn Bhd ( <i>formerly known as Malaysian Central Depository Sdn Bhd</i> )
Bursa Depository (N)	Bursa Malaysia Depository Nominees Sdn Bhd ( <i>formerly known as Malaysian Central Depository Nominees Sdn Bhd</i> )
Bursa Derivatives	Bursa Malaysia Derivatives Bhd ( <i>formerly known as Malaysia Derivatives Exchange Berhad</i> )
Bursa Derivatives Clearing	Bursa Malaysia Derivatives Clearing Berhad ( <i>formerly known as Malaysian Derivatives Clearing House Berhad</i> )
Bursa Group	Bursa Malaysia and its subsidiaries
Bursa Information	Bursa Malaysia Information Sdn Bhd ( <i>formerly known as KLSE Information Services Sdn Bhd</i> )
Bursa IT	Bursa Malaysia IT Sdn Bhd ( <i>formerly known as KLSE Technology Sdn Bhd</i> )



**21. ACCOUNTANTS' REPORT (cont'd)****2. ABBREVIATIONS (CONTD.)**

Bursa Malaysia	Bursa Malaysia Berhad ( <i>formerly known as Kuala Lumpur Stock Exchange Berhad</i> )
Bursa Property	Bursa Malaysia Property Sdn Bhd ( <i>formerly known as KLSE Property Management Sdn Bhd</i> )
Bursa Securities	Bursa Malaysia Securities Berhad ( <i>formerly known as Malaysia Securities Exchange Berhad</i> )
Bursa Securities Clearing	Bursa Malaysia Securities Clearing Sdn Bhd ( <i>formerly known as Securities Clearing Automated Network Services Sdn Bhd</i> )
COMMEX	Commodity and Monetary Exchange of Malaysia
KLOFFE INFO	KLOFFE Information Systems Sdn Bhd
AFX	Labuan International Financial Exchange Inc.
Monetary Exchange	Malaysia Monetary Exchange Berhad

**3. GENERAL INFORMATION****3.1 Background**

Bursa Malaysia was incorporated under the Companies Act, 1965 on 14 December 1976 under the name of The Kuala Lumpur Stock Exchange as a company limited by guarantee, to function as a stock exchange. On 26 April 1994, the name was changed to Kuala Lumpur Stock Exchange.

On 5 January 2004, pursuant to the Demutualisation Act 2003, Bursa Malaysia was demutualised and converted to a public company limited by shares. Bursa Malaysia created authorised share capital of RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 par value each ("Shares") and issued and fully paid-up share capital of RM250,000,000 comprising 500,000,000 Shares. The Shares were issued by way of capitalisation of membership fees and accumulated funds to the following shareholders:

<u>Shareholders</u>	<u>Percentage Allocation</u> (%)	<u>No. of Shares</u> (in millions)
1. Minister of Finance, Incorporated	30	150
2. Capital Market Development Fund	30	150
3. Participating organisations	30	150
4. Remisiers	10	50
	<u>100</u>	<u>500</u>

**21. ACCOUNTANTS' REPORT (cont'd)**

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**3. GENERAL INFORMATION (CONTD.)****3.1 Background (Contd.)**

On the same date, Bursa Malaysia vested and transferred its securities exchange business to a newly incorporated subsidiary, Bursa Securities, and thereafter Bursa Malaysia became an exchange holding company. Bursa Malaysia assumed its current name of Bursa Malaysia Berhad on 14 April 2004.

**3.2 Listing Scheme**

In conjunction with and as an integral part of the listing of and quotation for the entire issued share capital of Bursa Malaysia on the Main Board of Bursa Securities, Bursa Malaysia on 27 January 2005 completed the following corporate proposals :

- (a) A bonus issue of 1,334,000,000 new Shares by way of capitalisation of accumulated funds of RM667,000,000 on the basis of 2,668 new Shares for every 1,000 Shares ("Bonus Issue");
- (b) A capital reduction exercise whereby RM750,000,000 of the share capital was cancelled, representing approximately RM0.41 of the par value of each Share ("Capital Reduction"). The payment to shareholders will be on a date after the Initial Public Offering and Listing (as defined below);
- (c) A share consolidation exercise whereby 1,834,000,000 ordinary shares of approximately RM0.09 par value each after the Capital Reduction were consolidated into 334,000,000 Shares ("Share Consolidation");

Bursa Malaysia will implement an employees' share option scheme whereby 13% of its share capital will be put under options to be granted to employees ("ESOS"). The offer of options under the ESOS will be made subject to the Listing. Bursa Malaysia will undertake an issue of 166,000,000 new Shares for cash ("Initial Public Offering"). Thereafter, the entire issued share capital of Bursa Malaysia comprising 500,000,000 Shares shall be listed on the Main Board of Bursa Securities ("Listing"), and payment to shareholders pursuant to the Capital Reduction will be made.

## 21. ACCOUNTANTS' REPORT (cont'd)



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## 3. GENERAL INFORMATION (CONTD.)

## 3.3 Share Capital

As at the date of this report, the authorised share capital of Bursa Malaysia is RM1,000,000,000 comprising 2,000,000,000 Shares. The issued and paid-up share capital is RM167,000,000 comprising 334,000,000 Shares. Details of changes in the authorised and issued and paid-up share capital of Bursa Malaysia since its demutualisation on 5 January 2004 to the date of this report are as follows:

## (a) Authorised share capital

Date of creation	Number of ordinary shares of RM0.50	Cumulative authorised share capital RM
5 January 2004	1,000,000,000	500,000,000
11 December 2004	1,000,000,000	<u>1,000,000,000</u>

## (b) Issued and paid-up share capital

Date of allotment/ (cancellation)	Number of ordinary shares of RM0.50	Consideration	Cumulative issued and fully paid-up share capital RM
5 January 2004	500,000,000	Capitalisation of membership fees and retained earnings	250,000,000
27 January 2005	1,334,000,000	Bonus issue via capitalisation of retained earnings	917,000,000
27 January 2005	(1,500,000,000)	Capital Reduction and Share Consolidation	<u>167,000,000</u>

## 3.4 Subsidiaries

As at the date of this report, the subsidiaries of Bursa Malaysia are as follows:

Company	Date of Incorporation	Issued and Paid-up Ordinary Share Capital	Effective Equity Interest %	Principal Activities
Bursa Securities	4 December 2003	RM25,000,000	100	Provide, operate and maintain a securities exchange
Bursa Securities Clearing	12 November 1983	RM300,000,000	100	Provide, operate and maintain a clearing house for the securities exchange

## 21. ACCOUNTANTS' REPORT (cont'd)



## 3. GENERAL INFORMATION (CONTD.)

## 3.4 Subsidiary companies (Contd.)

Company	Date of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest %	Principal Activities
Bursa Derivatives Clearing	9 September 1995	RM20,000,000	100	Provide, operate and maintain a clearing house for the futures and options exchange
Bursa Information	2 May 1986	RM250,002	100	Provide and disseminate prices and other information relating to securities quoted on exchanges within the Bursa Group
Bursa Depository	26 October 1987	RM25,000,000	75	Provide, operate and maintain a central depository for securities listed on the securities exchange
Bursa Depository (N)	15 May 1992	RM2	75	Act as a nominee for Bursa Depository and receive securities on deposit or for safe-custody or management
Bursa Property	27 November 1985	RM1,000,000	100	Provide building management and security services
Bursa IT	7 March 1991	RM39,998,002	100	Provide information and communications technology services
Bursa Derivatives	17 April 1993	RM50,000,078	100	Provide, operate and maintain a futures and options exchange
KLOFFE INFO	11 October 1994	RM2	100	Dormant
LFX	30 July 1999	US\$5,500,000	100	Provide, operate and maintain an offshore financial exchange
COMMEX	14 July 1980	^	^	Dormant
Monetary Exchange	19 August 1992	RM1,000,000	100	Dormant

**21. ACCOUNTANTS' REPORT (cont'd)**

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**3. GENERAL INFORMATION (CONTD.)**

**3.4 Subsidiary companies (Contd.)**

^ COMMEX is a company limited by guarantee. Bursa Derivatives and Bursa Malaysia are regarded as COMMEX's immediate and ultimate holding company respectively. Bursa Derivatives is the sole member of COMMEX.

All subsidiaries of Bursa Malaysia were incorporated in Malaysia.

## 21. ACCOUNTANTS' REPORT (cont'd)



### 4. FINANCIAL STATEMENTS AND AUDITORS

4.1 The auditors for the companies in Bursa Group for the financial years/periods under review are as follows:

Company	← Year ended →		→ Period ended		Year ended	Period ended
	30.6.99 RM'000	30.6.00 RM'000	30.6.01 RM'000	31.12.02 RM'000	31.12.03 RM'000	* 30.9.04 RM'000
Bursa Malaysia	^	^	^	EY	EY	EY
Bursa Securities	n/a	n/a	n/a	n/a	EY	EY
Bursa Securities Clearing	^	^	^	EY	EY	EY
Bursa Derivatives Clearing	^	^	^	^	^	EY
Bursa Information	^	^	^	EY	EY	EY
Bursa Depository	^	^	^	EY	EY	EY
Bursa Depository (N)	^	^	^	EY	EY	EY
Bursa Property	^	^	^	EY	EY	EY
Bursa IT	^	^	^	EY	EY	EY
Bursa Derivatives	^	^	^	EY	EY	EY
KLOFFE INFO	^	^	^	EY	EY	EY
LFX	n/a	^	^	EY	EY	EY
COMMEX	n/a	n/a	^	^	^	EY
Monetary Exchange	n/a	n/a	^	^	^	EY

#### Legend :

EY	Ernst & Young	n/a	Not applicable as it was not a subsidiary of Bursa Malaysia then
^	Other firm of auditors		

\* For the financial period ended 30 September 2004, the auditors' report was issued for the financial statements of Bursa Malaysia and the consolidated financial statements of Bursa Group only.

The auditors' reports on the financial statements of the companies in Bursa Group for the financial years/periods under review were not subject to any qualification.

### 4.2 Accounting Policies and Standards

This report is prepared based on the audited financial statements of Bursa Malaysia and its subsidiaries which have been prepared in accordance with applicable approved accounting standards issued by the Malaysian Accounting Standards Board and on a basis consistent with the accounting policies normally adopted by Bursa Group.

### 5.0 DIVIDENDS

No dividends have been paid or declared by Bursa Malaysia for the financial years/periods under review.

## 21. ACCOUNTANTS' REPORT (cont'd)



### 6. SUMMARISED INCOME STATEMENTS

#### 6.1 Consolidated Income Statements of Bursa Group

The consolidated income statements of Bursa Group based on the audited consolidated income statements for the financial years/periods under review, after making adjustments as stated in Note 13, are as follows:

	Notes (6.2)	Year ended			Period ended		Period ended
		30.6.99 RM'000	30.6.00 RM'000	30.6.01 RM'000	31.12.02 RM'000	31.12.03 RM'000	30.9.04 RM'000
Operating revenue	1	227,177	378,819	168,188	221,956	201,499	167,317
Other income	2	147,204	86,210	56,713	105,456	81,354	52,168
		<u>374,381</u>	<u>465,029</u>	<u>224,901</u>	<u>327,412</u>	<u>282,853</u>	<u>219,485</u>
Staff costs	3	(70,293)	(77,139)	(78,238)	(129,578)	(97,026)	(114,485)
Depreciation		(69,046)	(52,711)	(36,364)	(37,415)	(18,467)	(11,427)
Other operating expenses	4	<u>(88,316)</u>	<u>(58,708)</u>	<u>(53,135)</u>	<u>(129,464)</u>	<u>(71,623)</u>	<u>(53,757)</u>
Surplus/profit from operations		146,726	276,471	57,164	30,955	95,737	39,816
Finance costs		(2,654)	(2,190)	(1,125)	(302)	(187)	(112)
Share of losses of associated company		<u>(143)</u>	<u>(501)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Surplus/profit before taxation		143,929	273,780	56,039	30,653	95,550	39,704
Taxation	5	<u>(474)</u>	<u>(85,328)</u>	<u>(18,755)</u>	<u>(23,351)</u>	<u>(29,710)</u>	<u>(21,225)</u>
Net surplus/profit after taxation		143,455	188,452	37,284	7,302	65,840	18,479
Minority interests		<u>(3,512)</u>	<u>(8,203)</u>	<u>(1,062)</u>	<u>(4,530)</u>	<u>(5,476)</u>	<u>(2,578)</u>
Net surplus/profit for the year/period		139,943	180,249	36,222	2,772	60,364	15,901
Accumulated funds/retained profits brought forward		<u>1,112,380</u>	<u>1,040,177</u>	<u>1,207,354</u>	<u>1,265,981</u>	<u>1,268,753</u>	<u>1,329,117</u>
		1,252,323	1,220,426	1,243,576	1,268,753	1,329,117	1,345,018
Issuance of ordinary shares		-	-	-	-	-	(169,034)
Transfer (to)/from							
- Capital Reserve		-	(2,750)	-	-	-	-
- Compensation Funds		<u>(212,146)</u>	<u>(10,322)</u>	<u>22,405</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated funds/retained profits carried forward		<u>1,040,177</u>	<u>1,207,354</u>	<u>1,265,981</u>	<u>1,268,753</u>	<u>1,329,117</u>	<u>1,175,984</u>

## 21. ACCOUNTANTS' REPORT (cont'd)



## 6. SUMMARISED INCOME STATEMENTS (CONTD.)

## 6.1 Consolidated Income Statements of Bursa Group (Contd.)

	Notes (6.2)	← Year ended →			Period	Year ended	Period
		30.6.99	30.6.00	30.6.01	ended	31.12.03	ended
					31.12.02	30.9.04	
Pro forma* number of shares in issue ('000)		500,000	500,000	500,000	500,000	500,000	n/a
Weighted average number of shares in issue ('000)		n/a	n/a	n/a	n/a	n/a	500,000
Net earnings per share (sen)	6	27.99	36.05	7.24	0.55	12.07	3.18

\* For the purpose of presenting net earnings per share for the financial years/period before 1 January 2004, a pro forma number of shares of 500,000,000 shares is assumed to be in issue.

## 6.2 Notes to Consolidated Income Statements of Bursa Group

1. Operating revenue comprises:

	← Year ended →			Period	Year ended	Period
	30.6.99	30.6.00	30.6.01	ended	31.12.03	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Clearing fee	104,183	230,417	61,239	89,777	96,206	77,991
Trade fees	3,815	5,710	4,668	10,943	10,449	11,946
SCORE fee*	26,523	56,906	9,067	8,659	9,694	8,245
Participants' subscription	22,321	23,730	24,946	4,013	3,664	2,461
Listing fee	5,359	8,592	9,577	14,923	13,684	10,010
Broker services	14,348	11,653	11,306	17,608	13,247	10,303
Information services	4,049	5,062	5,501	12,337	10,742	9,673
Depository services	29,635	20,268	22,299	32,394	24,885	21,039
Other income/fees derived from operations of the Group	16,944	16,481	19,585	31,302	18,928	15,649
	<u>227,177</u>	<u>378,819</u>	<u>168,188</u>	<u>221,956</u>	<u>201,499</u>	<u>167,317</u>

\* SCORE - "System on Computerised Order Routing and Execution"

Clearing fee charged by Bursa Securities Clearing, a subsidiary, for contracts traded on Bursa Securities is shared among the following parties as follows:

Bursa Securities **	45.00%	(commencing 1 July 1999)
Bursa Securities Clearing	21.25%	(65% prior to 1 July 1999, 20% from 1 July 1999 to 30 June 2001)
Bursa Depository	15.00%	
Securities Commission ("SC")	18.75%	(20% prior to 1 July 2001)
	<u>100.00%</u>	

\*\* Bursa Malaysia was the recipient prior to the transfer of its securities exchange business to Bursa Securities on 5 January 2004.



## 21. ACCOUNTANTS' REPORT (cont'd)



## 6. SUMMARISED INCOME STATEMENTS (CONTD.)

## 6.2 Notes to Consolidated Income Statements of Bursa Group (Contd.)

Clearing fees of Bursa Group is stated after netting the amount payable to the SC as follows:

	← Year ended →			Period	Year ended	Period
	30.6.99	30.6.00	30.6.01	ended	ended	ended
	RM'000	RM'000	RM'000	31.12.02	31.12.03	30.9.04
				RM'000	RM'000	RM'000
SC levy	26,046	57,606	15,191	20,244	21,552	17,260

2. Included in other income are:

	← Year ended →			Period	Year ended	Period
	30.6.99	30.6.00	30.6.01	ended	ended	ended
	RM'000	RM'000	RM'000	31.12.02	31.12.03	30.9.04
				RM'000	RM'000	RM'000
Interest income	67,712	32,584	41,054	74,686	51,922	40,614
Net gain on disposal of investments	3,352	34,656	1,021	12,352	18,406	1,662
Gain on disposal of subsidiaries	-	-	-	-	-	4,249
Net gain on disposal of property, plant and equipment	69	155	438	2,524	294	1,570
Reversal of write down of short term investments	66,576	9,563	-	-	-	-

3. Included in staff costs for the financial period ended 30 September 2004 is voluntary separation scheme costs amounting to RM37,318,000.

## 21. ACCOUNTANTS' REPORT (cont'd)



## 6. SUMMARISED INCOME STATEMENTS (CONTD.)

## 6.2 Notes to Consolidated Income Statements of Bursa Group (Contd.)

4. Included in other operating expenses are:

	← Year ended →			Period	Year ended	Period
	30.6.99	30.6.00	30.6.01	ended	Year ended	ended
	RM'000	RM'000	RM'000	31.12.02	31.12.03	30.9.04
				RM'000	RM'000	RM'000
Impairment losses on property, plant and equipment	-	-	-	28,245 *	-	5,512
Property, plant and equipment written off	279	22	1,284	31	374	-
Write down/(reversal of write down) of short term investments	-	-	-	-	2,987	(1,491)
Amortisation of goodwill/ other intangibles	1,004	528	370	2,549	2,921	2,206
Provision/(reversal of provision) for bad and doubtful debts, net/write-off of debts	8,845	1,270	(14,605)	762	1,205	1,841

\* Based on a valuation of the land and buildings of Bursa Group by Raine & Horne International Zaki & Partners Sdn Bhd as at 31 December 2002, impairment losses of RM28,245,000 was provided for in the financial period ended 31 December 2002.

5. The low effective tax rate for the financial year ended 30 June 1999 is attributed to it being a tax waiver year in accordance with the Income Tax (Amendment) Act 1999, whereby tax was incurred only on dividend income. The high effective tax rate for the financial period ended 31 December 2002 is mainly due to impairment losses on property, plant and equipment of RM28,245,000 being disallowed for taxation purposes.
6. The net earnings per share was computed based on the consolidated net surplus for the year/period over the pro forma number of shares/weighted average number of shares in issue for the respective financial years/periods under review.
7. There were no extraordinary items in the financial years/periods under review.

## 21. ACCOUNTANTS' REPORT (cont'd)



## 6. SUMMARISED INCOME STATEMENTS (CONTD.)

## 6.3 Income Statements of Bursa Malaysia

The income statements of Bursa Malaysia based on the audited income statements for the financial years/periods under review, adjusted for adjustments as stated in Note 13, are as follows:

	Notes (6.4)	Year ended			Period	Period	Period
		30.6.99 RM'000	30.6.00 RM'000	30.6.01 RM'000	ended Year ended 31.12.02 RM'000	ended Year ended 31.12.03 RM'000	ended 30.9.04 RM'000
Operating revenue	1	226,889	420,562	134,328	217,716	196,953	117,134
Other income	2	98,675	59,349	26,680	55,674	36,393	29,352
		<u>325,564</u>	<u>479,911</u>	<u>161,008</u>	<u>273,390</u>	<u>233,346</u>	<u>146,486</u>
Staff costs	3	(39,325)	(54,878)	(50,675)	(71,907)	(56,054)	(67,660)
Depreciation		(38,218)	(41,793)	(29,286)	(28,150)	(12,838)	(10,199)
Other operating expenses	4	<u>(37,493)</u>	<u>(75,044)</u>	<u>(54,934)</u>	<u>(113,301)</u>	<u>(74,718)</u>	<u>(56,038)</u>
Surplus/profit from operations		210,528	308,196	26,113	60,032	89,736	12,589
Finance costs		<u>(33)</u>	<u>(42)</u>	<u>(29)</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
Surplus/profit before taxation		210,495	308,154	26,084	60,032	89,730	12,589
Taxation	5	<u>(41,731)</u>	<u>(101,998)</u>	<u>(7,485)</u>	<u>(28,038)</u>	<u>(30,699)</u>	<u>(8,852)</u>
Net surplus/profit after taxation		168,764	206,156	18,599	31,994	59,031	3,737
Accumulated funds/retained profits brought forward		<u>659,476</u>	<u>622,240</u>	<u>828,396</u>	<u>846,995</u>	<u>878,989</u>	<u>938,020</u>
		828,240	828,396	846,995	878,989	938,020	941,757
Issuance of ordinary shares		-	-	-	-	-	(169,034)
Transfer to Bursa Securities Compensation Fund		<u>(206,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated funds/retained profits carried forward		<u>622,240</u>	<u>828,396</u>	<u>846,995</u>	<u>878,989</u>	<u>938,020</u>	<u>772,723</u>
Pro forma* number of shares in issue ('000)		500,000	500,000	500,000	500,000	500,000	n/a
Weighted average number of shares in issue ('000)		n/a	n/a	n/a	n/a	n/a	500,000
Net earnings per share (sen)	6	<u>33.75</u>	<u>41.23</u>	<u>3.72</u>	<u>6.40</u>	<u>11.81</u>	<u>0.75</u>

## 21. ACCOUNTANTS' REPORT (cont'd)



## 6. SUMMARISED INCOME STATEMENTS (CONTD.)

\* For the purpose of presenting net earnings per share for the financial years/period before 1 January 2004, a pro forma number of shares of 500,000,000 shares is assumed to be in issue.

## 6.4 Notes to Income Statements of Bursa Malaysia

## 1. Operating revenue comprise:

	← Year ended →			Period	Year ended	Period
	30.6.99	30.6.00	30.6.01	ended	Year ended	ended
	RM'000	RM'000	RM'000	31.12.02	31.12.03	30.9.04
				RM'000	RM'000	RM'000
SCORE fee	26,523	56,906	9,067	8,659	9,694	-
Listing fee	5,359	8,592	9,577	14,923	13,607	52
Participants' subscription	21,890	22,758	24,243	2,087	1,148	-
Equipment rental income	4,324	15,927	16,739	25,862	18,646	9,942
Significant income from subsidiaries						
- Dividend income	147,346	147,430	1,375	67,106	70,000	-
- Royalty income (share of clearing fee)	-	129,609	34,180	48,685	51,676	-
- Cost recoveries	-	26,110	27,171	26,893	15,310	8,726
- Office rental	11,485	5,080	5,637	8,877	8,004	-
Management fees	-	-	-	-	-	98,280
Others	9,962	8,150	6,339	14,624	8,868	134
	<u>226,889</u>	<u>420,562</u>	<u>134,328</u>	<u>217,716</u>	<u>196,953</u>	<u>117,134</u>

SCORE fee, subscription fee and listing fees were no longer recognised as Bursa Malaysia's operating revenue but as the income of Bursa Securities, following the transfer of Bursa Malaysia's securities exchange business. Bursa Malaysia became an exchange holding company thereafter.

## 2. Included in other income are:

	← Year ended →			Period	Year ended	Period
	30.6.99	30.6.00	30.6.01	ended	Year ended	ended
	RM'000	RM'000	RM'000	31.12.02	31.12.03	30.9.04
				RM'000	RM'000	RM'000
Interest income	24,902	11,429	21,572	40,870	29,376	20,794
Net gain on disposal of investments	-	34,496	1,021	8,289	6,070	3,077
Net gain on disposal of property, plant and equipment	75	150	230	2,244	294	48
Reversal of write down of short term investments	66,040	9,563	-	-	-	-
	<u>91,057</u>	<u>55,638</u>	<u>22,823</u>	<u>51,403</u>	<u>35,740</u>	<u>24,919</u>

## 21. ACCOUNTANTS' REPORT (cont'd)



## 6. SUMMARISED INCOME STATEMENTS (CONTD.)

## 6.4 Notes to Income Statements of Bursa Malaysia (Contd.)

3. Included in staff costs for the financial period ended 30 September 2004 is voluntary separation scheme costs amounting to RM16,120,000.

4. Included in other operating expenses are:

	← Year ended →			Period	Year ended	Period
	30.6.99	30.6.00	30.6.01	ended	Year ended	ended
	RM'000	RM'000	RM'000	31.12.02	31.12.03	30.9.04
				RM'000	RM'000	RM'000
Impairment losses on property, plant and equipment	-	-	-	25,170	-	5,216
Property, plant and equipment written off	-	-	-	-	360	-
Write down/(reversal of write down) of short term investments	-	33,411	5,329	-	2,984	(1,491)
Amortisation of goodwill	-	-	-	1,844	1,843	1,384
Provision/(reversal of provision) for doubtful debts, net/ write-off of debts	4,487	132	(2,622)	996	1,067	673

5. The low effective tax rate for the financial year ended 30 June 1999 is attributed to it being a tax waiver year in accordance with the Income Tax (Amendment) Act 1999, whereby tax was incurred only on dividend income. The high effective tax rate for the financial period ended 31 December 2002 is mainly due to impairment losses on property, plant and equipment of RM25,170,000 being disallowed for taxation purposes.

6. The net earnings per share was computed based on the consolidated net surplus for the year/period over the pro forma number of shares/weighted average number of shares in issue for the respective financial years/periods under review.

7. There were no extraordinary items in the financial years/periods under review.

## 21. ACCOUNTANTS' REPORT (cont'd)



### 7. SUMMARISED BALANCE SHEETS

#### 7.1 Consolidated Balance Sheets of Bursa Group

The consolidated balance sheets of Bursa Group based on the audited consolidated balance sheets for the financial years/periods under review, after making the adjustments as stated in Note 13, are as follows:

	At 30.6.99 RM'000	At 30.6.00 RM'000	At 30.6.01 RM'000	At 31.12.02 RM'000	At 31.12.03 RM'000	At 30.9.04 RM'000
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	443,675	406,516	381,718	323,527	311,546	333,468
Associated company	5,680	5,180	-	-	-	-
Other investments	172	57,584	166,199	212,640	248,986	256,031
Staff loans receivable	15,015	26,231	38,923	44,548	41,464	41,445
Intangible assets	9,891	8,933	14,603	51,958	51,091	48,395
Deferred tax assets	-	-	5,344	5,996	3,968	-
	<u>474,433</u>	<u>504,444</u>	<u>606,787</u>	<u>638,669</u>	<u>657,055</u>	<u>679,339</u>
<b>CURRENT ASSETS</b>						
Cash and bank balances	3,205	5,850	17,408	12,060	16,087	10,454
Short term deposits	649,478	1,021,571	869,444	798,092	792,321	731,759
Receivables	104,090	56,273	44,321	41,496	61,569	53,443
Inventory	248	-	-	-	-	-
Tax recoverable	17,380	-	19,831	6,068	10,277	17,994
Short term investments	156,379	-	88,535	161,847	206,674	274,891
Due from associated company	803	544	-	-	-	-
	<u>931,583</u>	<u>1,084,238</u>	<u>1,039,539</u>	<u>1,019,563</u>	<u>1,086,928</u>	<u>1,088,541</u>
<b>CURRENT LIABILITIES</b>						
Bank overdraft	21,177	-	-	206	-	-
Short term borrowings	3,600	-	220	220	220	220
Taxation	24,908	57,552	31,456	37,982	8,829	4,134
Trade payables	5,078	2,430	93,163	111,986	150,991	150,036
Sundry payables	70,985	59,029	52,755	44,922	67,414	87,370
	<u>125,748</u>	<u>119,011</u>	<u>177,594</u>	<u>195,316</u>	<u>227,454</u>	<u>241,760</u>
<b>NET CURRENT ASSETS</b>	<u>805,835</u>	<u>965,227</u>	<u>861,945</u>	<u>824,247</u>	<u>859,474</u>	<u>846,781</u>
	<u>1,280,268</u>	<u>1,469,671</u>	<u>1,468,732</u>	<u>1,462,916</u>	<u>1,516,529</u>	<u>1,526,120</u>

## 21. ACCOUNTANTS' REPORT (cont'd)



## 7. SUMMARISED BALANCE SHEETS (CONTD.)

## 7.1 Consolidated Balance Sheets of Bursa Group (Contd.)

	At 30.6.99 RM'000	At 30.6.00 RM'000	At 30.6.01 RM'000	At 31.12.02 RM'000	At 31.12.03 RM'000	At 30.9.04 RM'000
<b>REPRESENTED BY:</b>						
Share capital	-	-	-	-	-	250,000
Membership fees	93,950	96,960	96,960	83,802	80,966	-
Capital reserve	-	2,750	13,750	14,950	15,150	15,150
Foreign exchange reserve	-	(2)	(6)	(6)	(5)	(13)
Accumulated funds/ retained profits	1,040,177	1,207,354	1,265,981	1,268,753	1,329,117	1,175,984
	1,134,127	1,307,062	1,376,685	1,367,499	1,425,228	1,441,121
Minority interests	41,545	46,517	24,269	18,287	14,638	16,975
	1,175,672	1,353,579	1,400,954	1,385,786	1,439,866	1,458,096
Retirement benefit obligations	8,222	13,026	14,042	24,645	24,937	15,085
Deferred income	-	-	3,103	2,831	2,831	2,831
Long term borrowings	-	-	1,758	1,318	1,098	1,098
Long term liability	49,953	49,414	48,875	48,336	47,797	47,258
Deferred tax liabilities	6,743	3,652	-	-	-	1,752
Compensation Fund	39,678	50,000	-	-	-	-
Non-current liabilities	104,596	116,092	67,778	77,130	76,663	68,024
	1,280,268	1,469,671	1,468,732	1,462,916	1,516,529	1,526,120
Net tangible assets per share * (RM)	2.25	2.60	2.72	2.63	2.75	2.79

\* For the purpose of presenting net tangible assets per share as at the end of the financial years/period before 1 January 2004, a pro forma number of shares of 500,000,000 shares is assumed to be in issue.

## 21. ACCOUNTANTS' REPORT (cont'd)



### 7. SUMMARISED BALANCE SHEETS (CONTD.)

#### 7.2 Balance Sheets of Bursa Malaysia

The balance sheets of Bursa Malaysia based on the audited balance sheets for the financial years/periods under review, after making the adjustments as stated in Note 13, are as follows:

	At 30.6.99 RM'000	At 30.6.00 RM'000	At 30.6.01 RM'000	At 31.12.02 RM'000	At 31.12.03 RM'000	At 30.9.04 RM'000
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	383,375	380,200	358,045	312,209	306,778	329,873
Investment in subsidiaries	61,061	37,866	39,762	66,132	124,702	173,193
Loan stock from subsidiary	-	-	-	2,000	2,000	-
Other investments	-	29,466	85,550	89,175	150,874	83,509
Staff loans receivable	14,056	24,657	37,037	42,779	40,234	37,248
Intangible assets	-	-	-	35,023	33,180	31,796
Deferred tax assets	-	-	4,048	4,544	1,358	-
	<u>458,492</u>	<u>472,189</u>	<u>524,442</u>	<u>551,862</u>	<u>659,126</u>	<u>655,619</u>
<b>CURRENT ASSETS</b>						
Cash and bank balances	667	2,439	266	117	12,323	2,934
Short term deposits	162,775	448,510	419,585	360,865	210,555	128,572
Receivables	21,973	23,198	20,707	17,373	24,183	22,117
Inventory	248	-	-	-	-	-
Tax recoverable	13,912	-	-	-	8,702	5,970
Short term investments	156,311	-	88,535	161,847	206,668	274,891
Due from subsidiaries	5,923	135,238	17,386	8,440	14,636	58,257
	<u>361,809</u>	<u>609,385</u>	<u>546,479</u>	<u>548,642</u>	<u>477,067</u>	<u>492,741</u>
<b>CURRENT LIABILITIES</b>						
Due to subsidiaries	13,570	1,322	-	3,539	3,467	-
Taxation	-	48,789	40,069	38,321	-	-
Sundry payables	32,663	44,446	28,638	31,463	50,981	61,314
	<u>46,233</u>	<u>94,557</u>	<u>68,707</u>	<u>73,323</u>	<u>54,448</u>	<u>61,314</u>
<b>NET CURRENT ASSETS</b>	<u>315,576</u>	<u>514,828</u>	<u>477,772</u>	<u>475,319</u>	<u>422,619</u>	<u>431,427</u>
	<u>774,068</u>	<u>987,017</u>	<u>1,002,214</u>	<u>1,027,181</u>	<u>1,081,745</u>	<u>1,087,046</u>



## 21. ACCOUNTANTS' REPORT (cont'd)



## 7. SUMMARISED BALANCE SHEETS (CONTD.)

## 7.2 Balance Sheets of Bursa Malaysia (Contd.)

	At 30.6.99 RM'000	At 30.6.00 RM'000	At 30.6.01 RM'000	At 31.12.02 RM'000	At 31.12.03 RM'000	At 30.9.04 RM'000
<b>REPRESENTED BY:</b>						
Share capital	-	-	-	-	-	250,000
Membership fees	93,950	96,960	96,960	83,802	80,966	-
Accumulated funds/ retained profits	622,240	828,396	846,995	878,989	938,020	772,723
	<u>716,190</u>	<u>925,356</u>	<u>943,955</u>	<u>962,791</u>	<u>1,018,986</u>	<u>1,022,723</u>
Retirement benefit obligations	4,324	8,646	9,384	16,054	14,962	15,085
Deferred tax liabilities	3,601	3,601	-	-	-	1,980
Long term liability	49,953	49,414	48,875	48,336	47,797	47,258
	<u>57,878</u>	<u>61,661</u>	<u>58,259</u>	<u>64,390</u>	<u>62,759</u>	<u>64,323</u>
	<u>774,068</u>	<u>987,017</u>	<u>1,002,214</u>	<u>1,027,181</u>	<u>1,081,745</u>	<u>1,087,046</u>
Net tangible assets per share * (RM)	<u>1.43</u>	<u>1.85</u>	<u>1.89</u>	<u>1.86</u>	<u>1.97</u>	<u>1.98</u>

\* For the purpose of presenting net tangible assets per share as at the end of the financial years/period before 1 January 2004, a pro forma number of shares of 500,000,000 shares is assumed to be in issue.

**21. ACCOUNTANTS' REPORT (cont'd)****8. STATEMENT OF ASSETS AND LIABILITIES**

The following statement of assets and liabilities of Bursa Malaysia ("Company") and Bursa Group ("Group") have been prepared based on the audited financial statements of Bursa Malaysia and Bursa Group as at 30 September 2004, and should be read in conjunction with the notes thereon:

		<b>Group</b>	<b>Company</b>
		<b>At</b>	<b>At</b>
		<b>30.9.04</b>	<b>30.9.04</b>
	<b>Notes</b>	<b>RM'000</b>	<b>RM'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11.1	333,468	329,873
Investment in subsidiaries	11.2	-	173,193
Other investments	11.3	256,031	83,509
Staff loans receivable	11.4	41,445	37,248
Intangible assets	11.5	48,395	31,796
		<u>679,339</u>	<u>655,619</u>
<b>CURRENT ASSETS</b>			
Cash and bank balances		10,454	2,934
Short term deposits	11.6	731,759	128,572
Receivables	11.7	53,443	22,117
Tax recoverable		17,994	5,970
Short term investments	11.3	274,891	274,891
Due from subsidiaries	11.8	-	58,257
		<u>1,088,541</u>	<u>492,741</u>
<b>CURRENT LIABILITIES</b>			
Short term borrowings	11.9	220	-
Taxation		4,134	-
Trade payables	11.10	150,036	-
Sundry payables	11.11	87,370	61,314
		<u>241,760</u>	<u>61,314</u>
<b>NET CURRENT ASSETS</b>		<u>846,781</u>	<u>431,427</u>
		<u>1,526,120</u>	<u>1,087,046</u>

## 21. ACCOUNTANTS' REPORT (cont'd)



## 8. STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

		Group At 30.9.04 RM'000	Company At 30.9.04 RM'000
	Notes		
<b>REPRESENTED BY:</b>			
Share capital	11.12	250,000	250,000
Membership fees	11.13	-	-
Capital reserve	11.14	15,150	-
Foreign exchange reserve		(13)	-
Retained profits	11.15	1,175,984	772,723
		<u>1,441,121</u>	<u>1,022,723</u>
Minority interests	11.16	16,975	-
		<u>1,458,096</u>	<u>1,022,723</u>
Retirement benefit obligations	11.17	15,085	15,085
Deferred income	11.18	2,831	-
Long term borrowings	11.9	1,098	-
Long term liability	11.19	47,258	47,258
Deferred tax liabilities	11.20	1,752	1,980
		<u>1,526,120</u>	<u>1,087,046</u>
Net tangible assets per share (RM)		<u>2.79</u>	<u>1.98</u>

## 21. ACCOUNTANTS' REPORT (cont'd)



## 9. CONSOLIDATED CASH FLOW STATEMENT OF BURSA GROUP FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2004

	1.1.2004 to 30.9.2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before taxation	39,704
Adjustment for:	
Depreciation	11,427
Impairment losses on property, plant and equipment	5,512
Amortisation of goodwill	2,206
Net provision for bad and doubtful debts	1,841
Net gain on disposal of property, plant and equipment	(1,570)
Reversal of write down of short term investments	(1,493)
Amortisation of premium less accretion of discount	(74)
Provision for retirement benefits	5,793
Provision for short term accumulating compensating absences	333
Net gain on disposal of investments	(1,662)
Gain on disposal of subsidiaries	(4,249)
Interest income	(40,614)
Interest expense	19
Waiver of loans	221
Operating surplus before working capital changes	<u>17,394</u>
Decrease in receivables	7,150
Increase in payables	5,971
Cash generated from operations	<u>30,515</u>
Retirement benefits paid	(11)
Interest paid	(19)
Taxes paid, net of refund	<u>(30,571)</u>
Net cash used in operating activities	<u>(86)</u>

**21. ACCOUNTANTS' REPORT (cont'd)**

9. **CONSOLIDATED CASH FLOW STATEMENT OF BURSA GROUP FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2004**

	1.1.2004 to 30.9.2004 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of unlisted bonds and Malaysian Government Securities, net	(70,022)
Disbursement of staff loans, net	(3,852)
Interest received	41,095
Net cash inflow from disposal of subsidiaries	5,434
Purchase of property, plant and equipment	(40,066)
Proceeds from sale of property, plant and equipment	<u>1,841</u>
Net cash used in investing activities	<u>(65,570)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>	
Repayment of long term liability, representing net cash used in financing activity	<u>(539)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(66,195)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>808,408</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>742,213</u></b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>	
Cash and bank balances	10,454
Short term deposits	<u>731,759</u>
	<u>742,213</u>

**21. ACCOUNTANTS' REPORT (cont'd)**

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**10. SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Preparation**

The financial statements of Bursa Group and of Bursa Malaysia have been prepared under the historical cost convention and comply with applicable Approved Accounting Standards in Malaysia.

During the financial period ended 30 September 2004, Bursa Group and Bursa Malaysia adopted the Malaysian Accounting Standards Board ("MASB") Standard No. 31: Accounting for Government Grants and Disclosure of Government Assistance for the first time. The adoption of MASB 31 has not given rise to any adjustments to the opening balances of retained profits of the prior year and current period or to changes in comparatives.

**(b) Basis of Consolidation**

The consolidated financial statements include the financial statements of Bursa Malaysia and all its subsidiaries. Subsidiaries are those companies in which Bursa Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year/period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of Bursa Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and Bursa Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

**(c) Goodwill**

Goodwill represents the excess of the cost of acquisition over Bursa Group's or Bursa Malaysia's interest in the fair value of the identifiable assets and liabilities at the date of acquisition.

**21. ACCOUNTANTS' REPORT (cont'd)****10. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(c) Goodwill (contd.)**

Goodwill is stated at cost less accumulated amortisation and any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 10(m). Negative goodwill represents the excess of Bursa Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition over the cost of acquisition.

Goodwill and negative goodwill are amortised or credited to the income statement on a straight-line basis over the estimated useful lives of 20 years.

**(d) Investment in Subsidiaries**

Bursa Malaysia's investment in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 10(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

**(e) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 10(m).

Project in progress is not depreciated. Long term leasehold land is depreciated over the period of the lease of 99 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Freehold and leasehold building and office lots	2%
Renovation	20%
Office equipment, electrical installation, furniture and fittings	10% - 20%
Computer equipment and software	20% - 33.33%
Motor vehicles	20%

The leasehold building and office lots have a term of 99 years.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

**(f) Cash and Cash Equivalents**

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks and short term deposits.

**21. ACCOUNTANTS' REPORT (cont'd)****10. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(g) Provisions for Liabilities**

Provisions for liabilities are recognised when Bursa Group or Bursa Malaysia has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

**(h) Employee Benefits****(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year/period in which the associated services are rendered by employees of Bursa Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plans**

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

**(iii) Defined benefit plans**

Bursa Malaysia operates a funded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. Effective 1 September 2003, the Scheme was closed to new entrants.

Bursa Group's obligations under the Scheme are determined based on actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted using the Projected Unit Credit Method in order to determine its present value. Actuarial gains or losses are recognised as income or expense over a period of ten years when the cumulative unrecognised actuarial gains or losses for the Scheme at the end of the previous financial year exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

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



**21. ACCOUNTANTS' REPORT (cont'd)****10. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(i) Government Grants**

Government grants are recognised initially at their fair value in the balance sheet as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate Bursa Group for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate Bursa Group for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

**(j) Income Tax**

Income tax on the profit or loss for the year/period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year/period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and 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. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

**(k) Foreign Currencies**

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement.

**21. ACCOUNTANTS' REPORT (cont'd)****10. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(k) Foreign Currencies (contd.)**

The United States Dollar ("USD") denominated financial statements of a subsidiary is translated at year-end exchange rate with respect to the assets and liabilities, and at the exchange rate at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve.

Goodwill and fair value adjustment arising on the acquisition of the USD denominated subsidiary are treated as assets and liabilities of the Group and translated at the exchange rate ruling at the date of the acquisition.

The exchange rate ruling for USD denominated balances at both balance sheet dates is RM3.80: USD1.00.

**(l) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

- (i) Dividend income is recognised when the right to receive payment is established.
- (ii) Grants received by Bursa Derivatives Clearing, a subsidiary, from the SC, are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.
- (iii) Interest income comprises interest income recognised on short term deposits and unquoted bonds. Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.
- (iv) Accretion of discounts and amortisation of premiums on investments are recognised on an effective yield basis.
- (v) All other revenue is recognised on an accrual basis.

**(m) Impairment of Assets**

At each balance sheet date, Bursa Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

## 21. ACCOUNTANTS' REPORT (*cont'd*)

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### 10. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (n) Financial Instruments

Financial instruments are recognised in the balance sheet when Bursa Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when Bursa Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

#### (i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. Provision for doubtful debts is made on trade debts which are six months or older, or on debts which recoverability is considered doubtful.

#### (ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### (iii) Investments

- Short term investments comprise unquoted securities which are managed by external fund managers for the purpose of short term capital gains. These unquoted securities are stated at the lower of cost and market value or indicative market value determined on an aggregate basis. Cost is determined on the weighted average basis. Increases or decreases in the carrying amount of short term investments are recognised in the income statement. On disposal of short term investments, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.
- Other investments comprise unquoted bonds that are acquired and held for yield or capital growth and are usually held to maturity. Unquoted bonds are stated at cost adjusted for amortisation of premium or net of accretion of discounts where applicable, to maturity dates, less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 10(m). On disposal of such investments, the differences between the net disposal proceeds and their carrying amounts are recognised in the income statement.
- Investments in loan stocks of a subsidiary were stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 10(m).

## 21. ACCOUNTANTS' REPORT (cont'd)



## 11. NOTES TO STATEMENT OF ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2004

## 11.1 PROPERTY, PLANT AND EQUIPMENT

Group	Cost RM'000	Accumulated Depreciation RM'000	Accumulated	Net Book Value RM'000
			Impairment Losses RM'000	
Leasehold land	60,818	9,729	-	51,089
Leasehold building and office lots	285,960	35,715	25,505	224,740
Freehold building and office lots	29,314	4,554	8,252	16,508
Renovation	6,489	4,816	-	1,673
Office equipment, electrical installation, furniture and fittings	54,712	53,296	-	1,416
Computers and office automation	304,794	289,232	-	15,562
Motor vehicles	1,923	900	-	1,023
Project in progress	21,457	-	-	21,457
	<u>765,467</u>	<u>398,242</u>	<u>33,757</u>	<u>333,468</u>

Company	Cost RM'000	Accumulated Depreciation RM'000	Accumulated	Net Book Value RM'000
			Impairment Losses RM'000	
Leasehold land	60,818	9,729	-	51,089
Leasehold building and office lots	285,960	36,011	25,209	224,740
Freehold building and office lots	19,862	2,677	5,177	12,008
Renovation	2,098	492	-	1,606
Office equipment, electrical installation, furniture and fittings	48,865	47,802	-	1,063
Computer equipment and software	269,307	252,409	-	16,898
Motor vehicles	1,566	554	-	1,012
Project in progress	21,457	-	-	21,457
	<u>709,933</u>	<u>349,674</u>	<u>30,386</u>	<u>329,873</u>

## 11.2 INVESTMENT IN SUBSIDIARIES

	Company RM'000
Unquoted shares, at cost	211,933
Impairment losses	(38,740)
	<u>173,193</u>

## 21. ACCOUNTANTS' REPORT (cont'd)

11. NOTES TO STATEMENT OF ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2004  
(CONTD.)

## 11.3 OTHER INVESTMENTS/SHORT TERM INVESTMENTS

## (a) Other investments

	Group RM'000	Company RM'000
At cost:		
Unlisted bonds	254,335	85,000
Amortisation of premiums less accretion of discounts	1,687	(1,491)
	<u>256,022</u>	<u>83,509</u>
Recreational club membership	9	-
	<u>256,031</u>	<u>83,509</u>
Indicative market value of unlisted bonds	<u>257,466</u>	<u>83,964</u>

## (b) Short term investments

	Group RM'000	Company RM'000
Malaysian Government Securities ("MGS"), at cost	<u>1,280</u>	<u>1,280</u>
Unlisted bonds	275,104	275,104
Less: Write downs	(1,493)	(1,493)
	<u>273,611</u>	<u>273,611</u>
Total	<u>274,891</u>	<u>274,891</u>
	<b>Group RM'000</b>	<b>Company RM'000</b>
Market value of MGS	1,325	1,325
Indicative market value of unlisted bonds	273,611	273,611
	<u>274,936</u>	<u>274,936</u>

**21. ACCOUNTANTS' REPORT (cont'd)****11. NOTES TO STATEMENT OF ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2004 (CONTD.)****11.4 STAFF LOANS RECEIVABLE**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Housing loans	42,354	38,013
Vehicle loans	814	639
Computer loans	339	265
Staff advances	36	-
	<u>43,543</u>	<u>38,917</u>
Portion repayable within twelve months included in sundry receivables (Note 11.7)	(2,098)	(1,669)
	<u>41,445</u>	<u>37,248</u>

The staff housing and vehicle loans are secured against the properties and vehicles of the borrowers respectively. Staff loans bear interest from 2% to 4% per annum computed on monthly rest basis.

**11.5 INTANGIBLE ASSETS**

	<b>Group RM'000</b>	<b>Company RM'000</b>
<b>Goodwill</b>		
Cost	58,814	36,866
Accumulated amortisation	(10,419)	(5,070)
Net	<u>48,395</u>	<u>31,796</u>
<b>Negative goodwill</b>		
Cost	(9,959)	-
Amount recognised in income statement	9,959	-
Net	<u>-</u>	<u>-</u>
Net goodwill	<u>48,395</u>	<u>31,796</u>

**21. ACCOUNTANTS' REPORT (cont'd)****11. NOTES TO STATEMENT OF ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2004 (CONTD.)****11.6 SHORT TERM DEPOSITS**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Deposits with:		
Licensed banks	341,995	47,668
Licensed finance companies	250,403	59,386
Licensed discount houses	82,801	14,958
Licensed merchant banks	52,529	2,529
	<u>727,728</u>	<u>124,541</u>
Repurchase agreement with a discount house	4,031	4,031
	<u>731,759</u>	<u>128,572</u>
Included in short term deposits are:		
Deposits pledged with licensed banks for banking facilities granted (mainly to Bursa Securities Clearing)	51,200	1,200

Short term deposits of the Company and of the Group amounting to RM16,096,000 are managed by external fund managers.

**11.7 RECEIVABLES**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Trade receivables	26,192	7,015
Interest receivable	11,596	5,717
Other receivables, deposits and prepayments (a)	20,686	12,354
	<u>58,474</u>	<u>25,086</u>
Less: Provision for doubtful debts	(5,031)	(2,969)
	<u>53,443</u>	<u>22,117</u>

Note (a) Other receivables, deposits and prepayments

	<b>Group RM'000</b>	<b>Company RM'000</b>
Deposits and prepayments	3,966	2,992
Sundry receivables	10,456	4,652
Due from Compensation Fund	4,166	3,041
Short term portion of staff loans receivable (Note 11.4)	2,098	1,669
	<u>20,686</u>	<u>12,354</u>

**11.8 DUE FROM SUBSIDIARIES**

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

## 21. ACCOUNTANTS' REPORT (cont'd)



## 11. NOTES TO STATEMENT OF ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2004 (CONTD.)

## 11.9 LONG TERM/SHORT TERM BORROWINGS

	<b>Group RM'000</b>
Long term borrowings	1,318
Less: Portion payable within twelve months	(220)
	<u>1,098</u>

Long term borrowings of Bursa Group relate to amounts payable by a subsidiary, Bursa Derivatives, to the Government of Malaysia and comprise two interest-free unsecured loans of RM697,000 and RM1,500,000. Each loan is repayable in ten equal annual instalments, repayments of which commenced on 30 November 2000.

## 11.10 TRADE PAYABLES

Trade payables of the Group mainly relates to amounts due to futures brokers. The amount due to futures brokers arises from security deposit, clearing fund and margins collected by Bursa Derivatives Clearing.

## 11.11 SUNDRY PAYABLES

	<b>Group RM'000</b>	<b>Company RM'000</b>
Amount owing to SC	13,505	13,505
Accruals and other provisions	22,363	16,252
Sundry creditors	35,329	26,023
Retirement benefits payable within 12 months	15,634	4,995
Short term liability (Note 11.19)	539	539
	<u>87,370</u>	<u>61,314</u>

The amount owing to SC relates to interest free and unsecured loan granted by the SC to Malaysian Exchange of Securities Dealing and Automated Quotation Berhad ("MESDAQ"), which were assumed by Bursa Malaysia pursuant to its merger with MESDAQ during the financial period ended 31 December 2002. The amount is payable in a lump sum on 14 March 2005, or upon listing of Bursa Malaysia, whichever is earlier.



## 21. ACCOUNTANTS' REPORT (cont'd)



## 11. NOTES TO STATEMENT OF ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2004 (CONTD.)

## 11.12 SHARE CAPITAL

Group and Company	Number of ordinary shares of RM0.50 each 000	Amount RM'000
Authorised	<u>1,000,000</u>	<u>500,000</u>
Issued and fully paid	<u>500,000</u>	<u>250,000</u>

## 11.13 MEMBERSHIP FEES

	Group and Company RM'000
Fees received from past and present members at RM10,000 each	2,960
Contribution from participating organisations	<u>94,000</u>
	96,960
Less:	
Accumulated charge of demutualisation expenses	(15,994)
Issuance of shares	<u>(80,966)</u>
	<u>-</u>

An accumulated sum of RM15,994,000 has been charged in the prior years against the membership fees for advisory fees and expenses paid for the demutualisation of Bursa Malaysia.

## 11.14 CAPITAL RESERVE

	Group RM'000
Portion of accumulated funds capitalised from redemption of preference shares (Note a)	2,750
Share premium in Bursa Derivatives (Note b)	<u>12,400</u>
	<u>15,150</u>

(a) This relates to Bursa Group's portion of capitalised retained profits arising from the redemption of 5,000,000 5% redeemable cumulative preference shares of RM1 each by a subsidiary, Bursa Depository.

**21. ACCOUNTANTS' REPORT (cont'd)****11. NOTES TO STATEMENT OF ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2004 (CONTD.)****11.14 CAPITAL RESERVE (CONTD.)**

(b) In the financial year ended 30 June 2001, a subsidiary, Bursa Derivatives issued 16 non-cumulative "B" preference shares of RM1 each and 15 non-cumulative "C" preference shares of RM1 each at a total premium of RM10,999,969 as part consideration for the merger of business operations of COMMEX and Bursa Derivatives. The share premium arising from the above issue is regarded as capital reserve of the Group and is not distributable. The "B" and "C" preference shares have been accounted for as part of Bursa Group's minority interest.

During the financial period ended 31 December 2002, Bursa Derivatives issued 6 non-cumulative "C" preference shares of RM1 each at a total premium of RM1,199,994.

In the financial year ended 31 December 2003, Bursa Derivatives further increased its issued and fully paid-up share capital by way of the issuance of 1 non-cumulative "C" preference shares of RM1.00 each at a premium of RM199,999.

**11.15 RETAINED PROFITS**

As at 30 September 2004, Bursa Malaysia has sufficient tax credit under S108 of the Income Tax Act, 1967 to frank the payment of dividends amounting to approximately RM14,401,000 out of its retained profits without incurring additional tax liabilities. If the balance of retained profits of RM758,322,000 were to be distributed as dividends prior to there being sufficient tax credit, Bursa Malaysia would have a Section 108 shortfall of approximately RM212,330,000.

**11.16 MINORITY INTERESTS**

Minority interests for the financial period ended 30 September 2004 were in respect of the 25% minority interest in Bursa Depository.

**11.17 RETIREMENT BENEFIT OBLIGATIONS**

Bursa Group operates a funded, defined benefit retirement Benefit Scheme ("the Scheme") for its eligible employees. Contributions to the Scheme are to be made to a separately administered fund. Under the Scheme, eligible employees are entitled to benefits upon leaving service, of a lump sum, calculated based on the multiplication of 2 times the Final Scheme Salary, Pensionable Service and a variable factor based on service year, less EPF contribution offset.

Effective 1 September 2003, the Scheme was closed to new entrants. Members who opted to join a separate new defined contribution plan cease to accrue benefits under the Scheme in respect of Pensionable Service after 31 August 2003.

## 21. ACCOUNTANTS' REPORT (cont'd)



### 11. NOTES TO STATEMENT OF ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2004 (CONTD.)

#### 11.18 DEFERRED INCOME

Deferred income of the Bursa Group relates to grants received by a wholly owned subsidiary, Bursa Derivatives Clearing, from the SC and is recognised as income over the period necessary to match them with the related costs which they are intended to compensate on a systematic basis.

#### 11.19 LONG TERM LIABILITY

	Group and Company RM'000
Long term liability	47,797
Less: Portion repayable within twelve months included in sundry payables (Note 11.11)	(539)
	<u>47,258</u>

Long term liability relates to the amount payable by Bursa Malaysia to the Government of Malaysia for the lease of the land bearing the postal address Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur. The amount is interest free and payable in 99 annual instalments of RM538,561 each.

#### 11.20 DEFERRED TAX LIABILITIES

	Group RM'000	Company RM'000
Deferred tax assets	5,358	5,129
Deferred tax liabilities	(7,110)	(7,109)
	<u>(1,752)</u>	<u>(1,980)</u>

Deferred tax assets are as follows:

Depreciation in excess of capital allowances	162	-
Provision for retirement benefits	3,688	3,688
Provision for doubtful debts	793	726
Other provisions	715	715
Total	<u>5,358</u>	<u>5,129</u>

Deferred tax liabilities are as follows:

Accelerated capital allowances	<u>(7,110)</u>	<u>(7,109)</u>
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## 21. ACCOUNTANTS' REPORT (cont'd)



## 11. NOTES TO STATEMENT OF ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2004 (CONTD.)

## 11.21 CONTINGENT LIABILITIES - UNSECURED

- (a) A claim for an approximate sum of RM12,000,000 being leased line charges omitted from billing since 1994 was made against Bursa Malaysia by a local telecommunications company. This amount has since been reduced to approximately RM3,700,000. Both parties are verifying the said amount claimed in order to ascertain Bursa Malaysia's actual liability to the telecommunications company. No provision in respect of the claim has been made in the financial statements as negotiations are in process and an amicable settlement has yet to be reached between the parties. The amount to be ascertained would mostly be billable and recoverable from participating organisations.
- (b) A demand for RM7,206,000 had been made by a local bank against Malaysian Share Registration Services Sdn Bhd ("MSRS"), a former subsidiary, for allegedly breaching terms of a Letter of Undertaking issued by MSRS to the said bank. The demand was amicably settled on 14 September 2004 for RM2,800,000.

## 11.22 COMMITMENTS

	Group and Company RM'000
<b>Approved and contracted for</b>	
Computer and office automation	22,740
Renovation	300
	<u>23,040</u>
<b>Approved but not contracted for</b>	
Office equipment, furniture and fittings	1,590
Computer and office automation	42,430
Renovation	2,650
Motor vehicles	90
	<u>46,760</u>

## 21. ACCOUNTANTS' REPORT (cont'd)



### 12. PRO FORMA NET TANGIBLE ASSETS COVER

Based on the Statement of Assets and Liabilities of Bursa Group as at 30 September 2004, the consolidated net tangible assets per share is as follows:

(a) Net Tangible Assets

	<b>Group RM'000</b>
As at 30 September 2004	1,392,726
Capital Reduction and Share Consolidation on 27 January 2005	(750,000)
Initial Public Offering*	498,000
Estimated expenses	<u>(20,000)</u>
	<u>1,120,726</u>

\* Calculated based on the indicative price of RM3.00 per Share.

(b) Share Capital

	<b>Number of Shares '000</b>
As at 30 September 2004	500,000
Bonus Issue on 27 January 2005	1,334,000
Capital Reduction and Share Consolidation on 27 January 2005	(1,500,000)
Initial Public Offering	<u>166,000</u>
	<u>500,000</u>

(c) Net Tangible Assets Cover

	<b>RM</b>
Net tangible assets per share as at 30 September 2004	<u>2.79</u>
Net tangible assets per share after the Bonus Issue, Capital Reduction, Share Consolidation and Initial Public Offering	<u>2.24</u>

## 21. ACCOUNTANTS' REPORT (*cont'd*)

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### 13. ADJUSTMENTS TO PRIOR YEARS/PERIOD INCOME STATEMENTS AND BALANCE SHEETS

13.1 The summarised income statements and balance sheets included in this report have been prepared based on audited income statements and balance sheets for the financial years ended 30 June 1999, 30 June 2000, 30 June 2001, financial period ended 31 December 2002, financial year ended 31 December 2003 and financial period ended 30 September 2004. As stated in Notes 6.1 and 7.1, certain figures for the financial years/period presented have been reclassified and/or adjusted, explained as follows:

- (i) reclassifications to conform with the presentation adopted for the latest audited financial statements;
- (ii) under/over provision of taxation adjusted to the respective years;
- (iii) change in accounting policy on deferred tax following the adoption of MASB 25: Income Taxes during the financial year ended 31 December 2003, as disclosed in the audited financial statements for the year then ended, adjusted for retrospectively.

Deferred tax liabilities are recognised for all taxable temporary differences and 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. Prior to the adoption of MASB 25 on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

- (iv) discontinuance of the recognition of dividend income declared or proposed by subsidiaries after the balance sheet date at the balance sheet date, in accordance with MASB 19: Events After the Balance Sheet Date, as disclosed in the audited financial statements for the period ended 31 December 2002, adjusted for retrospectively.
- (v) adjustment for tax on inter-company dividends. In the financial year ended 30 June 1999, Bursa Malaysia received a net dividend of RM105,000,000 from Bursa Clearing (S), a wholly owned subsidiary. The consolidation entry on the relating tax expense of RM40,833,000 was posted two times in the consolidated financial statements of Bursa Group. An adjustment has been made to reverse the second consolidation entry.
- (vi) change in accounting policy on goodwill during the financial period ended 31 December 2002, as disclosed in the audited financial statements for the period then ended, adjusted for retrospectively.

Goodwill is amortised on a straight-line basis over 20 years. Previously, goodwill net of reserve on consolidation is written off to the income statement immediately upon recognition.

## 21. ACCOUNTANTS' REPORT (cont'd)



## 13. ADJUSTMENTS TO PRIOR YEARS/PERIOD INCOME STATEMENTS AND BALANCE SHEETS (CONTD.)

13.2 The effects of the adjustments described above on the income statements and balance sheets are summarised as follows:

## Consolidated Income Statements of Bursa Group

	← Year ended →		→ Period ended Year ended		
	30.6.99	30.6.00	30.6.01	31.12.02	31.12.03
	RM'000	RM'000	RM'000	RM'000	RM'000
Surplus before taxation as stated in the audited financial statements	183,502	273,846	56,039	30,653	95,550
Adjustment for:					
- elimination of tax credit on inter-company dividends, per Note 13.1(v)	(40,833)	-	-	-	-
- change in goodwill policy, per Note 13.1(vi)	1,260	(66)	-	-	-
Surplus before taxation, adjusted	143,929	273,780	56,039	30,653	95,550
Taxation as stated in the audited financial statements	9,061	(126,216)	(25,133)	(12,570)	(30,200)
Adjustment for:					
- over/ under provision of taxation, per Note 13.1(ii)	(9,535)	55	1,000	(10,781)	490
- elimination of tax credit on inter-company dividends, per Note 13.1(v)	-	40,833	-	-	-
- change in deferred tax policy, per Note 13.1(iii)	-	-	5,378	-	-
Taxation, adjusted	(474)	(85,328)	(18,755)	(23,351)	(29,710)
Net surplus after taxation	143,455	188,452	37,284	7,302	65,840
Minority interests	(3,512)	(8,203)	(1,062)	(4,530)	(5,476)
	139,943	180,249	36,222	2,772	60,364
Accumulated funds brought forward *	1,112,380	1,040,177	1,207,354	1,265,981	1,268,753
	1,252,323	1,220,426	1,243,576	1,268,753	1,329,117
Transferred (from)/to accumulated funds	(212,146)	(13,072)	22,405	-	-
Accumulated funds carried forward, as stated in this report	1,040,177	1,207,354	1,265,981	1,268,753	1,329,117

## 21. ACCOUNTANTS' REPORT (cont'd)



## 13. ADJUSTMENTS TO PRIOR YEARS/PERIOD INCOME STATEMENTS AND BALANCE SHEETS

\* Accumulated funds brought forward for financial year ended 30 June 1999

	RM'000
Accumulated funds brought forward, as stated in the audited consolidated financial statements	1,085,891
Adjustments for items stated in Note 13.1 above in financial years prior to financial year ended 30 June 1999:	
- Change in goodwill policy, per Note 13.1(vi)	7,718
- Over provision of taxation, per Note 13.1(ii)	18,771
Accumulated funds brought forward, as stated in this report	<u>1,112,380</u>

	← Year ended	→	Period ended	Year ended
	30.6.99	30.6.00	30.6.01	31.12.02
	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b> , as stated in the audited financial statements	320,935	436,425	183,379	245,799
SC levy reclassified from expenses and netted against clearing fee revenue	(26,046)	(57,606)	(15,191)	(20,244)
Reclass of interest income to other income	(67,712)	-	-	(3,599)
Operating revenue, restated	<u>227,177</u>	<u>378,819</u>	<u>168,188</u>	<u>221,956</u>
<b>Other operating expenses</b> , as stated in the audited financial statements	(74,789)	(116,248)	(68,326)	(149,708)
SC levy reclassified from expenses and netted against clearing fee revenue	26,046	57,606	15,191	20,244
Prior year adjustments	(39,573)	(66)	-	-
Other operating expenses, restated	<u>(88,316)</u>	<u>(58,708)</u>	<u>(53,135)</u>	<u>(129,464)</u>
<b>Interest income</b> , as stated in the audited financial statements				59,092
Reclass from operating revenue				3,599
Reclass from other income items				11,995
Interest income, restated				<u>74,686</u>
<b>Net gain from disposal of investments</b> , as stated in the audited financial statements				20,673
Reclass to other income items				(8,321)
Net gain from disposal of investments, restated				<u>12,352</u>



## 21. ACCOUNTANTS' REPORT (cont'd)



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## 13. ADJUSTMENTS TO PRIOR YEARS/PERIOD INCOME STATEMENTS AND BALANCE SHEETS (CONTD.)

## Income Statements of Bursa Malaysia

	← Year ended →		→ Period ended Year ended		
	30.6.99	30.6.00	30.6.01	31.12.02	31.12.03
	RM'000	RM'000	RM'000	RM'000	RM'000
Surplus before taxation as stated in the audited financial statements	209,120	309,529	26,084	60,032	89,730
Adjustment for:					
- change in recognition of dividend income, per Note 13.1(iv)	1,375	(1,375)	-	-	-
Surplus before taxation, adjusted	210,495	308,154	26,084	60,032	89,730
Taxation as stated in the audited financial statements	(31,811)	(104,159)	(12,083)	(28,303)	(31,576)
Adjustment for:					
- over/under provision of taxation, per Note 13.1(ii)	(9,535)	1,776	550	265	877
- change in deferred tax policy, per Note 13.1(iii)	-	-	4,048	-	-
- change in recognition of dividend income, per Note 13.1(iv)	(385)	385	-	-	-
Taxation, adjusted	(41,731)	(101,998)	(7,485)	(28,038)	(30,699)
Net surplus after taxation	168,764	206,156	18,599	31,994	59,031
Accumulated funds brought forward *	659,476	622,240	828,396	846,995	878,989
Transferred to Bursa Securities Compensation Fund	(206,000)	-	-	-	-
Accumulated funds carried forward, as stated in this report	622,240	828,396	846,995	878,989	938,020

## 21. ACCOUNTANTS' REPORT (cont'd)



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## 13. ADJUSTMENTS TO PRIOR YEARS/PERIOD INCOME STATEMENTS AND BALANCE SHEETS (CONTD.)

\* Accumulated funds brought forward for financial year ended 30 June 1999

	<b>RM'000</b>
Accumulated funds brought forward, as stated in the audited financial statements	654,399
Adjustments for items stated in Note 13.1 above in financial years prior to financial year ended 30 June 1999:	
- Over provision of taxation, per Note 13.1(ii)	6,067
- Change in recognition of dividend income, per Note 13.1(iv)	(990)
Accumulated funds brought forward, as stated in this report	<u>659,476</u>

	Year ended 30.6.99 RM'000	Year ended 30.6.00 RM'000
Operating revenue, as stated in the audited financial statements	250,416	421,937
Reclass of interest income to other income	(24,902)	-
Prior year adjustment	1,375	(1,375)
Operating revenue, restated	<u>226,889</u>	<u>420,562</u>

**Consolidated Balance Sheets of Bursa Group**

	At 30.6.99 RM'000	At 30.6.00 RM'000	At 30.6.01 RM'000	At 31.12.02 RM'000	At 31.12.03 RM'000
Intangible assets	913	21			
Prior year adjustment	8,978	8,912			
Intangible assets, restated	<u>9,891</u>	<u>8,933</u>			
Receivables	128,159				
Reclass to taxation	(24,069)				
Receivables, restated	<u>104,090</u>				
Taxation	-	(66,843)	(41,747)	(37,492)	
Reclass from receivables	24,069	-	-	-	
Reclass to tax recoverable	(17,380)	-	-	-	
Prior year adjustment	(31,597)	9,291	10,291	(490)	
Taxation, restated	<u>(24,908)</u>	<u>(57,552)</u>	<u>(31,456)</u>	<u>(37,982)</u>	
Cash and bank balances		5,850		16,087	
Reclass to short term borrowings		(1,680)		(206)	
Cash and bank balances, restated	<u>-</u>	<u>4,170</u>	<u>-</u>	<u>15,881</u>	
Bank overdraft					
Reclass from cash and bank balances				206	
Bank overdraft, restated		<u>-</u>		<u>206</u>	
Deferred taxation			(34)		
Prior year adjustment			5,378		
Deferred taxation, restated			<u>5,344</u>		

## 21. ACCOUNTANTS' REPORT (cont'd)



## 13. ADJUSTMENTS TO PRIOR YEARS/PERIOD INCOME STATEMENTS AND BALANCE SHEETS (CONTD.)

## Balance Sheets of Bursa Malaysia

	At 30.6.99 RM'000	At 30.6.00 RM'000	At 30.6.01 RM'000	At 31.12.02 RM'000	At 31.12.03 RM'000
<b>Receivables</b>	39,353				
Reclass to tax recoverable	(17,380)				
Receivables, restated	<u>21,973</u>				
<b>Due from subsidiaries</b>		136,228			
Prior year adjustment		(990)			
Due from subsidiaries, restated		<u>135,238</u>			
<b>Tax recoverable/(taxation)</b>	-	(47,097)	(38,927)	(37,444)	
Reclass from receivables	17,380	-	-	-	
Prior year adjustment	(3,468)	(1,692)	(1,142)	(877)	
Tax recoverable/(taxation), restated	<u>13,912</u>	<u>(48,789)</u>	<u>(40,069)</u>	<u>(38,321)</u>	
<b>Deferred taxation</b>			-		
Prior year adjustment			4,048		
Deferred taxation, restated			<u>4,048</u>		

21. ACCOUNTANTS' REPORT (*cont'd*)

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14. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 September 2004.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Guan Kefu', written over a horizontal line.

Ernst & Young  
AF: 0039  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Wong Kang Hwee', written over a horizontal line.

Wong Kang Hwee  
No. 1116/01/06(J)  
Partner