

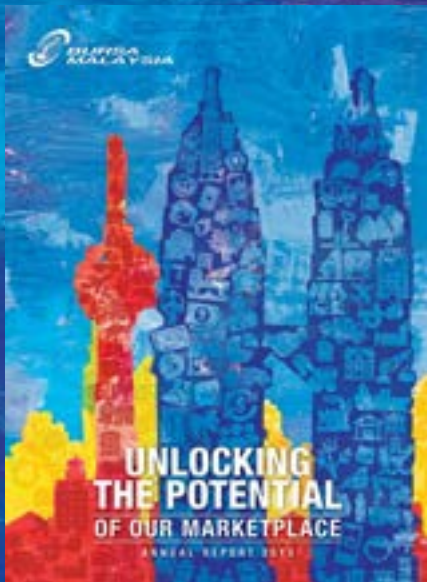


# **UNLOCKING THE POTENTIAL OF OUR MARKETPLACE**

**ANNUAL REPORT 2013**



# WE'RE A MARKETPLACE ON THE MOVE...



In 2013, Bursa Malaysia grew from strength to strength, reaffirming its standing as a relevant, innovative and attractive investment proposition. Our strategic transformation between 2011 and 2013 did much to bolster our foundations and reinforce our role as an integrated exchange and catalyst of growth for the Malaysian capital market. Today, as “ASEAN’s Multinational Marketplace”, Bursa Malaysia is essentially positioned as the prime marketplace for investors buying into ASEAN’s growth opportunities.

As we leverage on our 2014-2016 Business Plan going forward, we are well primed to further unlock the potential of the Exchange and a host of game-changing opportunities. The building blocks we are putting in place today have one purpose in mind – to take Bursa Malaysia up to the next level of success and reinforce our position as ASEAN’s Multinational Marketplace.

## VISION

**TO BE THE PREFERRED PARTNER IN ASIA FOR FUND RAISING,  
TRADING AND INVESTMENT.**

## MISSION

**AS THE PREFERRED PARTNER, BURSA MALAYSIA OFFERS A  
FAIR AND ORDERLY MARKET THAT IS EASILY ACCESSIBLE WITH  
DIVERSE AND INNOVATIVE PRODUCTS AND SERVICES.**

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# Our Strategic Intent

We have a clear goal to become

## ASEAN's Multinational Marketplace.

Our Strategic Blueprint has enabled us to move forward with steadfast focus and make everything we do matter. As we endeavour to achieve our goal, step by step, success upon success, we are making steady progress and growing from strength to strength.



### ASEAN'S MULTINATIONAL MARKETPLACE

## OUR BLUEPRINT

**01**   
**Strategic Intent**  
Create a more facilitative TRADING ENVIRONMENT

**02**   
**Strategic Intent**  
Facilitate more TRADABLE ALTERNATIVES

**03**   
**Strategic Intent**  
Reshape MARKET STRUCTURE & FRAMEWORK

**04**   
**Strategic Intent**  
REGIONAL MARKETPLACE with Global Access





# ROBUST GROWTH

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Bursa Malaysia turned in a stellar performance in 2013 - proof that we are an exchange with a continuing record of high performance. Our FBM KLCI hit all-time highs 26 times and ended the year 10.5% above 2012's index. Among ASEAN peers, we recorded the highest funds raised and emerged top in benchmark indices performance. We ended our year delivering a total shareholder return of 40.7%.

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# Financial Highlights

<p>Operating Revenue</p> <p><b>RM439.8 million</b></p> <p>(+13%)</p> <p>2012: RM388.5 million</p>	<p>Cost to Income Ratio</p> <p><b>48.3%</b></p> <p>(improved 1 percentage point)</p> <p>2012: 49.3%</p>
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PATAMI

**RM173.1 million**

(+15%)

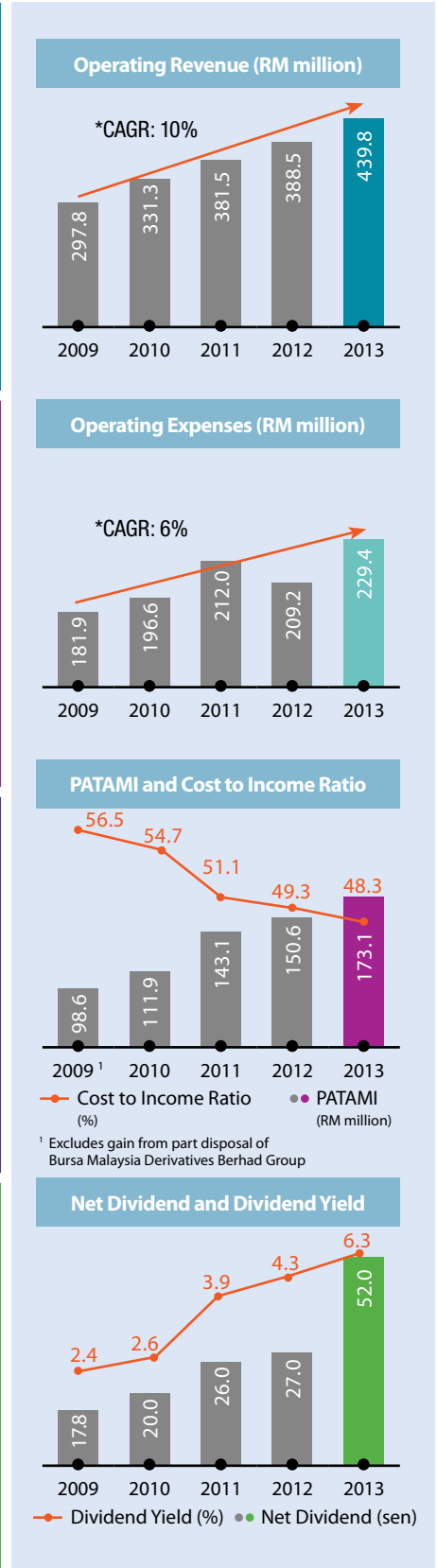
2012: RM150.6 million

<p>EPS</p> <p><b>32.5 sen</b></p> <p>(+15%)</p> <p>2012: 28.3 sen</p>	<p>ROE</p> <p><b>20.7%</b></p> <p>(improved 3 percentage points)</p> <p>2012: 17.7%</p>
---	---

Net Dividend per Share **52 sen**

(+93%)

2012: 27 sen



\* CAGR: Compounded Annual Growth Rate



# Our Performance

## 5-Year Highlights

31 DEC 2009<sup>2</sup> 31 DEC 2010<sup>3</sup> 31 DEC 2011 31 DEC 2012 31 DEC 2013

<b>Key Operating Results (RM million)</b>					
Operating Revenue	297.8	331.3	381.5	388.5	<b>439.8</b>
Operating Expenses <sup>1</sup>	181.9	196.6	212.0	209.2	<b>229.4</b>
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	230.8	177.9	207.9	212.9	<b>245.4</b>
Profit after Tax and Minority Interest (PATAMI) <sup>1</sup>	174.6	111.9	143.1	150.6	<b>173.1</b>
<b>Other Key Data (RM million)</b>					
Total Assets	1,786.6	1,708.3	1,673.5	2,198.4	<b>1,741.7</b>
Total Liabilities <sup>1</sup>	947.2	855.1	818.4	1,325.1	<b>914.2</b>
Shareholders' Equity <sup>1</sup>	830.8	841.9	840.8	857.6	<b>811.2</b>
Capital Expenditure	22.1	21.9	13.6	26.7	<b>33.3</b>
<b>Financial Ratios (%)</b>					
Operating Revenue Growth	(1.5)	11.2	15.2	1.8	<b>13.2</b>
Cost to Income Ratio <sup>1</sup>	45.7	54.7	51.1	49.3	<b>48.3</b>
Net Profit Margin <sup>1</sup>	43.9	31.9	35.7	36.9	<b>37.8</b>
PATAMI Growth <sup>1</sup>	67.2	(35.9)	27.8	5.2	<b>14.9</b>
Return on Equity (ROE) <sup>1</sup>	22.4	13.4	17.0	17.7	<b>20.7</b>
<b>Share Information</b>					
Earnings per Share (EPS) (sen) <sup>1</sup>	33.1	21.1	26.9	28.3	<b>32.5</b>
Net Dividend per Share (sen)	17.8	20.0	26.0	27.0	<b>52.0</b>
Dividend Yield (%)	2.4	2.6	3.9	4.3	<b>6.3</b>
Payout Ratio (%)	92.9	94.0	94.6	94.8	<b>98.5</b>
Net Assets per Share (RM) <sup>1</sup>	1.57	1.58	1.58	1.61	<b>1.52</b>
Share Price - High (RM)	8.59	8.66	9.02	7.72	<b>8.47</b>
Share Price - Low (RM)	4.36	6.75	5.76	5.91	<b>6.22</b>
Share Price as at 31 December (RM)	7.99	7.80	6.70	6.22	<b>8.23</b>
Price Earnings Ratio (times) <sup>1</sup>	24	37	25	22	<b>25</b>
Company Market Capitalisation (RM billion)	4.2	4.1	3.6	3.3	<b>4.4</b>

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

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

2 The results and ratios for 2009 which exclude the gain on disposal of a subsidiary are as follows:

- EBITDA: RM154.8 million
- PATAMI: RM98.6 million
- Cost to Income Ratio: 56.5%
- Net Profit Margin: 24.8%
- PATAMI Growth: (5.6%)
- ROE: 12.7%
- EPS: 18.7sen

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

## Our Performance

## Quarterly Results

	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	Full Year
<b>2013</b>					
<b>Key Financial Results</b>					
Operating Revenue (RM million)	101.7	122.2	112.0	103.9	439.8
EBITDA (RM million)	55.6	77.8	65.4	46.6	245.4
PATAMI (RM million)	38.2	54.8	46.2	33.9	173.1
ROE (%)	17.3	24.0	22.0	17.1	20.7
Cost to Income Ratio (%)	49.7	40.7	46.4	57.6	48.3
EPS (sen)	7.2	10.3	8.7	6.3	32.5
Ordinary Net Dividend per Share (sen)	-	16.0	-	16.0	32.0
Special Net Dividend per Share (sen)	-	20.0	-	-	20.0
<b>Key Operating Drivers</b>					
ADV - OMT & DBT on Securities Market (RM million)	1,716	2,385	2,083	2,330	2,137
ADC on Derivatives Market	45,188	41,673	45,700	41,535	43,490
<b>2012</b>					
<b>Key Financial Results</b>					
Operating Revenue (RM million)	100.5	96.7	96.7	94.6	388.5
EBITDA (RM million)	56.4	53.6	54.0	48.9	212.9
PATAMI (RM million)	40.6	37.7	36.5	35.8	150.6
ROE (%)	18.8	17.2	17.3	17.0	17.7
Cost to Income Ratio (%)	47.5	49.1	48.7	52.0	49.3
EPS (sen)	7.6	7.1	6.9	6.7	28.3
Ordinary Net Dividend per Share (sen)	-	13.5	-	13.5	27.0
<b>Key Operating Drivers</b>					
ADV - OMT & DBT on Securities Market (RM million)	1,973	1,517	1,684	1,509	1,666
ADC on Derivatives Market	31,015	40,367	42,234	43,555	39,387

ADV - Daily Average Trading Value

ADC - Daily Average No. of Contracts Traded

OMT - On-Market Transaction

DBT - Direct Business Transaction

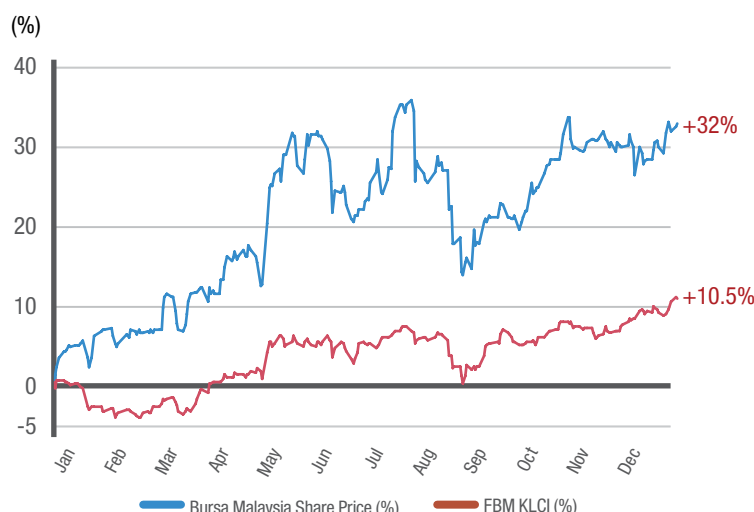


# Shareholder Value Creation

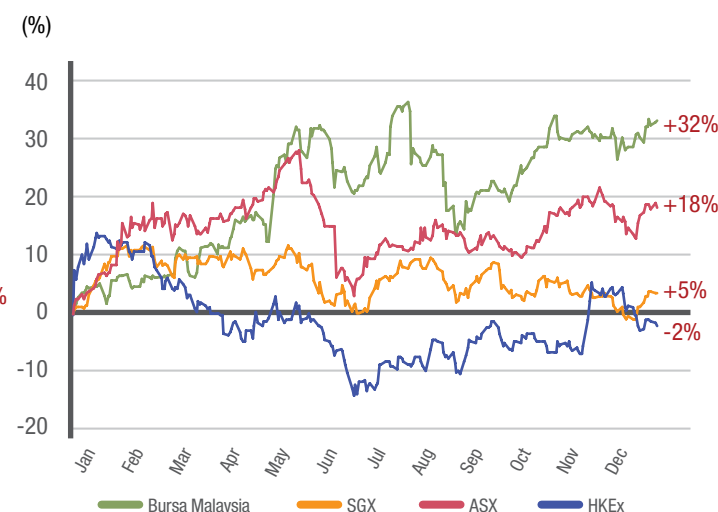
## SHARE PRICE MAKES FURTHER GAINS IN 2013

- Delivered a total shareholder return of 40.7%;
- Share price improved from RM6.22 (31 Dec 2012) to RM8.23 on 31 December 2013, and outperformed the FBM KLCI;
- Outperformed listed Asian peers.

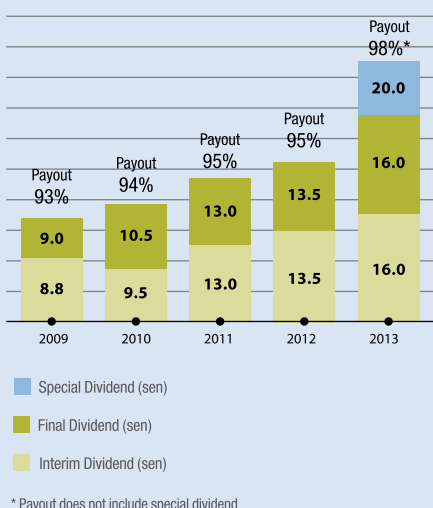
**Bursa Malaysia Share Price Performance vs. FBM KLCI**



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

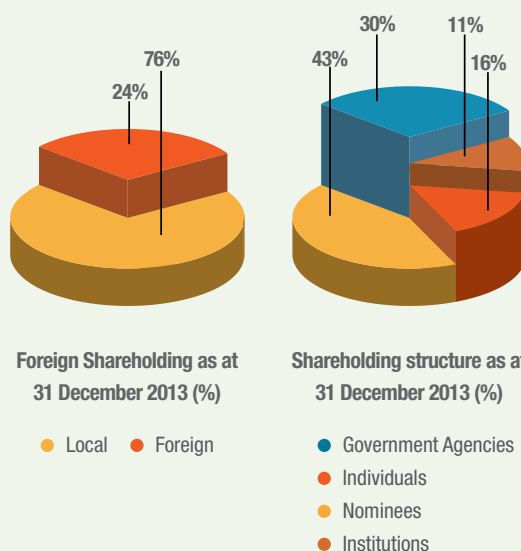


## THE HIGHEST ANNUAL DIVIDEND PAYOUT

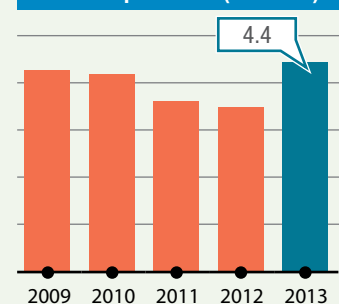


## FOREIGN SHAREHOLDING AND MARKET CAPITALISATION ON THE UPTREND

Our public shareholding of 64.9% provides a fair free float for Bursa Malaysia's shares and a good level of liquidity. As at end 2013, we had a total shareholder count of 20,537. Our market capitalisation, meanwhile, increased from RM3.3 billion in 2012 to RM4.4 billion in 2013.



**Market Capitalisation (RM billion)**



## Investor Relations Contact

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

# Milestones

## ETBS

“ The ETBS represent  
**AN UNPRECEDENTED OPPORTUNITY**  
for the people of Malaysia to invest in, and profit from,  
**THE NATION'S DEVELOPMENT** ”

**Dato' Sri Mohd Najib Tun Abdul Razak,**  
*Prime Minister of Malaysia*

## JAN

**8 JANUARY 2013**

Launch of new asset class - Exchange Traded Bonds and Sukuk (ETBS) to broaden the Exchange's offering as well as promote and strengthen retail participation in the bonds/sukuk market

## MAY

**2 MAY 2013**

Introduced Green Lane Policy to enhance efficiency of doing business for equity brokers

**9 MAY 2013**

First Shari'ah-compliant stapled securities listed on Bursa Malaysia to widen the Exchange's product universe

## eRIGHTS

“ The eRights initiative is part of our ongoing efforts to provide  
**A MORE FACILITATIVE TRADING ENVIRONMENT TO ATTRACT MORE INVESTORS AND ISSUERS,**  
not only within our domestic market, but also the region ”

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

## MAR

**28 MARCH 2013**

Launch of new eRights services to facilitate electronic subscription and payment system for rights issue

## GREEN LANE POLICY

“ The Green Lane Policy  
**SHORTENS THE TIME TO MARKET**  
for equities brokers to commence new activities. This includes the opening of  
**NEW BRANCHES OR ELECTRONIC ACCESS FACILITIES,**  
the provision of margin financing and the commencement of proprietary trading ”

**Selvarany Rasiah,**  
*Director of Regulation, Bursa Malaysia*



## JUL

**22 JULY 2013**

Launch of enhanced Regulated Short Selling (RSS) and Securities Borrowing and Lending (SBL) to facilitate more efficient price discovery

RSS & SBL

“ Following the enhancements, the number of stocks available has **INCREASED FROM 100 TO 171** while there is now also a **FAST ENTRY FOR STOCKS** with large market capitalisation ”

**Ong Li Lee,**

*Director of Securities Market, Bursa Malaysia*

## OCT

**1 OCTOBER 2013**

Launch of second edition of the Corporate Governance Guide to engender better corporate governance practices among PLCs and help boards steer their companies towards sustainable business growth

**3 OCTOBER 2013**

Launch of the cash-settled Gold Futures Contract which provides a trusted way to trade gold in Malaysia

“ As Bursa Malaysia becomes **ONE OF THE LEADING EPICENTRES FOR TRADING IN THE REGION,**

attracting new IPOs and meeting Islamic finance demands, NASDAQ OMX is dedicated to working with the Malaysian exchange to

**FURTHER GROW THE DYNAMIC ASEAN MARKET** ”

**Lars Ottersgård,**

*Senior Vice President, Market Technology, NASDAQ OMX*

BTS2

## DEC

**2 DECEMBER 2013**

Launch of new trading engine, Bursa Trade Securities 2 (BTS2) powered by NASDAQ OMX's X-stream INET

**11 DECEMBER 2013**

Launch of electronic CDS statements and notices

**27 DECEMBER 2013**

Amendment in timeframe for issuance of annual reports

GOLD FUTURES CONTRACT

“ In Malaysia, where **GOLD IS A HIGHLY DESIRABLE COMMODITY** from a cultural standpoint, the minimum contract size of 100 grams for the Bursa Gold Futures Contract provides **GREATER ACCESSIBILITY AND AFFORDABILITY** to all those who want to trade and invest in gold ”

**Chong Kim Seng,**

*CEO, Bursa Malaysia Derivatives Berhad*

# Awards and Ranking

## WE ARE INTERNATIONALLY BENCHMARKED

- Top 5 Overall Corporate Governance Award 2013
- Top 3 Corporate Governance Transparency Award
- Best Conduct of AGM Award

based on Malaysia-Asean Corporate Governance Index 2013

- 4<sup>th</sup> out of 11 countries in Asia in terms of Corporate Governance

- Top 50 Corporate Governance ranking of mid/small caps in the Asia Pacific

Asia Corporate Governance Association biennial Survey



**WORLD BANK**  
**4<sup>th</sup>**  
among  
**189 countries**  
for Investor Protection

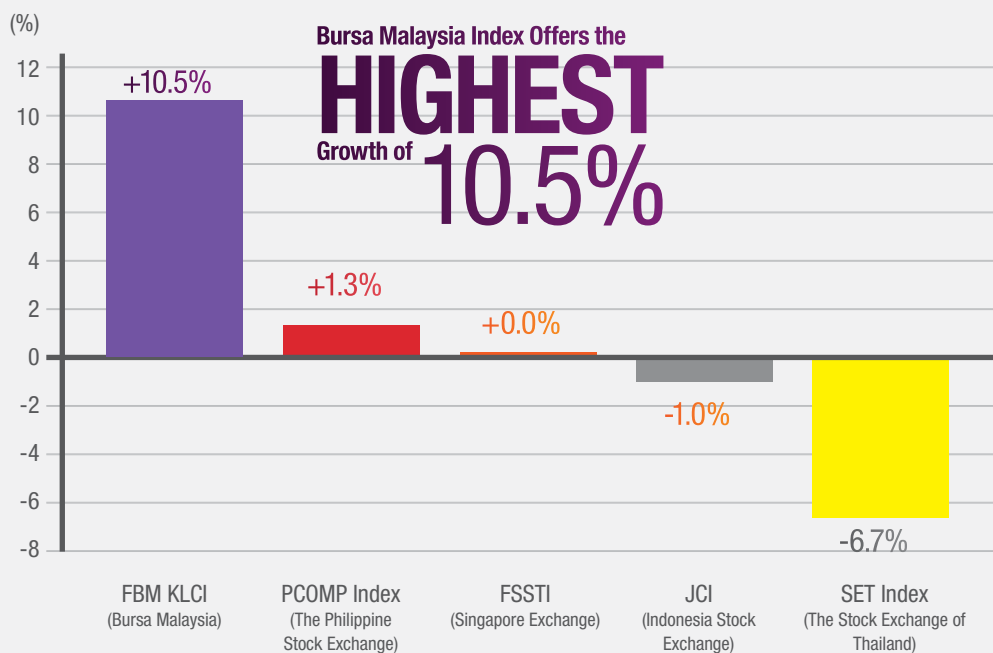
**WORLD ECONOMIC FORUM**  
**13<sup>th</sup>**  
among  
**148 countries**  
for Efficacy of Corporate Boards

**4<sup>th</sup>**  
among  
**148 countries**  
for Strength of Investor Protection



# Continuing to Deliver Value

## Benchmark Index Performance in 2013



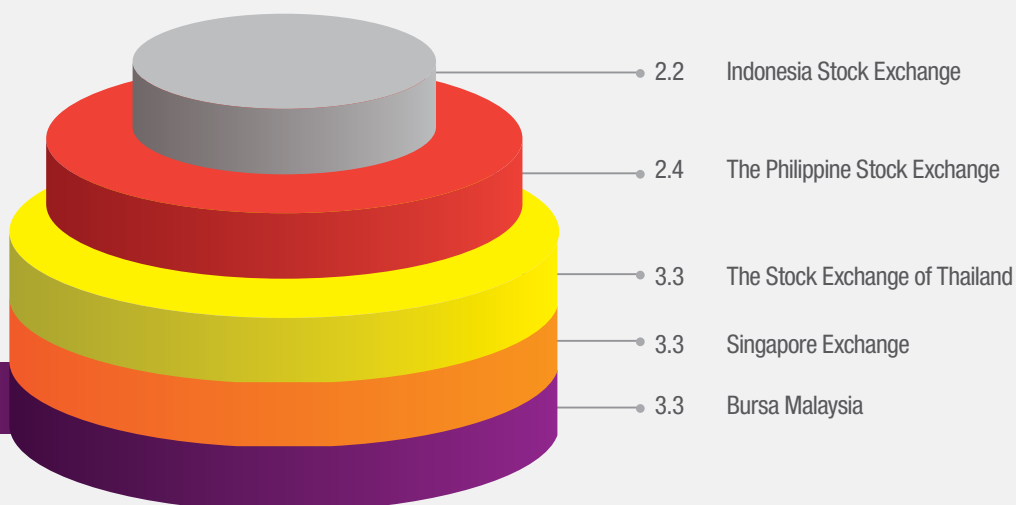
Index Point as at 31 December 2013	1866.96	5889.83	3167.43	4274.18	1298.71
	FBM KLCI (Bursa Malaysia)	PCOMP Index (The Philippine Stock Exchange)	FSSTI (Singapore Exchange)	JCI (Indonesia Stock Exchange)	SET Index (The Stock Exchange of Thailand)

## Dividend Yield (%)

### TOP 3

Dividend Yield in ASEAN

**Bursa Malaysia**



Source: Bloomberg

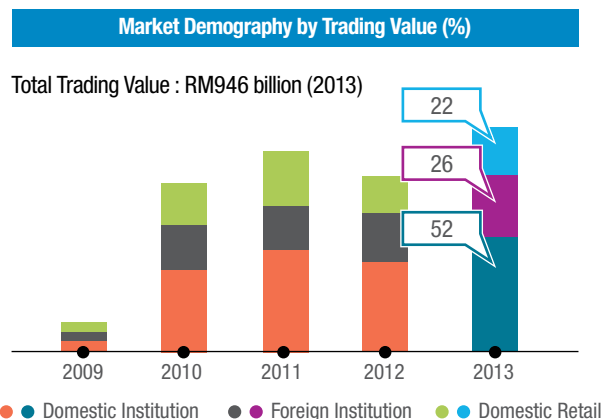
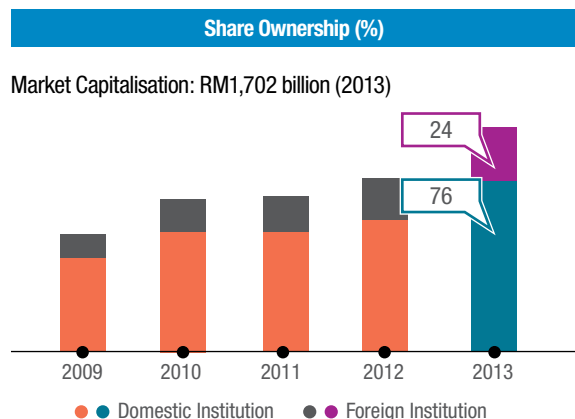
# Market Highlights

	31 DEC 2009	31 DEC 2010	31 DEC 2011	31 DEC 2012	31 DEC 2013
<b>Securities Market</b>					
FBM KLCI	1,272.78	1,518.91	1,530.73	1688.95	1866.96
Market Capitalisation (RM billion)	999	1,275	1,285	1,466	1,702
Velocity (%)	34	33	33	28	30
Daily Average Trading Volume - OMT & DBT (million shares)	1,000	1,021	1,344	1,361	1,567
Daily Average Trading Volume - OMT (million shares)	945	953	1,288	1,294	1,477
Daily Average Trading Value - OMT & DBT (RM million)	1,221	1,574	1,788	1,666	2,137
Daily Average Trading Value - OMT (RM million)	1,129	1,454	1,699	1,573	1,915
Total Trading Volume - OMT & DBT (billion shares)	248	253	329	334	387
Total Trading Value - OMT & DBT (RM billion)	303	390	438	408	528
Total Funds Raised (RM billion)	27.8	33.0	15.0	32.0	22.5
Total Listed Counters	1,305	1,392	1,476	1,640	1,566
• No. of PLCs	960	957	941	921	911
- No. of New Listings - IPOs (including REITs)	14	29	28	17	18
- No. of Delistings (including REITs)	32	31	43	36	27
• No. of Listed REITs	12	14	15	16	17
- No. of New Listing - REITs	-	2	1	1	1
• No. of Listed ETFs	3	5	5	5	5
- No. of New Listings - ETFs	-	2	-	-	-
• No. of Listed Structured Warrants	137	225	304	477	398
- No. of New Listings - Structured Warrants	124	204	363	551	410
% of Shari'ah Compliant PLCs	88	88	89	88	71
% of Shari'ah Compliant (by Market Capitalisation)					
• PLC	64	63	63	64	63
• ETFs	56	51	40	32	30
• REITs	35	22	18	14	43
No. of Rights & Bonus Issues	52	77	61	60	54
No. of New CDS Accounts opened (yearly)	161,100	157,911	164,110	207,393	153,764
Total CDS Accounts (million)	4.0	4.1	4.2	4.3	4.4
No. of Trading Days	248	248	245	245	247
No. of Participating Organisations of Bursa Malaysia Securities	34	35	35	33	31
<b>Derivatives Market</b>					
Open Interest	123,141	132,151	152,419	214,065	196,493
• Crude Palm Oil Futures (FCPO)	76,366	88,544	112,720	173,649	151,486
• FBM KLCI Futures (FKLI)	14,827	21,837	23,505	30,550	40,473
• Others	31,948	21,770	16,194	9,866	4,534
No. of Contracts Traded:					
• FCPO (million)	4.0	4.1	5.9	7.5	8.0
• FKLI (million)	2.0	2.0	2.5	2.1	2.7
• 3-Month KLIBOR Futures	126,690	95,477	92,775	50,946	16,791
• Gold Futures <sup>1</sup>	-	-	-	-	24,253
• Other Products (OCPO <sup>2</sup> & OKLI <sup>3</sup> )	-	-	-	6,314	7,831
Daily Average No. of Contracts Traded	24,749	24,818	34,474	39,387	43,490
Total Contracts Traded (million)	6.1	6.2	8.4	9.6	10.7
No. of Trading Days	248	248	245	245	247
No. of Trading Participants of Bursa Malaysia Derivatives	19	20	20	20	18
<b>Islamic Market</b>					
No. of Sukuk Listings on Bursa Malaysia Securities	12	19	19	20	20
Value of Sukuk Listings (USD billion)	17.6	27.7	28.5	33.7	32.9
Bursa Suq Al-Sila <sup>4</sup> :					
• Daily Average Value Commodity Traded (RM billion)	0.1	0.4	1.2	2.3	3.9
• Total Commodity Trading Value (RM billion)	6.5	90.2	298.6	563.3	958.9
• Total no. of Matched Contracts	370	2,273	9,111	20,858	285,547
• No. of Trading Days	93	257	245	245	247
• No. of Trading Participants	16	33	55	69	78

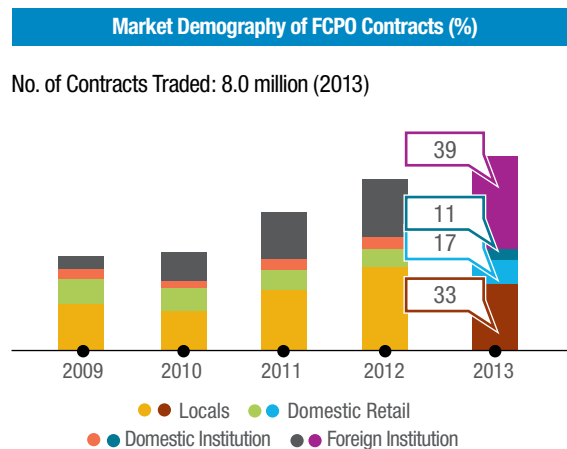
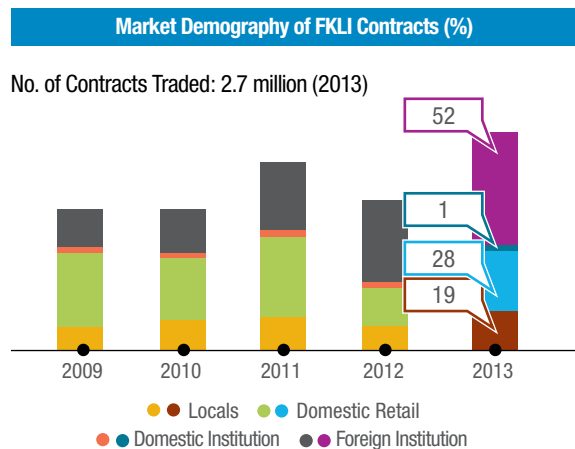
<sup>1</sup> Gold Futures Contract was introduced in October 2013<sup>3</sup> OCPO was introduced in July 2012<sup>2</sup> OKLI was introduced in May 2012<sup>4</sup> Bursa Suq Al-Sila<sup>4</sup> was launched in August 2009



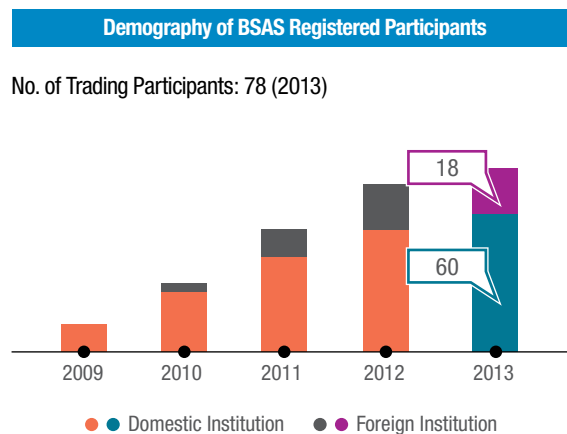
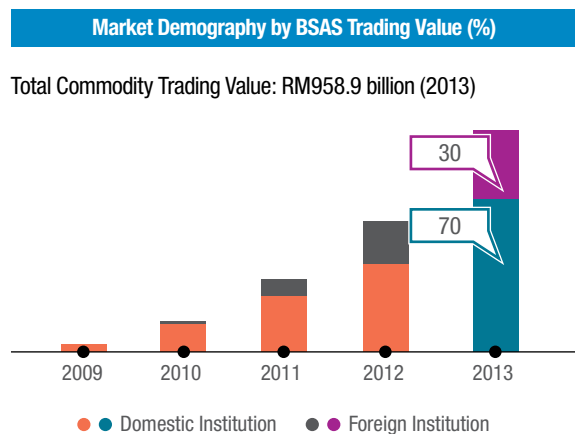
## SECURITIES MARKET



## DERIVATIVES MARKET



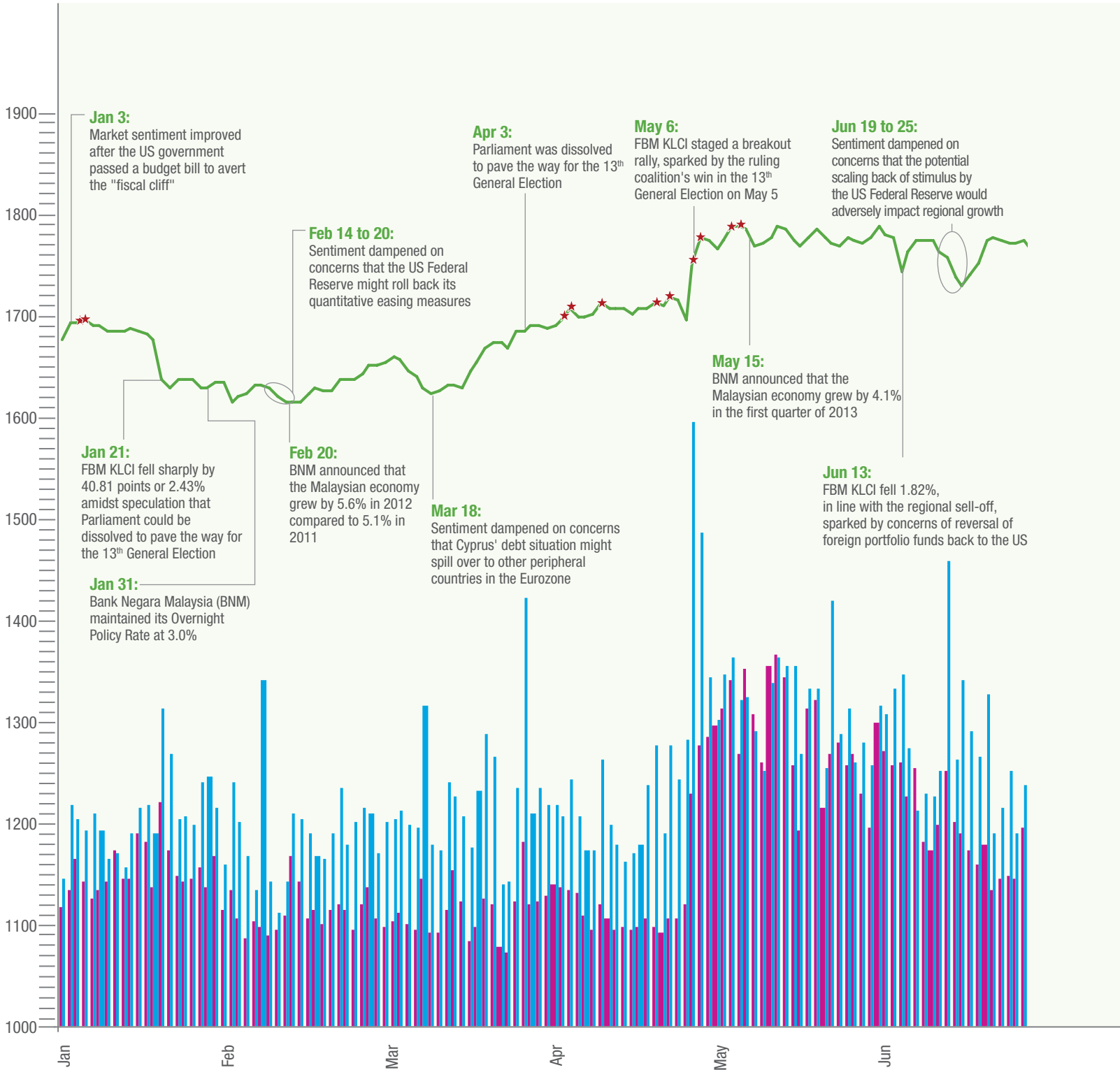
## ISLAMIC MARKET



# Market Performance

■ Total Volume ■ Total Value ■ FBM KLCI

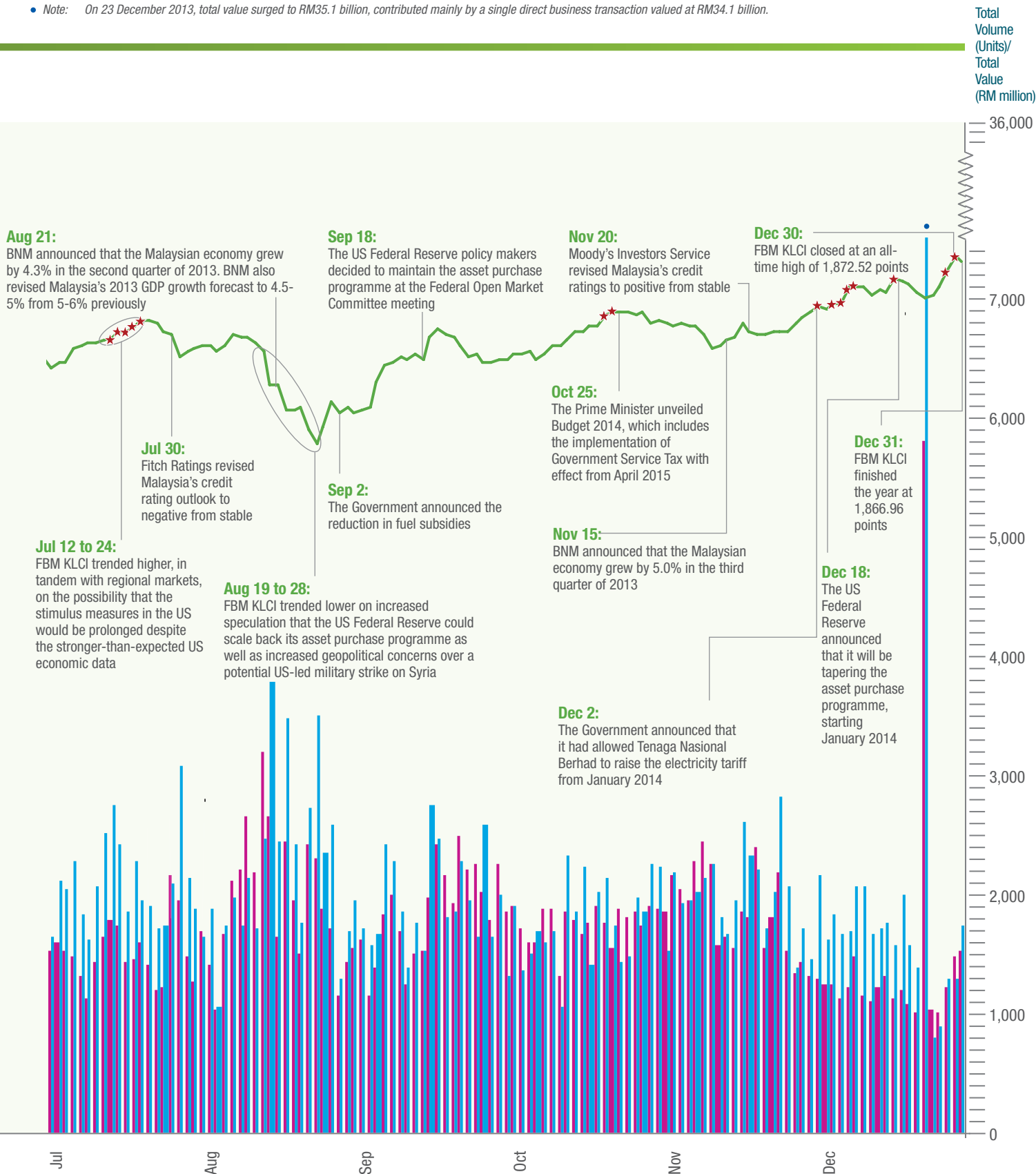
**FBM KLCI**  
(Points)



Market Performance

★ Hit all time high

● Note: On 23 December 2013, total value surged to RM35.1 billion, contributed mainly by a single direct business transaction valued at RM34.1 billion.





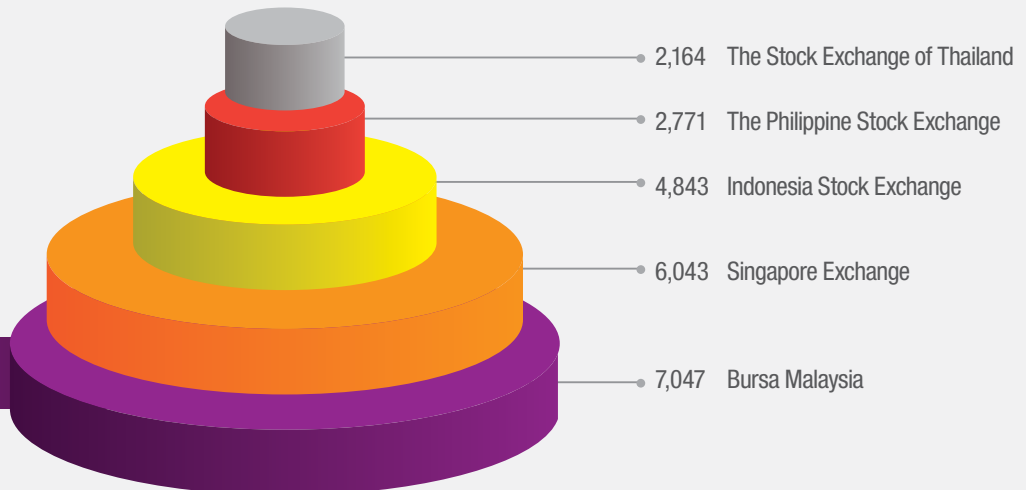
# Bursa Malaysia, the Preferred Partner for Fund Raising

## Welcoming New Listings in 2013

**2,578** USD million Raised from **IPOs**

## Total Funds Raised in USD million

**HIGHEST**  
funds raised in ASEAN  
**Bursa Malaysia**



Source: World Federation of Exchanges



# STRONGER COLLABORATION

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In 2013, Bursa Malaysia intensified collaborative efforts with industry players, particularly when we refreshed our trading engine, Bursa Trade Securities 2 (BTS2). This exercise involved approximately 300 people industry-wide, 32 industry briefings, 31 meetings with CEOs of broker companies and over 5 test cycles with 17,000 test cases. As a result of this industry effort, BTS2 went live in early December 2013, well in advance of its initial go-live target of Q1 2014.

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# Chairman's Letter to Shareholders



**Tun Mohamed Dzaidin Haji Abdullah**  
Chairman



**Dear Shareholders,**

**2013 was a year in which exchanges the world over had to contend with financial uncertainties and intensified competition. Despite this volatile backdrop, Bursa Malaysia rose to the fore to turn in a commendable performance on several fronts. The FBM KLCI ended the year at 1866.96 points, up 10.5% from 2012.**

**The Exchange exceeded peers in benchmark performance and was the largest fund raising destination in ASEAN with USD7,046.9 million raised. And most importantly, we continued to create shareholder value delivering a total shareholder return of 40.7%.**

**THE YEAR SAW US STEPPING UP THE PACE ON GOVERNANCE EFFORTS, DELIVERING GOOD SHAREHOLDER VALUE, AND SUCCESSFULLY IMPLEMENTING MEASURES TO HELP US CAPITALISE ON NEW FRONTIERS**

Our good standing to date comes on the back of ongoing efforts to strengthen our marketplace infrastructure and Bursa Malaysia's position as an attractive investment proposition. The year saw us stepping up the pace on governance efforts, delivering good shareholder value, and successfully implementing measures to help us capitalise on new frontiers. As the Exchange moves forward, the foundations are now in place to further unlock the potential of our marketplace and truly move us up to the next level of success.

#### **COMMITTED TO MARKETPLACE TRANSPARENCY AND STABILITY**

The ever evolving global market structure and regulatory framework have been rather unsettling for market players these last few years. Amidst this backdrop, Bursa Malaysia continues to make strong strides forward in its endeavour to ensure an orderly, transparent and efficient marketplace. 2013 saw us continuing to hone our rules and build upon the effective regulatory and supervisory framework we already have in place to ensure a comprehensive regulatory approach.

To engender better corporate governance practices among PLCs as well as help boards steer their companies towards sustainable business growth, we issued the second edition of the Corporate Governance Guide: Towards Boardroom Excellence. To strengthen stakeholder education and engagement, we rolled out 22 engagement sessions, including the exclusive Chairman Series.

## DRIVING GOOD SHAREHOLDER VALUE

- **13% GROWTH**  
IN OPERATING REVENUE AND  
**15% GROWTH**  
IN PATAMI

- DIVIDEND YIELD OF  
**6.3%**

- RECOGNITION FROM MSWG:

- ✓ **AMONG TOP 5**  
FOR OVERALL  
CORPORATE  
GOVERNANCE

- ✓ **AMONG TOP 3**  
FOR CORPORATE  
GOVERNANCE  
TRANSPARENCY

- ✓ **1 OF 3**  
**WINNERS**  
FOR BEST CONDUCT  
OF AGM

We remain committed to implementing corporate governance best practices throughout our organisation. In 2013, Bursa Malaysia was announced as one of three winners of the Best Conduct of AGM Award from the Minority Shareholder Watchdog Group (MSWG). We were also a recipient of the MSWG's Top 3 Corporate Governance Transparency Award and Top 5 Overall Corporate Governance Award. These awards underscore our commitment to leading by example in the area of good governance.

### COMMITTED TO GOOD SHAREHOLDER VALUE CREATION

The year 2013 also saw us continuing to put in place the building blocks to enhance market quality, ensure sustainability and unlock the Exchange's full potential. We improved the quality of our service and product offering, increased our people and technology investments, as well as enhanced stakeholder ties.

As a result of our team's overall efforts, we turned in a robust financial performance for 2013 with operating revenue increasing by 13% and PATAMI by 15%.

Our commitment to creating good shareholder value remains a priority. Our policy is to pay out no less than 75% of our PATAMI. Since our listing, we have surpassed this and rewarded our shareholders with more than 90% of our PATAMI. In line with the year's good performance, we are proposing a final dividend of 16 sen. This, combined with an interim dividend of 16 sen paid to shareholders in 2013, amounts to 98% of our PATAMI. We had also paid out a special dividend of 20 sen in August 2013, bringing the total dividends to 52 sen.

### COMMITTED TO REMAINING RELEVANT

As an integrated exchange and a catalyst for the Malaysian capital market, we are determined to remain relevant to our stakeholders and to drive sustainable growth. The advent of the ASEAN Economic Community (AEC) at end 2015 bodes well for us. As "ASEAN's Multinational Marketplace", Bursa Malaysia is well positioned as the preferred entry point and prime marketplace for investors buying into ASEAN.

We are also focused on delivering a spread of diverse and sustainable offerings to our stakeholders. Our global Islamic market offering continues to be a viable investment opportunity and has bolstered our position as one of Asia's leading exchange for Islamic offerings. The launch of Gold Futures Contracts and stapled securities too have widened our product universe.

As we move forward, Bursa Malaysia will continue to champion good governance practices, roll out new growth strategies and look for new frontiers of opportunity. We are confident of our potential going forward given the strong foundations that have been laid.

### IN APPRECIATION

On behalf of the Board of Directors, I wish to take this opportunity to convey our utmost gratitude to our shareholders for their steadfast support of the Exchange. Our deep gratitude also goes to the regulators and policy makers for their worthy efforts in setting clear boundaries that promote market efficiency and transparency. My sincere thanks to my fellow Directors for their astute insights and for helping the Exchange stay the course amidst uncertain times. Last but not least, our deep gratitude to the employees for their loyalty, sacrifices and commitment to excellence which have brought us thus far.

# Board of Directors' Profiles



## Tun Mohamed Dzaidin Haji Abdullah

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

<b>Nationality/ Age:</b>	Malaysian/ 76
<b>Date of Appointment:</b>	1 March 2004
<b>Length of Service:</b> (as at 27 February 2014)	10 years
<b>Date of Last Re-appointment:</b>	1 March 2013 (pursuant to Section 10(1)(a) and (3) of the CMSA)
	28 March 2013 (pursuant to Section 129(6) of the Companies Act 1965)
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Barrister of the Middle Temple, England</li> <li>• Advocate and Solicitor of the High Court of Malaya</li> <li>• Singapore Institute of Arbitrators (Fellow)</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>• Chairman, Deutsche Bank (Malaysia) Berhad</li> </ul> Other PLC(s): Nil
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Legal Consultant, Skrine</li> <li>• Chairman, Tun Mohamed Suffian Foundation of Malaysia</li> <li>• President, Institute for Democracy and Economic Affairs (IDEAS) Advisory Council</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Chairman, Royal Commission to enhance Operation and Management of the Royal Malaysia Police (2004-2005)</li> <li>• 9<sup>th</sup> Chief Justice of Malaysia (2000-2003)</li> <li>• President, ASEAN Law Association (1995-2003)</li> <li>• Judge in the High Court, Supreme Court and Federal Court (1982-2000)</li> <li>• Vice President, Malaysian Bar (1982-1983)</li> </ul>

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



## Dato' Tajuddin Atan

CEO, Non-Independent Executive Director

<b>Nationality/ Age:</b>	Malaysian/ 54
<b>Date of Appointment:</b>	1 April 2011
<b>Length of Service:</b> (as at 27 February 2014)	2 years 11 months
<b>Duration of Previous Appointment as Non-Executive Director and Public Interest Director:</b>	14 July 2008 - 31 March 2011
<b>Date of Last Re-election:</b>	29 March 2012
<b>Academic/ Professional Qualification:</b>	<ul style="list-style-type: none"> <li>• Bachelor of Science (Agribusiness), Universiti Putra Malaysia</li> <li>• Master of Business Administration, University of Ohio</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>• Bursa Malaysia subsidiary companies</li> <li>• Chairman, Yayasan Bursa Malaysia</li> <li>• Capital Market Development Fund</li> <li>• Securities Industry Development Corporation</li> </ul> Other PLC(s): Nil
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Member, Executive Committee of Malaysia International Islamic Financial Centre</li> <li>• Member, Financial Reporting Foundation</li> <li>• Adjunct Professor, Faculty of Economics and Management of Universiti Putra Malaysia</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Managing Director, RHB Bank Berhad and Group Managing Director, RHB Capital Berhad (2009-2011)</li> <li>• President/Group Managing Director, Bank Pembangunan Malaysia Berhad (2007-2009)</li> <li>• CEO, Bank Simpanan Nasional (2004-2007)</li> <li>• Managing Director, Chase Perdana Berhad (2001-2004)</li> </ul>



Board of Directors' Profiles

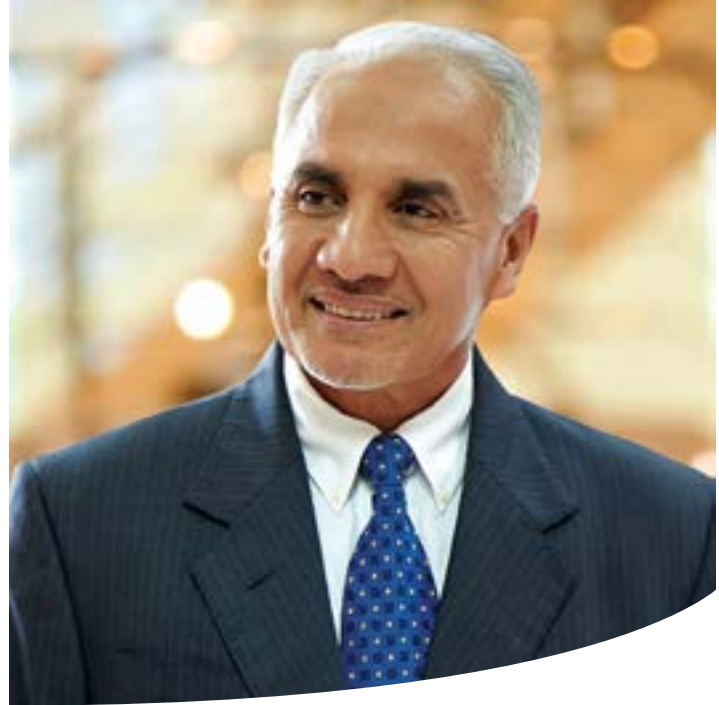


**Datuk Dr. Md Tap Salleh**

*Non-Executive Director and Public Interest Director \**

<b>Nationality/ Age:</b>	Malaysian/ 64
<b>Date of Appointment:</b>	1 April 2010
<b>Length of Service: (as at 27 February 2014)</b>	3 years 11 months
<b>Date of Last Re-appointment:</b>	1 April 2012 (pursuant to Section 10(1)(a) of the CMSA)
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Arts (Hon), Monash University</li> <li>• Master of Science (Social Planning), University of Wales</li> <li>• PhD (Development Planning), University of Bath</li> </ul>
<b>Present Directorship(s):</b>	Other PLC(s): Nil
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• President, Malaysian Institute of Integrity</li> <li>• Adjunct Professor, College of Local Government and International Studies, Universiti Utara Malaysia</li> <li>• Industry Advisor, Faculty of Science, Technology and Human Resource Development, University Tun Hussein Onn</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Secretary-General, Ministry of Rural and Regional Development (2004-2006)</li> <li>• Deputy Secretary-General, Ministry of Tourism, Malaysia (2003-2004)</li> <li>• Deputy Director, Governance and Institution Development, Commonwealth Secretariat in London (1996-2002)</li> </ul>

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



**Datuk Dr. Syed Muhamad Syed Abdul Kadir**

*Non-Executive Director and Public Interest Director \**

<b>Nationality/ Age:</b>	Malaysian/ 67
<b>Date of Appointment:</b>	5 August 2010
<b>Length of Service: (as at 27 February 2014)</b>	3 years 7 months
<b>Date of Last Re-appointment:</b>	5 August 2012 (pursuant to Section 10(1)(a) of the CMSA)
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Arts (Hon) and Bachelor of Jurisprudence (Hon), University of Malaya</li> <li>• Master of Business Administration, University of Massachusetts</li> <li>• Masters of Law (Corporate Law), Universiti Teknologi MARA</li> <li>• PhD (Business Management), Virginia Polytechnic Institute and State University</li> <li>• Certificate in Legal Practice (Malaysian Professional Legal Board)</li> <li>• Advocate and Solicitor of the High Court of Malaya</li> <li>• Chartered Institute of Arbitration, United Kingdom (Fellow)</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>• Chairman, CIMB Islamic Bank Berhad</li> <li>• CIMB Bank Berhad</li> <li>• Sun Life Malaysia Insurance Berhad</li> <li>• Sun Life Malaysia Takaful Berhad</li> <li>• ACR ReTakaful SEA Berhad</li> <li>• Malakoff Corporation Berhad</li> </ul> Other PLC(s): <ul style="list-style-type: none"> <li>• CIMB Group Holdings Berhad</li> <li>• BSL Corporation Berhad</li> <li>• Euro Holdings Berhad</li> <li>• Solution Engineering Holdings Berhad</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Secretary-General, Ministry of Human Resources (2003)</li> <li>• Secretary (Tax Division) and Deputy Secretary-General (Operations), both of Ministry of Finance (1997-2003)</li> <li>• Executive Director, Asian Development Bank, Manila, Philippines (1993-1997)</li> </ul>



### Dato' Saiful Bahri Zainuddin

*Independent Non-Executive Director*

<b>Nationality/ Age:</b>	Malaysian/ 52
<b>Date of Appointment:</b>	27 June 2008
<b>Length of Service: (as at 27 February 2014)</b>	5 years 8 months
<b>Date of Last Re-election:</b>	29 March 2012
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>Bachelor of Science (Economics &amp; Finance), Western Michigan University</li> </ul>
<b>Present Directorship(s):</b>	Other PLC(s): Nil
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>Head, Stockbroking Division, Affin Investment Bank Berhad</li> <li>Director, Securities Industry Dispute Resolution Centre</li> <li>Director, Secondary Market Council</li> <li>Financial Adviser to the State Government of Negeri Sembilan</li> <li>Member, Securities Commission's Securities Law Consultative Committee</li> <li>Member, Board of Trustees for Bumiputera Dealer Representatives Education Fund and Bumiputera Training Fund</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>Chairman, Association of Stockbroking Companies Malaysia (2006, 2008-2010)</li> <li>Executive Director, Affin Holdings Berhad (2009-2010)</li> <li>Executive Director and Executive Director Dealing, Rashid Hussain Securities (1992-1999, 2002)</li> <li>CEO/Executive Director Dealing, Fima Securities Sdn Bhd (2000-2001)</li> </ul>



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

*Independent Non-Executive Director*

<b>Nationality/ Age:</b>	Malaysian/ 69
<b>Date of Appointment:</b>	27 June 2008
<b>Length of Service: (as at 27 February 2014)</b>	5 years 8 months
<b>Date of Last Re-election:</b>	29 March 2012
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>Capital Markets Services Representative's Licence</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>Chairman, DMG &amp; Partners Securities Pte. Ltd.</li> <li>Chairman, RHB Holdings Hong Kong Limited</li> <li>Chairman, RHB Investment Bank Berhad</li> <li>RHB Indochina Bank Limited</li> <li>RHB Bank Berhad</li> <li>KE-ZAN Holdings Berhad</li> </ul>
<b>Other PLC(s):</b>	<ul style="list-style-type: none"> <li>Chairman, PJ Development Holdings Berhad</li> <li>CEO/Group Managing Director, OSK Holdings Berhad</li> <li>Managing Director/CEO, OSK Property Holdings Berhad</li> <li>OSK Ventures International Berhad</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>Group Managing Director/CEO, OSK Investment Bank Berhad (2007-2011)</li> <li>Managing Director/CEO, OSK Securities Berhad (1985-2007)</li> <li>Member, Securities Commission's Capital Market Advisory Council (2004)</li> <li>Director, MESDAQ (1999-2002)</li> </ul>

Board of Directors' Profiles



**Tan Sri Datuk Dr. Abdul Samad Haji Alias**

*Independent Non-Executive Director*

- Nationality/ Age:** Malaysian/ 71
- Date of Appointment:** 7 July 2011
- Length of Service:** 2 years 8 months  
(as at 27 February 2014)
- Date of Last Re-appointment:** 28 March 2013
- Academic/ Professional Qualification(s):**
- Bachelor of Commerce, University of Western Australia
  - Honorary Doctorate of Philosophy (Accounting), Universiti Utara Malaysia
  - Institute of Chartered Accountants, Australia (Fellow)
  - Malaysian Institute of Accountants (Member)
  - Malaysian Institute of Certified Public Accountants (Member)
- Present Directorship(s):**
- Chairman, Malaysia Venture Capital Management Berhad
  - Chairman, Malaysia Deposit Insurance Corporation
- Past Directorship(s) and/ or Appointment(s):**
- Other PLC(s):
- TH Plantations Berhad
  - Chairman, Malaysia Debt Venture Berhad (2002-2013)
  - Chairman, Bank Pembangunan Malaysia Berhad (2008-2011)
  - Non-Executive Chairman, Ernst & Young Malaysia (2005-2008)
  - Board Member, International Federation of Accountants (2004-2007)
  - President (1999-2001) and Council Member (2002-2007) MICPA
  - President, MIA (2000-2005)



**Datuk Karownikaran @ Karunakaran Ramasamy**

*Independent Non-Executive Director*

- Nationality/ Age:** Malaysian/ 63
- Date of Appointment:** 28 March 2013
- Length of Service:** 11 months  
(as at 27 February 2014)
- Academic/ Professional Qualification(s):**
- Bachelor of Economics (Hon) in Accounting, University of Malaya
- Present Directorship(s):**
- Maybank Investment Bank Berhad
  - Maybank Asset Management Group Berhad
  - Etiqa Insurance Berhad
- Other PLC(s):
- Chairman, Integrated Logistics Berhad
  - Chemical Company of Malaysia Berhad
  - IOI Corporation Berhad
- Past Directorship(s) and/ or Appointment(s):**
- Director-General of Malaysian Industrial Development Authority (MIDA) (2004-2008)
  - Deputy Director-General of MIDA (2001-2003)
  - Director of Industrial Promotion Division overseeing 16 MIDA overseas offices (1996-2000)
  - Director of MIDA in Singapore, Germany and London (1978-1995)



## Board of Directors' Profiles

**Ghazali Hj Darman***Independent Non-Executive Director*

<b>Nationality/ Age:</b>	Malaysian/ 48
<b>Date of Appointment:</b>	28 March 2013
<b>Length of Service: (as at 27 February 2014)</b>	11 months
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Accounting, University of Canberra</li> <li>• Certified Public Accountant of Australian Society of Certified Practising Accountant (until 2006)</li> <li>• Examiner for Malaysian Association of Certified Practising Accountant</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>• Commissioner for PT Praisindo Teknologi, Jakarta (subsidiary of Censof Holding)</li> </ul> Other PLC(s): Nil
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Adviser to Censof Management Programme Director for large scale IT implementation at Dewan Bandaraya Kuala Lumpur and Ministry of Finance</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Head of Domain, DHL IT Services Sdn Bhd (2006-2010)</li> <li>• Partner of Accenture (1986-2006)</li> <li>• Director, Accenture Solutions Sdn Bhd (until 2006)</li> <li>• Director, Accenture Sdn Bhd (until 2006)</li> </ul>

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

<b>Nationality/ Age:</b>	Singaporean/ 50 Permanent Resident of Malaysia
<b>Date of Appointment:</b>	28 March 2013
<b>Length of Service: (as at 27 February 2014)</b>	11 months
<b>Academic/ Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Business Administration, National University of Singapore</li> </ul>
<b>Present Directorship(s):</b>	<ul style="list-style-type: none"> <li>• Kenanga Investment Bank Berhad</li> <li>• Kenanga Vietnam Securities Joint Stock Corporation</li> <li>• Securities Industry Development Corporation</li> </ul> Other PLC(s): <ul style="list-style-type: none"> <li>• K &amp; N Kenanga Holdings Berhad</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Group Managing Director, K &amp; N Kenanga Holdings Berhad</li> <li>• Managing Director, Kenanga Investment Bank Berhad</li> </ul>
<b>Past Directorship(s) and/ or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Managing Director, RHB Investment Bank Berhad, and Head of Corporate &amp; Investment Banking, RHB Bank Berhad (2006-2010)</li> <li>• Country Head, Standard Bank Group (2002-2006)</li> <li>• Director and Head of Investment Banking, JP Morgan Chase in Malaysia (2001)</li> <li>• Head of Investment Banking, Chase JF Malaysia (1997-2000)</li> <li>• Director of Investment Banking, Jardine Fleming in Hong Kong (1990-1996)</li> <li>• Investment Analyst, Bankers Trust Brokerage in Singapore (1987-1990)</li> </ul>

Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of Bursa Malaysia, have no conflict of interest with Bursa Malaysia and have not been convicted of any offence within the past 10 years.



# Chief Executive Officer's Message and Management Discussion and Analysis



**Dato' Tajuddin Atan**  
Chief Executive Officer

**Dear Shareholders,**

**As a “market on the move”, Bursa Malaysia steadfastly positioned itself to make the most of 2013’s abundant opportunities. Our 2011-2013 Strategic Blueprint helped us stay the course and turn in a stronger financial and operational performance. As we brought to fruition the many initiatives outlined in the Blueprint, we made robust strides forward. Today, Bursa Malaysia’s role as an integrated exchange and catalyst of growth for the Malaysian capital market has been strengthened. Moreover, the building blocks are now in place to further unlock our potential.**

#### **2011- 2013: A MARKED SHIFT IN GROWTH TRAJECTORY**

As we set our sights on unlocking our future potential, allow me to put in perspective the efforts undertaken these last three years under our 2011-2013 Strategic Blueprint to strengthen our foundations and position us for future growth.

The Blueprint we introduced in 2011 brought about these results:

- It laid out new areas of focus and gave the Exchange a new impetus that clearly brought about a steep change in our overall performance;
- It led to improvements in the quality and efficiency of our services, enhancements to our regulatory framework and an expansion of our product offering;
- It also saw us increasing our investments in people and technology as well as strengthening stakeholder ties.

As a result, Bursa Malaysia today has a more facilitative trading environment, an enhanced exchange ecosystem and an improved competitive edge. Moreover, we have drawn closer towards realising our ambition of becoming a High Performance Organisation (HPO).

Our efforts to date have reinforced our position as the second largest exchange in ASEAN and propelled us closer towards our ambition of becoming the preferred exchange in the region. Not one to sit on our laurels, we will continue to leverage on the good foundations laid to further realise our potential.

## **2013 ACHIEVEMENTS**

- ✓ **BEST FINANCIAL PERFORMANCE SINCE 2008 WITH HIGHEST PATAMI OF RM173 MILLION**
- ✓ **IMPROVED INFRASTRUCTURE WITH THE LAUNCH OF NEW TRADING ENGINE**
- ✓ **ENHANCED MARKET MICRO STRUCTURE WITH REGULATED SHORT SELLING AND SECURITIES BORROWING AND LENDING ENHANCEMENTS, eRIGHTS, eCDS STATEMENTS AND GREEN LANE POLICY**
- ✓ **EXPANDED PRODUCT RANGE WITH INTRODUCTION OF GOLD FUTURES CONTRACT, EXCHANGE TRADED BONDS/SUKUK AND STAPLED SECURITIES**
- ✓ **STRENGTHENED CORPORATE GOVERNANCE PRACTICES**

## Chief Executive Officer's Message and Management Discussion and Analysis

AS WE SOUGHT TO REDEFINE OURSELVES AND STRENGTHEN OUR CAPABILITIES,

### WE EXPERIENCED A MARKED SHIFT IN GROWTH TRAJECTORY:

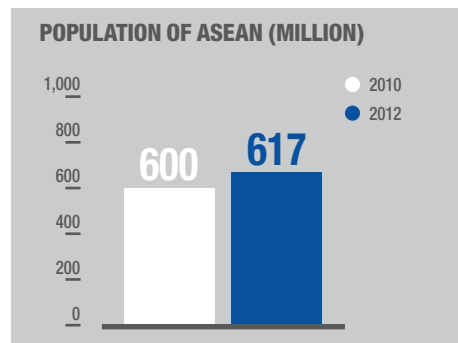
- Average three-year **PATAMI IMPROVED 48%** from RM105.0 million (2008-2010) to RM155.6 million (2011-2013)
- Average three-year **COST TO INCOME RATIO IMPROVED BY 6 PERCENTAGE POINTS** from 56% (2008-2010) to 50% (2011-2013)

### THE BEST IS YET TO COME

Several exciting developments are already happening in our favour to ensure we make the most of our potential as an exchange.

#### ASEAN RISING

The dynamic growth of ASEAN for one augurs well for Bursa Malaysia. Today, all 10 of ASEAN's high-growth and resilient economies are in the midst of a golden period. Together, these nations boast a combined population of more than 600 million people - larger than the population of the US and Japan put together.



Source: ASEANstats

In 2012, the ASEAN nations registered a combined GDP of more than US\$2.3 trillion and the region's economic performance continues to outpace the rest of the world. The Asian Development Bank predicts that GDP in ASEAN countries will grow 5.3% in 2013 and 5.6% in 2014.

Come 31 December 2015, things are really set to take off when ASEAN's disparate economies integrate into a singular market with a common trade, investment and production base under the ASEAN Economic Community (AEC) concept. Given the region's impressive 5.5% annual average growth rate over the last 13 years, the AEC is shaping up as a key investment opportunity.

#### OUR POSITION AS ASEAN'S MULTINATIONAL MARKETPLACE

We have spent the last few years establishing ourselves as a relevant, innovative and attractive investment proposition. As "ASEAN's Multinational Marketplace", Bursa Malaysia is essentially positioned as the preferred entry point and

prime marketplace for the international investing community buying into the growth opportunities offered by ASEAN.

Investors who buy into Bursa Malaysia today are really investing in the future growth of ASEAN. Given investor interest thus far we are confident of making further inroads here.

Another phenomenon in our favour is the rising number of Malaysian public listed companies (PLCs) who are transforming into multinationals with a strong presence across ASEAN. For some time now, these listed companies have been harnessing the abundant opportunities and efficiencies of our marketplace to expand their reach to the regional investors.

Today, Malaysia's listed companies account for 24% of the FTSE ASEAN 40 market cap while our FBM KLCI companies now generate 45% of their revenue from overseas and provide one of the highest dividend yield in ASEAN at 3.3%.

#### A DIVERSE MARKETPLACE

The diversity of our marketplace too continues to attract investors. Bursa Malaysia today encompasses a broad base of listed companies and products that offer investors balanced exposure to the global economy. Many of our largest multinational companies whom are ASEAN market leaders and top performers are spread out across 60 key economic sectors such as Plantation, Finance, Oil & Gas and Construction. The diversity of this offering provides global investors looking to take advantage of ASEAN's growth a spread of unique investment options.

With a market capitalisation to gross domestic product ratio of 154%, Malaysia has the second-highest such ratio among its ASEAN peers reflecting the breadth, depth and quality of our listed companies. With approximately 218 or 23% of the total number of our PLCs having a market capitalisation greater than RM500 million, the investable universe for international fund managers too is growing.

## Chief Executive Officer's Message and Management Discussion and Analysis

**A SUSTAINABLE MARKETPLACE**

Malaysia is today experiencing a revitalisation of investment and this is expected to increase. The Government Transformation Programme (GTP) and Economic Transformation Programme (ETP) continue to generate a robust investment pipeline, fuel domestic demand growth and create an even more conducive business environment for Malaysian PLCs to grow.

Domestic demand is also expected to thrive until 2020 on the back of consumer spending by Malaysian baby boomers born between 1979 and 1989. Malaysia will have one of the fastest-growing working populations in the world between now and 2020. To add, Malaysia's savings rate is amongst the highest in the world and we have a sustainable pool of capital to fund domestic growth.

By instilling strong corporate governance measures, developing innovative product and service offerings, as well as fostering a healthy IPO pipeline, among a throng of other initiatives, Bursa Malaysia is complementing efforts to ensure a robust and sustainable Malaysian marketplace.

We believe that as the developments within ASEAN and our marketplace unfold, Bursa Malaysia's position as a diverse and sustainable multinational marketplace will strengthen.

Our good performance in 2013 is certainly helping to reinforce our standing as a relevant, innovative and attractive "market on the move".

**SOUND PERFORMANCE**

2013 was by all accounts a year of many achievements for Bursa Malaysia. At a profit after tax and minority interest (PATAMI) of RM173.1 million, a cost to income ratio of 48.3% and a return on equity (ROE) of 20.7%, we delivered our best ever financial performance since 2008. Trade volumes on our Securities and Derivatives Markets, as well as Bursa Suq Al-Sila' (BSAS), saw double digit growth from the preceding year and provided the uplift in PATAMI of 15% as compared to a PATAMI of RM150.6 million in 2012. Over the course of 2013, we also strengthened our infrastructure and rolled out several new products. On top of this, we made strong strides forward and are now near completion of the refresh of our core systems.

**Financial Highlights**

	2013	2012	
<b>Financial Results</b>	<b>RM million</b>	<b>RM million</b>	<b>% Change</b>
Operating Revenue	439.8	388.5	+13%
Other Income	35.2	36.1	-3%
Operating Expenses	(229.4)	(209.2)	+10%
Profit Before Tax	245.6	215.3	+14%
Income Tax Expense	(66.2)	(58.5)	+13%
Profit After Tax	179.4	156.9	+14%
Minority Interest	(6.3)	(6.3)	-
PATAMI	173.1	150.6	+15%
<b>Financial Ratios</b>			
Cost to Income Ratio	48.3%	49.3%	-2%
Return on Equity	20.7%	17.7%	+17%

**13% GROWTH IN OPERATING REVENUE; HIGHER TRADING ON ALL MARKETS**

Bursa Malaysia's operating revenue grew to RM439.8 million in 2013 from RM388.5 million in 2012. This was primarily attributable to the increase in securities, derivatives and BSAS trading revenue.

The year saw our securities trading revenue improving by 22% to RM217.3 million in 2013. Trading activity was high as investors reacted to news on the local political arena and uncertainties in the global sphere. There was increased participation by both domestic and foreign institutions in our marketplace with trade value growing by 22% and 27% respectively. Meanwhile, retail participation grew by 21%.

Derivatives trading revenue improved by 11% to RM70.3 million in 2013. The growth in trades was largely due to higher foreign interest in our market. Volume traded by foreign institutions grew by 32% in 2013, while their participation in the market improved to 42% in 2013 from 36% in 2012.

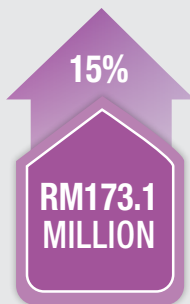
BSAS trading revenue too rose by 70% to RM5.8 million in 2013. Domestic trades grew by 77%, while foreign trades grew by 56%.



Chief Executive Officer's Message and Management Discussion and Analysis

# FINANCIAL HIGHLIGHTS

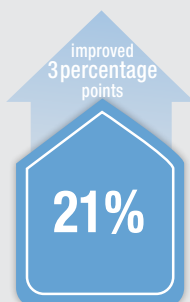
PATAMI



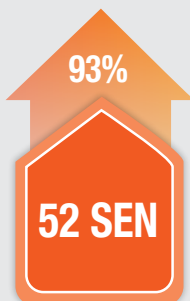
COST TO INCOME RATIO



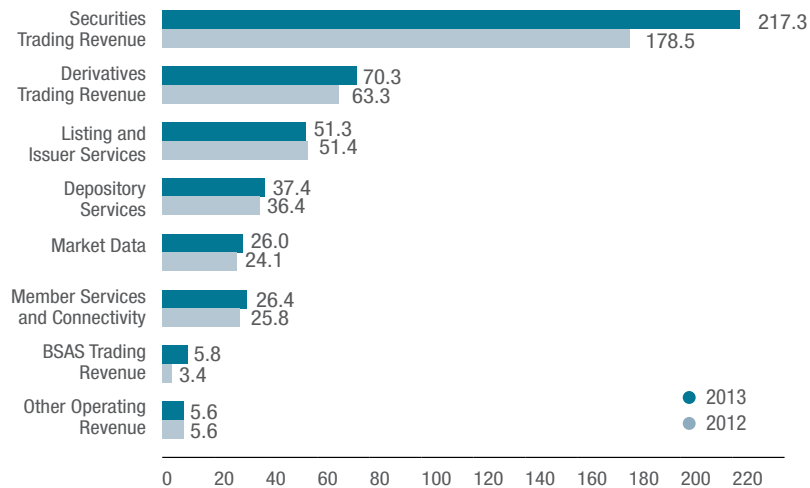
ROE



DIVIDEND



### Operating Revenue (RM million)



### 10% GROWTH IN OPERATING EXPENSES; INVESTMENTS FOR THE FUTURE

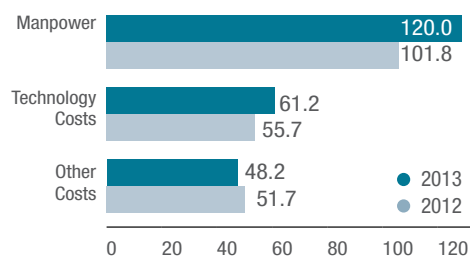
The year saw our operating expenses rising to RM229.4 million from RM209.2 million in 2012. The year's expenditure focused on strengthening our talent pool in order to elevate the Exchange to a HPO. To this end, we invested in competitive remuneration packages to retain top talent and brought in new talent to close skill gaps. As a result, our manpower costs rose by 18% to RM120.0 million.

Our technology costs comprise system depreciation and maintenance, as well as Globex service fees. The enhancements to our core systems in 2013 increased depreciation and maintenance costs by 8% to RM45.4 million, while the higher volume of derivatives contracts traded on Globex increased service fees by 16% to RM15.8 million.

### TECHNOLOGY REFRESH SUCCESSFULLY COMPLETED

In 2011, we commenced the refresh of our core trading, clearing and regulatory systems. The replacement of our old securities trading engine with Bursa Trade Securities 2 in December 2013 marked a significant milestone towards the completion of the technology refresh programme.

### Operating Expenses (RM million)



### RETURNING VALUE TO SHAREHOLDERS WITH A 52 SEN DIVIDEND

To celebrate 2013's commendable financial performance and with our technology refresh drawing to a close, we have proposed to return 98.5% of 2013's PATAMI to our shareholders. On top of this, we have also paid out a special dividend of 20 sen per share in August 2013. If the final dividend of 16 sen per share is approved at the Company's AGM in March 2014, our shareholders will be rewarded with a total dividend of 52 sen per share, representing a 6.3% dividend yield.

### SEGMENTAL PERFORMANCE

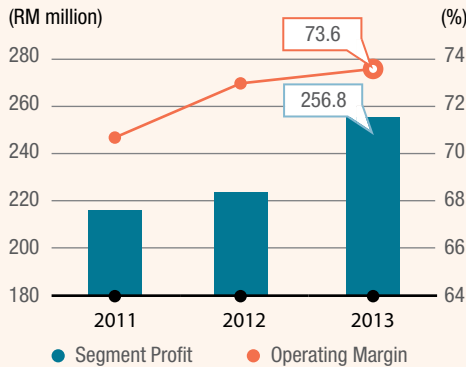
In the year under review, our key Securities and Derivatives Market segments made good progress, while our Islamic and Alternative Markets started to make positive contributions to our profit.

### Segmental Profit

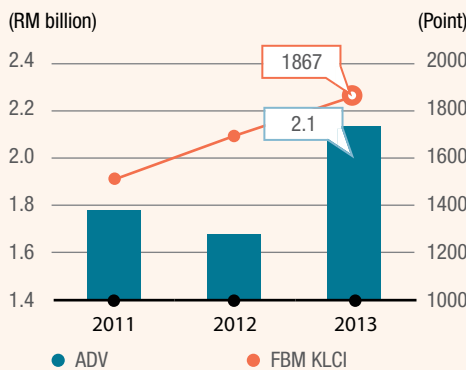
	2013 RM million	2012 RM million	% Change
Segmental Profit From:			
Securities Market	256.8	223.2	+15%
Derivatives Market	44.6	42.2	+6%
Islamic and Alternative Markets	0.9	(0.6)	+253%
Exchange Holding	3.7	5.8	-36%
<b>Total Segmental Profit</b>	<b>306.0</b>	<b>270.7</b>	<b>+13%</b>
Overheads	(60.4)	(55.3)	+9%
<b>Profit Before Tax</b>	<b>245.6</b>	<b>215.3</b>	<b>+14%</b>

# SECURITIES MARKET

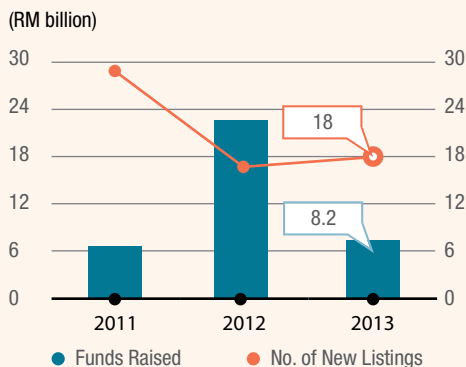
## Segment Profit and Operating Margin



## ADV and FBM KLCI



## No. of New Listings and Funds Raised



## MARKET HIGHLIGHTS

### TRADING ACTIVITY ON THE UPTREND

The Securities Market performed admirably in 2013. Trading revenue rose 22% to RM217.3 million from RM178.5 million. Segmental profit rose 15% to RM256.8 million from RM223.2 million in 2012, while operating margin improved to 73.6% from 72.9% in 2012.

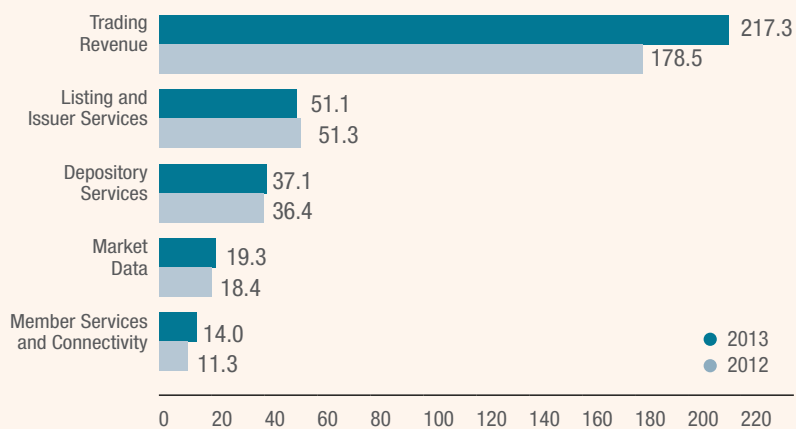
Total trading value rose 29% to RM527.83 billion from RM408.26 billion previously, while ADV touched RM2.1 billion, a 28% increase over ADV of RM1.7 billion in 2012. The FBM KLCI hit an all-time high of 1,872.52 points on 30 December 2013 and closed the year at 1,866.96 points, 10.5% higher than the preceding year end's 1,688.95 points.

### NEW LISTINGS BRING A NEW INVESTMENT FLAVOUR

The year saw 18 new listings on Bursa Malaysia in comparison to 17 listings in 2012. These IPOs collectively raised funds amounting to RM8.2 billion and had a combined market capitalisation of RM36.8 billion upon listing - well within our expectations. The largest of these were the IPOs of UMW Oil & Gas Corporation Berhad, Westports Holdings Berhad and AirAsia X Berhad, which together raised RM5.4 billion in funds.

The year's listings also brought a new investment flavour to the diversity of products that the Exchange offers to meet the different needs of investors. May 2013 saw the listing of the first Malaysian stapled securities with RM13.1 billion market capitalisation, comprising shares of KLCC Property Holdings Berhad and units of KLCC REIT. On top of this, two Special Purpose Acquisition Companies (SPACs), namely CLIQ Energy Berhad and Sona Petroleum Berhad were listed in April and July 2013 respectively, collectively raising close to RM1 billion.

### Operating Revenue (RM million)



## Chief Executive Officer's Message and Management Discussion and Analysis

# SECURITIES MARKET

### MARKET IMPROVEMENTS

Over the course of 2013, several initiatives were undertaken to strengthen the Securities Market infrastructure. These included the following:

- **eRights Issue Applications via Bank ATMs and Internet Banking Facilities**  
This initiative enables shareholders to subscribe for and make payment for rights issue applications via several convenient electronic channels thereby ensuring error-free transactions and greater cost efficiencies.
- **Enhancements to Central Matching Facility (CMF)**  
The CMF was further enhanced to include a multi-currency capability and straight through processing features by linking with the CDS Transfer Module.
- **eStatement - Electronic CDS Statements and Notices**  
This initiative offers CDS account holders, particularly technologically-inclined investors, the convenience of receiving electronic communications rather than hard copies.
- **Refresh of Trading Engine, Bursa Trade Securities 2 (BTS2)**  
The new trading platform, BTS2, went live on 2 December 2013, well ahead of the initial Q1 2014 target. BTS2 is powered by NASDAQ OMX's X-Stream INET. The new system will provide the necessary headroom for the market to grow in terms of trade volume and participation while enhancing the trading experience.
- **Enhancement to the Admission Criteria for Regulated Short Selling (RSS) as well as Securities Borrowing and Lending (SBL)**  
This initiative serves to increase the breadth and depth of the SBL market as well as increase market liquidity via more RSS activities. As a result, the number of eligible RSS stocks increased from 100 to 171, outstanding SBL grew to RM1.7 billion by end 2013 (end 2012: RM450 million), while monthly average RSS trading value rose to RM142 million in 2013 (2012: RM28 million).
- **Listing of the First Malaysian Stapled Securities**  
The first Malaysian stapled securities was listed with market capitalisation of RM13.1 billion. Comprising shares of KLCC Property Holdings Berhad and units of KLCC REIT, it brings a new investment flavour to the diversity of products that the Exchange offers investors.
- **Issuance of amended Rules to Enable the Listing of Business Trusts**  
This will enable business enterprises with stable growth and cash flow to consider business trusts as an alternative structure to raise capital.

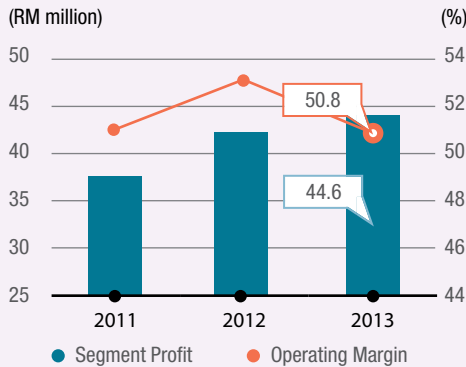
### MARKET ENGAGEMENT

2013 saw us continuing to engage with over 1,000 institutional and almost 20,000 retail investors via proven as well as new platforms. We carried out the following activities:

- **Invest ASEAN Events**  
To showcase the diversity of ASEAN and profile the region as an asset class, we teamed up with our regional counterparts Singapore Exchange (SGX) and Stock Exchange of Thailand (SET) to roll out joint Invest ASEAN events in Thailand, Singapore and Kuala Lumpur.
- **Invest Malaysia Programme**  
The annual Invest Malaysia programme continues to be our primary platform for engaging institutional investors and for showcasing the inherent strengths of our capital market and its PLCs. Leveraging on events in Kuala Lumpur, Hong Kong, New York, Boston and San Francisco, we drew increased participation from investors and fund managers who were responsible for total assets under management (AUM) amounting to USD46 trillion.
- **Listing On-boarding Programme**  
The Listing On-boarding Programme was initiated to establish a central business contact point between Bursa Malaysia and new IPOs. The objective of the programme serves to create awareness on the platform and services offered by Bursa Malaysia to assist new IPOs along their journey as a listed company.
- **Market / PLC Profiling**  
As part of our efforts to profile our marketplace and PLCs with investment merit as well as provide retail investors the opportunity to meet with the executives of these PLCs, we initiated "Spotlight on Malaysia" events in Indonesia, Singapore, Thailand and Cambodia.
- **Retail Engagement Activities**  
We continue to undertake activities that promote the Exchange as well as our products and services among existing and potential retail investors while providing them an opportunity to engage with us. 2013 saw us engaging with 14,996 individuals via retail engagement platforms such as Minggu Amanah Saham Malaysia 2013 and Workshop@Bursa.
- **Developmental Activities**  
To promote the capital market among Malaysian youth, we once again hosted the annual AMCHAM Young Enterprise Programme as well as organised the Young Malaysian Programme which involves student visits to Bursa Malaysia. The former event involved 14 Klang Valley schools while the latter initiative saw students from 200 local and international institutions visiting the Exchange in 2013.

# DERIVATIVES MARKET

## Segment Profit and Operating Margin



## MARKET HIGHLIGHTS

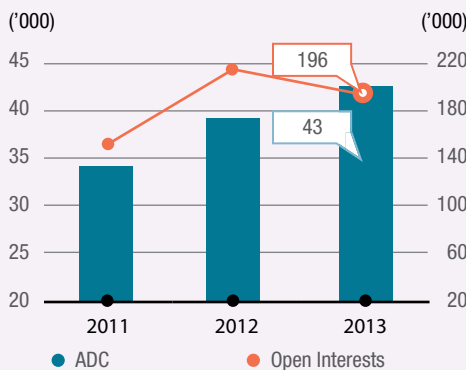
### A YEAR CHARACTERISED BY HIGH VOLUME GROWTH

2013 was an eventful year for the Derivatives Market which experienced high volume growth. Trading revenue rose by 11% to RM70.3 million from RM63.3 million previously, while segmental profit rose 6% to RM44.6 million from RM42.2 million in 2012, a testament that outreach among foreign institutions in particular is bearing fruit. However, the segment's operating margin dropped to 50.8% from 53.3% previously due to an increase in fixed costs namely manpower and technology costs.

### ENCOURAGING PERFORMANCE ON SEVERAL FRONTS

Average Daily Contracts (ADC) traded increased to 43,490 contracts in 2013 from 39,387 contracts in 2012. The total volumes traded on the Exchange broke the 10 million mark where it increased by 11% to 10,742,098 contracts from 9,649,707 contracts in 2012.

## ADC and Open Interests

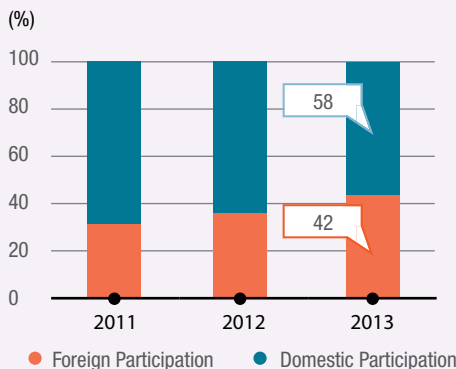


Our derivatives market recorded four new all-time record highs in 2013:

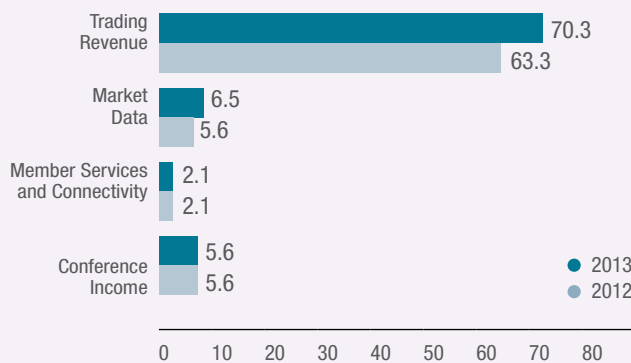
- Open Interest (OI) for all products hit a new high of 258,001 contracts on 26 July 2013;
- The OI for FCPO touched an all-time high of 202,901 on 29 July 2013;
- FCPO traded volume hit an all-time month high of 856,252 contracts in the month of July 2013;
- The Derivatives Market surpassed the 10 million contract mark in December 2013.

Business developmental efforts led to volume growth and increased participation from international players. The visibility and accessibility of the Derivatives Market via the Globex trading platform has enhanced foreign participation for all derivatives products, with foreign participation increasing to 42% in 2013 from 36% in 2012.

## Foreign vs. Domestic Participation



## Operating Revenue (RM million)





## Chief Executive Officer's Message and Management Discussion and Analysis

# DERIVATIVES MARKET



The launch of Gold Futures Contract at Bursa Malaysia Berhad

## MARKET IMPROVEMENTS

In 2013, Bursa Malaysia undertook several initiatives to further strengthen the visibility, accessibility and vibrancy of the Derivatives Market. Our efforts included the following:

- **Introduction of Negotiated Large Trade (NLT) for Options Contracts**  
This initiative introduced in February 2013 enables institutions to undertake large trades at a single price registered with the Exchange. For 2013, 771 options contracts (500 on OCPO and 271 on OKLI) have been registered using the NLT facility.
- **Launch of Gold Futures Contracts (FGLD)**  
This new asset class provides a trusted way to trade gold in Malaysia. This contract launched in October 2013 has attracted open interest of over 1,000 contracts, which is encouraging for a debut contract.
- **Expansion of Dual Licensees, Local Participants and Branching**  
We continue to grow the sales force in the derivatives industry. As at end 2013, we had successfully recruited 158 new dual licensees with the total number of new dual licensees rising by 17% to 1,084 licensees. 27 new locals were recruited increasing the total number of new locals by 18% to 175 in 2013. The year also saw 3 new branches being opened by standalone futures broking firms.

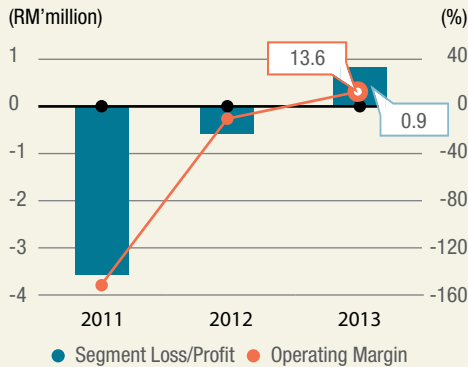
## MARKET ENGAGEMENT

Over the course of 2013, we engaged in excess of 3,400 institutional investors and more than 5,300 retail investors via several platforms that effectively promoted our Derivatives Market. The following were among the activities that led to increased domestic and foreign market participation:

- **Palm and Lauric Oils Conference and Exhibition (POC) 2013**  
The POC is the largest edible oil conference held globally attracting over 2,000 participants from more than 50 countries. Themed "Price Volatility - Ride It, Manage it", the POC provides the platform for international players from the oils and fats fraternity to understand the challenges that affect the industry and hear expert views on demand and supply with a view of price forecast for the year.
- **Educational Partnerships with Universities**  
The Exchange regularly conducts education sessions for university students to introduce them to the derivatives industry. On a yearly basis, workshops are conducted in collaboration with selected futures brokers to prepare teams for a global Trading Challenge organised by the Chicago Mercantile Exchange. The objective of this programme is to build a pipeline of a new generation of traders. Five universities participated in 2013's programme.
- **China International Oil & Oilseeds Conference (CIOC) 2013**  
An extension of the POC, the CIOC brings together the various market players of the edible oil industry. Bursa Malaysia leverages on this conference to promote the trading of our FCPO. The joint collaboration between Bursa Malaysia and Dalian Commodity Exchange in hosting this Conference has been extended for another three years.
- **Derivatives Day**  
Derivatives Day is a programme to educate the public on the opportunities in the derivatives industry. Conducted in various cities within Malaysia, it also serves as an avenue to introduce Local Participantship as a career for those aspiring to be professional traders.
- **Recruitment of Foreign Clients from Asia and Europe**  
We participated in various international events to recruit potential clients which included hedge funds and proprietary trading firms to provide additional liquidity to the Derivatives Market.

# ISLAMIC AND ALTERNATIVE MARKETS

## Segment Loss/Profit and Operating Margin



## MARKET HIGHLIGHTS

### ISLAMIC AND ALTERNATIVE MARKETS TURNS IN ITS FIRST YEAR OF PROFIT

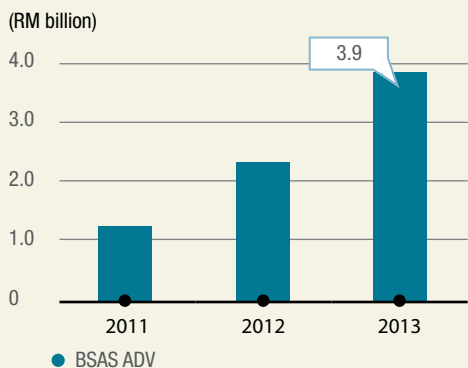
The Islamic and Alternative Markets (IAM) encompasses our Bursa Suq Al-Sila' (BSAS), Exchange Traded Bonds and Sukuk (ETBS) and offshore financial exchange offerings. The year in review saw IAM turning in its first year of profit primarily on the back of BSAS growth.

### BSAS POSTS STRONG GROWTH

Our BSAS platform is a multi-commodity and multi-currency Shari'ah-compliant platform which currently offers five commodities tradable in 22 currencies. In 2013, trading revenue for BSAS rose 70% to RM5.8 billion as compared to RM3.4 billion in 2012. BSAS registered a profit in 2013 marking its first profitable year.

The segment saw ADV growing by 69% to RM3.9 billion in 2013 from RM2.3 billion previously. This was mainly attributable to increasing support from local and foreign banks using commodity Murabahah and BSAS as a medium of trade.

## BSAS ADV



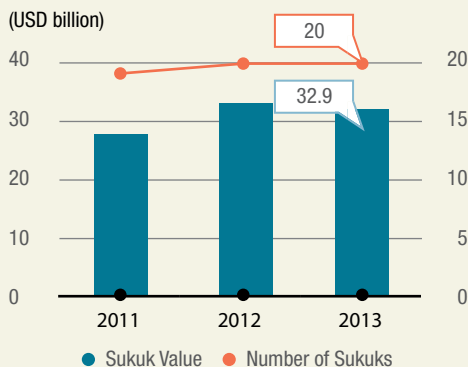
On 22 July 2013, BSAS recorded its highest trade ever in a day of RM10.4 billion. BSAS recorded the highest average ADV traded in a month since its inception when the monthly total trading value hit RM5.8 billion in December 2013. The largest single trade was recorded when BSAS facilitated the issuance of Malakoff Power Berhad's Sukuk for RM5.5 billion in January 2013. In total, 32 Sukuk Murabahah were issued on the BSAS platform in 2013, with a total of RM37.7 billion in commodities traded.

The year saw the number of Trading Participants on BSAS increasing to 78 in 2013 from 69 in 2012. This number comprised 60 local participants and 18 foreign participants.

### INNOVATIVE SUKUK LISTINGS REINFORCE MARKET POSITION

On the Islamic capital market front, we retained our leadership position as the premier sukuk listing destination for the fifth consecutive year, with 20 programmes undertaken by 18 issuers. At end 2013, the total sukuk outstanding value stood at USD32.9 billion. We also hosted two new listings, both being non Ringgit issuances. The Sime Darby Global Berhad USD1.5 billion Multicurrency Sukuk Issuance Programme listed in January 2013, was Asia's first internationally rated multicurrency sukuk programme by an Asian Corporate under the Shari'ah principles of Ijarah. Towards the end of the year, Bursa Malaysia welcomed the second sukuk, the Indah Capital Ltd SGD600 million exchangeable sukuk. In July 2013, the maiden Government Investment Issue (GI) Murabahah Sukuk for RM4.0 billion was issued by the Government of Malaysia through Bank Negara Malaysia and facilitated by our commodity Murabahah BSAS platform.

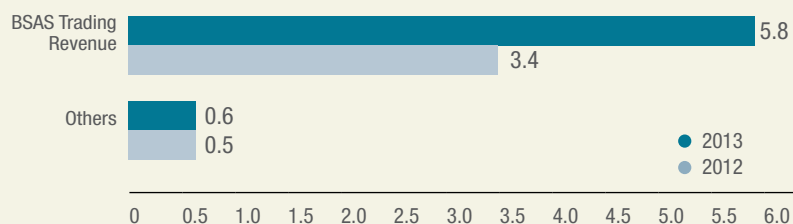
## SUKUK



### UPDATE ON OUR OFFSHORE FINANCIAL EXCHANGE

The Labuan International Financial Exchange (LFX) recorded three new listings in 2013, which included sukuk and bonds issued by domestic corporate issuers. A total of USD5.2 billion was raised on the LFX. LFX's market capitalisation as at 31 December 2013 stood at USD23.5 billion, with a total of 32 listed instruments.

## Operating Revenue (RM million)



## ISLAMIC AND ALTERNATIVE MARKETS



Launch of the Exchange Traded Bonds and Sukuk (ETBS)



Listing of Danalnfra (DINB) ETBS

### MARKET IMPROVEMENTS

In 2013, several initiatives were implemented to bolster the infrastructure of the IAM as follows:

#### • Launch of the ETBS Asset Class

The ETBS initiative was launched by the Prime Minister of Malaysia on 8 January 2013. Conceptualised as an Entry Point Project (EPP) for the capital market under the ETP, the ETBS aims to broaden the Exchange's offering as well as to promote and strengthen retail participation in the bonds/sukuk market.

#### • Listing of Danalnfra Nasional Berhad (DINB) ETBS

The first Government Guaranteed DINB ETBS was listed on 8 February 2013 with an issuance size of RM300 million, a 10-year tenure and a yield of 4% per annum. It was oversubscribed by 161%. A second ETBS for RM100 million issued by DINB was listed on 28 November 2013. Featuring a 15-year tenure and a yield of 4.6% per annum, it was oversubscribed by 219%.

#### • Revised Shari'ah Screening Methodology

The revision in Shari'ah screening methodology by Securities Commission took effect on 29 November 2013. Aligning our Islamic securities market with international standards, it will potentially spur a greater inflow of foreign Islamic funds into Malaysian Shari'ah-compliant equities, thus expanding our global reach.

### MARKET ENGAGEMENT

In 2013, our IAM embarked on several initiatives to engage with investors and promote the marketplace. We engaged with approximately 150 institutions and 15,000 retail investors. The following were some of the major events undertaken:

- Dialogue Session on Revised Shari'ah Screening Methodology (RSSM);
- Engagement with BSAS Commodity Trading Participants (CTPs);
- Participation in Invest Fair Malaysia 2013; and
- IAM participation in event and speaking engagements that reach out to investors. These included:
  - Kuala Lumpur Islamic Finance Forum 2013;
  - Islamic Finance News Asia Forum 2013; and
  - Palm Oil Refiners Association of Malaysia Annual Forum 2013.

Aside from the above, the following activities were initiated to increase the number of BSAS registered participants:

- Marketing drives to encourage more trading by existing CTPs. These initiatives included constant follow-up, specific guidance to members on operating the BSAS system and continuous education and awareness programmes.
- A marketing drive targeting current and potential members from MENA Region countries. We are also exploring the potential of other regions such as the Commonwealth of Independent States (CIS).
- Updates on BSAS operations and the support structure to facilitate the migration of financing activities by existing and new CTPs (i.e. those who were previously based on Bay l'nah who migrated over to Tawarruq products based on Commodity Murabahah).

## Chief Executive Officer's Message and Management Discussion and Analysis

## UPHOLDING MARKET INTEGRITY

Bursa Malaysia is duty bound to ensure an orderly and fair market with regard to the securities and derivatives contracts traded through our facilities, as well as the securities deposited or lodged with a central depository. We are also duty-bound to ensure orderly and efficient clearing and settlement arrangements for any transactions in securities and derivatives contracts cleared or settled through our facilities. In all that we undertake, we are obliged to act in the public's best interest, having particular regard for the need to protect investors.

In 2013, we continued to implement various measures to uphold market integrity and ensure our markets operate in a fair, orderly and transparent manner. In the way of enhancing our regulatory framework, we continue to adopt a five-pronged approach that involves regulatory development, supervision, engagement, enforcement and stakeholder education. By proactively strengthening these areas, we are promoting efficiency, growth and transparency within our marketplace.

## ENSURING A SECURE INFRASTRUCTURE

Various policies and controls are in place within the Exchange to uphold system security and protection of data. These include an IT Security Policy as well as policies pertaining to email, internet and data confidentiality. Other initiatives such as restricted physical access to confidential areas as well as logical access for password and user-IDs too form part of our system and data protection measures. On top of this, we exercise control over privilege ID to access systems and change control procedures to manage data changes in our systems.

We have also implemented a number of cyber-attack mitigation measures. These security tools to detect and prevent cyber threats serve as added protection against Distributed Denial of Service (DDOS) attacks and help strengthen our Internet access vulnerability points. Their ultimate aim is to prevent business interruptions to Bursa Malaysia's Internet services as well as to mitigate loss of critical data and potential downtime or reduced availability of our critical systems following a cyber-attack.

In 2013, our securities trading system achieved 100% uptime as we switched over to our new trading engine, BTS2 on 2 December. Similarly for the Derivatives Market, the Globex trading system achieved 100% uptime for all our derivatives products.

## COMMITTED TO ORDERLY AND EFFICIENT CLEARING, SETTLEMENT AND DEPOSITORY ARRANGEMENTS

We are committed to meeting the international standards of risk management as set out in the Principles for Financial Market Infrastructures (PFMI) developed by the International Organisation of Securities Commissions (IOSCO). These standards ensure a robust risk management framework that reduces settlement risk and thereby reinforces the ability of the clearing house to guarantee the settlement of trades.

By firmly embedding PFMI standards into the risk management framework, we are reinforcing Malaysia's reputation as a safe destination for investment (Malaysia was ranked 4<sup>th</sup> in Investor Protection by the World Bank and the World Economic Forum). This in turn will help ensure the Exchange is well positioned to avail itself of the wealth of potential opportunities whilst meeting the challenges of cross-border trading posed by the ASEAN Trading Link.

An overview of the risk management functions at Bursa Malaysia in accordance with PFMI standards to manage systemic risk is illustrated below.



In 2013, we further enhanced our risk management capabilities by working on several fronts to meet the rigorous international risk management standards for clearing infrastructure set by the IOSCO, particularly in the areas of liquidity risk framework and Clearing Guarantee Fund adequacy. The SC and the Malaysian capital market were among the first in the world to be assessed by the International Monetary Fund and World Bank under these stringent global standards which included the IOSCO principles, PFMI best practices and an extensively revised assessment methodology. The final assessment report was published in March 2013.

The Financial Sector Assessment Programme (FSAP) reported that Bursa Malaysia Securities Clearing had generally met all of the PFMI standards, with the exception of Principle Six (Margining) which is still under development. In relation to Bursa Malaysia Depository, FSAP confirmed that the latter had observed all of the PFMI principles. Bursa Malaysia Derivatives Clearing (BMDC) was rated to have observed 17 principles and broadly observed the other four, while the remaining three principles were not applicable to BMDC.



## Chief Executive Officer's Message and Management Discussion and Analysis

### TOWARDS BECOMING A HIGH PERFORMANCE ORGANISATION

In line with our vision of becoming ASEAN's Multinational Marketplace, we have set our sights on transforming ourselves into a HPO. To this end, we continue to attract, retain and develop a talented high performance workforce to capitalise on existing and future opportunities.

Our drive towards becoming a HPO has certainly had a significant impact on project delivery, with the total number of projects completed reaching 43 over 2011-2013 in comparison to 18 over the 2008-2010 period.

We have successfully bolstered our execution capabilities on the back of higher standards in governance as well as the institutionalisation of standards and methods with projects completed on time and within budget.

Aside from our project delivery achievements, we have completed a number of other initiatives aimed at transforming the Exchange into a HPO. These include the implementation of an enhanced Business Planning and Performance Management Framework, improved Human Capital Management Framework and our 3D values (i.e. Dynamic, Driven and Dependable). We have also undertaken steps to strengthen our corporate identity.

To ensure our people perform at an optimum level and are aware of the rapid developments taking place within the Exchange, we are constantly engaging them via various platforms. One such platform is the CEO's Conversation platform which involves a series of townhall sessions to keep employees updated on our progress. Two sessions were conducted in 2013 in which we shared the company's performance and aspirations as well as reinforced the importance of our core values and the need to adopt a global mindset.

### MOVING FORWARD

We are a market on the move, and as we advance forward into a new financial year, we have raised the bar with our 2014-2016 Business Plan. At the core of the Business Plan is a focus on ensuring a fair and orderly market driven by a high performance organisation as well as a focus on ensuring the Exchange reinforces its position as ASEAN's Multinational Marketplace.

Our Business Plan calls for "Value Extraction" of our inherent strengths and continued transformation over a three-year period. These, combined with investments in new industry-changing opportunities, will enable us to "Build for the Future."

Through our Value Extraction initiative, we will work to derive value from completed projects and leverage domestic liquidity, ASEAN growth and improving microstructures.

Through our Build for the Future initiative, we will invest in and implement new projects that will firstly escalate our relevance in the fast changing ASEAN financial and regulatory landscape and secondly involve our entering into new marketplaces leveraging on our growth areas.

All our markets have been tasked with specific goals going forward:

- The Securities Market's focus will be on improving market vibrancy whilst providing varied investable products to the market;
- The Derivatives Market will focus on growing volumes through product diversification and further internationalising the market; and

- The Islamic and Alternative Markets will focus on enhancing our position as a leader in the Islamic capital market.

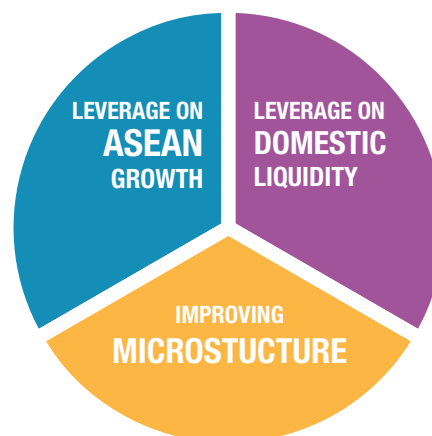
The many initiatives that we have undertaken these past three years have done much to bolster our performance. As we set our sights on rolling out our 2014-2016 Business Plan, we will leverage on our strong Performance and Human Capital Management Frameworks to further improve our financial and operational performance as well as deliver consistent shareholder value.

Several other initiatives in the pipeline will help us strengthen our position as an attractive investment destination.

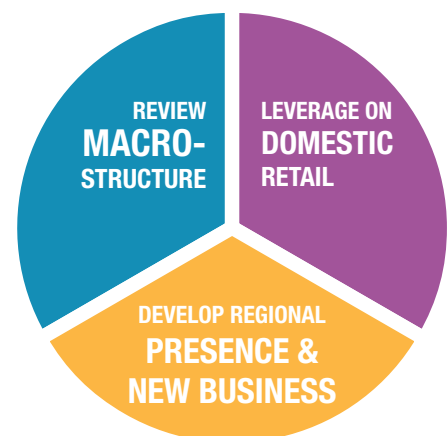
As we look to enhance the quality and quantity of our retail engagements, we are focusing on innovative and practical channels such as digital platforms to expand our reach. The launch of our new eCommunity platform in the first half of 2014 will enable us to reach a wider span of retail investors, in a quicker and more effective manner. The retail market will be able to interact with us in a convenient and engaging manner while taking advantage of a host of attractive online features designed to educate new and existing retail investors.

Products like the Environmental, Social and Governance (ESG) Index have vast potential and are set to attract Socially Responsible Investments (estimated at USD34 trillion) from around the world. While the ESG Index is still a work-in-progress, we believe the market is ready to embrace this initiative following years of Shari'ah-compliant screening and corporate responsibility reporting requirements, as well as profiling through the FTSE Bursa Malaysia Shari'ah Index Series.

#### Focus 1: Value Extraction



#### Focus 2: Build for the Future



## Chief Executive Officer's Message and Management Discussion and Analysis

### A NOTE OF THANKS

In my time on board Bursa Malaysia these last three years, I have seen the Exchange undergo a marked transformation and make significant progress on both the financial and organisational fronts. The Exchange has grown from strength to strength and today we once again stand tall among our peers as a marketplace that is diverse, sustainable and consistently delivering value to our investors.

On behalf of the Exchange's Management, I would like to express our utmost gratitude to our many stakeholders - our shareholders, regulators, the Malaysian Government, investors, partners and friends - for their unwavering support and confidence in us. My sincere appreciation also goes to our Board of Directors for their wise counsel in steering Bursa Malaysia forward.

Much of our success thus far is owing to the remarkable men and women of the Exchange who have worked tirelessly to get us where we are today. These talented and committed individuals continue to drive the Exchange closer towards realising its ambition of becoming the region's leading exchange and we applaud their efforts.

As the team at Bursa Malaysia works hard to unlock the potential within the Malaysian capital market by focusing on extracting value from past initiatives and driving growth from new opportunities, I trust our many stakeholders will continue to lend us their unswerving support.

We are a market on the move and our team will continue to commit our minds and energies to fulfil our worthy mission and vision. Thank you and we look forward to another promising year.

# Management Committee/ Senior Management



**Dato' Tajuddin Atan** ●

Chief Executive Officer  
Bursa Malaysia Berhad

Leads Bursa Malaysia  
Group of companies



**Selvarany Rasiah** ●

Director, Regulation

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



**Chua Kong Khai** ●

Director, Market Operations

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



**Nadzirah Abdul Rashid** ●

Director, Corporate Services

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



**Ong Li Lee** ●

Director, Securities Market

- Market Development
- Issuer Development
- Investor Development
- Information Services



● Management Committee ● Senior Management



**Chong Kim Seng** ●  
 Chief Executive Officer  
 Bursa Malaysia Derivatives Bhd  
 Leads derivatives subsidiaries



**Leong Chai Kin** ●  
 Director, Technology and Systems

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




**Datin Azalina Adham** ●  
 Director, Strategy and Transformation

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



**Mazliana Mohamad** ●  
 Senior Executive Vice President,  
 Group Internal Audit

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



**Siti Zaleha Sulaiman** ●  
 Executive Vice President,  
 Corporate Risk Management

- Business Continuity Management
- Enterprise Risk Management



**Jamaluddin Nor Mohamad** ●  
 Director, Islamic and Alternative Markets

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



**Tina Choo Wun Hooi** ●  
 Acting Director, Group Human Resources

- Human Resource Operations
- Human Resource Strategy



**Yong Hazadurah Md Hashim** ●  
 Executive Vice President,  
 Corporate Secretarial and Compliance / Group Company Secretary

- Governance and Corporate Secretarial
- Corporate Compliance
- Regulatory Secretarial





# OUR COMMITMENT TO CORPORATE SUSTAINABILITY

# Corporate Sustainability Statement

**Bursa Malaysia is committed to upholding the tenets of corporate sustainability and to continue creating long-term value for all our stakeholders. By infusing the highest standards of corporate governance into our businesses and balancing good economic performance with responsible social and environmental performance, we aim to stand out as a model for responsible corporate behaviour for our marketplace. Through regular and comprehensive stakeholder engagement activities, we are ensuring that key sustainability issues are addressed so that our marketplace grows profitably in a responsible manner.**

## UPHOLDING GOOD MARKETPLACE PRACTICES

### WALKING OUR TALK

Our statutory duty as a frontline regulator and market operator is to ensure the sustainability of our capital markets. We are committed to operating and maintaining a fair, transparent and orderly market with prudent risk management. We endeavour to build a market that is liquid, of high quality and integrity, as well as with competitive products and services, whilst developing an informed investing and trading community. By advocating corporate governance and sustainability best practices among public listed companies and implementing these throughout the length and breadth of our organisation, we have been diligent in ensuring that we ourselves “walk our talk”.

### FOSTERING RESPONSIBLE CORPORATE PRACTICES

Over the course of 2013, we engaged in numerous strategic marketplace activities to reinforce the importance of sustainable practices. To promote corporate governance best practices among directors and practitioners, we issued the second edition of the Corporate Governance Guide - Towards Boardroom Excellence, and launched the Statement on Risk Management and Internal Control - Guidelines for Listed Issuers. We also conducted sustainability awareness and sustainability reporting sessions for directors and practitioners.



\* This statement serves as an executive summary of Bursa Malaysia's sustainability undertakings in 2013. The finer details of our activities can be found in the standalone Bursa Malaysia Sustainability Report 2013 which is available on our website.



## Corporate Sustainability Statement

### **BOLSTERING OUR MARKET ECOSYSTEM**

We intensified efforts to improve our market's ecosystem by launching a new trading engine called Bursa Trade Securities 2 (BTS2) and introduced initiatives that promoted self-regulation among securities brokers such as the Green Lane Policy. We also amended certain rules to enhance existing products and services such as business trusts and Shari'ah-compliant stapled securities as well as enabled the introduction of new ones such as Exchange Traded Bonds & Sukuk and the Gold Futures Contract. We also enhanced Regulated Short Selling and Securities Borrowing and Lending to facilitate better price discovery. To continue building an informed investing and trading community and to enhance our marketplace reputation, we undertook initiatives such as Invest Malaysia, Invest ASEAN, the Palm and Lauric Oils Conference & Exhibition Price Outlook and the Workshop@Bursa. The CBRS Research Scheme and our Investor Relations newsletter, Bursa Bytes, too serve as opportune platforms to keep our audiences abreast of marketplace developments. The year saw us supporting industry initiatives such as the National Annual Corporate Report 2013 Awards, The Edge Billion Ringgit Club Award 2013, ACCA Malaysia Environmental & Social Reporting Awards 2013, the ACCA's Integrated Reporting Forum and the Star Outstanding Business Award 2013.

### **STRENGTHENING OUR SUSTAINABILITY FRAMEWORK**

In strengthening our own sustainability practices, we continued to update our Legislation Compliance Register to include new laws and regulations including the Personal Data Protection Act 2010 as well as published our standalone Sustainability Report 2012. We also continued to educate our employees on the aspects and impact of both corruption and integrity as well as focused our efforts on strengthening our procurement processes.

### **DELIVERING IMPACTFUL COMMUNITY PROGRAMMES**

Our role as an Exchange and catalyst for the marketplace has a duality which is our commitment to invest in and elevate the community we operate within. Our initiatives are primarily targeted at areas where we can make the greatest difference, such as in enhancing financial literacy and capital market awareness through education.



### **IN SUPPORT OF EDUCATIONAL EXCELLENCE**

In 2013, we continued to contribute to youth development through providing educational opportunities such as training and internship programmes. We also took the opportunity to promote financial and risk management literacy among students from higher learning institutions by organising a derivatives trading game, collaborating with universities to provide students access to learning modules for derivatives and offering access to our Knowledge Centre. A total of 3,517 students came to visit the Exchange to learn about our business. In addition, we offered two scholarships to employees who qualified to pursue the Chartered Financial Analyst qualification and rewarded 46 children of our employees with Excellence Awards for their performance in major examinations.

### **LEVERAGING ON EMPLOYEE VOLUNTEERISM**

Our foundation, Yayasan Bursa Malaysia, remains our primary vehicle for philanthropic and employee volunteering activities. In 2013, Yayasan Bursa Malaysia awarded scholarships valued at RM424,000 to eight high-performing students from challenging backgrounds. Employee volunteerism drives our community programmes and employee participation has risen in this area with a total of 3,937 hours volunteered for several good causes. Initiatives such as The Edge-Bursa Malaysia Kuala Lumpur Rat Race 2013, the Great Cookout, the Kechara Soup Kitchen lunch project and the "I have a Wish – Back to School Project" for the Mah Meri Community, all reflect the passion and concern of our employees for the underprivileged and needy. Over the course of 2013, our people also visited selected RR2013 beneficiaries and critically-ill children at Hospital Kuala Lumpur, engaged with and made a cash donation to 33 poor and orphaned students of Sekolah Kebangsaan Cyberjaya 1, as well as played host at a "buka puasa (breaking of fast)" event for orphans.

### **ENSURING EFFECTIVE WORKPLACE PRACTICES**

Here at Bursa Malaysia, our workplace or human capital focus is the most important driver for growth as we endeavour to become a high performance organisation or HPO. The culture that we are building is anchored on our 3D Values that aim to nurture an environment which is dynamic, driven and dependable. This will support the Exchange's ambition of becoming the preferred exchange in the region.

### **STRENGTHENING OUR PEOPLE CAPACITY**

To strengthen our organisation's capacity, we continue to proactively deploy an internal talent review platform to identify top talent. The year saw us leveraging on our succession management framework to unearth top talent and chart out a succession plan for mission critical positions. In 2012, we reviewed and revised behavioural competencies focusing on the need for our employees to display the right behaviour in line with our aspiration of nurturing a HPO culture. In 2013, we mapped the behavioural competencies to various HR practices, which included but were not limited to succession management and performance management.

### **REWARDING PERFORMANCE**

Bursa Malaysia advocates a total rewards management based on a "pay-for-performance" philosophy. Our employees are rewarded with a mix of short-term and long-term incentives that directly correlate to their performance. Non-monetary rewards such as performance recognition, work-life integration as well as professional development are also awarded.

To increase productivity and performance levels, we performed a salary benchmarking exercise against the market in 2013. To stay true to the pay-for-performance philosophy as well as to ensure complete meritocracy and impartiality, salary adjustments were made in consideration of the job size as well as the performance of the individual.

In 2013, the fixed staff cost to variable staff cost ratio was 3:1, with 75% of the spending on fixed costs such as, but not limited to, basic salary, statutory contributions and staff benefits. Our performance strategy has significantly improved, impacting upon employees in positive ways and contributing towards talent retention. As a result of this, 2013 saw us recording a lower attrition rate of 9.2% as compared to 13.5% in 2012.

#### INVESTING IN OUR EMPLOYEES

In 2013, we also made a RM1.6 million investment in employee development with the average number of learning days increasing from four in 2012 to five. Our development roadmap in 2013 was diversified in its approach. It not only focused on delivering leadership programmes but placed an emphasis on various certification courses to ensure employee knowledge and skills were aligned. A total of 39 in-house sessions and 192 external training programmes were implemented with employees cascading the lessons learnt down to their colleagues through knowledge sharing sessions.



#### ENGAGING OUR EMPLOYEES

We believe that an engaged workforce is vital if we are to sustain organisational growth and productivity. We are promoting this by reinforcing our 3D Values through a series of employee engagement programmes. The senior management team believes in leading by example and are doing their bit to lead their respective divisions to give back to society through a host of community initiatives. Via an annual employee engagement survey, our employees are given the opportunity to express their thoughts on several matters which affect them.

#### ENSURING A LEVEL PLAYING FIELD

As an equal opportunity employer, we are guided by the principles of meritocracy and fairness in making decisions with regard to employment, transfers, promotions and the professional development of our people. At end December 2013, our total staff strength stood at 614 employees, as compared to 584 employees previously. We had a healthy male to female employee ratio of 55:45 while on the Senior Management front, we achieved equal gender representation. In addition, we promoted 7% of our deserving and suitably qualified employees.

#### UNDERTAKING RESPONSIBLE ENVIRONMENTAL PRACTICES

##### EFFECTIVE CONSERVATION MEASURES

We are committed to minimising the impact of our operations on the environment through continuously improving our environmental performance. We actively monitor our operational carbon footprint, promote responsible usage of resources among our employees and stakeholders and educate them about the importance of environmental protection and impact of climate change. Our emphasis on expanding our e-Services initiatives such as eRights and eStatement are part of our efforts to move towards a paperless environment. We also undertook several energy saving initiatives which included replacing our fluorescent lighting with LED lights which helped reduce our electricity usage by 0.3% year-on-year. Our greenhouse gas (GHG) emission from electricity usage, business air travel and paper consumption, however, increased 0.2% in 2013.

Separately, we made some improvements to our workplace environment to further improve ventilation and air quality. To promote responsible usage of natural resources and environmental conservation among our employees, we screened several environmental-related documentaries.

#### MOVING FORWARD IN A SUSTAINABLE MANNER

As a regulator and a public-listed company, Bursa Malaysia is serious about setting exemplary standards and embedding responsible and sustainable practices into our total business operations and marketplace. We want to stand out as a model for responsible corporates and will endeavour to improve our corporate governance and sustainability practices as well as promote the same among our listed issuers. As we move forward, our stakeholders can rest assured that we will work to deliver tangible outcomes in the areas of the Marketplace, Community, Environment and Workplace. Only then can we truly create sustainable value and forge lasting ties with all our stakeholders.



# Regulatory Statement

**Bursa Malaysia has an obligation to ensure our markets operate in a fair, orderly and transparent manner. Being the frontline regulator of the Malaysian capital market, we are committed to discharging our regulatory role in a manner that is effective, balanced and independent. In 2013, we continued to undertake and discharge our regulatory role to ensure, so far as reasonably practicable, an orderly and fair market underpinned by adequate levels of investor protection. We continued to adopt a five-pronged approach in regulating the market namely through regulatory development, supervision, engagement, enforcement and stakeholder education. Our regulatory policy and supervisory approaches are regularly assessed to ensure effectiveness and efficiency.**

## **DEVELOPMENT OF THE REGULATORY FRAMEWORK**

Bursa Malaysia has in place a comprehensive and effective regulatory and supervisory framework to regulate the market and its participants. We continuously develop and fine-tune our rules to ensure that they are effective and promote efficiency and growth in the market. The year saw us refining the rules primarily to enhance the regulatory framework and cater to existing product and service enhancements as well as new products and services. Some of the key changes made were a revamp of business rules, changes to the listing requirements in relation to business trusts, stapled securities and shortening of the timeframe for issuance of annual reports. We also made changes to the derivatives exchange rules to facilitate the launch of Gold Futures Contracts as well as implemented changes to the depository rules for sending of eStatements, among other communications, to depositors.

## **SURVEILLANCE OF THE MARKET AND LISTED ISSUERS**

The trading landscape has evolved significantly over the years for both the equities and derivatives markets, and these markets on the whole have been operating in a fair and orderly manner. We take various regulatory actions when trading concerns are detected, depending on their severity and scale. Where there are breaches of our rules or securities laws, regulatory actions can range from engagement with the brokers, issuance of unusual market activities (UMA) queries, market alerts, and designation or referral to the relevant parties, including the Securities Commission. We take a proactive stance in engaging with brokers individually to highlight unacceptable trading practices and good trading practices.

We undertake real-time surveillance of trading and our surveillance capability has been enhanced by the deployment of our new Market Surveillance System (MSS) which is enabling us to improve our surveillance detection, analysis and reporting of trading concerns. The system provides a robust monitoring mechanism coupled with a high degree of automation and capacity to handle large amounts of data. The MSS enables us to enhance our analysis of trading irregularities which in turn helps to improve the timeliness of the actions taken to ensure that such irregularities do not jeopardise the integrity of our capital market.

Similarly, we also undertake surveillance of our Listed Issuers to ensure compliance with the Listing Requirements as well as to detect, and if possible, pre-empt corporate irregularities that could undermine confidence in our capital market. Our corporate surveillance actions also aim to guide, assist and facilitate Listed Issuers to comply with the Listing Requirements and observe good practices of corporate governance.

Our corporate surveillance and governance activities include the following:

- a. Detection of possible irregularities or corporate misconduct, possible abusive/dubious transactions and breaches of our rules through regular monitoring and analysis of developments and red flags;
- b. Engagement with the directors or auditors of the Listed Issuers and other intermediaries to address concerns not only relating to a breach of the Listing Requirements but also poor corporate governance practices or other undesirable practices to share our expectations so as to bring about higher corporate governance standards; and
- c. Undertaking thematic studies to detect emerging trends and issues, and consider appropriate actions to address or mitigate these issues or trends, including issuance of directives or proposing changes to the regulatory framework.

#### QUALITY AND TIMELY DISCLOSURES

Timeliness and quality of disclosures remain a key area of focus for us. Generally, there has been significant improvement in the standard of disclosures in our market. The adherence by Listed Issuers to providing financial information on a timely basis too remains strong with 99.5% of our Listed Issuers having issued their financial statements within the timeframe required under the rules. Whilst there has been vast improvement in the quality of disclosures, we remain committed to undertaking efforts to enhance the disclosure culture.

Our efforts to improve corporate disclosure involve a wide spectrum of initiatives and activities. In addition to the monitoring of compliance with disclosure obligations through our review of announcements made and circulars issued by Listed Issuers, our other initiatives include organising a series of education programmes for directors of Listed Issuers. These programmes aim to encourage Listed Issuers to have proactive disclosure culture while instilling in them the mindset of providing investors with comprehensive and quality information on a timely basis (and not merely to meet the minimum regulatory requirements). Furthermore, to aid better understanding of the Listing Requirements, we have established the Listing Advisory Unit in order to

make available a dedicated team to handle enquiries in relation to the Listing Requirements. In this respect, all enquiries regarding Listing Requirements are centralised at the Listing Advisory Unit to ensure that all enquiries are attended to and resolved in a timely manner.

#### CORPORATE GOVERNANCE STANDARDS AND SUSTAINABILITY PRACTICES

We continue to prioritise the enhancement of corporate governance by boards of Listed Issuers in Malaysia. We issued the second edition of the Corporate Governance Guide - Towards Boardroom Excellence to assist directors to further enhance the Corporate Governance culture in their respective companies. The Guide was issued after extensive consultation with the industry.

We continue to engage with listed companies and directors on enhancement of corporate governance and sustainability practices. In this respect, we undertook assessments, conducted advocacy programmes for directors as well as training in specific areas such as corporate governance and sustainability.

We conducted advocacy programmes on the quality of the board, risk management and internal controls as well as corporate sustainability awareness and reporting programmes. The risk management and internal controls advocacy sessions were conducted to enhance the knowledge of risk officers, internal auditors and chief financial officers about the revised requirements of the Statement on Risk Management and Internal Control. We conducted a survey to further understand the effectiveness of the finance function amongst Listed Issuers and discussed some of the challenges faced by Listed Issuers in the risk management and internal control sessions. These advocacy sessions also gave us the opportunity to emphasise the importance of the role of board committees and senior management in upholding good governance and sustainability practices. For example, we conducted several sessions for chairmen as part of our Board Chairmen series to highlight the leadership role of board chairmen in determining board culture.

We worked closely with 'gatekeepers' who are instrumental in influencing and improving the culture of governance among Listed Issuers. We held discussions with auditors and company secretaries to address challenges and methods of improving governance practices. In addition, we undertook initiatives to enhance board diversity including greater participation of women on boards. We further engaged with several organisations to assist in improving the number of women on boards in line with government initiatives. We held dialogues with Listed Issuers on their corporate governance statements in annual reports and provided them with feedback to improve disclosure even further.

#### STANDARDS OF BUSINESS CONDUCT OF BROKERS

In 2013, we continued with robust supervision of brokers through both on-site and off-site monitoring activities with respect to the financial health of brokers and their compliance with the business rules to maintain their financial strength. All Participating Organisations (POs) and Trading Participants were in compliance with the minimum financial requirements. There were also no material findings affecting the overall systemic risk of the industry and no industry-wide breaches in 2013.

## Regulatory Statement

In addition, we also rolled out several initiatives in 2013 to strengthen brokers' governance and conduct as stated below.

- a. The Self Examination Approach (SEA) - to promote the practice of self-reporting among brokers. The SEA aims to help participants to identify and monitor high risk areas to contain the risk of major breaches. It enables weaknesses and risks to be addressed and corrected at early stages and advocates a high standard of business conduct.
- b. The Green Lane Policy (GLP) - to enhance business efficiency for equity brokers as well as encourage greater self-regulation. Only POs that have met the criteria of familiarity and supervisory controls as well as displayed high standards of business conduct are eligible to adopt the GLP and avail themselves of the incentives under it. As of 31 December 2013, some 68% of brokers had qualified for the GLP.

We continued to carry out educational programmes for the brokers and their registered persons in 2013. The programmes are aimed at supplementing and enhancing participants' knowledge and understanding of our regulatory requirements. These programmes include collaboration with industry associations and professional bodies.

### **ENFORCEMENT ACTIVITIES**

As part of our measures to secure compliance by our regulated persons of our rules, we take appropriate actions for non-compliance including enforcement/disciplinary action for serious non-compliances or breaches.

In 2013, we took 81 enforcement actions against listed companies, directors and advisers for various breaches of the Listing Requirements, whereas in respect of brokers and other registered persons, a total of 89 actions were imposed for various breaches of the Business Rules.

We note that there has been a significant decline of more than 50% in breaches relating to financial reporting obligations (in terms of timeliness and accuracy) from 2008 until now. We believe this lower number of breaches and increased level of compliance could be due to the strict enforcement by Bursa Securities in respect of these financial reporting breaches from 2008 onwards. The greater emphasis on director enforcement for such breaches coupled with communication and education by Bursa Securities, too have been instrumental.

In 2013, amendments were also made to the Listing Requirements and the Business (Securities) Rules. Under these amendments, a person who has committed certain specified breaches would be given the option by Bursa to resolve the breach by way of an expedited enforcement proceeding instead of a full enforcement proceeding. Furthermore, in a full enforcement proceeding, a person who has breached the rules may also propose to settle/resolve the matter by agreeing with Bursa Malaysia on certain facts, liability or penalty in relation to the breach. These enhancements enable enforcement actions to be resolved and completed expeditiously.





# STRENGTHENED MARKETPLACE

Bursa Malaysia continues to ensure a robust and sustainable Malaysian marketplace by building a market that is liquid, of high quality and integrity, as well as filled with competitive products and services. In 2013, we advocated corporate governance and sustainability best practices as well as intensified efforts to improve our market's ecosystem. We introduced initiatives to promote self-regulation while amending certain rules to improve efficiency, introduce new products and services and strengthen our regulatory framework. Our efforts also extended to building up an informed investing and trading community.



# Corporate Governance Statement

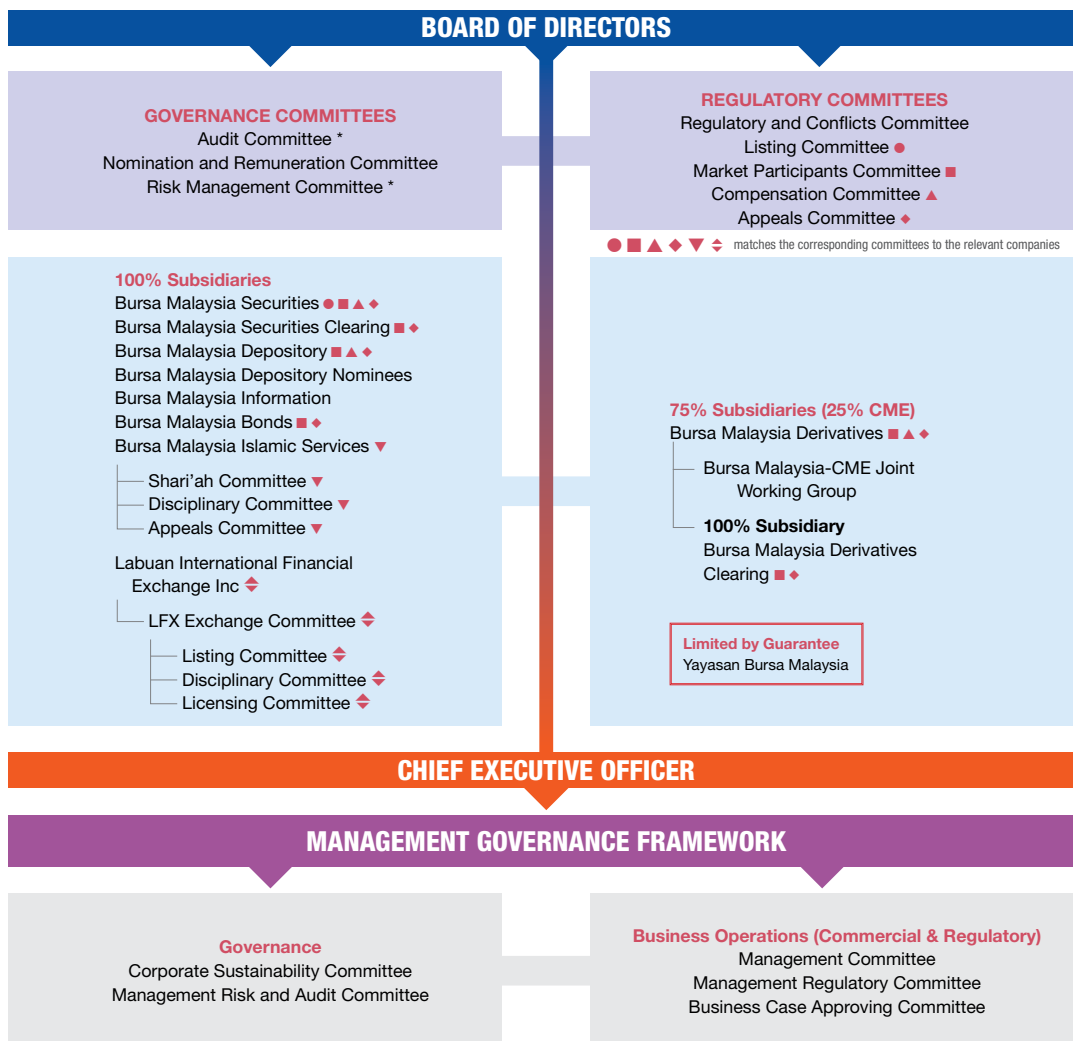
The Board of Directors of Bursa Malaysia presents this statement to provide an insight into the Corporate Governance (CG) practices of the Company under the leadership of the Board.

In building a sustainable business, and discharging its regulatory role, the Board is mindful of its responsibilities to the shareholders and various stakeholders. This statement demonstrates the Board's commitment to cultivating a responsible organisation by instilling corporate conscience through excellence in CG standards at all times.

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1.1 Clear Functions of the Board and Management

The Board is responsible for oversight and overall management of the Company. In order to ensure the effective discharge of its function and responsibilities, it has established a Governance Model for the Group where specific powers of the Board are delegated to the relevant Board Committees<sup>1</sup> and the CEO, as depicted below.



Note:

\* All subsidiaries of Bursa Malaysia have fully adopted the Governance Model of Bursa Malaysia Group except for Bursa Malaysia Derivatives and its wholly-owned subsidiary, Bursa Malaysia Derivatives Clearing which have adopted two Governance Committees, and the applicable Regulatory Committees.

<sup>1</sup> Board Committees comprise three Governance Committees and five Regulatory Committees as set out in the Governance Model of Bursa Malaysia Group

The Governance Model is supported by the Authority Limits Document (ALD), which clearly sets out relevant matters with applicable thresholds, including those reserved for the Board's approval, and those which the Board may have delegated to the Board Committees, the CEO and Management. The Governance Model and the ALD are reviewed as and when required, to ensure an optimum structure for efficient and effective decision-making in the organisation.

Key matters reserved for the Board's approval include the annual business plan and budget, dividend policy, business continuity plan, new issues of securities, business restructuring, expenditure above a certain limit, disposals of significant fixed assets and the acquisition or disposal of companies within the Group.

Over the course of 2013, the Board approved the award of contracts to selected vendors which were recommended by the Special Tender Committee through the tender process for procurement of goods and services based on assessment from the technical, functional, and financial perspectives.

The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference<sup>2</sup> (TOR). Although specific powers are delegated to the Board Committees, the Board continues to keep itself abreast of the actions and decisions taken by each Board Committee, including key issues via reports by the Chairman of each of the Board Committees, as well as the tabling of minutes of all Board Committee meetings, to the Board at Board meetings.

In August 2013, the Board established a new Board Committee, namely the Regulatory and Conflicts Committee (RACC) chaired by a Public Interest Director (PID) and Chairman of the Board, to oversee the regulatory functions and conflicts arrangement within the Group, to further strengthen its internal governance. The scope of the RACC's responsibilities had been extended to include the management and administration of the Capital Market Education and Integrity Fund<sup>3</sup> (CMEIF) of Bursa Malaysia (previously undertaken by the CMEIF Committee) to determine, review and approve the utilisation of the CMEIF in accordance with the approved CMEIF's Authority and Guidelines Manual.

## 1.2 Clear Roles and Responsibilities

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

### a. Reviewing and adopting the Company's strategic plans

The Board plays an active role in the development of the Company's strategy. It has in place a strategy planning process, whereby Management presents to the Board its recommended

strategy annually, together with the proposed business and regulatory plans for the ensuing year at a dedicated session, for the Board's review and approval. At this session, the Board deliberates upon both Management's and its own perspectives, as well as challenges Management's views and assumptions, to deliver the best outcome. In conjunction with this, the Board also reviews and approves the annual budget for the ensuing year, and sets the Key Performance Indicators (KPIs) under the Corporate Balanced Scorecard (CBS), ensuring that the targets correspond to the Company's strategy and Business Plan and reflect industry and competitive trends, internal capabilities as well as provide sufficient stretch for Management.

For 2013, the strategic planning process began at an offsite Board meeting held in November 2012, where Management presented its proposals for the Board's review. The Board subsequently approved the Company's Strategy and 2013 Business and Regulatory Plans (BRP). The Board actively engaged with Management in monitoring the progress of initiatives and projects identified in the 2013 BRP and, where required, identified alternative measures to be taken to ensure the successful realisation of the strategies.

In June 2013, the Board conducted a mid-year review of the 2013 BRP as well as the Budget at an offsite meeting where the targets set by the Board were compared against the actual performance year-to-date. The Board reviewed the sustainability, effectiveness and implementation of the 2013 BRP, and provided guidance and input to Management, taking into consideration the need to continuously invest, build and grow the three main markets of Bursa Malaysia in line with the approved plans. The Board also discussed strategy implementation processes taking cognisance of internal and external factors which had supported various achievements as well as challenges facing Management.

At the same offsite meeting, Management presented to the Board a number of potential ideas which were being explored for inclusion in the Group's strategies for 2014-2016. The Board's guidance and feedback was sought by Management based on a general framework which focused on staying relevant, and leveraging on Bursa Malaysia's strength, as the guiding principles in formulating its 2014-2016 Business Plan to drive Bursa Malaysia's performance.

In early October 2013, Management presented to the RACC an overview of the 2014-2016 regulatory framework which set out the regulatory roadmap to facilitate the discharge of Bursa Malaysia's regulatory function, in tandem with its capital market development efforts. In its review, the RACC also considered the proposed 2014-2016 Regulatory Plan and Budget and the corresponding regulatory issues and challenges expected during this period.

<sup>2</sup> The TOR of each Board Committee together with the names of members of the Board Committees for the term of appointment from 12 May 2013 to 11 May 2014 are available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Corporate Governance section.

<sup>3</sup> The CMEIF was set up on 1 January 2013 to account for all fines and transfer fees imposed and collected by Bursa Malaysia Group. These monies are segregated and used to educate market participants and investors as well as to defray legal or court expenses relating to the Group's regulatory enforcement actions. The amount of CMEIF stood at RM17.7 million as at 31 December 2013.

## Corporate Governance Statement

In late October 2013, another Board strategy session was held where Management's final proposal on the 2014-2016 BRP and the 2014 Budget were presented to the Board and approved.

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

The CEO is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by the Management Committee<sup>4</sup> and other committees established under the Group's Management Governance Framework<sup>5</sup> (MGF). Following a business process improvement review exercise conducted by Management, the MGF was enhanced in March 2013 with the setting up of a new committee namely, the Business Case Approving Committee, to consider and approve business cases on programmes, projects and/or initiatives involving financial, technology and/or human resources of the organisation.

Management's performance, under the leadership of the CEO, is assessed by the Board through a status report which is tabled to the Board and which includes a comprehensive summary of the Group's operating drivers and its financial performance during each reporting period. The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance, based on the approved KPIs in the CBS.

To ensure independence of the regulatory function, the Director of Regulation provides the Board with a separate status report on a regular basis, to inform the Board of actions taken by the Regulation division as well as provide updates on regulatory initiatives. Management also presents to the Board (in the first quarter of every year) a report on the extent of Bursa Malaysia's compliance with its regulatory duties and obligations under the Capital Markets and Services Act 2007 (CMSA) during the preceding year. In March 2013, the Board reviewed the Annual Regulatory Report 2012 before it was submitted to the Securities Commission (SC) in compliance with Section 16 of the CMSA.

In January 2013, the Board reviewed the results of the 2012 Employee Engagement Survey (EES) to assess the level of employee satisfaction. The survey, conducted by an external firm, aimed to ensure continuous improvement in the operating environment by maintaining areas of strength and improving areas of opportunity for its internal stakeholders. Post-EES, intervention initiatives were taken to address those areas that were below the benchmark norms.

### c. Identifying principal risks and ensuring the implementation of appropriate systems to manage them

Through the Risk Management Committee (RMC), the Board oversees the Enterprise Risk Management (ERM) framework

of the Group. The RMC advises the Audit Committee (AC) and the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The RMC reviews the risk management policies formulated by Management and makes relevant recommendations to the Board for approval. Details of the RMC and the Company's ERM framework are set out in the Statement on Internal Control and Risk Management of this Annual Report.

### d. Succession planning

The Nomination and Remuneration Committee (NRC) is responsible for reviewing candidates for key management positions, determining compensation packages for these appointments, and formulating nomination, selection, compensation and succession policies for the Group. The Board is satisfied that the NRC, in its current form, effectively and efficiently discharges its functions in respect of the nomination and remuneration matters listed separately in its TOR for the purpose of clarity. As such, there is no need to separate the nomination and remuneration functions into distinct nomination and remuneration committees.

In discharging its responsibility, the NRC reviews the Group's human resources plan including the succession management framework and activities, human resources initiatives such as jobs and salary review, and the annual manpower budget. Based on the succession management framework which was approved by the Board in November 2012, the NRC continues to monitor the actions taken through succession management updates presented by Group Human Resources (GHR) to ensure the smooth transition of key personnel into critical positions, and that the development plans for the identified successors are put in place based on their readiness to assume the positions.

In 2013, the NRC considered the renewal of service contracts of key management positions, and also new appointments for such positions having regard to the suitability of the shortlisted candidates based on their profiles, professional achievements and personality assessments. The NRC also considered their remuneration package(s) in finalising the terms and conditions of their service contracts.

Pursuant to Clause 12.1 under Part II: Regulatory Oversight of the Guidance on the Regulatory Role of Bursa dated 28 March 2012, the appointment of any Management Committee position in Bursa Malaysia is subject to consultation with the SC taking into account full and proper consideration of the SC's view on this matter. The appointment of CEO of Bursa Malaysia is further subject to the SC's approval in accordance with Section 10(5) of the CMSA.

<sup>4</sup> The Management Committee members are as set out in the Management Committee/Senior Management section of this Annual Report

<sup>5</sup> The Management Governance Framework, which takes effect from 25 May 2011, involves two committees for the governance function, and three committees for the business operations functions, as set out under Section 1.1 of this CG Statement. It is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Corporate Governance section

The NRC undertakes yearly evaluation of the performance of key management personnel (except for the Senior Executive Vice President, Group Internal Audit who is also the Head of Group Internal Audit (GIA)), whose remuneration packages are directly linked to performance, based on their scorecards. For this purpose, the 2012 CBS and KPI results of the CEO and relevant key management personnel were reviewed by the NRC in January 2013. The Head of GIA reports to the AC, which evaluates and reviews her performance. The annual reward allocation to the CEO is reviewed by the NRC, after which it is put to the Board for decision.

**e. Overseeing the development and implementation of a communication policy for the Company**

Bursa Malaysia believes in building investor confidence through good CG practices. The Company carried out its Investor Relations (IR) activities in accordance with its stated IR Policy, which is available on its website. The details of the value created for shareholders are spelt out in the Shareholder Value Creation section of this Annual Report.

**f. Reviewing the adequacy and integrity of management information and internal control system of the Company**

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Statement on Internal Control and Risk Management of this Annual Report.

### 1.3 Formalised Ethical Standards through Code of Ethics

The Company's Codes of Ethics for Directors and employees continue to govern the standards of ethics and good conduct expected from Directors and employees, respectively. The Code of Ethics for Directors, for example, includes principles relating to Directors' duties, conflict of interest (COI) and dealings in securities. To promote integrity and ethical conduct among employees, the Code of Ethics covers all aspects of the Company's business operations including matters such as confidentiality of information, dealings in securities, COI, gifts, gratuities or bribes, dishonest conduct and sexual harassment.

In addition to the above, the Company's Whistleblower Policy and Procedures (WPP) seeks to foster an environment where integrity and ethical behaviour are maintained and any illegality, improper conduct and/or wrongdoing in the company may be exposed. The Board has the overall responsibility for overseeing the implementation of the WPP for Directors, and all whistle-blowing reports are addressed to the Non-Executive Chairman of the Board or Senior Independent Non-Executive Director (SID) of Bursa Malaysia<sup>6</sup>. The AC has the responsibility for overseeing the implementation of the WPP for the Group's employees. Duties in relation to the day-to-day administration of the WPP are delegated to the Head of GIA and/or designated officer(s) of GIA. The

SID is also responsible for receiving report(s) made by employees or external parties for the purpose of whistle-blowing in the form as prescribed under the WPP<sup>7</sup>.

To uphold anti-corruption principles, and to create a business environment that is free from corruption, continuous education and awareness programmes were arranged for the employees of Bursa Malaysia in 2013. Speakers from the Malaysian Anti-Corruption Commission and the Institute of Integrity Malaysia were invited to brief employees on the aspects and effects of corruption and integrity.

### 1.4 Strategies promoting Sustainability

The Board promotes good CG in the application of sustainability practices throughout Bursa Malaysia, the benefits of which are believed to translate into better corporate performance. A summary of sustainability activities which demonstrate Bursa Malaysia's commitment to the evolving global environmental, social, governance and sustainability agenda appears in the Corporate Sustainability Statement of this Annual Report. A more detailed standalone Sustainability Report is also available for review on the Bursa Malaysia website.

### 1.5 Access to Information and Advice

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

In February 2013, Bursa Malaysia implemented its green initiative to create a paperless meeting environment for the Board and Board Governance Committee meetings. Under this initiative, the Directors were provided with electronic devices to enable them to access meeting papers through a customised solution, instead of receiving the conventional hard copy meeting papers prior to a meeting. This solution has various functionalities which enable the Directors to have access to various documents of the Company including the Board policies, procedures, rules and guidelines, which are uploaded onto the device by the Company Secretaries, for the Directors' convenient reference. Hence, the Board process has improved significantly as the Directors are able to access information and documents of the Company in an efficient and timely manner, to assist them in decision-making on matters relating to the Company.

The Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to approval by the Chairman or the Board, depending on the quantum of the fees involved.

<sup>6</sup> The contact details are set out under Corporate Information of this Annual Report. It is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us - Other Corporate Information section

<sup>7</sup> The whistle-blowing report form is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), Contact Us - Complaints Against Bursa Malaysia



## Corporate Governance Statement

### 1.6 Qualified and Competent Company Secretaries

Both Company Secretaries of Bursa Malaysia are persons with legal qualifications, and are qualified to act as company secretaries under Section 139A of the Companies Act 1965 (CA). The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of their functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board in managing the Group Governance Model, to ensure the same continues to be effective and relevant.

The Company Secretaries ensure that deliberations at Board and Board Committee meetings are well captured and minuted, and subsequently communicated to the relevant Management for necessary actions. The Board is updated by the Company Secretaries on the follow up or implementation of its decisions/recommendations by the Management.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training.

### 1.7 Board Charter

The Board's charter is embedded in the Governance Model document of the Company which is available on the corporate website. The document sets out clearly amongst others, the roles and responsibilities of the Board and the Board Committees and the processes and procedures for convening of their meetings. It serves as a reference and primary induction literature, providing insights to prospective and existing Board members and Management on the fiduciary and leadership functions of Directors of Bursa Malaysia.

The Board reviews its charter regularly, to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives. In November 2013, the Board conducted a review of its charter and approved the updated charter<sup>8</sup>.

## 2. STRENGTHEN COMPOSITION

### 2.1 Nominating Committee

The TOR of the NRC provides that it shall comprise five Non-Executive Directors of whom two are PIDs and three are Independent Non-Executive Directors (NEDs). The NRC is chaired by a PID. The Senior Independent Non-Executive Director (SID) for 2013, Tan Sri Ong Leong Huat was appointed as a member of the NRC on 28 March 2013 to replace the previous SID for 2012, Mr. Cheah Tek Kuang who had served as a NRC member since 12 May 2009 until his retirement at the 36<sup>th</sup> Annual General Meeting (AGM).

The TOR of the NRC further provides that it shall have specific responsibilities in relation to nomination and remuneration matters. With respect to nomination matters, the specific responsibilities of the NRC shall include, amongst others:

- Formulating the nomination, selection and succession policies for the members of the Board;
- Making recommendations to the Board on new candidates for appointment and re-appointment/re-election of Directors to the Board;
- Reviewing the required mix of skills, experience and other qualities of the Board annually;
- Reviewing and recommending to the Board the appointment of members of Board Committees established by the Board annually;
- Establishing a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, and reviewing the performance of the members of the Board; as well as
- Ensuring that orientation and education programmes are provided for new members of the Board, and reviewing the Directors' continuing education programmes.

### 2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

#### a. Recruitment or appointment of Directors

The policies and procedures for recruitment or appointment (including re-election/re-appointment) of Directors are detailed out in a document approved by the Board referred to as the Protocol for Appointment of Directors and Board Committee Members of Bursa Malaysia (the Protocol). The NRC is guided by the Protocol in carrying out its responsibilities in respect of the nomination, selection and appointment process, which also provides the requirements under the relevant laws and regulations on the matter. In this respect, the Board has established a pool of potential Directors of Bursa Malaysia, for its reference when considering new appointments, in line with the sourcing process and criteria for candidates as set out in the Protocol. The pool is refreshed from time to time, to ensure the list of candidates available for the NRC/Board's consideration remains relevant and offers the talents/skills required.

In conjunction with the implementation of the Board's nine-year Policy for Independent NEDs to ensure continued effective functioning of the Board, the Board composition was refreshed in March 2013 with new experience, knowledge, and expertise in the areas of business/finance, capital market and industry development, as well as information technology, to complement the remaining Directors on the Board, in meeting the current and future needs of Bursa. The review process involved the NRC's consideration and submission to the Board its recommendation of suitable candidates for the proposed appointment as Directors of the Company. With the Board's approval of the NRC's recommendation in November 2012, the SC's concurrence

<sup>8</sup> It is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Corporate Governance section

was sought pursuant to Section 10(1)(b) of the CMSA on the proposed appointment of the three candidates, namely Datuk Karownikaran @ Karunakaran Ramasamy, Mr. Chay Wai Leong and En. Ghazali Haji Darman.

At the 36<sup>th</sup> AGM held on 28 March 2013, the three new Directors were elected by the shareholders in accordance with Article 69 of the Articles of Association (AA) of the Company. Three Independent NEDs retired at the close of the 36<sup>th</sup> AGM, after having served the Board of Bursa Malaysia for nine years. One Independent NED who did not seek re-election also retired in accordance with Article 69 of the AA. Datuk Puteh Rukiah Abd Majid later retired as PID after serving a term of two years from 27 May 2011 to 26 May 2013.

i. Review of candidates proposed for appointment as Directors

The NRC's review of the criteria to be used in the appointment process largely focuses on ensuring a good mix of skills, experience and strength in the qualities that are relevant for the Board to discharge its responsibilities in an effective and competent manner. The other factors considered by the NRC in its review include the candidates' ability to spend sufficient time and commitment on Bursa Malaysia's matters, the ability to satisfy the test of independence taking into account the candidate's character, integrity and professionalism, as well as having a balanced mix of age and diversity of Directors on the Board. The Board diversity factor as reviewed by the NRC includes experience, skills, competence, race, gender, culture and nationality, to facilitate optimal decision-making by harnessing different insights and perspectives.

An assessment of independence under the nomination and election process of Independent NED was conducted in line with Recommendation 3.1 of the Malaysian Code on Corporate Governance (MCCG) 2012, whereby the NRC reviewed and was satisfied that all the three nominated candidates/proposed Directors had satisfied the criteria for an independent director as prescribed in Bursa Malaysia Securities Berhad Main Market Listing Requirements (Bursa Securities Main LR) and its Practice Note 13 prior to seeking shareholders' approval at the 36<sup>th</sup> AGM on their appointment as Independent NEDs.

The NRC at its meeting held in September 2013 reviewed the Board composition with the view to identify and close any possible gap in the Board's functional knowledge and competencies, so as to allow the Board to perform its fiduciary duties and fulfil its oversight role via the respective Board Committees. The NRC considered the need for additional Director(s) with accounting, business and/or finance related experience to keep abreast of the developments in accounting and financial reporting standards. At the same time, the NRC was also mindful of

the need to fulfil the gender diversity policy as approved by the Board in October 2012. Further details are provided under Section 2.2.c of this CG Statement.

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

Pursuant to Article 69 of the AA, Directors (other than PIDs) are to be elected at every AGM of the Company, when one-third of the Directors longest in office should retire or, if eligible, may offer themselves for re-election. Based on the schedule of retirement by rotation, the NRC is responsible for recommending to the Board those Directors who are eligible to stand for re-election/reappointment. This recommendation is based on formal reviews of the performance of the Directors, taking into account the results of their latest Board Effectiveness Evaluation (BEE), their contribution to the Board through their skills, experience, strength and qualities, their level of independence and their ability to act in the best interests of the Company in decision-making.

In October 2013, the Board approved the recommendation of the NRC that two Independent NEDs namely Dato' Saiful Bahri Zainuddin and Tan Sri Ong Leong Huat who are due to retire at the 37<sup>th</sup> AGM in accordance with Article 69 of the AA based on the schedule of retirement by rotation, are eligible to stand for re-election at the 37<sup>th</sup> AGM. In this respect, the said two Independent NEDs had expressed their intention to seek re-election at the 37<sup>th</sup> AGM.

The Board also approved the NRC's recommendation to support the re-appointment of Tun Mohamed Dzaiddin Haji Abdullah and Tan Sri Datuk Dr. Abdul Samad Haji Alias, both of whom are over the age of 70 years and should retire at the 37<sup>th</sup> AGM, in accordance with Section 129(2) of the CA.

Section 10(1)(b) of the CMSA requires Bursa Malaysia as an exchange holding company, to obtain the SC's concurrence on any proposed appointment/re-appointment of Directors (other than PIDs) on the Board of the Company. Hence, a formal submission was made to the SC in October 2013, to seek its concurrence on the re-election and re-appointment of those Directors prior to seeking the shareholders' approval at the 37<sup>th</sup> AGM. In this respect, the SC would conduct a vetting exercise on each Director to determine if he is a person of integrity and is fit and proper to be a Director of an exchange holding company.

The NRC reviews the composition of the Board Committees annually in accordance with the procedures as set out in the Protocol. In determining candidates for appointment to the Board Committees, various factors are considered, including the time commitment of the Board Committee members in discharging their role and responsibilities through attendance at their respective meetings. The attendance at Board Committee

## Corporate Governance Statement

meetings during the financial year ended 31 December 2013 (FY 2013) is provided under Section 4.1 of this CG Statement.

The NRC also refers to the results of the Board Committee Effectiveness Assessment and Board Committee members' Self and Peer Assessment (SPA) under the BEE, to ensure the requirements of the committees are addressed and suggestions for improvement are taken up for implementation.

### b. Annual assessment

The NRC carries out the BEE exercise annually. For this purpose, an external consultant is engaged every three years to assist the NRC, the last time being in 2011. In 2012 and 2013, the Company Secretaries facilitated the NRC in carrying out the BEE exercise. The BEE is conducted via questionnaires, comprising a Board and Board Committee Effectiveness Assessment and a Directors' and Board Committee members' SPA. The NRC reviews the outcome of the BEE and recommends to the Board the areas identified for continuous improvement.

The Board's effectiveness is assessed in the areas of composition, administration and process, accountability and responsibility, Board conduct and communication with Management, as well as performance of the Chairman and CEO. The Board, through the Governance and Regulatory Committee Effectiveness Assessment, examines the respective Governance and Regulatory Committees, including their respective Chairmen, to ascertain whether their functions and duties are effectively discharged in accordance with their respective TOR.

The Directors' SPA is intended to ascertain the mix of skills, experience and other relevant qualities the Directors bring to contribute to the effective functioning of the Board. The SPA process also examines the ability of each Board or Committee member to give material input at meetings and to demonstrate a high level of professionalism and integrity in the decision-making process. It takes into account individual Directors' and Board Committee members' abilities to exercise independent judgement, demonstrate objectivity and clarity of thought during deliberations at meetings. Results of the assessment form the basis of the NRC's recommendation to the Board for the re-election and re-appointment of Directors at the next AGM, and also re-appointment of Board Committee members for the ensuing term of one year from 12 May 2014.

In October 2013, each Board and Board Committee member was provided with individual results together with a peer average rating on each area of assessment for personal information and further development.

### c. Gender diversity policy

The Board's policy on gender diversity sets a target of having two women Directors by 2013 and three women Directors by 2016. In 2013, the NRC conducted an extensive exercise to refresh its pool of potential women directors, and one of its initiatives was to invite the Directors to nominate potential women candidates, taking into account the criteria as determined by the NRC and approved by the Board.

With the retirement of Datuk Puteh Rukiah Abd Majid, a woman PID on 26 May 2013, the Board was left with three PIDs. This vacant position is to be filled by another woman PID but pending this appointment, the Board size shall remain at 10, in compliance with the requirement under Section 10(1)(a) of the CMSA which provides inter alia that one third of the number of Directors on the Board of Bursa Malaysia shall be PIDs appointed by the Minister of Finance (MOF).

In pursuit of the gender diversity policy, the NRC is mindful of its responsibilities to ensure that new appointments should provide the appropriate mix of skills, experience, strength and other qualities which would be relevant to enhance the composition of the Board. Hence, the NRC had extended its timeline for the appointment of a new Independent NED to the second quarter of 2014.

Whilst the Board did not meet its target of having two women Directors on board by the end of 2013, the Board is confident that the NRC would use its best endeavours to complete the exercise in the best interest of the Company.

### d. Appointment of SID

Prior to the expiry of the term of appointment of the third SID in December 2013, the NRC undertook the nomination process in recommending a new SID for 2014. In November 2013, the Board approved the appointment of Dato' Saiful Bahri Zainuddin who will carry out the responsibilities in accordance with the TOR of the SID<sup>9</sup> for a one-year term, commencing 1 January 2014.

## 2.3 Remuneration Policies

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

- Formulating and reviewing the remuneration policies and remuneration for the members of the Board, Board Committees and the CEO, and recommending the same to the Board for approval; and
- Recommending the engagement of external professional advisors to assist and/or advise the NRC on remuneration matters, where necessary.

<sup>9</sup> The TOR of the SID is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Corporate Governance section

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals serving as members of the Board Regulatory Committees. Hence, the Board has established formal and transparent remuneration policies for the Board and Board Committees, and the procedures in determining the same. The NRC reviews the Board remuneration policy annually and in the course of deliberating on the remuneration policy, it considers various factors including the NEDs' fiduciary duties, time commitments expected of NEDs and Board Committee members, the Company's performance and market conditions. The NRC also takes into consideration the remuneration of directors of other public listed companies (PLCs), particularly those in the financial sector government-linked companies and other stock exchanges in order to ensure competitive remuneration policies that reflect the prevailing market rate.

In 2013, the Board approved the NRC's recommendation to maintain the remuneration policy of the NEDs, and a similar quantum of Directors' fees for 2012 was approved by the shareholders at the 36<sup>th</sup> AGM. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board.

The current remuneration policy for the NEDs comprises the following:

#### a. Directors' fees

The sum of RM90,000 per annum for the Chairman and RM60,000 per annum for each NED of Bursa Malaysia (as approved by the shareholders at the 33<sup>rd</sup>, 34<sup>th</sup>, 35<sup>th</sup> and 36<sup>th</sup> AGMs for 2009, 2010, 2011 and 2012 respectively).

In January 2014, the Board decided not to recommend any increase in the Directors' fees of the Chairman and NED in respect of FY 2013, for which shareholders' approval will be sought at the forthcoming 37<sup>th</sup> AGM.

#### b. Meeting allowance for each Board or Board Committee<sup>10</sup> meeting attended by a NED

The current meeting allowance for Board and Board Committee meetings as approved by the Board in 2012 is as follows:

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

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

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

#### c. Benefits-in-kind and emoluments

NEDs are not entitled to participate in the Share Grant Plan (SGP) of Bursa Malaysia or any incentive plan for employees of the Group. They are given other allowances, such as travelling and mobile phone allowances. The Chairman is also provided with a monthly fixed allowance, revised to RM50,000 since 1 March 2010, in view of his wide-ranging scope of responsibilities and the fact that he does not serve on the boards of any other PLC or market participant regulated by Bursa Malaysia, to avoid conflicts of interest.

The Executive Director/CEO is not entitled to the above Director's fee nor is he entitled to receive any meeting allowance for Board or Board Committee meetings he attends. The CEO, who also serves as Chairman of Yayasan Bursa Malaysia, Bursa Malaysia Derivatives Berhad and Bursa Malaysia Derivatives Clearing Berhad, and as Director of all other subsidiary companies within the Group, is also not entitled to Director's fees for attending Board meetings for the time being.

The CEO's remuneration package comprises a fixed component which includes a monthly salary and benefits-in-kind/emoluments, such as gratuity, a company car, driver and leave passage; and a variable component which includes short-term incentives in the form of a performance-based bonus and long-term incentives in the form of shares under the Restricted Share Plan and Performance Share Plan of the SGP (Plan Shares), where applicable. The award of Plan Shares to the CEO in 2013 had been announced via Bursa LINK on 29 March 2013 and 1 July 2013.

In addition to the above, the Directors have the benefit of Directors & Officers (D&O) Insurance in respect of any liabilities arising from acts committed in their capacity as D&O of Bursa Malaysia. However, the said insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty or trust. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

Disclosure of each Director's remuneration, including that of the CEO, is set out in the Annual Audited Financial Statements of this Annual Report.

<sup>10</sup> Information on the composition, number of meetings held and attendance of meetings of the Board and all Board Committees is set out under Section 4.1 of this CG Statement.



## Corporate Governance Statement

### 3. REINFORCE INDEPENDENCE

#### 3.1 Annual Assessment of Independence

The Protocol also sets out policies and procedures to ensure the effectiveness of the Independent NEDs on the Board, including new appointments. The Board, through the NRC, assesses the independence of NEDs annually using the Directors' SPA under the BEE, which is in line with Recommendation 3.1 of the MCGG 2012, as one of the factors in determining their eligibility to stand for re-election/re-appointment.

Based on the above assessment in 2013, the Board is satisfied with the level of independence demonstrated by all the NEDs, and their ability to act in the best interests of the Company, as well as ability to resolve problems based on clarity and understanding of the subject matter during deliberations at Board meetings.

With regard to the two Independent NEDs who are eligible to stand for re-election, one Independent NED and the Chairman of Bursa Malaysia who are seeking re-appointment at the forthcoming 37<sup>th</sup> AGM (as mentioned under Section 2.2.a.ii of this CG Statement), the NRC is satisfied that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. The Board, therefore, recommends and supports their proposed re-election in accordance with Article 69 of the AA, and re-appointment in accordance with Section 129(6) of the CA.

#### 3.2 Tenure of Independent Director

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

The Chairman of Bursa Malaysia who is a PID, would have completed his tenure of 10 years on 28 February 2014. The other six Independent NEDs and two PIDs have served the Board of Bursa Malaysia for less than six years. Their tenure of service is set out in the Board of Directors' Profile of this Annual Report.

#### 3.3 Shareholders' Approval for Re-appointment as Independent Non-Executive Director after a Tenure of Nine Years

Tun Mohamed Dzaidin Haji Abdullah, 76, was appointed on 1 March 2004 as a PID and Chairman of Bursa Malaysia by the MOF in consultation with the SC pursuant to Section 10(1)(a) and (3) of the CMSA. He has offered himself for re-appointment as Director of the Company at the 37<sup>th</sup> AGM, in accordance with Section 129(6) of the CA.

The Board is satisfied with the skills, contribution and independent judgment that Tun Mohamed Dzaidin Haji Abdullah brings to the Board. In view thereof, his re-appointment as NED of the Company would be tabled for shareholders' approval at the forthcoming 37<sup>th</sup> AGM of the Company. However, shareholders' approval will not be sought to justify and retain Tun Mohamed Dzaidin Haji Abdullah as an Independent NED in accordance with Recommendation 3.3 of the MCGG 2012 in view of the statutory nature of his appointment as a PID and Chairman of an exchange holding company by the MOF pursuant to Section 10(1)(a) and (3) of the CMSA.

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

The Chairman, who is a PID, leads the Board with a keen focus on governance and compliance. In turn, the Board monitors the functions of the Management as well as the Board Committees in accordance with their respective TOR to ensure its own effectiveness. The positions of Chairman and CEO are held by two different individuals. The CEO is a Non-Independent Executive Director, who manages the business and operations of the Company and implements the Board's decisions. The distinct and separate roles of the Chairman and CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

#### 3.5 Composition of the Board

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




The Independent NEDs account for more than 50% of the Board, where the Chairman of the Board is regarded as a non-independent director pursuant to Recommendation 3.5 of the MCGG 2012. The Directors play an active role in the Board's decision-making process bringing with them vast experience and knowledge as well as independence and objectivity in their views, acting in the best interests of Bursa Malaysia and at the same time safeguarding public interests.

### 4. FOSTER COMMITMENT

#### 4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of Bursa Malaysia. This is evidenced by the attendance record of the Directors at Board of Directors and Board Committee meetings for FY 2013, as set out in the table. The attendance of individual Regulatory Committee members who are not Directors of Bursa Malaysia is also provided in the same table.

## Corporate Governance Statement

 Chairman	note +	from 12 May 2013
 Member	note ~	up to 11 May 2013
 Non-member	note c	from 28 March 2013
	note ^	up to 28 March 2013
	note #	from 1 August 2013
	note o	up to 26 May 2013
	note *	No CC meeting was held from 1 January 2013 up to 26 May 2013

<sup>11</sup> retired as Public Interest Director with effect from 27 May 2013

<sup>12</sup> appointed as Independent Non-Executive Director at the 36<sup>th</sup> AGM held on 28 March 2013

<sup>13</sup> retired as Independent Non-Executive Director at the 36<sup>th</sup> AGM held on 28 March 2013

<sup>14</sup> on leave of absence with effect from 30 August 2012 until the expiry of his term of appointment on 11 May 2013

Name	Board of Directors	Board Committees							
		Governance Committees			Regulatory Committees				
		AC	RMC	NRC	RACC	LC	MPC	CC	APC
<b>Non-Executive and Public Interest Directors</b>									
Tun Mohamed Dzaiddin Haji Abdullah (Chairman)	8/8			5/6	2/2#				4/5
Datuk Dr. Md Tap Salleh	8/8			6/6	2/2#	9/9			
Datuk Dr. Syed Muhamad Syed Abdul Kadir	8/8	4/5					9/9		
Datuk Puteh Rukiah Abd Majid <sup>11</sup>	2/3		2/2o					0/0*	
<b>Independent Non-Executive Directors</b>									
Dato' Saiful Bahri Zainuddin	8/8		4/4	6/6			7/9		
Tan Sri Ong Leong Huat @ Wong Joo Hwa	8/8		4/4	4/4c				3/3	
Tan Sri Datuk Dr. Abdul Samad Haji Alias	5/8	4/5			1/2#	3/6+	2/3~		
Datuk Karownikaran @ Karunikaran a/l Ramasamy <sup>12</sup>	6/6	3/4c		2/3+	2/2#				3/3+
Chay Wai Leong <sup>12</sup>	6/6	3/4c				5/6+			
Ghazali Haji Darman <sup>12</sup>	6/6	4/4c	2/2+				6/6+		
Dato' Dr. Thillainathan a/l Ramasamy <sup>13</sup>	2/2	1/1^		1/2^					1/2^
Izham Yusoff <sup>13</sup>	2/2	1/1^	1/1^						2/2^
Dato' Wong Puan Wah @ Wong Sulong <sup>13</sup>	2/2		1/1^			2/2^			
Cheah Tek Kuang <sup>13</sup>	2/2	1/1^		2/2^		2/2^	5/6+		
<b>Non-Independent Executive Director</b>									
Dato' Tajuddin Atan (CEO)	8/8								
<b>Independent individuals with significant and relevant industry experience</b>									
Dato' Thomas Mun Lung Lee									2/5
Dato' Mohammed Adnan Dato' Shuaib									4/5
Datuk Syed Zaid Syed Jaffar Albar									2/3+
Izlan Izhab									2/2~
Wong Chong Wah						8/9			
Dato' Sri Abdul Hamidy Abdul Hafiz						9/9			
Pushpanathan a/l S. A. Kanagarayar						8/9			
Gan Kim Khoon						8/9			
Assoc. Prof. Dr. Shanthly a/p Rachagan						9/9			
Yon See Ting						6/6+			
Salwah Abdul Shukor						6/6+		3/3	
Peter Lee Siew Choong						3/3~			
Dato' Sreesanthan a/l Eliathamby <sup>14</sup>						0/3~			
Khoo Guan Huat							6/9		
Natarajan a/l Narayanasamy							6/9		
Azura Azman							7/9		
Dato' Abdul Shukor Ahmad							5/6+		
Prof. Dr. Mohammad Rizal Salim							5/6+		
Datuk Haji Khuthubul Zaman Bukhari							3/3~		
Selvarajah a/l Sivalingam							3/3~		
Ahmad Azman Dato' Abdul Manaf							3/3~		
John Mathew a/l Mathai								3/3	
<b>Total number of meetings for 2013</b>	<b>8</b>	<b>5</b>	<b>4</b>	<b>6</b>	<b>2</b>	<b>9</b>	<b>9</b>	<b>3</b>	<b>5</b>

## Corporate Governance Statement

### a. Protocol for appointment of Director

To ensure the Directors have the time to focus and fulfil their roles and responsibilities effectively, one criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold directorships at more than five PLCs (as prescribed in Paragraph 15.06 of Bursa Securities Main LR) and must be able to commit sufficient time to Bursa Malaysia's matters.

Under Recommendation 4.1 of the MCCG 2012, the Board should set out expectations on time commitment for its members and protocols for accepting new directorships.

The Board had in October 2013 formalised the adoption of the above recommendation, by amending the Protocol to reflect that Directors should notify the Chairman before accepting any new directorship. The notification should include an indication of time that will be spent on the new appointment as Director. This information will be shared with the Board together with the quarterly update by individual Directors on their directorships and shareholdings in Bursa Malaysia to show its members' commitment in devoting sufficient time to carry out their responsibilities.

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

### b. Annual meeting calendar

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to them before the beginning of each year. It provides the scheduled dates for meetings of the Board and Board Committees, the AGM, major conferences hosted by the Company, as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results.

All the scheduled dates for Board and Board Committee meetings are already set in advance in the Directors' calendar for the year, which are visible in the electronic device provided to the Directors.

## 4.2 Training

The Board takes a strong view of the importance of continuing education for its Directors to ensure they are equipped with the necessary skills and knowledge to meet the challenges of the Board. A budget for Directors' continuing education is therefore provided

each year by the Company. The Board also has a policy requiring each Director to attend at least three training sessions on capital market developments each year, to keep abreast of industry developments and trends. In addition, each Director shall further determine the areas of training that he or she may require for personal development as a Director or as a member of a Board Committee. The Company Secretaries arrange for the Directors' attendance at these training programmes, which are conducted either in-house or by external service providers.

A newly appointed Independent NED, En. Ghazali Haji Darman completed the Mandatory Accreditation Programme (MAP) in April 2013. The other two newly appointed Independent NEDs, Datuk Karownikaran @ Karunakaran Ramasamy and Mr. Chay Wai Leong completed the MAP in August 2008 and September 2011 respectively when they were first appointed as directors of listed issuers. All of them attended the induction programme organised by the Company Secretaries to familiarise themselves with the Group's business and governance process as well as operations through briefings by the relevant management teams.

The Directors embrace Principle 4 of the MCCG 2012 by attending conferences, briefings and workshops to regularly update their knowledge and enhance their skills. All Directors of Bursa Malaysia attended at least six training programmes, with at least three on capital market development in respect of FY 2013. The development programmes comprised areas on corporate governance (including audit, risk management and internal audit), information technology, leadership, legal and business management, financial and capital markets. The Directors were also invited to attend a series of talks organised by Bursa Malaysia together with various professional associations and regulatory bodies. Several Directors attended conferences and seminars as guest speakers, panellists or moderators. The Directors further attended the two main conferences in the capital market organised by the Company, namely Invest Malaysia 2013 held on 13-14 June 2013 and the Palm & Lauric Oils Conference held on 5 March 2013.

In 2013, the in-house development programmes conducted for the Directors were in relation to the paperless meeting initiative. The Directors also attended various external programmes, which included the following:

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

- 2012 Global Insurance Enterprise Risk Management (ERM) Survey Results, 10 January 2013 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Directors Duties, Regulatory Updates and Governance Seminar for Directors of PLCs, 29 January 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir and Dato' Saiful Bahri Zainuddin)

## Corporate Governance Statement

- Shari'ah Governance Framework, 3 April 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir)
- Mandatory Risk Appetite Workshop, 23 April 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir)
- Risk Management in Takaful Industry, 23 April 2013 (Attended by Tan Sri Datuk Dr. Abdul Samad Haji Alias)
- Corporate Governance & ERM, 25 April 2013 (Attended by Datuk Karownikaran @ Karunikaran Ramasamy)
- Malaysian Code on Corporate Governance 2012 and Statement on Risk Management & Internal Control, 17 May 2013 (Attended by Datuk Karownikaran @ Karunikaran Ramasamy)
- Audit Committee (AC) Seminar 2013: Improving AC Effectiveness, 4 June 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir, Tan Sri Datuk Dr. Abdul Samad Haji Alias, Mr. Chay Wai Leong and En. Ghazali Haji Darman)
- Future of Corporate Reporting, 12 June 2013 (Attended by En. Ghazali Haji Darman)
- Regional Compliance, Audit and Risk Conference, 13 June 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir)
- Special Dialogue & Presentation Session on ASEAN Corporate Governance Scorecard 2013, 18 June 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir)
- Board Agenda Series: Boards & Strategy – Where are We? 27 August 2013 (Attended by Tun Mohamed Dzaidin Haji Abdullah and Datuk Karownikaran @ Karunikaran Ramasamy)
- Advocacy Sessions on Corporate Disclosure for Directors, 5 September 2013 (Attended by Datuk Karownikaran @ Karunikaran Ramasamy)
- Risk Management and Risk Posture Workshop, 29 August 2013 & 10 September 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir)
- Financial Institutions Directors' Education (FIDE): Advanced Risk Governance and Risk Management, 17-18 September 2013 (Attended by Mr. Chay Wai Leong)
- 2013 National Conference on Internal Auditing, 23-24 September 2013 (Attended by Tan Sri Datuk Dr. Abdul Samad Haji Alias)
- Nominating Committee Programme: Putting Together and Running an Effective Nominating Committee in Discharging its Responsibilities, 7 October 2013 (Attended by Datuk Dr. Md Tap Salleh, Dato' Saiful Bahri Zainuddin, Tan Sri Ong Leong Huat, and En. Ghazali Haji Darman)
- Financial Services Act 2013 (FSA), 5 February 2013 (Attended by Mr. Chay Wai Leong)
- FSA and Islamic Financial Services Act, 11 March 2013 & 2 September 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir)
- PDPA and Competition Act 2010, 25 April 2013 (Attended by Datuk Karownikaran @ Karunikaran Ramasamy)
- FSA and Directors & Officers Liability Insurance Policy, 20 May 2013 (Attended by Tan Sri Ong Leong Huat)
- Global Summit of Women, 5 June 2013 (Attended by Dato' Saiful Bahri Zainuddin)
- PDPA and Foreign Account Tax Compliance Act 2010, 6 June 2013 (Attended by Tan Sri Ong Leong Huat)
- Perbadanan Insurans Deposit Malaysia (PIDM): Corporate Outreach Programme, 16-18 June 2013 (Attended by Tan Sri Datuk Dr. Abdul Samad Haji Alias)
- Annual Asia Pacific Conference: The Asian Century – Redefining Leadership, 19 June 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir)
- Human Priorities – The Urgency of an Ethical Economics, 4 September 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir)
- Forbes Global CEO Conference, 3-5 September 2013 (Attended by Dato' Tajuddin Atan)
- World Economic Forum: Partnering Against Corruption Initiative, 15 October 2013 (Attended by Datuk Dr. Md Tap Salleh)

**Financial and Capital Markets**

- Training on Internal Capital Adequacy Assessment Process (ICAAP), 11 January 2013 (Attended by Tan Sri Ong Leong Huat)
- ICAAP Independent Review, 5 March 2013 (Attended by Datuk Dr. Syed Muhamad Syed Abdul Kadir)
- 4<sup>th</sup> SC-Oxford Centre for Islamic Studies Roundtable, 8-10 March 2013 (Attended by Tun Mohamed Dzaidin Haji Abdullah)
- Bank Negara Malaysia (BNM) Annual Report 2012/Financial Stability and Payment Systems Report 2012, 20 March 2013 (Attended by Mr. Chay Wai Leong)
- Employees Provident Fund Global Private Equity Summit, 25-26 March 2013 (Attended by Dato' Saiful Bahri Zainuddin)
- 11<sup>th</sup> Annual Meeting of International Association of Deposit Insurers (IADI) Asia-Pacific Regional Committee and International Conference: Key Elements of Deposit Insurance and Challenges in Practice, 13-15 May 2013 (Attended by Tan Sri Datuk Dr. Abdul Samad Haji Alias)
- 4<sup>th</sup> Annual World Islamic Banking Conference: Bridging the World of Islamic Finance – Boosting International Linkages and Cross-Border Opportunities, 3-4 June 2013 (Attended by Dato' Tajuddin Atan)
- 6<sup>th</sup> International Derivatives Expo, 25-26 June 2013 (Attended by Tun Mohamed Dzaidin Haji Abdullah)
- FIDE/BNM: Successful Corporate Banking, 27 June 2013 (Attended by Tan Sri Datuk Dr. Abdul Samad Haji Alias)

**Information Technology**

- 5<sup>th</sup> Annual Trading Architecture Asia 2013, 27-28 August 2013 (Attended by En. Ghazali Haji Darman)
- Mastering the Principles of Designing Low Latency Architectures, 29 August 2013 (Attended by En. Ghazali Haji Darman)

**Leadership, Legal and Business Management**

- Personal Data Protection Act 2010 (PDPA), 21 January 2013 (Attended by Dato' Saiful Bahri Zainuddin)



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- Palm Oil Industry Leadership Forum, 26 August 2013 (Attended by Datuk Karownakaran @ Karunakaran Ramasamy)
- Market Integrity Forum, 2 September 2013 (Attended by Dato' Saiful Bahri Zainuddin)
- World Capital Markets Symposium: Redefining Markets – Sustaining Growth and Resilience, 22-23 October 2013 (Attended by Tun Mohamed Dzaiddin Haji Abdullah, Datuk Dr. Md Tap Salleh, Datuk Dr. Syed Muhamad Syed Abdul Kadir, Dato' Saiful Bahri Zainuddin, Tan Sri Ong Leong Huat, Tan Sri Datuk Dr. Abdul Samad Haji Alias, Mr. Chay Wai Leong, En. Ghazali Haji Darman and Dato' Tajuddin Atan)
- 53<sup>rd</sup> General Assembly of the World Federation of Exchanges, 27-31 October 2013 (Attended by Dato' Tajuddin Atan)
- 8<sup>th</sup> China International Oils and Oilseeds Conference, 12-13 November 2013 (Attended by Dato' Tajuddin Atan)
- Developments in the Takaful and Insurance Industry, 27 November 2013 (Attended by Tan Sri Datuk Dr. Abdul Samad Haji Alias)

An off-site development session was held on 10 October 2013 for the Listing Committee to deliberate on its enforcement policies, enforcement impact with regard to key breaches, as well as related issues and challenges. The Market Participants Committee held its off-site development session on 24 October 2013 to discuss Bursa Malaysia's supervision approach and observations, the common areas of breach, proposed enforcement actions and policies, as well as related issues and challenges.

In 2013, induction programmes for the newly appointed Board Regulatory Committee members were also arranged and attended by relevant management to brief them on the regulatory role of the Group.

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with Applicable Financial Reporting Standards

The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's financial performance, its position and future prospects, through the issuance of the Annual Audited Financial Statements and quarterly financial reports, as well as corporate announcements on significant developments affecting the Company in accordance with Bursa Securities Main LR.

The Audit Committee (AC) Chairman Tan Sri Datuk Dr. Abdul Samad Haji Alias<sup>15</sup>, who is a member of three professional accounting organisations, together with all AC members, reviewed the Company's financial statements in the presence of both external and internal auditors, prior to recommending them for the Board's approval and issuance to stakeholders.

The Director, Corporate Services, who is also the Chief Financial Officer (CFO), formally presented to the AC and the Board details of revenues and expenditures in the form of charts, for review of quarter-to-quarter

and year-to-date financial performance against budget. The Chairman's Letter to Shareholders, CEO's Message, and Management Discussion and Analysis of this Annual Report respectively provide additional analysis and commentary on the Group's financial performance.

As part of the governance process in reviewing the quarterly and yearly financial statements by the AC, the CFO provided assurance to the AC on a quarterly basis that adequate processes and controls were in place for an effective and efficient financial statement close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group.

In addition to the above, the Head of GIA also undertook an independent assessment of the system of internal control on a quarterly basis and assured the AC that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

### 5.2 Assessment of Suitability and Independence of External Auditors

The AC undertakes an annual assessment of the suitability and independence of the external auditors in accordance with the Board's Auditor Independence Policy which was adopted in 2006. Having satisfied itself with their performance and fulfilment of criteria as set out in the policy, the AC will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

In this regard, the AC had in January 2013, assessed the independence of Messrs Ernst & Young (EY) as external auditors of the Company as well as reviewed the level of non-audit services to be rendered by EY to the Company for FY 2013. The AC was satisfied with EY's technical competency and audit independence.

## 6. RECOGNISE AND MANAGE RISKS

### 6.1 Sound Framework to Manage Risks

The RMC oversees the ERM framework of the Group and reviews the risk management policies formulated by Management and makes relevant recommendations to the Board for approval.

The Company continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments.

### 6.2 Internal Audit Function

The Board has established an internal audit function within the Company, which is led by the Head of GIA who reports directly to the AC.

<sup>15</sup> Tan Sri Datuk Dr. Abdul Samad Haji Alias' profile is set out in the Board of Directors' Profile of this Annual Report

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

## 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policy

The Company has in place a Policies and Procedures for Compliance with the Listing Requirements, which sets the policies and standard operating procedures for employees (including the CEO) to facilitate and ensure compliance by Bursa Malaysia as a PLC. It also serves as a guide to enhance awareness among employees of corporate disclosure requirements. Clear roles and responsibilities of Directors, Management and employees are provided together with levels of authority, to be accorded to 'designated person(s)<sup>16</sup>', spokespersons and committees in the handling and disclosure of material information. The persons responsible for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the timely disclosure of material information to the investing public.

The Company has put in place an internal policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

### 7.2 Leverage on Information Technology for Effective Dissemination of Information

Bursa Malaysia website incorporates a Corporate section which provides all relevant information on Bursa Malaysia and is accessible by the public. This Corporate section enhances the Investor Relations function by including share price information, all announcements made by Bursa Malaysia, annual reports as well as the corporate and governance structure of Bursa Malaysia. Notice of general meetings, minutes of general meetings together with slide presentations made at such meetings and webcasts are also made available on the website for the benefit of shareholders who are not able to attend meetings.

The Company has leveraged on information technology for broader and effective dissemination of information with regard to the dates scheduled to release its quarterly results. After the end of every quarter, the Company Secretary will announce these dates in advance via Bursa LINK.

The announcement of the quarterly financial results is also made via Bursa LINK immediately after the Board's approval between 12.30 p.m. and 1.30 p.m. or after 5.00 p.m. on the same day and thereafter the press release in respect of the same will be issued. This is important in ensuring equal and fair access to information by the investing public.

## 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Encourage Shareholder Participation at General Meetings

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

Bursa Malaysia encloses the Administrative Guide together with the notice of AGM, which provides information to shareholders with regard to, among others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy. The Company allows a member to appoint a proxy who may but need not be a member of the Company. If the proxy is not a member of the Company, he or she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

The Chairman briefed the members, corporate representatives and proxies present of their right to speak and vote on the resolutions set out in the Notice of 36<sup>th</sup> AGM dated 28 February 2013. This is in line with Paragraph 7.21A(2) of Bursa Securities Main LR for further promoting participation of members through proxies.

Commencing with the 35<sup>th</sup> AGM held on 29 March 2012, Bursa Malaysia removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for multiple beneficial owners in one securities account. This allows greater participation of beneficial owners of shares at general meetings of the Company. The AA of the Company further entitles a member to vote in person, by corporate representative, by proxy or by attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote both on a show of hands and on a poll as if they were a member of the Company.

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

### 8.2 Encourage Poll Voting

In line with the international best practice in CG, the voting at the 36<sup>th</sup> AGM held on 28 March 2013 was conducted on a poll, rather than on a show of hands to give a fair and more accurate reflection of the views of shareholders by ensuring the recognition of every vote, consistent with the principle of 'one share one vote'. Hence, this practice would enforce greater shareholders' rights, and also allow all votes of shareholders who were unable to attend the Meeting but who had appointed the Chairman of the Meeting as proxy, to vote on their

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

## Corporate Governance Statement

behalf in accordance with their instruction, for exercising their rights as shareholders of the Company.

Tun Chairman exercised his right as the Chairman of the Meeting to demand for a poll in accordance with Article 54 of the AA in respect of all resolutions which were put to vote at the 36<sup>th</sup> AGM except for two resolutions in which he had to abstain from voting. Two other shareholders demanded for poll voting for Resolutions 6 and 8 as set out in the Notice of 36<sup>th</sup> AGM.

Voting slips for the 36<sup>th</sup> AGM were issued by the Share Registrar upon registration, pre-printed with name, identity card number/company number, and number of shares held. The polling process for the resolutions was conducted upon completion of the deliberation of all items to be transacted at the 36<sup>th</sup> AGM.

The Poll Administrator, Tricor Investor Services Sdn Bhd commenced the poll vote count after the adjournment of the meeting and the results of the poll were verified by the Scrutineers, Ernst & Young. The meeting resumed and the results of the poll voting, including votes cast in favour and against, for each resolution were announced by the Scrutineers, upon which the Chairman declared whether or not the resolutions were carried. Announcement on the poll results was also made by Bursa Malaysia via Bursa LINK on the same day for the benefit of the shareholders.

As approved by the shareholders at the 36<sup>th</sup> AGM, the AA of the Company was amended to allow poll voting to be conducted manually using voting slips or electronically using various forms of electronic voting devices, for the purpose of determining the outcome of the resolutions more efficiently.

### 8.3 Effective Communication and Proactive Engagements

At the 36<sup>th</sup> AGM, a total of 11 out of 12 Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The proceedings of the 36<sup>th</sup> AGM included the CEO's presentation of the Company's operating and financial performance for 2012, the presentation of the external auditors' unqualified report to the shareholders, and a Q&A session during which the Chairman invited shareholders to raise questions pertaining to the Company's accounts and other items for adoption at the meeting, before putting a resolution to vote. The Directors, CEO/ Management and external auditors were in attendance to respond to the shareholders' queries. The CEO also shared with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.

Shareholders were also invited to submit any additional questions they might have had via an enquiry box placed at the venue of the 36<sup>th</sup> AGM so that these could be responded to in writing after the meeting. Officers of the Company were present to handle other face-to-face enquiries from shareholders.

### COMPLIANCE STATEMENT

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

The Board is satisfied that in 2013, the Company fully complied with the principles and recommendations of the MCCG 2012.

This Statement was approved by the Board on 29 January 2014.

# Statement on Internal Control and Risk Management

**The Board of Bursa Malaysia is committed to maintaining a sound internal control and risk management system. Each business unit/functional group has implemented its own control processes under the leadership of the Chief Executive Officer (CEO), who is responsible for good business and regulatory governance. The following statement outlines the nature and scope of the Group's internal control and risk management in 2013.**

## BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of the system. The system of internal control covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control matters. The Board recognises that this system is designed to manage, rather than eliminate, the risk of not adhering to Group's policies and achieving goals and objectives. Therefore, the system provides reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.

In 2013, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee (AC) in relation to the internal audits conducted by Group Internal Audit (GIA) during the year. Audit issues as well as actions taken by Management to address the issues tabled by GIA were deliberated upon during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

A Risk Management Committee (RMC) was established and maintained in accordance with Section 22 of the Capital Markets and Services Act 2007 (CMSA) to provide risk oversight as well as ensure prudent risk management of Bursa Malaysia's business and operations. The RMC via its meetings held in 2013 had reviewed, deliberated upon and provided advice on matters pertaining to the key corporate risks, risk assessment of projects and programmes, operational risks and mitigation measures, as well as enterprise risk management (ERM) activities.

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

## KEY INTERNAL CONTROL PROCESSES

The Group's internal control system encompasses the following key processes:

### 1. Separation of Commercial and Regulatory Functions

- a. The Group's commercial and regulatory functions are segregated to ensure the proper discharge of Bursa Malaysia's regulatory duties.

Both these functions operate independently of each other to ensure that business units are not in a position to influence any regulatory decision made by the Regulation unit. It is Bursa Malaysia's statutory duty to always act in the public's best interest, having particular regard for the need to protect investors. Public Interest Directors (PIDs) are appointed by the Minister of Finance to Bursa Malaysia's Board to ensure decisions are made in the public interest.

Regulatory Committees which have been set up to deliberate and decide on regulatory matters comprise independent individuals with significant and relevant industry experience, apart from Board members, to further ensure Bursa Malaysia upholds its obligation to safeguard public interest.

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

### 2. Authority and Responsibility

- a. Certain responsibilities are delegated to Board Committees through clearly defined Terms of Reference (TOR) which are reviewed annually.
- b. The Authority Limits Document is reviewed from time to time to reflect the authority and authorisation limits of Management in all aspects of Bursa Malaysia's major business operations and regulatory functions.
- c. The Group's Management Governance Framework, comprising two committees for the governance function and three committees for the business operations function, has clearly defined TOR to enable good business and regulatory governance.

### 3. Planning, Monitoring and Reporting

- a. An annual planning and budgetary exercise is undertaken requiring all divisions to prepare business plans and budgets for the forthcoming year. These are deliberated upon and approved by the Board before implementation.



## Statement on Internal Control and Risk Management

- b. The Board is updated on the Group's performance at every meeting. The Group's Business Plan and Budget performance for the year is reviewed and deliberated upon by the Board on a half-yearly basis. Financial performance variances are presented to the Board on a quarterly basis.
- c. There is a regular and comprehensive flow of information to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy, business and regulatory plans. The Board also reviews and approves the Annual Regulatory Report, aimed at reporting to the Securities Commission (SC) under Section 16 of the CMSA, the extent to which Bursa Malaysia and its subsidiaries have complied with their duties and obligations under Sections 11 and 21 of the CMSA.
- d. The Director of Corporate Services who is also the Chief Financial Officer (CFO), is required to provide assurance to the AC that adequate processes and controls are in place for an effective and efficient financial statements close process in the preparation of financial statements for every quarter. The CFO also assures that appropriate accounting policies have been adopted and applied consistently to give a true and fair view of the state of affairs of the Group in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 of Malaysia.
- b. Annual on-site regulatory audits are conducted by the SC on the Group's operations to ensure compliance with its duties and obligations under the CMSA, as well as its policies and procedures.
- c. The yearly certification for Information Security Malaysia Standard, MS ISO/ IEC 27001:2007 Information Security Management Systems was carried out by CyberSecurity Malaysia.
- d. The Auditor Independence Policy requires the lead audit and engagement quality reviewing partners to be subject to a five-year rotation with a five-year cooling off period. An annual plan, encompassing planned statutory audit, recurring non-audit services and other anticipated non-audit services by the External Auditors, requires prior approval by the AC. The AC's approval is also required for unplanned non-audit services obtained from the current External Auditor.
- e. The GIA team is required to conduct an assessment of the internal control system pertaining to the processes of the relevant business units/functional groups which have a bearing on the financial information of Bursa Malaysia, to ensure the reliability and integrity of such information. The Senior Executive Vice President, Group Internal Audit who is also the Head of GIA is required to confirm the effective operation of process controls which support the preparation of the financial statements.

### 4. Policies and Procedures

- a. Clear, formalised and documented internal policies, standards and procedures are in place to ensure compliance with internal controls and relevant laws and regulations. A list of identified laws and regulations applicable to Bursa Malaysia is documented and maintained to facilitate compliance. Regular reviews are performed to ensure that documentation remains current and relevant. Common Group policies are available on Bursa Malaysia's intranet for easy access by staff.
- b. For significant system development/enhancement projects, whether involving new product/service launches or not, the GIA conducts a System Readiness Review to ensure that due processes have been complied with prior to the implementation or launch of the product/service.

### 5. Audits

- a. Through its internal audits, GIA assesses compliance with policies and procedures as well as relevant laws and regulations. In addition, it examines and evaluates the effectiveness and efficiency of the Group's internal control system using the risk-based audit approach.

- f. Besides the annual audit, the External Auditors are engaged to conduct a limited review of the quarterly financial results together with the cumulative quarters in accordance with International Standard on Review Engagements 2410 (ISRE 2410), "Review of Interim Financial Reporting Information Performed by the Independent Auditor of the Entity" for the first three quarters of the year.

### 6. Risk Management

- a. The Group has in place an ERM framework for managing risks affecting its business and operations. One of the key features of our ERM framework is the risk governance structure comprising three lines of defence with established and clear functional responsibilities and accountabilities for the management of risk.
- b. Senior Management, which includes Management Committee members and Divisional Heads, are the first line of defence and are accountable for all risks assumed under their respective areas of responsibility in line with the Risk Management Policy and Guidelines. This group is also responsible for creating a risk-awareness culture, which will ensure greater understanding of the importance of risk management and ensure that its principles are embedded in key operational processes and all projects.

## Statement on Internal Control and Risk Management

- c. The second line of defence is provided by the RMC, assisted by the Corporate Risk Management (CRM) team, which is collectively responsible for overseeing the risk management activities of the Group and ensuring compliance with, as well as effective implementation of risk policies and objectives. In discharging its oversight function, the RMC through its scheduled meetings in 2013 apprised and deliberated upon the efforts taken by Management to address and mitigate the key corporate risks faced by Bursa Malaysia. The RMC also reviewed the progress and status of ERM activities, provided feedback on revisions to the risk parameters as well as raised issues of concern for Management's attention.
- d. The third line of defence is the AC, assisted by GIA. It provides independent assurance of the adequacy and reliability of the risk management processes and system of internal control, as well as compliance with risk-related regulatory requirements.
- e. Within the framework, we have an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the divisional and corporate levels. An automated system has also been implemented to standardise and facilitate the risk documentation and reporting process in regard to divisional risks.
- f. Under our framework, our level of risk tolerance is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to have "exceeded risk tolerance" and those which have not. We have clear risk treatment guidance on the actions to be taken for the relevant risks.
- g. To ensure that our ERM framework remains sound and effective, in 2013 we implemented the following: a new set of quantitative and qualitative parameters for measuring different impact dimensions; additional quantitative parameters with probability for assessing likelihood; a revised heat map to align with the risk tolerance; and revised risk treatment guidance.
- h. Our significant risks for 2013, and the management of these risks are outlined below:
- ii. In conjunction with the new Bursa Trade Securities (BTS2) systems roll out in December 2013, Bursa Malaysia conducted many tests/exercises internally as well as with industry participants. There were five BCP tests conducted in the month of September and October 2013 with industry participants, including the activation of alternate site and backup systems. This is to provide assurance that in the unlikely event that Bursa Malaysia encounters major business interruption, our alternate site and backup systems can be successfully activated to resume our critical business operations.
- iii. For the derivatives market which operates on the Globex platform, in addition to two successful BCP tests with some market participants on 11 May 2013 and 15 June 2013, the team successfully conducted an industrywide BCP test with market participants and CME Group Inc. (CME) on 13 July 2013. This exercise involved simulating the recovery and resumption of the derivatives critical functions/systems following the failure of the derivatives systems during trading hours.

Talent management risk

- i. In 2013, we undertook several initiatives to ensure accelerated growth in behavioural, technical and functional competencies with an emphasis on increasing our employee value proposition and motivating our employees. These initiatives included:
- The implementation of the revised Job Grading Structure & Rewards Structure to ensure internal and external equity as well as ensure that our human resource practices are fair as we strive to be on par with the financial institutions market. The revised structure also serves as a foundation to ensure more effective implementation of strategic human resource initiatives;
  - The introduction of new Behavioural Competencies (which have been mapped to human resource practices) have provided a more uniform view while serving as a basis for defining leadership and/or managerial capabilities. The Behavioural Competencies are critical in order to ensure effective development of our leadership pipeline;
  - The enhancement of technical competencies for Middle Management to increase the capacity and productivity of the talent within the organisation. Specific "technical skills" and knowledge are charted to depict the required competencies necessary to perform specific functions;
  - Leadership programmes focused on harnessing leadership capability as well as grooming future leaders;

Business interruption risk

- i. A comprehensive Business Continuity Plan (BCP), including a Disaster Recovery Plan which is tested annually, is in place to ensure continuity of our business and technology operations. In 2013, Bursa Malaysia did not face any major business interruption.

## Statement on Internal Control and Risk Management

- Targeted employee engagement activities to foster camaraderie as well as create a harmonious and conducive working environment; and
  - More strategic employer-visibility initiatives, aimed at building employer branding among potential entry-level and professional-level employees.
- ii. All areas of human resources are essential to mitigate talent management risks and the outcomes of all initiatives taken are measured and monitored to determine the effectiveness and adequacy to tackle any area of risk.

### Competition risk

- i. To continue reinforcing Bursa Malaysia's position as a competitive marketplace, we implemented various business initiatives in 2013 to create a more facilitative trading environment, offer more tradable alternatives, reshape our market structure and framework, and become a regional marketplace with global access.

### Counterparty credit risk

- i. Bursa Malaysia has set in place robust risk management processes and procedures to manage counterparty/settlement risks and prevent any systemic impact on the market. In the area of managing counterparty/settlement risks, Bursa Malaysia Securities Clearing Sdn Bhd and Bursa Malaysia Derivatives Clearing Berhad act as the clearing houses for equities and derivatives trades respectively. These processes and procedures include:
- Daily mark to market positions, initial and variation margin requirements and collateral management;
  - Monitoring capital requirements and adequacy;
  - Managing credit exposures via price, trading, single client, equity and position limits;
  - Monitoring the financial health of the clearing settlement banks via the Risk Weighted Capital Ratio (RWCR) and credit ratings. The concentration risk is also monitored based on the Trading Clearing Participant's (TCP) or Clearing Participant's (CP) total trade settlement with the relevant clearing settlement banks;
  - Maintenance and stress-testing adequacy of the Clearing Guarantee Fund (CGF) and the Clearing Fund for equities and derivatives trading respectively; and
  - Conducting default drills to test the effectiveness of relevant rules and procedures.

- ii. In 2013, there were no settlement defaults by any TCP or CP, and neither the CGF nor the Clearing Fund was called upon.
- iii. We will continue to review and enhance the above processes and procedures in accordance with best practices and standards to ensure they are viable and robust.

### Regulatory risk

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

## 7. Performance Measurement

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

## 8. Staff Competency

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

## 9. Conduct of Staff

- a. A Code of Ethics is established for all employees, which defines the ethical standards and conduct of work required at Bursa Malaysia.
- b. Bursa Malaysia has a stand-alone Whistleblower Policy and Procedures (WPP) to provide an avenue for staff or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner.

## Statement on Internal Control and Risk Management

- c. A Securities Transaction Policy is established to govern the securities transactions of the Group's staff. The policy prohibits employees from using unpublished price sensitive information obtained during the course of their work for personal gain or for the gain of other persons. Employees (including principal officers) are also not allowed to trade in the securities of Bursa Malaysia during the closed period, which is 30 calendar days preceding the announcement of Bursa Malaysia's quarterly and annual financial results.
- d. A Corporate Fraud Policy is established to aid in the detection and prevention of fraud and to promote consistent organisational behaviour and practices.
- e. A Confidentiality Policy is established for the management, control and protection of confidential information used by the Group to avoid leakage and improper use of such information.
- f. Management and employees at Grade E6 and above are required to declare and provide an update annually on assets acquired or disposal during the year.
- g. Segregation of duties is practised whereby conflicting tasks are assigned to different members of staff to reduce the scope for error and fraud.

## 10. Insurance

- a. Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. A yearly policy renewal exercise is undertaken in which Management reviews the coverage based on the current fixed asset inventory and the respective net book values and "replacement value", i.e. the prevailing market price for the same or similar item, where applicable. The underwriter also assists by conducting a risk assessment, which helps Bursa Malaysia in assessing the adequacy of the intended coverage. There is also a yearly renewal exercise to ensure adequacy of the Group's professional indemnity insurance coverage.

## REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this Statement for inclusion in the 2013 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control and risk management. This statement was approved by the Board on 29 January 2014. GIA has reviewed this Statement and reported to the AC that, while it has addressed individual lapses in internal control during the course of its internal audit assignments for the year, it has not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control and risk management system.

## CONCLUSION

The Board is of the view that the system of internal control and risk management is in place for the year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard shareholders' investments, the interests of customers, regulators, employees and other stakeholders, as well as the Group's assets.

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



# Audit Committee Report

**The Board presents the Audit Committee Report which provides insights into the manner in which the Audit Committee discharged its functions for the Group in 2013.**

## COMPOSITION AND ATTENDANCE

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

The AC Chairman, Tan Sri Datuk Dr. Abdul Samad Haji Alias, is a Fellow of the Institute of Chartered Accountants, Australia, a member of the Malaysian Institute of Accountants, and a member of the Malaysian Institute of Certified Public Accountants. Accordingly, Bursa Malaysia complies with paragraph 15.09(1)(c)(i) of the MMLR.

The Board reviews annually the terms of office of the AC members and assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation. The Board is satisfied that the AC and its members have been able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the AC which are available on Bursa Malaysia's website, thereby supporting the Board in ensuring appropriate Corporate Governance (CG) standards within the Group.

## MEETINGS

The AC held five meetings in 2013 without the presence of other Directors and employees, except when their attendance was requested by the AC. The Chief Executive Officer (CEO) was invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group. The Senior Executive Vice President, Group Internal Audit who is also the Head of Group Internal Audit (GIA) and Departmental Heads of the respective GIA functions were present at all AC meetings to table the respective Internal Audit (IA) reports. The relevant Management of the audit subjects were invited to brief the AC on specific issues arising from the relevant audit reports.

As part of the AC's efforts to ensure the reliability of Bursa Malaysia's quarterly financial statements and compliance with applicable Financial Reporting Standards (FRS), External Auditors were engaged to conduct a limited review of Bursa Malaysia's quarterly financial statements before these were presented to the AC for review and recommendation for the Board's approval and adoption. In this respect, the lead audit engagement partner of the External Auditors responsible for the Group attended four AC meetings in 2013 to present the auditors' report on the annual audited financial statements for 2012, as well as the auditors' review reports on the unaudited quarterly financial statements together with the cumulative quarters for 2013.

During the first meeting between the External Auditors and the AC in 2013, the AC sought the External Auditors' confirmation that they had been given unfettered access to information and co-operation from the Management in the course of audit. In the AC meetings, the External Auditors were invited to raise any matter they considered important for the AC's attention. The AC Chairman obtained confirmation from the External Auditors that the Management had given its full support and unrestricted access to information as required by the External Auditors to perform their duties.

In addition to the meetings held between the AC and the External Auditors during AC meetings where the External Auditors were given opportunities to raise any matters without the presence of Management, the AC members also gave unrestricted access to the External Auditors to contact them at any time should they become aware of incidents or matters in the course of their audits or reviews.

Deliberations during the AC meetings, including the issues tabled and rationale adopted for decisions, were recorded. Minutes of the AC meetings were tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation. In 2013, the AC Chairman presented to the Board the recommendations of the Committee for approval of the annual and quarterly financial statements as well as declaration of dividends. The AC Chairman also conveyed to the Board matters of significant concern as and when raised by the External Auditors or Internal Auditors.

## SUMMARY OF ACTIVITIES

The AC's activities during 2013 encompassed the following:

### 1. Financial Reporting

- a. In overseeing Bursa Malaysia's financial reporting, the AC reviewed the quarterly financial statements for the fourth quarter of 2012 and the annual audited financial statements of 2012 at its meeting on 29 January 2013. The quarterly financial statements for the first, second and third quarters of 2013 which were prepared in compliance with the Malaysian Financial Reporting Standards 134: Interim Financial Reporting, International Accounting Standards 34: Interim Financial Reporting and paragraph 9.22, including Appendix 9B of the MMLR, were reviewed at the AC meetings on 16 April 2013, 16 July 2013 and 21 October 2013 respectively (AC Meetings in 2013). On 27 January 2014, the AC reviewed the quarterly financial statements for the fourth quarter of 2013 and the annual audited financial statements for 2013. The AC's recommendations were presented at the respective Board meetings held subsequently for approval.

- b. To safeguard the integrity of information, the Director, Corporate Services who is also the Chief Financial Officer (CFO) had, on 8 April 2013, 11 July 2013, 10 October 2013 and 22 January 2014, given assurance to the AC that adequate processes and controls were in place for an effective and efficient financial statements close process in the preparation of the quarterly financial statements of 2013, and that appropriate accounting policies had been adopted and applied consistently to give a true and fair view of the state of affairs of the Group.
- c. On 29 January 2013, the CFO presented for the AC's approval the proposed audit and non-audit services to be provided by the External Auditors for 2013 (Annual Plan 2013) in accordance with the Auditor Independence Policy.
- d. On 21 October 2013, the AC reviewed the External Auditors' 2013 Audit Plan outlining their scope of work and proposed fees for the statutory audit and review of the Statement on Internal Control and Risk Management for 2013. The AC further resolved to recommend the proposed fees to the Board for approval.
- e. On 27 January 2014, the CFO presented that an amount of RM220,000 was actually incurred for non-audit fees in 2013, which constituted approximately 43% of the total remuneration of RM518,000 to the External Auditors for 2013. At the same meeting, the CFO also presented for the AC's review the list of services in the Annual Plan 2014.
- f. On 27 January 2014, the performance of the external audit function was reviewed and assessed by the AC. Feedback on the conduct of the external audit was obtained from the Management.

## 2. External Audit

- a. The AC deliberated upon the External Auditors' report at its meeting on 29 January 2013 with regard to the relevant disclosures in the annual audited financial statements for 2012. The AC also considered suggestions to improve the accounting procedures and internal control measures.
- b. On 29 January 2013, the AC reviewed the list of services in the Annual Plan 2013 which comprised the non-recurring and recurring non-audit services that may be provided by the External Auditors. The non-recurring non-audit services that were expected to be utilised in 2013 were ad-hoc tax advisory services, special audits in connection with the transfer of Bursa Malaysia Securities Berhad - Compensation Fund and Bursa Malaysia Derivatives Berhad - Fidelity Fund to Capital Market Compensation Fund Corporation, as well as goods and services tax implementation. The recurring non-audit services were in respect of tax compliance, scrutineers at Bursa Malaysia's AGM, the annual review of the Statement on Internal Control and Risk Management, and limited reviews of quarterly financial statements. In considering the nature and scope of non-audit fees, the AC was satisfied that they were not likely to create any conflicts of interest, nor impair the independence and objectivity of the External Auditors.
- c. Bursa Malaysia has in place the Auditor Independence Policy which requires the lead and concurring audit engagement partners of Bursa Malaysia Group to be subject to a five-year cooling-off period. Mr. Chan Hooi Lam became the lead audit engagement partner in 2010 and will be rotated in 2015, whilst Ms. Gloria Goh became the concurring audit engagement partner in 2011 and will be rotated in 2016.

In this respect, the AC carries out an annual review of the performance of the External Auditors, including assessment of their independence in the performance of their obligations as External Auditors. For 2013, the AC was satisfied with the External Auditors' technical competency and independence, based on its annual evaluation of their performance, and with the reasonableness of their audit fees. With that, the AC further recommended for the Board's approval the reappointment of the External Auditors for 2013.

The External Auditors provided written assurance on 27 January 2014 to the AC that they were and had been, independent throughout the conduct of the audit engagement for 2013 in accordance with terms of all relevant professional and regulatory requirements.

Being satisfied with the performance of the External Auditors, the AC recommended their reappointment for 2014.

## 3. Internal Audit

- a. The GIA team conducted the audit activities as planned in the 2013 Audit Plan approved by the AC on 26 November 2012. The Head of GIA and Departmental Heads of the respective GIA functions presented GIA's reports at every AC meeting during the year which reports on the status and progress of IA assignments, including summaries of the audit reports issued, audit recommendations provided by the Internal Auditors and Management's response to those recommendations.

During AC Meetings in 2013, GIA had given assurance to the AC via Representation Letters that there was no material issue or major deficiency noted that posed a high risk to the overall system of internal control over IT maintenance expenses, securities trade fees, information services fees and access fees respectively.

- b. At the meeting on 29 January 2013, the AC deliberated on the results of GIA's 2012 Balanced Scorecard and Key Performance Indicators (KPIs). The GIA's 2013 Balanced Scorecard and KPIs were considered and approved on 16 April 2013.
- c. At the meeting on 16 April 2013, the AC reviewed the results of GIA's Customer Satisfaction Survey for 2012, which included an analysis of IA's strengths and weaknesses and action plans to improve audit services to IA's customers. The results indicated that IA's customers were generally satisfied with the performance of the IA function.

## Audit Committee Report

- d. On 16 April 2013, GIA presented the post-mortem report for the Annual IA Plan of 2012 which provided an overall indication of the adequacy and effectiveness of controls implemented within the Group to mitigate its key risks.
- e. At the meeting on 19 November 2013, the AC considered the adequacy of scope and comprehensive coverage of the Group's activities and approved the IA's Annual Audit Plan for 2014.
- f. On 19 November 2013 and 27 January 2014, the AC reviewed the annual Statement on Internal Control and Risk Management for publication in the 2013 Annual Report.
- g. On 19 November 2013, the AC reviewed the verification of share grants under the Share Grant Plan (SGP) of Bursa Malaysia which comprised two components, namely the Restricted Share Plan (RSP) for employees at Grade E7 and above and the Performance Share Plan (PSP) for key management personnel in addition to their RSP. The AC concurred that the award of shares under the SGP complied with the criteria approved by the Nomination and Remuneration Committee pursuant to Paragraph 8.17(2) of the MMLR, which included the following:
  - i. The award of shares in Bursa Malaysia (Plan Shares) to eligible employees of the Group on 1 July 2013 for the 2013 RSP Grant based on their job grades and performance ratings for 2012;
  - ii. The vesting of Plan Shares for the 2011 and 2012 RSP Grants on 15 July 2013; and
  - iii. The award of Plan Shares to selected executives of the Group on 1 July 2013 for the 2013 PSP Grant based on performance targets for the period 2013 to 2015.

The MRAC, which is a management committee under the Group's Management Governance Framework, reviews reports from the Internal Auditors, External Auditors and the Securities Commission for the purpose of assessing the adequacy and integrity of the system of internal control of the Group. The MRAC held four meetings in 2013.

The IA activities were carried out based on a risk-based audit plan presented to the AC for approval. The establishment of the audit plan took into consideration the Corporate Risk Profile and input from Senior Management and the AC members.

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

All IA activities in 2013 were conducted by the in-house audit team. No area of the IA function was outsourced. The total costs incurred by GIA in discharging its functions and responsibilities in 2013 amounted to RM2,780,624 as compared to RM2,753,614 in 2012.

### INTERNAL AUDIT FUNCTION

The purpose of the IA function is to provide the Board, through the AC, with reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group. GIA was led by the Head of GIA, which reported functionally to the AC and administratively to the CEO during the financial year 2013.

The GIA comprises four departments i.e. Strategic and Operations Audit, Compliance and Project Audit, IT Audit and Audit Strategic Planning. To ensure that the responsibilities of GIA are fully discharged, the AC reviews the adequacy of the scope, functions and resources of the IA function as well as the competency of the Internal Auditors.

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

# Corporate Information

## Group Corporate Structure

### Bursa Malaysia Berhad (30632-P)





# Corporate Information

## Other Corporate Information

### SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

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Tel: 03-2145 4528  
E-mail: saifulbahri@affininvestmentbank.com.my

### COMPANY SECRETARIES

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LS 006674

Hong Soo Yong, Suzanne  
MAICSA 7026744

### REGISTERED OFFICE

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Tel: 03-2034 7000  
Fax: 03-2732 6437  
E-mail: enquiries@bursamalaysia.com  
Web: www.bursamalaysia.com

### FORM OF LEGAL ENTITY

Incorporated on 14 December 1976 as a public company limited by guarantee. Converted to a public company limited by shares on 5 January 2004 pursuant to the Demutualisation (Kuala Lumpur Stock Exchange) Act 2003

### STOCK EXCHANGE LISTING

Listed on Main Board of Bursa Malaysia Securities Berhad on 18 March 2005  
Stock Code: 1818  
Stock Name: BURSA

### CUSTOMER SERVICE

Bursa Malaysia Berhad  
3<sup>rd</sup> Floor, Exchange Square  
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50490 Kuala Lumpur

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Damansara Heights  
50490 Kuala Lumpur

Malayan Banking Berhad (3813-K)  
Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur

# Financial Calendar

**2014**

**JANUARY**

Announcement of the audited consolidated results for the 4<sup>th</sup> quarter and financial year ended 31 December 2013

37<sup>th</sup> Annual General Meeting

**MARCH**

**APRIL**

Announcement of the consolidated results for the 1<sup>st</sup> quarter ending 31 March 2014

Announcement of the consolidated results for the 2<sup>nd</sup> quarter ending 30 June 2014

**JULY**

**OCTOBER**

Announcement of the consolidated results for the 3<sup>rd</sup> quarter ending 30 September 2014

**2015**

**JANUARY/  
FEBRUARY**

Announcement of the audited consolidated results for the 4<sup>th</sup> quarter and financial year ended 31 December 2014



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# Directors' Responsibility Statement

## for the Audited Financial Statements

The Directors are required by the Companies Act, 1965 (CA) to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs), and the requirements of the CA in Malaysia and the Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the CA.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.



# Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

## Principal activities

The Company is an exchange holding company, whose principal activities are treasury management and the provision of management and administrative services to its subsidiaries.

The principal activities of the subsidiaries are to operate the Malaysian securities, derivatives and offshore exchanges and the Shari'ah compliant commodity trading platform, to operate the related depository function and clearing houses, and to disseminate information relating to securities quoted on the exchanges. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

## Results

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit for the year	179,385	121,003
Profit attributable to:		
Owners of the Company	173,075	121,003
Non-controlling interest	6,310	-
	<b>179,385</b>	<b>121,003</b>

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the statements of changes in equity and Note 2.2 to the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies as disclosed in Note 2.2 to the financial statements.

## Dividends

The amount of dividends paid by the Company since 31 December 2012 were as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2012, as reported in the Directors' report of that year:	
Final dividend under the single-tier system of 13.5 sen per share, on 532,274,000 ordinary shares, declared on 28 March 2013 and paid on 16 April 2013	71,857
In respect of the financial year ended 31 December 2013:	
Interim dividend under the single-tier system of 16.0 sen per share, on 532,612,000 ordinary shares, declared on 18 July 2013 and paid on 15 August 2013	85,218
Special dividend under the single-tier system of 20.0 sen per share, on 532,612,000 ordinary shares, declared on 18 July 2013 and paid on 15 August 2013	106,522
<b>Total dividends paid since 31 December 2012</b>	<b>263,597</b>

At the forthcoming Annual General Meeting, a final dividend under the single-tier system in respect of the financial year ended 31 December 2013 of 16.0 sen per share on 532,612,000 ordinary shares, amounting to a dividend payable of approximately RM85,218,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

## Directors

The names of the Directors of the Company in office since the date of the last report and as at the date of this report are:

Tun Mohamed Dzaidin bin Haji Abdullah	
Dato' Tajuddin bin Atan	
Datuk Dr. Md Tap bin Salleh	
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	
Dato' Saiful Bahri bin Zainuddin	
Tan Sri Ong Leong Huat @ Wong Joo Hwa	
Datuk Karownakaran @ Karunakaran a/l Ramasamy	(appointed on 28 March 2013)
Chay Wai Leong	(appointed on 28 March 2013)
Ghazali bin Hj Darman	(appointed on 28 March 2013)
Dato' Wong Puan Wah @ Wong Sulong	(retired on 28 March 2013)
Izham bin Yusoff	(retired on 28 March 2013)
Dato' Dr. Thillainathan a/l Ramasamy	(retired on 28 March 2013)
Cheah Tek Kuang	(retired on 28 March 2013)
Datuk Puteh Rukiah binti Abd Majid	(ceased on 27 May 2013)

## Directors' Report

**Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the shares awarded under the Share Grant Plan (SGP).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

**Directors' interests**

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

	Number of ordinary shares of RM0.50 each			
	1.1.2013	Shares vested under the SGP	Sold	31.12.2013
	'000	'000	'000	'000
Tun Mohamed Dzaidin bin Haji Abdullah	100	-	(10)	90
Dato' Tajuddin bin Atan	250	257	-	507

**Direct interests**

	Number of ordinary shares of RM0.50 each			
	1.1.2013	Child	Sold	31.12.2013
	'000	Purchased	'000	'000
Tun Mohamed Dzaidin bin Haji Abdullah	6	-	-	6

**Indirect interests**

	Number of ordinary shares of RM0.50 each granted under the SGP			
	1.1.2013	Granted	Vested	31.12.2013
	'000	'000	'000	'000
Dato' Tajuddin bin Atan	80	342	(257)	165

Other than the above, the Directors in office at the end of the financial year did not have any interest in shares of the Company or its related corporations during the financial year.

### Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM266,012,000 to RM266,306,000 by way of the issuance of 588,000 ordinary shares of RM0.50 each, pursuant to the Company's SGP.

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

### Share Grant Plan

The Company's SGP is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 14 April 2011. The SGP has been implemented on 18 April 2011 and is made up of two plans - the Restricted Share Plan (RSP) and the Performance Share Plan (PSP). The SGP will be in force for a maximum period of 10 years from the date of implementation.

The salient features, terms and details of the SGP are as disclosed in Note 27(b) to the financial statements.

During the financial year, the Company granted 1,375,000 shares under RSP and 475,000 shares under PSP to its eligible employees. The details of the shares granted under SGP and its vesting conditions are disclosed in Note 27(b) to the financial statements.

### Other statutory information

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.



## Directors' Report

### Other statutory information (cont'd.)

- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Subsequent event

The subsequent event is disclosed in Note 41 to the financial statements.

### Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 January 2014.



**Tun Mohamed Dzaiddin bin Haji Abdullah**



**Dato' Tajuddin bin Atan**

# Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tun Mohamed Dzaidin bin Haji Abdullah and Dato' Tajuddin bin Atan, being two of the Directors of Bursa Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 86 to 179 are drawn up in accordance with MFRSs, IFRSs and the requirements of the CA in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 42 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 January 2014.



Tun Mohamed Dzaidin bin Haji Abdullah



Dato' Tajuddin bin Atan

# Statutory Declaration

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

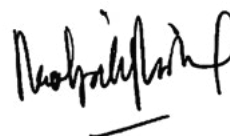
I, Nadzirah binti Abdul Rashid, being the Officer primarily responsible for the financial management of Bursa Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 86 to 180 are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Nadzirah binti Abdul Rashid at Kuala Lumpur in the Federal Territory on 29 January 2014.

Before me,




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



Nadzirah binti Abdul Rashid

# Independent Auditors' Report

## to the Members of Bursa Malaysia Berhad (Incorporated in Malaysia)

### Report on the financial statements

We have audited the financial statements of Bursa Malaysia Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 86 to 179.

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

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

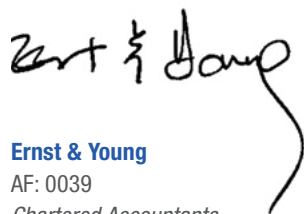
Independent Auditors' Report  
to the Members of Bursa Malaysia Berhad (Incorporated in Malaysia)

### Other Reporting Responsibilities

The supplementary information set out in Note 42 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**Ernst & Young**  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia

29 January 2014



**Chan Hooi Lam**  
No. 2844/02/16(J)  
Chartered Accountant



# Income Statements

for the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Operating revenue	3	439,822	388,466	295,908	313,966
Other income	4	35,172	36,121	21,803	24,052
		474,994	424,587	317,711	338,018
Staff costs	5	(119,965)	(101,813)	(109,290)	(93,988)
Depreciation and amortisation	6	(34,964)	(33,713)	(31,175)	(30,999)
Other operating expenses	7	(74,485)	(73,722)	(50,877)	(52,680)
Profit before tax		245,580	215,339	126,369	160,351
Income tax expense	9	(66,195)	(58,453)	(5,366)	(9,415)
<b>Profit for the year</b>		<b>179,385</b>	<b>156,886</b>	<b>121,003</b>	<b>150,936</b>
<b>Profit attributable to:</b>					
Owners of the Company		173,075	150,598	121,003	150,936
Non-controlling interest		6,310	6,288	-	-
		179,385	156,886	121,003	150,936
<b>Earnings per share attributable to owners of the Company (sen per share):</b>					
Basic	10(a)	32.5	28.3		
Diluted	10(b)	32.4	28.3		

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

# Statements of Comprehensive Income

for the financial year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
<b>Profit for the year</b>	<b>179,385</b>	156,886	<b>121,003</b>	150,936
<b>Other comprehensive income:</b>				
<b>Items that will not be subsequently reclassified to profit or loss:</b>				
Actuarial (losses)/gains on defined benefit obligations (Note 27(a))	(1,029)	3,413	(1,029)	3,413
Income tax relating to actuarial gains and losses on defined benefit obligations	257	(854)	257	(854)
	(772)	2,559	(772)	2,559
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Foreign currency translation	112	(99)	-	-
Net fair value changes in available-for-sale (AFS) financial assets	38,171	160	38,801	44
Income tax relating to AFS financial assets	143	14	69	54
	38,426	75	38,870	98
<b>Total other comprehensive income for the year, net of income tax</b>	<b>37,654</b>	2,634	<b>38,098</b>	2,657
<b>Total comprehensive income for the year</b>	<b>217,039</b>	159,520	<b>159,101</b>	153,593
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	210,729	153,232	159,101	153,593
Non-controlling interest	6,310	6,288	-	-
	<b>217,039</b>	159,520	<b>159,101</b>	153,593

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

# Consolidated Statement of Financial Position

as at 31 December 2013

	Note	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12	206,356	209,733	218,397
Computer software	13	61,404	61,274	59,614
Goodwill	14	42,957	42,957	42,957
Investment securities	16	163,495	123,782	93,371
Staff loans receivable	17	7,122	9,140	11,678
Deferred tax assets	18	1,648	1,278	1,034
		<b>482,982</b>	<b>448,164</b>	<b>427,051</b>
<b>Current assets</b>				
Trade receivables	19	32,733	28,462	27,632
Other receivables	20	15,794	16,081	13,170
Tax recoverable		6,612	4,296	388
Investment securities	16	51,183	54,936	33,441
Cash and bank balances not belonging to the Group	22	770,917	1,175,000	671,880
Cash and bank balances of the Group	23	381,442	471,503	499,943
		<b>1,258,681</b>	<b>1,750,278</b>	<b>1,246,454</b>
<b>Total assets</b>		<b>1,741,663</b>	<b>2,198,442</b>	<b>1,673,505</b>

Consolidated Statement of Financial Position  
as at 31 December 2013

	Note	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	24	266,306	266,012	265,800
Share premium		94,167	90,505	87,553
Other reserves	25	67,716	26,828	25,429
Retained earnings	26	382,962	474,256	462,062
<b>Equity attributable to owners of the Company</b>		<b>811,151</b>	857,601	840,844
<b>Non-controlling interest</b>		<b>16,330</b>	15,770	14,232
<b>Total equity</b>		<b>827,481</b>	873,371	855,076
<b>Non-current liabilities</b>				
Retirement benefit obligations	27(a)	28,950	30,023	33,599
Deferred capital grants	28	7,768	9,934	11,850
Deferred tax liabilities	18	12,892	7,895	7,564
		<b>49,610</b>	47,852	53,013
<b>Current liabilities</b>				
Trade payables	22	734,318	1,137,234	636,166
Clearing funds	22	35,374	35,938	34,485
Other payables	29	89,134	94,479	79,913
Tax payable		5,746	9,568	14,852
		<b>864,572</b>	1,277,219	765,416
<b>Total liabilities</b>		<b>914,182</b>	1,325,071	818,429
<b>Total equity and liabilities</b>		<b>1,741,663</b>	2,198,442	1,673,505

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



# Statement of Financial Position

as at 31 December 2013

	Note	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12	203,872	206,143	214,507
Computer software	13	47,338	44,720	47,149
Goodwill	14	29,494	29,494	29,494
Investment in subsidiaries	15	152,142	152,142	148,976
Investment securities	16	98,584	59,322	59,079
Staff loans receivable	17	6,514	8,480	10,946
		<b>537,944</b>	<b>500,301</b>	<b>510,151</b>
<b>Current assets</b>				
Trade receivables	19	1,286	1,375	1,619
Other receivables	20	11,884	10,555	7,872
Due from subsidiaries	21	30,682	44,036	37,859
Tax recoverable		6,612	2,869	-
Investment securities	16	36,268	44,965	33,441
Cash and bank balances	23	144,759	268,375	262,655
		<b>231,491</b>	<b>372,175</b>	<b>343,446</b>
<b>Total assets</b>		<b>769,435</b>	<b>872,476</b>	<b>853,597</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	24	266,306	266,012	265,800
Share premium		94,167	90,505	87,553
Other reserves	25	18,551	(22,581)	(24,003)
Retained earnings	26	280,795	424,161	411,629
<b>Total equity</b>		<b>659,819</b>	<b>758,097</b>	<b>740,979</b>
<b>Non-current liabilities</b>				
Retirement benefit obligations	27(a)	28,950	30,023	33,599
Deferred capital grants	28	4,779	5,934	7,500
Deferred tax liabilities	18	9,388	4,026	7,564
		<b>43,117</b>	<b>39,983</b>	<b>48,663</b>
<b>Current liabilities</b>				
Other payables	29	66,499	74,396	61,971
Tax payable		-	-	1,984
		<b>66,499</b>	<b>74,396</b>	<b>63,955</b>
<b>Total liabilities</b>		<b>109,616</b>	<b>114,379</b>	<b>112,618</b>
<b>Total equity and liabilities</b>		<b>769,435</b>	<b>872,476</b>	<b>853,597</b>

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

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2013

Note	Attributable to owners of the Company											Non-controlling interest (Note a)	Total equity
	Non-distributable						Distributable						
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Foreign currency translation reserve	Share grant reserve	Clearing fund reserves	AFS reserve	Retained earnings	Total			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2013</b>	266,012	90,505	13,900	5,250	(40)	2,320	30,000	(24,602)	492,106	875,451	15,770	891,221	
Effects of revised MFRS and changes in accounting policies disclosed in Note 2.2	-	-	-	-	-	-	-	-	(17,850)	(17,850)	-	(17,850)	
<b>At 1 January 2013 (Restated)</b>	266,012	90,505	13,900	5,250	(40)	2,320	30,000	(24,602)	474,256	857,601	15,770	873,371	
Profit for the year	-	-	-	-	-	-	-	-	173,075	173,075	6,310	179,385	
Other comprehensive income for the year	-	-	-	-	112	-	-	38,314	(772)	37,654	-	37,654	
<b>Total comprehensive income for the year</b>	-	-	-	-	112	-	-	38,314	172,303	210,729	6,310	271,039	
Transactions with owners of the Company:													
Issuance of ordinary shares pursuant to SGP	24	294	3,662	-	-	-	(3,956)	-	-	-	-	-	
Issuance of preference shares by a subsidiary		-	-	200	-	-	-	-	-	200	-	200	
SGP expense		-	-	-	-	6,218	-	-	-	6,218	-	6,218	
Dividends paid	11	-	-	-	-	-	-	-	(263,597)	(263,597)	-	(263,597)	
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	-	(5,750)	(5,750)	
<b>Total transactions with owners of the Company</b>		294	3,662	200	-	-	2,262	-	(263,597)	(257,179)	(5,750)	(262,929)	
<b>At 31 December 2013</b>		266,306	94,167	14,100	5,250	72	4,582	30,000	13,712	382,962	16,330	827,481	

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2013

Note	Attributable to owners of the Company											Non-controlling interest (Note a)	Total equity
	Non-distributable							Distributable					
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Foreign currency translation reserve	Share grant reserve	Clearing fund reserves	AFS reserve	Retained earnings	Total			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2012</b>	265,800	87,553	13,900	5,250	59	996	30,000	(24,776)	481,611	860,393	14,232	874,625	
Effects of revised MFRS and changes in accounting policies disclosed in Note 2.2	-	-	-	-	-	-	-	-	(19,549)	(19,549)	-	(19,549)	
<b>At 1 January 2012 (Restated)</b>	265,800	87,553	13,900	5,250	59	996	30,000	(24,776)	462,062	840,844	14,232	855,076	
Profit for the year	-	-	-	-	-	-	-	-	150,598	150,598	6,288	156,886	
Other comprehensive income for the year	-	-	-	-	(99)	-	-	174	2,559	2,634	-	2,634	
<b>Total comprehensive income for the year</b>	-	-	-	-	(99)	-	-	174	153,157	153,232	6,288	159,520	
Transactions with owners of the Company:													
Issuance of ordinary shares pursuant to SGP	24	2,952	-	-	-	(3,164)	-	-	-	-	-	-	
SGP expense	-	-	-	-	-	4,488	-	-	-	4,488	-	4,488	
Dividends paid	11	-	-	-	-	-	-	-	(140,963)	(140,963)	-	(140,963)	
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(4,750)	(4,750)	
<b>Total transactions with owners of the Company</b>	24	2,952	-	-	-	1,324	-	-	(140,963)	(136,475)	(4,750)	(141,225)	
<b>At 31 December 2012 (Restated)</b>	266,012	90,505	13,900	5,250	(40)	2,320	30,000	(24,602)	474,256	857,601	15,770	873,371	

## Note a

Included in non-controlling interest of the Group at 31 December 2013 are 85 (2012: 84) non-cumulative preference shares of RM1 each in Bursa Malaysia Derivatives Berhad (Bursa Malaysia Derivatives), a subsidiary, for registration as Trading Participants (TPs), at a subscription price determined by Bursa Malaysia Derivatives. During the financial year, Bursa Malaysia Derivatives proposed to revamp its participantship structure. Further details of the revamp is disclosed in Note 41.

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

# Statement of Changes in Equity

for the financial year ended 31 December 2013

	Note	Non-distributable			Distributable		Total equity RM'000
		Share capital	Share premium	Share grant reserve	AFS reserve	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2013</b>		266,012	90,505	2,320	(24,901)	428,853	762,789
Effects of revised MFRS and changes in accounting policies disclosed in Note 2.2		-	-	-	-	(4,692)	(4,692)
<b>At 1 January 2013 (Restated)</b>		266,012	90,505	2,320	(24,901)	424,161	758,097
Profit for the year		-	-	-	-	121,003	121,003
Other comprehensive income for the year		-	-	-	38,870	(772)	38,098
<b>Total comprehensive income for the year</b>		-	-	-	38,870	120,231	159,101
Transactions with owners of the Company:							
Issuance of ordinary shares pursuant to SGP	24	294	3,662	(3,956)	-	-	-
SGP expense (Note a)		-	-	6,218	-	-	6,218
Dividends paid	11	-	-	-	-	(263,597)	(263,597)
<b>Total transactions with owners of the Company</b>		294	3,662	2,262	-	(263,597)	(257,379)
<b>At 31 December 2013</b>		266,306	94,167	4,582	13,969	280,795	659,819
<b>At 1 January 2012</b>		265,800	87,553	996	(24,999)	419,268	748,618
Effects of revised MFRS and changes in accounting policies disclosed in Note 2.2		-	-	-	-	(7,639)	(7,639)
<b>At 1 January 2012 (Restated)</b>		265,800	87,553	996	(24,999)	411,629	740,979
Profit for the year		-	-	-	-	150,936	150,936
Other comprehensive income for the year		-	-	-	98	2,559	2,657
<b>Total comprehensive income for the year</b>		-	-	-	98	153,495	153,593
Transactions with owners of the Company:							
Issuance of ordinary shares pursuant to SGP	24	212	2,952	(3,164)	-	-	-
SGP expense (Note a)		-	-	4,488	-	-	4,488
Dividends paid	11	-	-	-	-	(140,963)	(140,963)
<b>Total transactions with owners of the Company</b>		212	2,952	1,324	-	(140,963)	(136,475)
<b>At 31 December 2012 (Restated)</b>		266,012	90,505	2,320	(24,901)	424,161	758,097

## Note a

SGP expense comprises RM5,807,000 (2012: RM4,215,000) relating to shares granted to the employees of the Company (as disclosed in Note 5) and RM411,000 (2012: RM273,000) relating to shares granted to the employees of Bursa Malaysia Derivatives.

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



# Statements of Cash Flows

for the financial year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
<b>Cash flows from operating activities</b>				
Profit before tax	245,580	215,339	126,369	160,351
Adjustments for:				
Amortisation of premium less accretion of discount	631	723	578	637
Depreciation and amortisation	34,964	33,713	31,175	30,999
Dividend income from investment securities	(3,825)	(3,038)	(3,825)	(3,038)
Grant income	(2,166)	(1,916)	(1,155)	(1,566)
Gross dividend income from subsidiaries	-	-	(142,569)	(165,259)
Impairment loss on amount due from a subsidiary	-	-	-	3,324
Interest income	(22,133)	(23,167)	(9,798)	(11,735)
Net loss/(gain) on disposal of investment securities	130	(257)	46	(257)
Net impairment loss/(reversal of impairment loss) on trade and other receivables	23	1,239	(32)	1,043
Net gain on disposal of property, plant and equipment	-	(4)	-	-
Net reversal of impairment loss on investment in subsidiaries	-	-	-	(3,166)
Property, plant and equipment and computer software written off	1,568	17	1,568	15
Retirement benefit obligations	1,481	1,906	1,481	1,906
Reversal of provision for short-term accumulating compensated unutilised leave	(441)	(266)	(307)	(250)
SGP expense	6,218	4,488	5,807	4,215
Unrealised loss/(gain) on foreign exchange differences	79	(25)	-	-
Operating profit before working capital changes	262,109	228,752	9,338	17,219
(Increase)/decrease in receivables	(3,153)	218	(1,476)	(1,344)
Increase/(decrease) in payables	2,459	5,980	(965)	4,004
Changes in subsidiaries' balances	-	-	13,765	(9,228)
Cash generated from operations	261,415	234,950	20,662	10,651
Staff loans repaid, net of disbursements	2,355	3,135	2,286	2,974
Retirement benefits paid	(3,583)	(2,069)	(3,583)	(2,069)
Taxes paid, net of refunds	(67,863)	(71,016)	(3,421)	(10,098)
<b>Net cash from operating activities</b>	<b>192,324</b>	<b>165,000</b>	<b>15,944</b>	<b>1,458</b>

Statements of Cash Flows  
for the financial year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
<b>Cash flows from investing activities</b>				
Interest received	22,385	21,118	10,629	10,266
Decrease in other deposits not for short-term funding requirements	100,569	43,909	107,015	14,793
Proceeds from disposal of investment securities	81,401	82,646	54,724	62,640
Proceeds from disposal of motor vehicles	-	4	-	-
Purchases of investment securities	(79,951)	(134,425)	(47,112)	(74,358)
Purchases of property, plant and equipment and computer software	(40,111)	(18,441)	(39,715)	(11,550)
<b>Net cash from/(used in) investing activities</b>	<b>84,293</b>	<b>(5,189)</b>	<b>85,541</b>	<b>1,791</b>
<b>Cash flows from financing activities</b>				
Dividends paid	(263,597)	(140,963)	(263,597)	(140,963)
Dividends paid by a subsidiary to non-controlling interest	(5,750)	(4,750)	-	-
Dividends received	2,942	1,476	145,511	158,227
Preference share issued by a subsidiary	200	-	-	-
<b>Net cash (used in)/from financing activities</b>	<b>(266,205)</b>	<b>(144,237)</b>	<b>(118,086)</b>	<b>17,264</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>10,412</b>	<b>15,574</b>	<b>(16,601)</b>	<b>20,513</b>
Effects of exchange rate changes	96	(105)	-	-
Cash and cash equivalents at beginning of year	236,100	220,631	105,273	84,760
<b>Cash and cash equivalents at end of year (Note 23(iii))</b>	<b>246,608</b>	<b>236,100</b>	<b>88,672</b>	<b>105,273</b>

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

# Notes to the Financial Statements

31 December 2013

## 1. Corporate information

The Company is a public limited company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 15<sup>th</sup> Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur.

The Company is an exchange holding company, whose principal activities are treasury management and the provision of management and administrative services to its subsidiaries. The principal activities of the subsidiaries are to operate the Malaysian securities, derivatives and offshore exchanges and the Shari'ah compliant commodity trading platform, to operate the related depository function and clearing houses, and to disseminate information relating to securities quoted on the exchanges. The principal activities of the subsidiaries are disclosed in Note 15.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 January 2014.

## 2. Significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with MFRSs, IFRSs and the requirements of the CA in Malaysia.

At the beginning of the current financial year, the Group and the Company adopted new and revised MFRSs which are mandatory for the financial periods beginning on or after 1 January 2013 and changed its accounting policy on fines. The financial impact of these changes are disclosed in Note 2.2.

The financial statements, other than for financial instruments and retirement benefit obligations, have been prepared on historical cost basis. Certain financial instruments are carried at fair value in accordance to MFRS 139 *Financial Instruments: Recognition and Measurement*, and the retirement benefit obligations include actuarial gains and losses in accordance with MFRS 119 *Employee Benefits (revised)*.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000 or '000), except when otherwise indicated.

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

### 2.2 Adoption of new and revised MFRSs and changes in accounting policies

#### (a) Adoption of Standards, Amendments and Issues Committee (IC) Interpretations

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

MFRS 3	<i>Business Combinations</i>
MFRS 10	<i>Consolidated Financial Statements</i>
MFRS 11	<i>Joint Arrangements</i>
MFRS 12	<i>Disclosure of Interests in Other Entities</i>
MFRS 13	<i>Fair Value Measurement</i>
MFRS 119	<i>Employee Benefits (revised)</i>
MFRS 127	<i>Consolidated and Separate Financial Statements (revised)</i>
MFRS 128	<i>Investments in Associates and Joint Ventures (revised)</i>
Amendments to MFRS 1	<i>First-time Adoption of MFRS - Government Loans</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements: Transition Guidance</i>
Amendments to MFRS 11	<i>Joint Arrangements: Transition Guidance</i>
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Transition Guidance</i>
Amendments to MFRS 101	<i>Presentation of Items of Other Comprehensive Income</i>
Annual Improvements to IC Interpretations and MFRSs 2009 - 2011 Cycle	

The adoption of the above pronouncements did not have any impact on the financial statements of the Group and of the Company, except for the following:

#### (i) MFRS 119 *Employee Benefits (revised)*

The Group and the Company have adopted MFRS 119 *Employee Benefits (revised)* and applied this standard retrospectively during the financial year.

The amendments to MFRS 119 *Employee Benefits (revised)* changed the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor method' permitted under the previous version of MFRS 119 *Employee Benefits* and accelerate the recognition of past service costs.

As a result of MFRS 119 *Employee Benefits (revised)* adoption, actuarial gains and losses are recognised immediately through other comprehensive income in order for the net retirement benefit asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. The expected returns on plan assets of defined retirement benefit scheme are not recognised in profit or loss. Instead, the interest on net defined benefit obligation (net of the plan assets) is recognised in profit or loss, calculated using the discount rate used to measure the net retirement benefit obligations or assets.

The financial effects arising from the adoption of MFRS 119 *Employee Benefits (revised)* is disclosed in Note 2.2(c).



## Notes to the Financial Statements

31 December 2013

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

#### 2.2 Adoption of new and revised MFRSs and changes in accounting policies (cont'd.)

##### (a) Adoption of Standards, Amendments and IC Interpretations (cont'd.)

###### (ii) MFRS 12 *Disclosures of Interests in Other Entities*

MFRS 12 *Disclosures of Interests in Other Entities* sets out the required disclosures for entities reporting under the new standard, MFRS 10 *Consolidated Financial Statements*. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries.

The adoption of this standard affects disclosures in the financial statements only and has no financial impact on the Group's financial statements.

###### (iii) Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*

The amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income* change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net gains or losses on AFS financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit obligations).

The adoption of this amendment affects the presentation in the financial statements only and has no financial impact on the Group and the Company's financial statements.

##### (b) Change in accounting policy on fines

The Capital Market Education and Integrity Fund (CMEIF) was established on 1 January 2013 to strengthen the governance of fines utilisation.

Prior to its establishment, fines and related expenses were recognised in profit or loss. Following its establishment, fines and related expenses were recorded as a liability and the change in accounting policy was applied retrospectively with effect from that date.

The financial impact on the Group and Company's financial statements arising from the change in accounting policy is disclosed in Note 2.2(c).

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

### 2.2 Adoption of new and revised MFRSs and changes in accounting policies (cont'd.)

#### (c) Financial effects arising from the adoption of MFRS 119 *Employee Benefits (revised)* and change in accounting policy on fines

- (i) The following are reconciliations of statements of financial position of the Group and of the Company as at 1 January 2012 and 31 December 2012:

	As previously reported RM'000	Note 2.2(a)(i) Effect of adoption of MFRS 119 RM'000	Note 2.2(b) Effect of change in accounting policy for fines RM'000	Restated RM'000
<b>Group</b>				
<b>As at 1 January 2012</b>				
<b>Equity attributable to owners of the Company</b>				
Retained earnings	481,611	(6,966)	(12,583)	<b>462,062</b>
<b>Non-current liabilities</b>				
Retirement benefit obligations	24,311	9,288	-	<b>33,599</b>
Deferred tax liabilities	9,886	(2,322)	-	<b>7,564</b>
<b>Current liabilities</b>				
Other payables	67,330	-	12,583	<b>79,913</b>
<b>As at 31 December 2012</b>				
<b>Equity attributable to owners of the Company</b>				
Retained earnings	492,106	(3,906)	(13,944)	<b>474,256</b>
<b>Non-current liabilities</b>				
Retirement benefit obligations	24,816	5,207	-	<b>30,023</b>
Deferred tax liabilities	9,196	(1,301)	-	<b>7,895</b>
<b>Current liabilities</b>				
Other payables	80,535	-	13,944	<b>94,479</b>

## Notes to the Financial Statements

31 December 2013

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

## 2.2 Adoption of new and revised MFRSs and changes in accounting policies (cont'd.)

(c) Financial effects arising from the adoption of MFRS 119 *Employee Benefits (revised)* and change in accounting policy on fines (cont'd.)

- (i) The following are reconciliations of statements of financial position of the Group and of the Company as at 1 January 2012 and 31 December 2012 (cont'd.):

	As previously reported RM'000	Note 2.2(a)(i) Effect of adoption of MFRS 119 RM'000	Note 2.2(b) Effect of change in accounting policy for fines RM'000	Restated RM'000
<b>Company</b>				
<b>As at 1 January 2012</b>				
<b>Current assets</b>				
Due from subsidiaries	25,949	-	11,910	37,859
<b>Equity attributable to owners of the Company</b>				
Retained earnings	419,268	(6,966)	(673)	411,629
<b>Non-current liabilities</b>				
Retirement benefit obligations	24,311	9,288	-	33,599
Deferred tax liabilities	9,886	(2,322)	-	7,564
<b>Current liabilities</b>				
Other payables	49,388	-	12,583	61,971
<b>As at 31 December 2012</b>				
<b>Current assets</b>				
Due from subsidiaries	29,850	-	14,186	44,036
<b>Equity attributable to owners of the Company</b>				
Retained earnings	428,853	(3,906)	(786)	424,161
<b>Non-current liabilities</b>				
Retirement benefit obligations	24,816	5,207	-	30,023
Deferred tax liabilities	5,327	(1,301)	-	4,026
<b>Current liabilities</b>				
Other payables	59,424	-	14,972	74,396

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

### 2.2 Adoption of new and revised MFRSs and changes in accounting policies (cont'd.)

#### (c) Financial effects arising from the adoption of MFRS 119 *Employee Benefits (revised)* and change in accounting policy on fines (cont'd.)

(ii) The following are reconciliations of income statements of the Group and of the Company for the financial year ended 31 December 2012:

	As previously reported RM'000	Note 2.2(a)(i) Effect of adoption of MFRS 119 RM'000	Note 2.2(b) Effect of change in accounting policy for fines RM'000	Restated RM'000
<b>Group</b>				
Other income	38,617	-	(2,496)	<b>36,121</b>
Staff costs	(102,481)	668	-	<b>(101,813)</b>
Other operating expenses	(74,857)	-	1,135	<b>(73,722)</b>
Profit before tax	216,032	668	(1,361)	<b>215,339</b>
Income tax expense	(58,286)	(167)	-	<b>(58,453)</b>
Profit for the year	157,746	501	(1,361)	<b>156,886</b>
<b>Company</b>				
Operating revenue	315,214	-	(1,248)	<b>313,966</b>
Staff costs	(94,656)	668	-	<b>(93,988)</b>
Other operating expenses	(53,815)	-	1,135	<b>(52,680)</b>
Profit before tax	159,796	668	(113)	<b>160,351</b>
Income tax expense	(9,248)	(167)	-	<b>(9,415)</b>
Profit for the year	150,548	501	(113)	<b>150,936</b>



## Notes to the Financial Statements

31 December 2013

**2. Significant accounting policies (cont'd.)****2.2 Adoption of new and revised MFRSs and changes in accounting policies (cont'd.)****(c) Financial effects arising from the adoption of MFRS 119 *Employee Benefits (revised)* and change in accounting policy on fines (cont'd.)**

(iii) The following are reconciliations of statements of comprehensive income of the Group and of the Company for the financial year ended 31 December 2012:

	<b>As previously reported RM'000</b>	<b>Note 2.2(a)(i) Effect of adoption of MFRS 119 RM'000</b>	<b>Note 2.2(b) Effect of change in accounting policy for fines RM'000</b>	<b>Restated RM'000</b>
<b>Group</b>				
Profit for the year	157,746	501	(1,361)	<b>156,886</b>
Actuarial gains on defined benefit obligations	-	3,413	-	<b>3,413</b>
Income tax relating to actuarial gains on defined benefit obligations	-	(854)	-	<b>(854)</b>
Total comprehensive income for the year	157,821	3,060	(1,361)	<b>159,520</b>
<b>Company</b>				
Profit for the year	150,548	501	(113)	<b>150,936</b>
Actuarial gains on defined benefit obligations	-	3,413	-	<b>3,413</b>
Income tax relating to actuarial gains on defined benefit obligations	-	(854)	-	<b>(854)</b>
Total comprehensive income for the year	150,646	3,060	(113)	<b>153,593</b>

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

### 2.2 Adoption of new and revised MFRSs and changes in accounting policies (cont'd.)

#### (c) Financial effects arising from the adoption of MFRS 119 *Employee Benefits (revised)* and change in accounting policy on fines (cont'd.)

(iv) The following are reconciliations of statements of cash flows of the Group and of the Company for the financial year ended 31 December 2012:

	As previously reported RM'000	Note 2.2(a)(i) Effect of adoption of MFRS 119 RM'000	Note 2.2(b) Effect of change in accounting policy for fines RM'000	Restated RM'000
<b>Group</b>				
Profit before tax	216,032	668	(1,361)	215,339
Retirement benefit obligations	2,574	(668)	-	1,906
Operating profit before working capital changes	230,113	-	(1,361)	228,752
Increase in payables	4,619	-	1,361	5,980
<b>Company</b>				
Profit before tax	159,796	668	(113)	160,351
Retirement benefit obligations	2,574	(668)	-	1,906
Operating profit before working capital changes	17,332	-	(113)	17,219
Increase in payables	1,615	-	2,389	4,004
Changes in subsidiaries' balance	(6,952)	-	(2,276)	(9,228)

### 2.3 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Amendments to Standards and IC Interpretations have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group and the Company:

#### Effective for financial periods beginning on or after 1 January 2014

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

## Notes to the Financial Statements

31 December 2013

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

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

##### Effective for financial periods beginning on or after 1 January 2015

Amendments to MFRS 9

*Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application, except as described below:

##### **MFRS 9 *Financial Instruments***

MFRS 9 *Financial Instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. MFRS 9 was issued in November 2009 and October 2010. It replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories - those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Group and the Company will quantify the effect of adopting this standard when the full standard is issued.

#### 2.4 Summary of significant accounting policies

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

###### (i) Subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

###### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the financial year end. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same financial year end as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

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

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

#### (a) Subsidiaries and basis of consolidation (cont'd.)

##### (ii) Basis of consolidation (cont'd.)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisition of subsidiaries are accounted for using the purchase method except for business combinations arising from common control transfers. Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the entity acquired to the extent that laws or statutes do not prohibit the use of such reserves.

The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Under the purchase method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.4(c)(i). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

##### (iii) Transactions with non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interest are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.



## Notes to the Financial Statements

31 December 2013

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

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

##### (b) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss as incurred.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Projects-in-progress are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

##### (c) Intangible assets

###### (i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group and of the Company's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

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

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

#### (c) Intangible assets (cont'd.)

##### (ii) Computer software

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

The useful lives of computer software is assessed to be finite. Computer software is amortised over their estimated useful lives of five to ten years and assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on computer software with finite lives is recognised in profit or loss.

Projects-in-progress are not amortised as these computer software are not yet available for use.

Gains or losses arising from derecognition of computer software is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

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

The Group and the Company assess at each financial year end whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

For property, plant and equipment, computer software and goodwill that are not yet available for use, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each financial year end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss for an asset, other than goodwill, is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its revised recoverable amount. That increase cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

## Notes to the Financial Statements

31 December 2013

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

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

##### (e) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of financial assets upon initial recognition. The categories include financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity (HTM) investments and AFS financial assets.

##### (i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other income or other losses.

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current, whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company do not have any financial assets at FVTPL at the current and previous financial year ends.

##### (ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the loans and receivables are impaired or derecognised.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the financial year end; these are classified as non-current.

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

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

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

##### (iii) HTM investments

Financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group and the Company have the positive intention and ability to hold the investments to maturity.

Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the HTM investments are impaired or derecognised.

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

##### (iv) AFS financial assets

AFS financial assets are financial assets that are designated as such or are not classified in any of the three preceding categories.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an AFS equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

AFS financial assets which are not expected to be realised within 12 months after the financial year end are classified as non-current assets.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group and the Company.

## Notes to the Financial Statements

31 December 2013

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

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

##### (f) Impairment of financial assets

The Group and the Company assess at each financial year end whether there is any objective evidence that a financial asset is impaired.

##### (i) Loans and receivables and HTM investments

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor, default or significant delay in payments, and delinquency in interest or principal payments and other financial reorganisation where observable data indicate that there is a measurable decrease in the estimated future cash flows.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, and staff loan receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable or staff loan receivable becomes uncollectible, it is written off against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

##### (ii) AFS financial assets

To determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired, the Group and the Company consider factors such as significant and/or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation or accretion) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on AFS equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.



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

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

#### (g) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand, and short-term deposits used by the Group and the Company in the management of their short-term funding requirements.

#### (h) Financial liabilities

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

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### (i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivatives liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company do not have any financial liabilities at FVTPL at the current and previous financial year ends.

#### (ii) Other financial liabilities

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished.

When an existing financial liability is replaced by another instrument from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## Notes to the Financial Statements

31 December 2013

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

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

##### (i) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each financial year end and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

##### (j) Deferred capital grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by its related depreciation or amortisation charges.

##### (k) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

##### (l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

##### (i) Trade fees

Trade fees on securities traded on the securities exchange are recognised on a trade date basis. Trade fees on derivatives contracts are recognised net of rebates on a trade date basis. Trade fees on commodities are recognised on a trade date basis net of amount payable to commodities suppliers and brokers, whenever applicable.

##### (ii) Clearing fees

Fees for clearing and settlement between clearing participants for trades in securities transacted on the securities exchange are recognised net of Securities Commission (SC) levy when services are rendered. Clearing fees on derivatives contracts are recognised net of rebates on the clearing date.

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

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

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

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

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

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

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

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

Listing and issuer services revenue comprises of:

###### (a) Listing fees

Initial listing fees for Initial Public Offering (IPO) exercises are recognised upon the listing of an applicant. Annual listing fees are recognised on an accrual basis. Additional listing fees are recognised upon the listing of new securities issued by applicants.

###### (b) Perusal and processing fees

Perusal fees for circulars or notices issued are recognised when the services are rendered. Processing fees for corporate related exercises on securities traded on the securities exchange are recognised when the related services are rendered.

##### (vi) Depository services

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

##### (vii) Market data

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

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

Member services and connectivity mainly comprise of:

###### (a) Access fees

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

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

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

###### (c) Broker services

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

## Notes to the Financial Statements

31 December 2013

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

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

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

###### (ix) Other operating revenue

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

###### (x) Other income

- Accretion of discounts and amortisation of premiums on investments are recognised on an effective yield basis.
- Dividend income is recognised when the right to receive payment is established.
- Interest income is recognised on an accrual basis that reflects the effective yield of the asset.
- Management fees are recognised when services are rendered.
- Rental income from the letting of office space and equipment is recognised on a straight-line basis over the term of the rental agreement.

##### (m) Employee benefits

###### (i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised as a liability when they accrue to the employees. The estimated liability for paid annual leave is recognised for services rendered by employees up to the reporting date. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

###### (ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the period in which the related service is performed. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (EPF).

###### (iii) Defined benefit plan

The Group and the Company operate a funded, defined benefit retirement scheme (the Scheme) for its eligible employees. The Scheme was closed to new entrants effective 1 September 2003.

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

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

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

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

##### (iii) Defined benefit plan (cont'd.)

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

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

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

##### (iv) Share-based compensation

The Company's SGP (implemented on 18 April 2011), an equity-settled, share-based compensation plan, allows eligible employees of the Group to be entitled for ordinary shares of the Company. The total fair value of shares granted to employees are recognised as an employee cost with a corresponding increase in the share grant reserve within equity over the vesting period while taking into account the probability that the shares will vest. The fair value of shares are measured at grant date, taking into account, if any, the market vesting conditions upon which the shares were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions in respect of the number of shares that are expected to be granted on vesting date.

At each financial year end, the Group and the Company revise its estimate of the number of shares that are expected to be granted on vesting date. It recognises the impact of revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share grant reserve.

##### (v) Separation benefits

Separation benefits are payable when employment ceases before the normal retirement date or expiry of employment contract date. The Group and the Company recognise separation benefits as a liability and an expense when it is demonstrably committed to cease the employment of current employees according to a detailed plan without possibility of withdrawal. Benefits falling due more than 12 months after financial year end are discounted to present value.

#### (n) Leases

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

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

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



## Notes to the Financial Statements

31 December 2013

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

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

##### (n) Leases (cont'd.)

###### (ii) The Group and the Company as lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.4(l)(x).

##### (o) Borrowing costs

Borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

##### (p) Income taxes

###### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial year end.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

###### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the financial year end between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for the deferred tax liability that arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each financial year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Unrecognised deferred tax assets are reassessed at each financial year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial year end.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### (q) Foreign currency

##### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

##### (ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in foreign currencies are measured in the respective functional currencies at the exchange rates approximating those ruling at the transaction dates. At each financial year end, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial year end. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of monetary items, or on translating monetary items at the financial year end are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are not included in profit or loss for the period until their impairment and disposal.

## Notes to the Financial Statements

31 December 2013

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

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

##### (q) Foreign currency (cont'd.)

###### (iii) Malaysian subsidiary with foreign currency as its functional currency

The results and financial position of a subsidiary that has a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the financial year end;
- Income and expenses for each statement of comprehensive income or separate income statement presented are translated at average monthly exchange rates, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised directly in other comprehensive income. On disposal of a subsidiary with foreign currency as its functional currency, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular subsidiary is recognised in profit or loss.

##### (r) Contingencies

A contingent liability or asset is a possible obligation or benefit that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company in the current and previous financial year ends.

#### 2.5 Significant accounting judgements and estimates

##### Key sources of estimation uncertainty

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (a) Impairment of computer hardware and software

The Group and the Company review its computer hardware and software at each financial year end to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. The Group and the Company carried out the impairment test based on a variety of estimation including the value-in-use of the CGUs to which the computer hardware and software are allocated to. Estimating the value-in-use requires the Group and the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of computer hardware and software as at the financial year end are disclosed in Notes 12 and 13 respectively.

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

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

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

##### (b) Impairment of goodwill

The Group and the Company determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the financial year end is disclosed in Note 14.

##### (c) Impairment of investment securities

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

The impairment review comprises the following judgement made by management:

- (i) Determination whether its investment security is impaired following certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuers or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.
- (ii) Determination of "significant" or "prolonged" requires judgement and management evaluation on various factors, such as historical fair value movement and the significant reduction in fair value.

The carrying amount of investment securities as at the financial year end are disclosed in Note 16.

##### (d) Depreciation/amortisation of system hardware and software

The cost of system hardware and software is depreciated and amortised on a straight-line basis over the useful lives of these assets. Management estimates the useful lives of these assets to be between three to ten years. Technological advancements could impact the useful lives and the residual values of these assets, therefore future depreciation and amortisation charges could be revised. The total carrying amounts of computer hardware and software as at the financial year end are disclosed in Notes 12 and 13 respectively.

##### (e) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and unused capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amounts of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. As at the financial year end, the total carrying value of unrecognised tax losses of the Group are as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Unrecognised tax losses	<b>17,485</b>	17,131

## Notes to the Financial Statements

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**2. Significant accounting policies (cont'd.)****2.5 Significant accounting judgements and estimates (cont'd.)****Key sources of estimation uncertainty (cont'd.)****(f) Defined benefit plan**

The cost of the defined benefit plan and the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of salary increases and mortality rates. All assumptions are reviewed at each financial year end.

In determining the appropriate discount rate, the valuation is based on market yield of high quality corporate bonds with AA rating and above with terms similar to the term of the liabilities.

**(g) Share grant plan**

The Group and the Company measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date which they are granted. In estimating the fair value of the share-based payment transactions, it requires the determination of the appropriate valuation model and the inputs (for example, expected volatility of the share price and/or dividend yield) to the valuation model. The key assumptions are disclosed in Note 27(b).

**3. Operating revenue**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Clearing fees <sup>1</sup>	175,530	144,638
Trade fees	23,647	19,265
Other securities revenue	18,124	14,595
<b>Securities trading revenue</b>	<b>217,301</b>	<b>178,498</b>
Clearing fees	14,552	12,600
Trade fees	41,047	36,738
Other derivatives revenue	14,651	13,994
<b>Derivatives trading revenue</b>	<b>70,250</b>	<b>63,332</b>
Listing and issuer services	51,305	51,433
Depository services	37,061	36,416
Market data	26,035	24,122
Member services and connectivity	26,467	25,660
Bursa Suq Al-Sila trading revenue	5,790	3,410
Other operating revenue	5,613	5,595
<b>Total operating revenue</b>	<b>439,822</b>	<b>388,466</b>

<sup>1</sup> Clearing fees of the Group is stated net of the amount payable to the SC of RM45,473,000 (2012: RM36,088,000).



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**3. Operating revenue (cont'd.)**

	Company	
	2013 RM'000	2012 RM'000 (Restated)
Broker services	10,191	12,092
Income from subsidiaries:		
Dividend income	142,569	165,259
Management fees	114,197	108,217
Office space rental income	5,042	5,297
Lease rental income	23,909	23,101
	<b>295,908</b>	<b>313,966</b>

**4. Other income**

	Group		Company	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Interest income from:				
Deposits with financial institutions	16,027	17,864	7,102	8,976
Investment securities	5,713	4,869	2,373	2,351
Others	393	434	323	408
Net (loss)/gain on disposal of investment securities	(130)	257	(46)	257
Net gain on disposal of property, plant and equipment	-	4	-	-
Rental income	6,593	6,249	6,593	6,249
Dividend income	3,825	3,038	3,825	3,038
Grant income (Note 28)	2,166	1,916	1,155	1,566
Miscellaneous income	585	1,490	478	1,207
	<b>35,172</b>	<b>36,121</b>	<b>21,803</b>	<b>24,052</b>

## Notes to the Financial Statements

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## 5. Staff costs

	Group		Company	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Wages and salaries	68,399	60,382	62,123	54,920
Bonus	23,011	17,664	20,345	16,507
Social security contributions	343	332	323	314
Contributions to a defined contribution plan - EPF	13,524	11,599	12,623	10,965
Reversal of short-term accumulating compensated unutilised leave	(441)	(266)	(307)	(250)
Retirement benefit obligations (Note 27(a))	1,481	1,906	1,481	1,906
SGP expense	6,218	4,488	5,807	4,215
Other benefits	7,430	5,708	6,895	5,411
	<b>119,965</b>	<b>101,813</b>	<b>109,290</b>	<b>93,988</b>

Included in staff costs of the Group and of the Company are the Executive Directors' remuneration of RM5,613,000 (2012: RM5,630,000), as further disclosed in Note 8.

## 6. Depreciation and amortisation

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Depreciation of property, plant and equipment (Note 12)	14,677	15,557	13,492	14,533
Amortisation of computer software (Note 13)	20,287	18,156	17,683	16,466
	<b>34,964</b>	<b>33,713</b>	<b>31,175</b>	<b>30,999</b>

## Notes to the Financial Statements

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## 7. Other operating expenses

	Group		Company	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Administrative expenses	5,571	6,023	5,298	5,748
Amortisation of premium less accretion of discount	631	723	578	637
Auditors' remuneration:				
Statutory audit	295	281	68	65
Tax and assurance related <sup>1</sup>	171	179	99	98
Other non-audit services	42	-	28	-
Building management costs:				
Office rental	83	83	83	83
Upkeep and maintenance	10,576	10,273	10,576	10,273
CDS consumables	3,758	3,210	3,758	3,210
Commitment fees	96	200	-	-
Net impairment loss/(reversal of impairment loss) on:				
Amount due from a subsidiary	-	-	-	3,324
Investment in subsidiaries	-	-	-	(3,166)
Trade and other receivables	23	1,239	(32)	1,043
Marketing and development expenses	8,344	8,861	3,148	2,849
Net (gain)/loss on foreign exchange differences	(98)	115	28	57
Operating lease payments	539	539	539	539
Professional fees	1,032	4,658	949	4,628
Property, plant and equipment and computer software written off	1,568	17	1,568	15
Rental of equipment	169	472	162	453
Technology charges:				
Information technology maintenance	17,836	16,229	15,378	16,218
Service fees	15,781	13,574	1,385	372
Others	8,068	7,046	7,264	6,234
	<b>74,485</b>	<b>73,722</b>	<b>50,877</b>	<b>52,680</b>

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

## Notes to the Financial Statements

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## 8. Directors' remuneration

	<b>Group and Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Executive Director's remuneration (Note 5):		
Salaries and other emoluments	5,195	5,212
Defined contribution plan - EPF	418	418
	<b>5,613</b>	5,630
Estimated monetary value of benefits-in-kind	32	32
	<b>5,645</b>	5,662
Non-executive Directors' remuneration:		
Fees	608	705
Other emoluments	1,333	1,432
	<b>1,941</b>	2,137
Estimated monetary value of benefits-in-kind	32	32
	<b>1,973</b>	2,169
<b>Total Directors' remuneration</b>	<b>7,618</b>	7,831
Total Directors' remuneration excluding benefits-in-kind	7,554	7,767
Estimated monetary value of benefits-in-kind	64	64
<b>Total Directors' remuneration including benefits-in-kind</b>	<b>7,618</b>	7,831

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

	2013		2012	
	Directors' fees	Other allowances <sup>1</sup> / salaries	Directors' fees	Other allowances <sup>1</sup> / salaries
	RM'000	RM'000	RM'000	RM'000
Tun Mohamed Dzaidin bin Haji Abdullah	90	737	90	754
Dato' Tajuddin bin Atan	-	5,645	-	5,662
Datuk Dr. Md Tap bin Salleh	60	88	60	85
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	60	90	60	71
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	60	64	60	62
Dato' Saiful Bahri bin Zainuddin	60	88	60	80
Tan Sri Ong Leong Huat @ Wong Joo Hwa	60	53	60	48
Datuk Karownikaran @ Karunikaran a/l Ramasamy	46	47	-	-
Chay Wai Leong	46	41	-	-
Ghazali bin Hj Darman	46	58	-	-
Dato' Wong Puan Wah @ Wong Sulong	14	14	60	69
Izham bin Yusoff	14	16	60	64
Dato' Dr. Thillainathan a/l Ramasamy	14	14	60	75
Cheah Tek Kuang	14	25	60	73
Datuk Puteh Rukiah binti Abd Majid	24	30	60	54
Datin Paduka Siti Sa'diah binti Sheikh Bakir	-	-	15	29
	<b>608</b>	<b>7,010</b>	<b>705</b>	<b>7,126</b>

<sup>1</sup> Other allowances comprise the Chairman's allowance and meeting allowances which vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended.

**9. Income tax expense**

	Group		Company	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Income tax:				
Current year provision	68,602	58,584	1,810	13,185
(Over)/under provision of tax in prior years	(7,434)	622	(2,132)	568
	<b>61,168</b>	<b>59,206</b>	<b>(322)</b>	<b>13,753</b>
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	(2,288)	(427)	(1,504)	(4,029)
Under/(over) provision of tax in prior years	7,315	(326)	7,192	(309)
	<b>5,027</b>	<b>(753)</b>	<b>5,688</b>	<b>(4,338)</b>
Total income tax expense	<b>66,195</b>	<b>58,453</b>	<b>5,366</b>	<b>9,415</b>



## Notes to the Financial Statements

31 December 2013

**9. Income tax expense (cont'd.)**

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 31 December 2012 is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Accounting profit before tax	245,580	215,339	126,369	160,351
Taxation at Malaysian statutory tax rate of 25%	61,395	53,835	31,592	40,088
Deferred tax not recognised in respect of current year's tax losses	89	488	-	-
Effect of tax rate of 3% on (profit)/loss before tax for subsidiary incorporated in Labuan	(35)	327	-	-
Effect of expenses not deductible for tax purposes	5,981	5,573	5,181	3,824
Effect of income not subject to tax	(911)	(899)	(36,262)	(33,617)
Utilisation of previously unrecognised tax losses by a subsidiary	-	(28)	-	-
Utilisation of subsidiaries losses under group relief	(205)	(1,139)	(205)	(1,139)
(Over)/under provision of income tax in prior years	(7,434)	622	(2,132)	568
Under/(over) provision of deferred tax in prior years	7,315	(326)	7,192	(309)
<b>Tax expense for the year</b>	<b>66,195</b>	<b>58,453</b>	<b>5,366</b>	<b>9,415</b>

The Group and the Company's tax charge for the year has been reduced by RM205,000 (2012: RM1,139,000) as unabsorbed losses of certain subsidiaries are offset against its taxable income. No payment will be made by the Company to its subsidiaries for the surrendering of these tax losses.

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

**10. Earnings per share (EPS)****(a) Basic EPS**

Basic EPS is calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2013	2012 (Restated)
Profit for the year, net of tax, attributable to owners of the Company (RM'000)	173,075	150,598
Weighted average number of ordinary shares in issue ('000)	532,373	531,869
<b>Basic EPS (sen)</b>	<b>32.5</b>	<b>28.3</b>

**10. Earnings per share (EPS) (cont'd.)****(b) Diluted EPS**

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of ordinary shares issued to employees under the SGP and potential ordinary shares which may arise from the SGP grants which have not vested as at the end of the year.

	<b>Group</b>	
	<b>2013</b>	<b>2012 (Restated)</b>
Profit for the year, net of tax, attributable to owners of the Company (RM'000)	<b>173,075</b>	150,598
Weighted average number of ordinary shares in issue ('000)	<b>532,373</b>	531,869
Effect of dilution of share grants ('000)	<b>1,454</b>	695
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<b>533,827</b>	532,564
Diluted EPS (sen)	<b>32.4</b>	28.3

**11. Dividends**

	<b>Dividends in respect of year</b>		<b>Dividends recognised in year</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
<b>Special dividend on ordinary shares</b>				
20.0 sen per share under the single-tier system, on 532,612,000 ordinary shares	-	-	<b>106,522</b>	-
<b>Interim dividends on ordinary shares</b>				
16.0 sen per share under the single-tier system, on 532,612,000 ordinary shares	<b>85,218</b>	-	<b>85,218</b>	-
13.5 sen per share under the single-tier system, on 532,024,000 ordinary shares	-	71,823	-	71,823
<b>Final dividends on ordinary shares</b>				
13.5 sen per share under the single-tier system, on 532,274,000 ordinary shares	-	71,857	<b>71,857</b>	-
13.0 sen per share under the single-tier system, on 531,849,000 ordinary shares	-	-	-	69,140
	<b>85,218</b>	143,680	<b>263,597</b>	140,963

At the forthcoming Annual General Meeting, a final dividend under the single-tier system in respect of the financial year ended 31 December 2013 of 16.0 sen per share on 532,612,000 ordinary shares, amounting to a dividend payable of approximately RM85,218,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

## Notes to the Financial Statements

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## 12. Property, plant and equipment

Group	Note	Land and buildings (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in-progress RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2013		319,580	31,205	84,963	2,157	725	438,630
Additions		1,121	890	7,616	-	1,673	11,300
Write-offs		-	(499)	(32,618)	-	-	(33,117)
Exchange differences		22	7	151	-	-	180
Reclassification		-	-	673	-	(673)	-
At 31 December 2013		320,723	31,603	60,785	2,157	1,725	416,993
<b>Accumulated depreciation</b>							
At 1 January 2013		126,286	30,250	71,182	1,179	-	228,897
Depreciation charge for the year	6	6,404	588	7,259	426	-	14,677
Write-offs		-	(499)	(32,618)	-	-	(33,117)
Exchange differences		22	7	151	-	-	180
At 31 December 2013		132,712	30,346	45,974	1,605	-	210,637
<b>Net carrying amount at 31 December 2013</b>		<b>188,011</b>	<b>1,257</b>	<b>14,811</b>	<b>552</b>	<b>1,725</b>	<b>206,356</b>
<b>Cost</b>							
At 1 January 2012		319,332	31,889	118,692	2,215	2,990	475,118
Additions		784	549	4,739	-	701	6,773
Disposals		-	-	-	(56)	-	(56)
Write-offs		(530)	(1,234)	(41,664)	-	-	(43,428)
Exchange differences		(6)	1	93	(2)	-	86
Reclassification		-	-	3,103	-	(2,966)	137
At 31 December 2012		319,580	31,205	84,963	2,157	725	438,630
<b>Accumulated depreciation</b>							
At 1 January 2012		119,906	30,979	105,030	806	-	256,721
Depreciation charge for the year	6	6,916	504	7,706	431	-	15,557
Disposals		-	-	-	(56)	-	(56)
Write-offs		(530)	(1,234)	(41,647)	-	-	(43,411)
Exchange differences		(6)	1	93	(2)	-	86
At 31 December 2012		126,286	30,250	71,182	1,179	-	228,897
<b>Net carrying amount at 31 December 2012</b>		<b>193,294</b>	<b>955</b>	<b>13,781</b>	<b>978</b>	<b>725</b>	<b>209,733</b>

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

Company	Note	Land and buildings (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in-progress RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2013		319,367	30,736	83,160	1,979	724	435,966
Additions		1,093	890	7,565	-	1,673	11,221
Write-offs		-	(460)	(31,305)	-	-	(31,765)
Reclassification		-	-	673	-	(673)	-
At 31 December 2013		320,460	31,166	60,093	1,979	1,724	415,422
<b>Accumulated depreciation</b>							
At 1 January 2013		126,079	29,853	72,818	1,073	-	229,823
Depreciation charge for the year	6	6,399	566	6,137	390	-	13,492
Write-offs		-	(460)	(31,305)	-	-	(31,765)
At 31 December 2013		132,478	29,959	47,650	1,463	-	211,550
<b>Net carrying amount at 31 December 2013</b>							
		187,982	1,207	12,443	516	1,724	203,872
<b>Cost</b>							
At 1 January 2012		319,103	31,271	101,995	1,979	1,039	455,387
Additions		784	526	4,173	-	701	6,184
Write-offs		(520)	(1,061)	(24,024)	-	-	(25,605)
Reclassification		-	-	1,016	-	(1,016)	-
At 31 December 2012		319,367	30,736	83,160	1,979	724	435,966
<b>Accumulated depreciation</b>							
At 1 January 2012		119,686	30,427	90,089	678	-	240,880
Depreciation charge for the year	6	6,913	486	6,739	395	-	14,533
Write-offs		(520)	(1,060)	(24,010)	-	-	(25,590)
At 31 December 2012		126,079	29,853	72,818	1,073	-	229,823
<b>Net carrying amount at 31 December 2012</b>							
		193,288	883	10,342	906	724	206,143

## Notes to the Financial Statements

31 December 2013

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

## (a) Land and buildings

Group	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2013	285,960	19,862	13,758	319,580
Additions	-	-	1,121	1,121
Exchange differences	-	-	22	22
At 31 December 2013	285,960	19,862	14,901	320,723
<b>Accumulated depreciation</b>				
At 1 January 2013	104,464	10,175	11,647	126,286
Depreciation charge for the year	5,242	281	881	6,404
Exchange differences	-	-	22	22
At 31 December 2013	109,706	10,456	12,550	132,712
<b>Net carrying amount at 31 December 2013</b>	<b>176,254</b>	<b>9,406</b>	<b>2,351</b>	<b>188,011</b>
<b>Cost</b>				
At 1 January 2012	285,960	19,862	13,510	319,332
Additions	-	-	784	784
Write-offs	-	-	(530)	(530)
Exchange differences	-	-	(6)	(6)
At 31 December 2012	285,960	19,862	13,758	319,580
<b>Accumulated depreciation</b>				
At 1 January 2012	99,222	9,894	10,790	119,906
Depreciation charge for the year	5,242	281	1,393	6,916
Write-offs	-	-	(530)	(530)
Exchange differences	-	-	(6)	(6)
At 31 December 2012	104,464	10,175	11,647	126,286
<b>Net carrying amount at 31 December 2012</b>	<b>181,496</b>	<b>9,687</b>	<b>2,111</b>	<b>193,294</b>



**12. Property, plant and equipment (cont'd.)****(a) Land and buildings (cont'd.)**

<b>Company</b>	<b>Buildings RM'000</b>	<b>Office lots RM'000</b>	<b>Renovations RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January 2013	285,960	19,862	13,545	319,367
Additions	-	-	1,093	1,093
At 31 December 2013	285,960	19,862	14,638	320,460
<b>Accumulated depreciation</b>				
At 1 January 2013	104,464	10,175	11,440	126,079
Depreciation charge for the year	5,242	281	876	6,399
At 31 December 2013	109,706	10,456	12,316	132,478
<b>Net carrying amount at 31 December 2013</b>	<b>176,254</b>	<b>9,406</b>	<b>2,322</b>	<b>187,982</b>
<b>Cost</b>				
At 1 January 2012	285,960	19,862	13,281	319,103
Additions	-	-	784	784
Write-offs	-	-	(520)	(520)
At 31 December 2012	285,960	19,862	13,545	319,367
<b>Accumulated depreciation</b>				
At 1 January 2012	99,222	9,894	10,570	119,686
Depreciation charge for the year	5,242	281	1,390	6,913
Write-offs	-	-	(520)	(520)
At 31 December 2012	104,464	10,175	11,440	126,079
<b>Net carrying amount at 31 December 2012</b>	<b>181,496</b>	<b>9,687</b>	<b>2,105</b>	<b>193,288</b>

## Notes to the Financial Statements

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## 13. Computer software

Group	Note	2013			2012		
		Implemented projects RM'000	Projects-in-progress RM'000	Total RM'000	Implemented projects RM'000	Projects-in-progress RM'000	Total RM'000
<b>Cost</b>							
At 1 January		133,969	7,176	141,145	113,130	10,619	123,749
Additions		19,724	2,261	21,985	13,470	6,483	19,953
Write-offs		(53,543)	-	(53,543)	(2,420)	-	(2,420)
Reclassification		7,176	(7,176)	-	9,789	(9,926)	(137)
At 31 December		107,326	2,261	109,587	133,969	7,176	141,145
<b>Accumulated amortisation</b>							
At 1 January		79,871	-	79,871	64,135	-	64,135
Amortisation charge for the year	6	20,287	-	20,287	18,156	-	18,156
Write-offs		(51,975)	-	(51,975)	(2,420)	-	(2,420)
At 31 December		48,183	-	48,183	79,871	-	79,871
<b>Net carrying amount at 31 December</b>		<b>59,143</b>	<b>2,261</b>	<b>61,404</b>	<b>54,098</b>	<b>7,176</b>	<b>61,274</b>
<b>Company</b>							
<b>Cost</b>							
At 1 January		114,952	7,176	122,128	107,960	1,417	109,377
Additions		19,608	2,261	21,869	7,554	6,483	14,037
Write-offs		(53,543)	-	(53,543)	(1,286)	-	(1,286)
Reclassification		7,176	(7,176)	-	724	(724)	-
At 31 December		88,193	2,261	90,454	114,952	7,176	122,128
<b>Accumulated amortisation</b>							
At 1 January		77,408	-	77,408	62,228	-	62,228
Amortisation charge for the year	6	17,683	-	17,683	16,466	-	16,466
Write-offs		(51,975)	-	(51,975)	(1,286)	-	(1,286)
At 31 December		43,116	-	43,116	77,408	-	77,408
<b>Net carrying amount at 31 December</b>		<b>45,077</b>	<b>2,261</b>	<b>47,338</b>	<b>37,544</b>	<b>7,176</b>	<b>44,720</b>

**14. Goodwill**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January/31 December	42,957	42,957	29,494	29,494

Goodwill is in respect of acquisitions of subsidiaries by the Group and has been allocated to the CGUs in the following market segments:

	Group	
	2013 RM'000	2012 RM'000
Securities market	33,273	33,273
Derivatives market	9,684	9,684
	42,957	42,957

**Key assumptions used in value-in-use calculations**

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment assessment of goodwill:

**(i) Securities market**

The recoverable amount of this CGU has been determined based on value-in-use calculations using five year financial projections. Revenue growth has been capped at 5% per annum, while expenses have been assumed to grow at 6% for the first two years and subsequent years at 3% per annum. No revenue and expense growth was projected from the sixth year to perpetuity.

**(ii) Derivatives market**

The recoverable amount of this CGU has been determined based on value-in-use calculations using five year financial projections. The anticipated annual revenue and expenses growth included in the financial projections was between 10% to 25% based on the expected developments over the next five years. No revenue and expense growth was projected from the sixth year to perpetuity.

**(iii) Discount rate**

A discount rate of 11% was applied in determining the recoverable amount of the respective CGU. The discount rate was based on the Group's weighted average cost of capital.

**Sensitivity to changes in assumptions**

Management believes that no reasonable possible changes in any of the key assumptions above would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

## Notes to the Financial Statements

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## 15. Investments in subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost	174,183	174,183
Less: Accumulated impairment losses	(22,041)	(22,041)
	<b>152,142</b>	<b>152,142</b>

In the previous financial year, the Company reversed an impairment loss of RM4,755,000 in relation to the Company's investment in its subsidiary, Bursa Malaysia Derivatives, on the basis that the recoverable amount is in excess of the carrying amount. The Company also recognised an impairment loss of RM1,589,000 in relation to its wholly owned subsidiary, Labuan International Financial Exchange Inc., on the basis that the carrying amount is in excess of the recoverable amount.

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

Name of subsidiaries	Proportion of ownership interest		Ordinary paid-up capital as at	Principal activities
	2013 %	2012 %	31.12.2013 RM'000	
Bursa Malaysia Securities Berhad (Bursa Malaysia Securities)	100	100	25,000	Provide, operate and maintain a securities exchange.
Bursa Malaysia Derivatives Berhad (Bursa Malaysia Derivatives)	75	75	50,000	Provide, operate and maintain a derivatives exchange.
Labuan International Financial Exchange Inc. (LFX) *	100	100	5,500 (in USD'000)	Provide, operate and maintain an offshore financial exchange.
Bursa Malaysia Securities Clearing Sdn Bhd (Bursa Malaysia Securities Clearing)	100	100	50,000	Provide, operate and maintain a clearing house for the securities exchange.
Bursa Malaysia Depository Sdn Bhd (Bursa Malaysia Depository)	100	100	25,000	Provide, operate and maintain a central depository for securities listed on the securities exchange.

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

Name of subsidiaries	Proportion of ownership interest		Ordinary paid-up capital as at 31.12.2013 RM'000	Principal activities
	2013 %	2012 %		
Bursa Malaysia Information Sdn Bhd (Bursa Malaysia Information)	100	100	250	Provide and disseminate prices and other information relating to securities quoted on exchanges within the Group.
Bursa Malaysia Bonds Sdn Bhd (Bursa Malaysia Bonds)	100	100	2,600	Provide, operate and maintain an electronic trading platform for the bond market.
Bursa Malaysia Islamic Services Sdn Bhd (Bursa Malaysia Islamic Services)	100	100	2,600	Provide, operate and maintain a Shari'ah compliant commodity trading platform.
<b>Subsidiary held through Bursa Malaysia Depository</b>				
Bursa Malaysia Depository Nominees Sdn Bhd (Bursa Malaysia Depository Nominees)	100	100	~	Act as a nominee for Bursa Malaysia Depository and receive securities on deposit or for safe-custody or management.
<b>Subsidiary held through Bursa Malaysia Derivatives</b>				
Bursa Malaysia Derivatives Clearing Berhad (Bursa Malaysia Derivatives Clearing)	75	75	20,000	Provide, operate and maintain a clearing house for the derivatives exchange.

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

~ Denotes RM2.



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

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

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

**(a) Summarised consolidated statement of financial position**

	2013 RM'000	2012 RM'000
<b>Assets</b>		
Non-current assets	21,436	24,766
Current assets	836,067	1,221,785
<b>Total assets</b>	<b>857,503</b>	<b>1,246,551</b>
<b>Equity attributable to owners of the Company</b>	<b>84,420</b>	<b>81,981</b>
<b>Liabilities</b>		
Non-current liabilities	6,447	7,869
Current liabilities	766,636	1,156,701
<b>Total liabilities</b>	<b>773,083</b>	<b>1,164,570</b>
<b>Total equity and liabilities</b>	<b>857,503</b>	<b>1,246,551</b>

**(b) Summarised consolidated income statement**

	2013 RM'000	2012 RM'000
Revenue	87,688	79,112
Expenses	(53,370)	(45,217)
<b>Profit for the year</b>	<b>25,239</b>	<b>25,153</b>
Dividend paid to non-controlling interests	5,750	4,750

**(c) Summarised consolidated statement of cash flows**

	2013 RM'000	2012 RM'000
Net cash from operating activities	28,265	27,454
Net cash from/(used in) investing activities	2,300	(5,421)
Net cash used in financing activities	(23,220)	(19,548)
<b>Net increase in cash and cash equivalents</b>	<b>7,345</b>	<b>2,485</b>
Cash and cash equivalents at the beginning of year	69,827	67,342
<b>Cash and cash equivalents at the end of year</b>	<b>77,172</b>	<b>69,827</b>

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

## Notes to the Financial Statements

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## 16. Investment securities

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Non-current</b>				
AFS financial assets				
- Shares (quoted outside Malaysia)	98,584	59,322	98,584	59,322
- Bonds (unquoted)	64,911	64,460	-	-
	<b>163,495</b>	<b>123,782</b>	<b>98,584</b>	<b>59,322</b>
<b>Current</b>				
AFS financial assets				
- Bonds (unquoted)	36,551	35,138	26,545	30,125
HTM investment				
- Commercial papers	14,632	19,798	9,723	14,840
	<b>51,183</b>	<b>54,936</b>	<b>36,268</b>	<b>44,965</b>
Total investments	<b>214,678</b>	<b>178,718</b>	<b>134,852</b>	<b>104,287</b>

## 17. Staff loans receivable

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Housing loans	7,787	9,901	7,104	9,168
Vehicle loans	83	61	83	61
Computer loans	74	68	72	60
	<b>7,944</b>	<b>10,030</b>	<b>7,259</b>	<b>9,289</b>
Less: Portion within 12 months, included in other receivables (Note 20)	(822)	(890)	(745)	(809)
	<b>7,122</b>	<b>9,140</b>	<b>6,514</b>	<b>8,480</b>

## Notes to the Financial Statements

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## 18. Deferred tax assets/(liabilities)

	Group		Company	
	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)
At 1 January	(6,617)	(6,530)	(4,026)	(7,564)
Recognised in income statement (Note 9)	(5,027)	753	(5,688)	4,338
Recognised in other comprehensive income	400	(840)	326	(800)
At 31 December	(11,244)	(6,617)	(9,388)	(4,026)

Presented after appropriate offsetting as follows:

	Group			Company		
	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)
Deferred tax assets	1,648	1,278	1,034	-	-	-
Deferred tax liabilities	(12,892)	(7,895)	(7,564)	(9,388)	(4,026)	(7,564)
	(11,244)	(6,617)	(6,530)	(9,388)	(4,026)	(7,564)

## Deferred tax assets of the Group:

	Provision for retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment of receivables RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Total RM'000
At 1 January 2013	7,505	6,705	847	38	-	15,095
Recognised in income statement	(526)	1,696	(837)	4	3,321	3,658
Recognised in other comprehensive income	257	-	-	-	-	257
At 31 December 2013	7,236	8,401	10	42	3,321	19,010
At 1 January 2012 (Restated)	8,400	6,252	542	13	-	15,207
Recognised in income statement	(41)	453	305	25	-	742
Recognised in other comprehensive income	(854)	-	-	-	-	(854)
At 31 December 2012 (Restated)	7,505	6,705	847	38	-	15,095

**18. Deferred tax assets/(liabilities) (cont'd.)****Deferred tax assets of the Company:**

	<b>Provision for retirement benefits</b>	<b>Other provisions and payables</b>	<b>Allowance for impairment of receivables</b>	<b>Depreciation in excess of capital allowances</b>	<b>Unused capital allowances</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2013	7,506	5,286	692	35	-	13,519
Recognised in income statement	(526)	1,185	(681)	2	3,321	3,301
Recognised in other comprehensive income	257	-	-	-	-	257
<b>At 31 December 2013</b>	<b>7,237</b>	<b>6,471</b>	<b>11</b>	<b>37</b>	<b>3,321</b>	<b>17,077</b>
At 1 January 2012 (Restated)	8,400	4,843	422	11	-	13,676
Recognised in income statement	(40)	443	270	24	-	697
Recognised in other comprehensive income	(854)	-	-	-	-	(854)
<b>At 31 December 2012 (Restated)</b>	<b>7,506</b>	<b>5,286</b>	<b>692</b>	<b>35</b>	<b>-</b>	<b>13,519</b>

**Deferred tax liabilities of the Group:**

	<b>Accelerated capital allowances</b>	<b>AFS investments</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2013	(21,607)	(105)	(21,712)
Recognised in income statement	(8,425)	(260)	(8,685)
Recognised in other comprehensive income	-	143	143
<b>At 31 December 2013</b>	<b>(30,032)</b>	<b>(222)</b>	<b>(30,254)</b>
At 1 January 2012	(21,495)	(242)	(21,737)
Recognised in income statement	(112)	123	11
Recognised in other comprehensive income	-	14	14
<b>At 31 December 2012</b>	<b>(21,607)</b>	<b>(105)</b>	<b>(21,712)</b>

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**18. Deferred tax assets/(liabilities) (cont'd.)****Deferred tax liabilities of the Company:**

	<b>Accelerated capital allowances RM'000</b>	<b>AFS investments RM'000</b>	<b>Total RM'000</b>
At 1 January 2013	(17,435)	(110)	(17,545)
Recognised in income statement	(8,943)	(46)	(8,989)
Recognised in other comprehensive income	-	69	69
<b>At 31 December 2013</b>	<b>(26,378)</b>	<b>(87)</b>	<b>(26,465)</b>
At 1 January 2012	(21,072)	(168)	(21,240)
Recognised in income statement	3,637	4	3,641
Recognised in other comprehensive income	-	54	54
<b>At 31 December 2012</b>	<b>(17,435)</b>	<b>(110)</b>	<b>(17,545)</b>

At the financial year end, the Group has tax losses of approximately RM17,485,000 (2012: RM17,131,000) that are available for offset against future taxable profits of the companies in which the losses arose. No deferred tax asset is recognised on this amount due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

**19. Trade receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Trade receivables	33,234	28,920	1,480	1,581
Less: Allowance for impairment	(501)	(458)	(194)	(206)
	<b>32,733</b>	<b>28,462</b>	<b>1,286</b>	<b>1,375</b>



## Notes to the Financial Statements

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**20. Other receivables**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits	733	816	613	698
Prepayments	5,282	3,727	4,931	3,712
Interest receivables	4,708	5,302	1,593	2,747
Staff loans receivable within 12 months (Note 17)	822	890	745	809
Sundry receivables	11,253	12,370	6,677	5,284
	<b>22,798</b>	<b>23,105</b>	<b>14,559</b>	<b>13,250</b>
Less: Allowance for impairment	(7,004)	(7,024)	(2,675)	(2,695)
	<b>15,794</b>	<b>16,081</b>	<b>11,884</b>	<b>10,555</b>

**21. Related company balances**

The amounts due from subsidiaries are unsecured, receivable within 30 days and bear late interest charges of 2% above the prevailing base lending rate.

**22. Cash and bank balances not belonging to the Group**

	Group	
	2013 RM'000	2012 RM'000
Derivatives margins and security deposits	733,601	1,123,660
Securities Borrowing and Lending (SBL) collaterals	717	13,574
Trade payables	734,318	1,137,234
Clearing Guarantee Fund (CGF) (Note 25(e)(i))	13,178	12,361
Derivatives Clearing Fund (DCF) (Note 25(e)(ii))	22,196	23,577
Clearing funds	35,374	35,938
Cash received for eDividend distributions (included within other payables (Note 29))	1,225	1,828
Total cash and bank balances not belonging to the Group	<b>770,917</b>	<b>1,175,000</b>

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**22. Cash and bank balances not belonging to the Group (cont'd.)****Note a**

The cash received from CPs and TCPs are placed in interest-bearing deposits and interest earned is credited to the CPs' and TCPs' accounts net of service charges. Cash received for eDividend distributions is placed in interest-bearing deposits until such time when dividend payment is due. Details of the cash received are as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash on hand and at banks	170,884	178,402
Deposits with licensed financial institutions	600,033	996,598
	<b>770,917</b>	<b>1,175,000</b>

**Note b**

The amount of non-cash collaterals and contributions held by, but not belonging to, the Group and which are not included in the Group's statement of financial position as at the financial year end comprise the following:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Collaterals in the form of letters of credit	499,385	406,500
Collaterals in the form of shares	3,216	216
Contributions to the CGF in the form of bank guarantees (Note 25(e)(i))	4,438	5,776
	<b>507,039</b>	<b>412,492</b>

**Note c**

Trade payables comprise margins and security deposits which are derived from cash received from CPs of Bursa Malaysia Derivatives Clearing for their open interests in derivatives contracts. Collaterals are also lodged by TCPs of Bursa Malaysia Securities Clearing for borrowings under the SBL framework.

**23. Cash and bank balances**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash on hand and at banks	2,375	4,872	362	1,820
Deposits with:				
Licensed banks	316,231	408,918	120,203	222,118
Licensed investment banks	62,836	57,713	24,194	44,437
	379,067	466,631	144,397	266,555
<b>Total cash and bank balances</b>	<b>381,442</b>	<b>471,503</b>	<b>144,759</b>	<b>268,375</b>

(i) Cash set aside for the following Clearing Funds:

	Group	
	2013 RM'000	2012 RM'000
Bursa Malaysia Securities Clearing's contribution to the CGF (Note 25(e)(i))	25,000	25,000
Bursa Malaysia Derivatives Clearing's contribution to the DCF (Note 25(e)(ii))	5,000	5,000
	30,000	30,000

(ii) An amount of RM2,207,000 (2012: RM7,233,000) which has been set aside to meet or secure the claims of creditors and certain lease payments pursuant to the High Court order issued in relation to the reduction of capital of the Company on 27 January 2005.

(iii) For the purpose of statements of cash flows, cash and cash equivalents comprise the following as at the end of the financial year:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total cash and bank balances	381,442	471,503	144,759	268,375
Less: Other deposits not for short-term funding requirements	(134,834)	(235,403)	(56,087)	(163,102)
	246,608	236,100	88,672	105,273

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## 24. Share capital

	Number of ordinary shares of RM0.50 each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
<b>Authorised</b>				
At 1 January/31 December	2,000,000	2,000,000	1,000,000	1,000,000
<b>Issued and fully paid</b>				
At 1 January	532,024	531,599	266,012	265,800
Issued during the year pursuant to SGP (Note 27(b))	588	425	294	212
At 31 December	532,612	532,024	266,306	266,012

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

## 25. Other reserves

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Capital reserve	(a)	14,100	13,900	-	-
Capital redemption reserve	(b)	5,250	5,250	-	-
Foreign currency translation reserve	(c)	72	(40)	-	-
Share grant reserve	(d)	4,582	2,320	4,582	2,320
Clearing fund reserves	(e)	30,000	30,000	-	-
AFS reserve	(f)	13,712	(24,602)	13,969	(24,901)
		67,716	26,828	18,551	(22,581)

**25. Other reserves (cont'd.)****(a) Capital reserve**

Capital reserve is in relation to share premium in Bursa Malaysia Derivatives, which arises from “B” and “C” non-cumulative preference shares of RM1.00 each in Bursa Malaysia Derivatives. The composition of share premium in Bursa Malaysia Derivatives is as follows:

Financial year of issue	Type of preference shares	No. of shares issued	Share premium RM'000
2001	“B” preference shares	16	8,000
2001	“C” preference shares	15	3,000
2002	“C” preference shares	6	1,200
2003	“C” preference shares	1	200
2006	“C” preference shares	1	200
2007	“B” preference shares	1	500
2007	“C” preference shares	2	400
2008	“C” preference shares	1	200
2010	“C” preference shares	1	200
2013	“C” preference shares	1	200
			14,100

The share premium arising from the above issues are not refundable to the preference shareholders and thus are treated as a non-distributable capital reserve. The “B” and “C” preference shares have been accounted for as part of the Group's non-controlling interest.

During the financial year, Bursa Malaysia Derivatives proposed the revamp of its participanship structure. Further details of the revamp is disclosed in Note 41.

**(b) Capital redemption reserve**

The capital redemption reserve relates to the capitalisation of retained earnings arising from the redemption of preference shares by the following subsidiaries:

	Group	
	2013 RM'000	2012 RM'000
Bursa Malaysia Depository	5,000	5,000
Bursa Malaysia Securities	250	250
	5,250	5,250

The capital redemption reserve is non-distributable in the form of dividends but may be applied in paying up unissued shares of the subsidiaries to be issued to the shareholder of the subsidiaries as fully paid bonus shares.



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**25. Other reserves (cont'd.)****(c) Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency differs from the Group's presentation currency.

**(d) Share grant reserve**

The share grant reserve represents the value of equity-settled shares granted to employees under the SGP. This reserve is made up of the cumulative value of services received from employees recorded on grant of shares.

**(e) Clearing fund reserves**

		Group	
	Note	2013 RM'000	2012 RM'000
Amount set aside for:			
CGF, in accordance with Rules of Bursa Malaysia Securities Clearing	(i)	25,000	25,000
DCF, in accordance with Rules of Bursa Malaysia Derivatives Clearing	(ii)	5,000	5,000
		<b>30,000</b>	<b>30,000</b>

**(i) CGF reserve**

The CGF reserve is an amount set aside following the implementation of the CGF. The quantum of the CGF was set at RM100,000,000 and may increase by the quantum of interest arising from investments of the fixed contributions. The CGF comprises contributions from TCPs, appropriation from Bursa Malaysia Securities Clearing, and other financial resources (currently in the form of a Standby Credit Facility from the Company).

As at the financial year end, the CGF composition was as follows:

	2013 RM'000	2012 RM'000
Contributions from TCPs of Bursa Malaysia Securities Clearing (Note 22)	13,178	12,361
Contribution from Bursa Malaysia Securities Clearing (Note 23(i))	25,000	25,000
Standby Credit Facility from the Company (Note 32(b))	60,000	60,000
	<b>98,178</b>	<b>97,361</b>
Non-cash collaterals from TCPs of Bursa Malaysia Securities Clearing (Note 22(b))	4,438	5,776
	<b>102,616</b>	<b>103,137</b>

**(ii) DCF reserve**

Pursuant to the Rules of Bursa Malaysia Derivatives Clearing, Bursa Malaysia Derivatives Clearing set up a DCF for derivatives clearing and settlement. The DCF comprises contributions from CPs and appropriation of certain amounts from Bursa Malaysia Derivatives Clearing's retained earnings.

**25. Other reserves (cont'd.)****(e) Clearing fund reserves (cont'd.)****(ii) DCF reserve (cont'd.)**

As at the financial year end, the DCF composition was as follows:

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Contributions from CPs of Bursa Malaysia Derivatives Clearing (Note 22)	<b>22,196</b>	23,577
Contribution from Bursa Malaysia Derivatives Clearing (Note 23(i))	<b>5,000</b>	5,000
	<b>27,196</b>	28,577

There were no non-cash collaterals from CPs of Bursa Malaysia Derivatives Clearing for DCF held by the Group as at 31 December 2013 and 31 December 2012.

**(f) AFS reserve**

AFS reserve represents the cumulative fair value changes, net of tax, of AFS financial assets until they are disposed or impaired.

**26. Retained earnings**

The Company has elected for the irrevocable option under the Finance Act, 2007 to disregard the Section 108 balance as at 30 September 2009. Following that, the Company will be able to distribute dividends out of its entire retained earnings under the single-tier system.

**27. Employee benefits****(a) Retirement benefit obligations**

The Group operates a funded, defined Retirement Benefit Scheme (the Scheme) for its eligible employees. Contributions to the Scheme are made to a separately administered fund. Under the Scheme, eligible employees are entitled to a lump sum, upon leaving service, calculated based on the multiplication of two times the Final Scheme Salary, Pensionable Service and a variable factor based on service years, less EPF offset. The Scheme was closed to new entrants effective 1 September 2003.

The amounts recognised in the statements of financial position were determined as follows:

	<b>Group and Company</b>		
	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>1.1.2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>	<b>(Restated)</b>
Present value of funded defined benefit obligations	<b>30,440</b>	31,392	35,010
Fair value of plan assets	<b>(1,490)</b>	(1,369)	(1,411)
Net liability arising from defined benefit obligations	<b>28,950</b>	30,023	33,599

## Notes to the Financial Statements

31 December 2013

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

## (a) Retirement benefit obligations (cont'd.)

The movements in the net liability were as follows:

	Group and Company		
	Present value of funded defined benefit obligations	Fair value of plan assets	Total
	RM'000	RM'000	RM'000
At 1 January 2013	31,392	(1,369)	30,023
Interest expense/(income) (Note 5)	1,551	(70)	1,481
	32,943	(1,439)	31,504
Remeasurements:			
Return on plan assets	-	45	45
Experience losses	984	-	984
	984	45	1,029
Contributions by employer	-	(3,249)	(3,249)
Payments from plan	(3,487)	3,153	(334)
At 31 December 2013	30,440	(1,490)	28,950
At 1 January 2012 (Restated)	35,010	(1,411)	33,599
Interest expense/(income) (Note 5)	1,987	(81)	1,906
	36,997	(1,492)	35,505
Remeasurements:			
Return on plan assets	-	63	63
Gain from change in financial assumptions	(3,044)	-	(3,044)
Experience gains	(432)	-	(432)
	(3,476)	63	(3,413)
Contributions by employer	-	(1,761)	(1,761)
Payments from plan	(2,129)	1,821	(308)
At 31 December 2012 (Restated)	31,392	(1,369)	30,023

The plan assets comprise:

	Group and Company	
	31.12.2013	31.12.2012
	%	%
Malaysian Government Securities	40	66
Cash and fixed deposits	60	34

**27. Employee benefits (cont'd.)****(a) Retirement benefit obligations (cont'd.)**

Principal actuarial assumptions used:

	<b>Group and Company</b>	
	<b>31.12.2013</b>	<b>31.12.2012</b>
	%	%
Discount rate	5.0	5.0
Expected rate of salary increase	5.0	*

\* First year at 13% and second year onwards at 5%.

The discount rate is determined based on the values of AA rated corporate bond yields with three to fifteen years of maturity.

Significant actuarial assumptions for determination of the defined benefits obligation are discount rate and expected salary increase. The sensitivity analysis below has been determined based on changes to individual assumptions, with all other assumptions held constant:

	<b>Group and Company</b>
	<b>31.12.2013</b>
	<b>RM'000</b>
A 1% decrease/increase in discount rate will increase/decrease the defined benefit obligation by	2,134
A 1% increase/decrease in expected salary growth will increase/decrease the defined benefit obligation by	2,198

The sensitivity analysis presented above may not be representative of the actual change in defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

## Notes to the Financial Statements

31 December 2013

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

#### (b) SGP

The SGP is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 14 April 2011. The SGP was implemented on 18 April 2011 and is in force for a maximum period of 10 years from the date of implementation.

The SGP comprises two types of performance-based awards, namely RSP and PSP.

The salient features and terms of the SGP are as follows:

- (i) The Committee (appointed by the Board of Directors to administer the SGP) may, in its discretion and where necessary, direct the implementation and administration of the plan. The Committee may at any time within the duration of the plan, offer RSP and PSP awards under the SGP to eligible employees and/or Executive Directors of the Group, in which such offer shall lapse should the eligible employees or Executive Directors of the Group fail to accept within the period stipulated.
- (ii) To facilitate the implementation of the SGP, a Trust to be administered in accordance to the Trust Deed by the Trustee appointed by the Company was established. The Trustee shall subscribe for new ordinary shares of RM0.50 each in the Company and transfer the shares to eligible employees and/or Executive Directors of the Group participating in the SGP. The Trustee will obtain financial funding from the Company and/or its subsidiaries and/or third parties for purposes of administering the Trust.
- (iii) The total number of shares to be issued under the SGP shall not exceed in aggregate 10% of the issued and paid-up share capital (excluding treasury shares) of the Company at any point of time during the tenure of the SGP and out of which not more than 50% of the shares shall be allocated, in aggregate, to Executive Directors and senior management of the Group. In addition, not more than 10% of the shares available under the SGP shall be allocated to any individual employee or Executive Director who, either individually or collectively through persons connected with him/her, holds 20% or more in the issued and paid-up capital of the Company.
- (iv) All new ordinary shares issued pursuant to the SGP will rank *pari passu* in all respect with the then existing ordinary shares of the Company, except that the new ordinary shares so issued will not be entitled to any rights, dividends or other distributions declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission or otherwise.
- (v) The shares granted will only be vested to the eligible employees and/or Executive Directors of the Group who have duly accepted the offer of awards under the SGP, on their respective vesting dates, provided the following vesting conditions are fully and duly satisfied:
  - Eligible employees or Executive Directors of the Group must remain in employment with the Group and shall not have given notice of resignation or received notice of termination of service as at the vesting dates.
  - In respect of the PSP, eligible employees and/or Executive Directors of the Group having achieved his/her performance targets as stipulated by the Committee and as set out in their offer of awards.

**27. Employee benefits (cont'd.)****(b) SGP (cont'd.)**

The following table illustrates the movement of shares granted under SGP during the financial year:

	Movements during the year				At 31 December '000
	At 1 January '000	Granted '000	Vested '000	Forfeited '000	
<b>2013</b>					
2011 grant:					
RSP	306	-	(154)	(12)	140
2012 grants:					
RSP	549	-	(184)	(34)	331
PSP	380	-	-	(156)	224
2013 grants:					
RSP	-	1,375	(250)	(29)	1,096
PSP	-	475	-	-	475
	<b>1,235</b>	<b>1,850</b>	<b>(588)</b>	<b>(231)</b>	<b>2,266</b>
<b>2012</b>					
2011 grant:					
RSP	541	-	(175)	(60)	306
2012 grants:					
RSP	-	829	(250)	(30)	549
PSP	-	398	-	(18)	380
	<b>541</b>	<b>1,227</b>	<b>(425)</b>	<b>(108)</b>	<b>1,235</b>

As disclosed in Note 24, share grants vested during the financial year resulted in the issuance of 588,000 ordinary shares of RM0.50 each (2012: 425,000 ordinary shares of RM0.50 each). The weighted average share price at the date of vesting for the financial year was RM7.42 (2012: RM6.86).

The outstanding share grants at the end of the financial year are to be vested on specific dates in the following periods:

- (i) The 2011 grant is to be vested within the next year.
- (ii) The 2012 grants are to be vested within the next two years.
- (iii) The 2013 grants are to be vested within the next three years.



## Notes to the Financial Statements

31 December 2013

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

## (b) SGP (cont'd.)

## Fair value of shares granted during the financial year

The fair values of shares granted during the financial year were measured at grant date and the assumptions were as follows:

- (i) The fair value of RSP shares granted during the year was estimated using a discounted cash flow model, taking into account the vesting conditions upon which the RSP shares were granted. The weighted average share price at the grant date was RM7.45 (2012: RM6.57). An average expected dividend yield of 4.7% (2012: 4.5%) was used in measuring the fair values.
- (ii) The performance conditions for the PSP includes a non-market based hurdle and a market based hurdle. The non-market based hurdle is valued using a discounted cash flow model while the market based hurdle uses assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation. The key assumptions used in these models are as follows:

	2013	2012
Share price	RM7.56	RM6.75
Expected dividend yield	4.9%	4.4%
Expected volatility	18.0%	20.0%
Risk free rate	3.3%	3.1%

## 28. Deferred capital grants

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	9,934	11,850	5,934	7,500
Grant income (Note 4)	(2,166)	(1,916)	(1,155)	(1,566)
At 31 December	7,768	9,934	4,779	5,934

The deferred capital grants of the Group refer to grants for the development of the bond trading platform, the development of clearing facilities and licence for the order management system for the derivatives market. The deferred capital grant of the Company refers to the grant for the development of the bond trading platform.

**29. Other payables**

	Group			Company		
	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)
Accruals	18,071	21,564	11,569	14,985	19,394	9,496
Amount due to SC	3,963	2,849	3,550	-	-	-
CMEIF	17,701	15,398	13,121	17,701	15,398	13,121
Provision for employee benefits	28,268	22,577	21,134	25,619	20,889	19,253
Receipts in advance	2,536	11,659	11,186	791	10,041	9,891
Sundry payables	18,595	20,432	19,353	7,403	8,674	10,210
	<b>89,134</b>	<b>94,479</b>	<b>79,913</b>	<b>66,499</b>	<b>74,396</b>	<b>61,971</b>

Included in sundry payables of the Group is cash received for eDividend distributions amounting to RM1,225,000 (2012: RM1,828,000).

**30. Compensation funds**

The Group maintains the following funds to compensate investors who have suffered losses under the circumstances specified in the relevant rules and regulations.

The net assets of the funds are as follows:

	2013 RM'000	2012 RM'000
Bursa Malaysia Securities Berhad - Compensation Fund (BMSB - CF)	-	313,270
Bursa Malaysia Derivatives Berhad - Fidelity Fund (BMDB - FF)	-	14,537
Bursa Malaysia Depository Sdn Bhd - Compensation Fund (Depository - CF)	50,000	50,000

The assets of the funds are segregated from the financial statements of the Group and are accounted for separately.

**(a) BMSB - CF and BMDB - FF**

The functions and funds of BMSB - CF and BMDB - FF were transferred to Capital Market Compensation Fund Corporation (CMC) during the financial year pursuant to Part IV of the Capital Markets and Services (Amendment) Act, 2012 (Amendment Act).

Prior to the Amendment Act, BMSB - CF and BMDB - FF were established, maintained and administered by Bursa Malaysia Securities and Bursa Malaysia Derivatives respectively.

## Notes to the Financial Statements

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**30. Compensation funds (cont'd.)****(b) Depository - CF**

In 1997, pursuant to the provisions of Section 5(1)(b)(vii) of the Securities Industry (Central Depositories) Act, 1991, Bursa Malaysia Depository, a wholly-owned subsidiary, established a scheme of compensation for the purpose of settling claims by depositors against Bursa Malaysia Depository, its authorised depository agents and Bursa Malaysia Depository Nominees. The scheme comprises monies in the Depository - CF and insurance policies. Bursa Malaysia Depository's policy is to maintain the balance in the Depository - CF at RM50,000,000. In consideration for the above, all revenue accruing to the Depository - CF's deposits and investments are to be credited to Bursa Malaysia Depository and all expenditure incurred for and on behalf of the Depository - CF will be paid for by Bursa Malaysia Depository.

**31. Operating lease arrangements****(a) The Group and Company as lessee of building**

The Company has entered into two non-cancellable operating lease agreements for the use of land. The leases are for a period of 99 years with no renewal or purchase option included in the contracts. The leases do not allow the Company to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. Tenancy is however allowed with the consent of the lessor.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the financial year end but not recognised as liabilities are as follows:

	<b>Group and Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than one year	539	539
Later than one year and not later than five years	2,155	2,155
Later than five years	39,175	40,253
	<b>41,869</b>	<b>42,947</b>

The lease rental for the current financial year is disclosed in Note 7.

**(b) The Group and Company as lessee of equipment**

The Company has entered into an operating lease arrangement for the use of computer equipment. The leases have lives of five years with no renewal or purchase option included in the contracts.

The future aggregate minimum lease payments under operating leases contracted for as at the financial year end but not recognised as liabilities are as follows:

	<b>Group and Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than one year	152	152
Later than one year and not later than five years	430	582
	<b>582</b>	<b>734</b>

The lease rental for the current financial year is disclosed in Note 7.

**31. Operating lease arrangements (cont'd.)****(c) The Group and Company as lessor of building**

The Company has entered into operating lease agreements for the rental of office space in the building. The lease is for a period of three years with a renewal option of another three years included in the agreements. The leases have a fixed rental rate for the existing lease period with an upward revision to the rental rate for the renewed lease period.

The future aggregate minimum lease payments receivable under operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	<b>Group and Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than one year	6,382	6,028
Later than one year and not later than two years	6,263	6,283
Later than two years and not later than five years	2,982	9,207
	<b>15,627</b>	<b>21,518</b>

The lease rental for the current financial year is disclosed in Note 4.

**(d) The Company as lessor of building**

The Company has entered into an operating lease arrangement with its subsidiaries for the use of office space. The lease is for a period of three years and shall be automatically renewed for further periods of three years for each renewal unless terminated.

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than one year	4,607	5,253
Later than one year and not later than two years	4,607	4,775
Later than two years but not later than five years	11,615	14,324
	<b>20,829</b>	<b>24,352</b>

The lease rental for the current financial year is disclosed in Notes 3 and 33(a).

## Notes to the Financial Statements

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**31. Operating lease arrangements (cont'd.)****(e) The Company as lessor of equipment**

The Company has entered into an operating lease arrangement with its subsidiaries for the use of computer equipment. The equipment is leased between three to seven years with no purchase option included in the contract.

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than one year	15,075	25,652
Later than one year and not later than five years	47,744	58,405
Later than five years	12,759	31,785
	<b>75,578</b>	<b>115,842</b>

The lease rental for the current financial year is disclosed in Notes 3 and 33(a).

**32. Commitments****(a) Capital commitments**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Approved and contracted for</b>				
Computers and office automation	4,200	14,839	4,200	14,839
Office equipment	19	-	19	-
Renovations	96	218	96	218
	<b>4,315</b>	<b>15,057</b>	<b>4,315</b>	<b>15,057</b>
<b>Approved but not contracted for</b>				
Computers and office automation	<b>7,838</b>	26,688	<b>7,838</b>	26,688

**(b) Other commitments**

A standby credit facility of RM60,000,000 (2012: RM60,000,000) was provided by the Company to Bursa Malaysia Securities Clearing in respect of the CGF (Note 25(e)(i)).

**33. Significant related party disclosures****(a) Transactions with subsidiaries**

Significant transactions between the Company and its subsidiaries are as follows:

	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b> <b>(Restated)</b>
Management fee income from:		
Bursa Malaysia Securities	<b>67,290</b>	60,063
Bursa Malaysia Derivatives	<b>9,618</b>	8,701
Bursa Malaysia Securities Clearing	<b>6,786</b>	6,132
Bursa Malaysia Derivatives Clearing	<b>3,275</b>	2,907
Bursa Malaysia Depository	<b>17,316</b>	15,767
Bursa Malaysia Information	<b>4,562</b>	5,100
Bursa Malaysia Islamic Services	<b>5,337</b>	4,895
Bursa Malaysia Bonds	<b>2</b>	3,102
LFX	<b>11</b>	1,550
	<b>114,197</b>	108,217

	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>
Office space rental income from:		
Bursa Malaysia Securities	<b>2,110</b>	2,110
Bursa Malaysia Derivatives	<b>522</b>	522
Bursa Malaysia Securities Clearing	<b>675</b>	675
Bursa Malaysia Depository	<b>935</b>	935
Bursa Malaysia Information	<b>389</b>	389
Bursa Malaysia Islamic Services	<b>411</b>	411
Bursa Malaysia Bonds	<b>-</b>	154
LFX	<b>-</b>	101
	<b>5,042</b>	5,297



## Notes to the Financial Statements

31 December 2013

**33. Significant related party disclosures (cont'd.)****(a) Transactions with subsidiaries (cont'd.)**

Significant transactions between the Company and its subsidiaries are as follows (cont'd.):

	2013 RM'000	2012 RM'000
Lease rental income from:		
Bursa Malaysia Securities	19,688	18,990
Bursa Malaysia Derivatives	682	543
Bursa Malaysia Securities Clearing	856	957
Bursa Malaysia Derivatives Clearing	198	159
Bursa Malaysia Depository	1,110	845
Bursa Malaysia Information	145	158
Bursa Malaysia Islamic Services	1,230	1,227
Bursa Malaysia Bonds	-	175
LFX	-	47
	<b>23,909</b>	23,101
Dividend income from:		
Bursa Malaysia Securities	55,800	63,600
Bursa Malaysia Derivatives	17,669	14,749
Bursa Malaysia Securities Clearing	16,300	40,110
Bursa Malaysia Depository	40,800	37,400
Bursa Malaysia Information	12,000	9,400
	<b>142,569</b>	165,259

Management fee charged to subsidiaries are in respect of operational and administrative functions of the subsidiaries which are performed by employees of the Company.

Information regarding outstanding balances arising from related party transactions as at the financial year end are disclosed in Note 21.

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**33. Significant related party disclosures (cont'd.)****(b) Transactions with other related parties**

Significant transactions between the Group and the Company and other related parties are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Administration fee income from BMSB - CF, a fund managed by the Company	158	935	158	935
Administration fee income from BMDB - FF, a fund managed by a subsidiary	20	120	-	-

The Group and the Company will no longer earn administration fees as the functions and funds of BMSB - CF and BMDB - FF were transferred to CMC during the financial year, as disclosed in Note 30(a).

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Certain Directors are also directors of stockbroking companies and banks. The transactions entered into with these stockbroking companies and banks have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Government-linked and other entities are related to the Company by virtue of the substantial shareholdings of the Minister of Finance (Incorporated) in the Company. The transactions entered into with these entities have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**(c) Compensation of key management personnel**

Key management personnel refers to the management committee of the Group. The remuneration of key management personnel during the financial year was as follows:

	Group and Company	
	2013 RM'000	2012 RM'000
Short-term employee benefits	9,364	9,062
Contributions to defined contribution plan - EPF	1,047	1,018
Shares granted under SGP	2,460	2,066
	<b>12,871</b>	<b>12,146</b>

## Notes to the Financial Statements

31 December 2013

**33. Significant related party disclosures (cont'd.)****(c) Compensation of key management personnel (cont'd.)**

Included in total remuneration of key management personnel is:

	<b>Group and Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Executive Director's remuneration (Note 8)	5,613	5,630
Benefits-in-kind (Note 8)	32	32
	<b>5,645</b>	<b>5,662</b>

The Executive Director of the Group and of the Company and other key management personnel have been granted the following number of shares under the SGP:

	<b>Group and Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>'000</b>	<b>'000</b>
At 1 January	288	25
Granted	670	545
Vested	(280)	(262)
Forfeited	(74)	(20)
At 31 December	<b>604</b>	<b>288</b>

**34. Contingent liability**

In connection with the partial disposal of Bursa Malaysia Derivatives on 30 November 2009, the Company had entered into put and call options with Chicago Mercantile Exchange (CME) Group over the ordinary shares of Bursa Malaysia Derivatives representing the 25% equity interest disposed of to CME Group. The exercise price for the put and call options shall be determined based on a pre-agreed formula which takes into consideration the performance of Bursa Malaysia Derivatives and other peer exchanges.

**35. Financial risk management objectives and policies**

The Group and the Company are exposed to market risk (which comprises equity price risk, interest rate risk and foreign exchange risk), liquidity risk and credit risk arising from its business activities.

The Group and the Company ensure that the above risks are managed in order to minimise the effects of the unpredictability of the financial markets on the performance of the Group and of the Company. There has been no change in the nature of the risks which the Group and the Company are exposed to, nor the objectives, policies and processes to manage those risks compared to the previous year.

**35. Financial risk management objectives and policies (cont'd.)****(a) Market risk: Equity price risk**

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices. The Group and the Company are exposed to equity price risk through the Company's holding of shares in CME Group. The shares were obtained as part of the purchase consideration in the strategic alliance forged with CME Group.

The Group and the Company monitor the value of the equity holding by considering the movements in the quoted price, the potential future value to the Group and the sell down restrictions surrounding the equity holding.

An increase/decrease of 1% (2012: 1%) in the quoted price of the instrument would result in an increase/decrease in equity of RM986,000 (2012: RM593,000).

**(b) Market risk: Interest rate risk**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Company are exposed to interest rate risk through the holding of unquoted bonds, commercial papers and deposits in licensed financial institutions.

The Group and the Company manage interest rate risk by investing in varied asset classes.

**Interest rate risk sensitivity**

The following table demonstrates the sensitivity of the Group and of the Company's profit after tax and equity to a 25 basis point (2012: 25 basis point) increase/decrease in interest rates with all other variables held constant:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Increase/decrease in profit after tax	713	875	271	500
Increase/decrease in equity	86	191	43	293

The sensitivity is the effect of the assumed changes in interest rates on:

- the net interest income for the year, based on the financial assets held at the end of the financial year; and
- changes in fair value of investment securities for the year, based on revaluing fixed rate financial assets at the end of the financial year.

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**35. Financial risk management objectives and policies (cont'd.)****(b) Market risk: Interest rate risk (cont'd.)****Interest rate risk exposure**

The following table analyses the Group and the Company's interest rate risk exposure. The unquoted bonds, commercial papers and deposits with licensed financial institutions are categorised by maturity dates.

	Maturity			Total RM'000	Effective interest rate %
	Less than one year RM'000	One to five years RM'000	More than five years RM'000		
<b>Group</b>					
<b>At 31 December 2013</b>					
Investment securities	25,511	67,358	23,225	116,094	4.31
Deposits with licensed financial institutions	379,067	-	-	379,067	3.36
<b>At 31 December 2012</b>					
Investment securities	30,000	59,545	29,851	119,396	4.38
Deposits with licensed financial institutions	466,631	-	-	466,631	3.34
<b>Company</b>					
<b>At 31 December 2013</b>					
Investment securities	10,596	12,391	13,281	36,268	4.34
Deposits with licensed financial institutions	144,397	-	-	144,397	3.40
<b>At 31 December 2012</b>					
Investment securities	20,029	10,312	14,624	44,965	4.41
Deposits with licensed financial institutions	266,555	-	-	266,555	3.39

**(c) Market risk: Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and the Company are exposed to foreign currency risk primarily through the holding of CME Group shares which are denominated in United States Dollar (USD) and transactions in USD.

**35. Financial risk management objectives and policies (cont'd.)****(c) Market risk: Foreign currency risk (cont'd.)**

The Group and the Company do not hedge their currency exposures. The following table shows the accumulated amount of material financial assets and liabilities which are unhedged:

	2013		2012	
	USD RM'000	SGD RM'000	USD RM'000	EUR RM'000
<b>Group</b>				
<b>Financial assets</b>				
Investment securities - shares quoted outside Malaysia	98,584	-	59,322	-
Trade receivables	1,063	-	573	-
	<b>99,647</b>	<b>-</b>	<b>59,895</b>	<b>-</b>
<b>Financial liabilities</b>				
Other payables	3,662	54	3,957	87
<b>Company</b>				
<b>Financial assets</b>				
Investment securities - shares quoted outside Malaysia	98,584	-	59,322	-
<b>Financial liabilities</b>				
Other payables	66	54	256	87

The Group is not exposed to foreign currency risk from the holding of margins and collaterals as the risks are borne by the participants. The following table depicts this through the netting off of monies held as margins and collaterals against the corresponding liability.

	USD	SGD	JPY	Total
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
<b>At 31 December 2013</b>				
<b>Financial assets</b>				
Cash and bank balances	275,500	1,045	-	276,545
<b>Financial liabilities</b>				
Trade payables	(275,500)	(1,045)	-	(276,545)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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**35. Financial risk management objectives and policies (cont'd.)****(c) Market risk: Foreign currency risk (cont'd.)**

	USD RM'000	SGD RM'000	JPY RM'000	Total RM'000
<b>Group</b>				
<b>At 31 December 2012</b>				
<b>Financial assets</b>				
Cash and bank balances	206,579	209	17,618	224,406
<b>Financial liabilities</b>				
Trade payables	(206,579)	(209)	(17,618)	(224,406)
	-	-	-	-

The following table demonstrates the sensitivity of the Group and of the Company's profit after tax and equity to a reasonably possible change in the exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

	<b>Group</b>		<b>Company</b>	
	<b>Profit after tax RM'000</b>	<b>Equity RM'000</b>	<b>Profit after tax RM'000</b>	<b>Equity RM'000</b>
<b>At 31 December 2013</b>				
USD - strengthen by 5% against RM	(98)	4,927	(3)	4,927
SGD - strengthen by 5% against RM	(2)	(2)	(2)	(2)
<b>At 31 December 2012</b>				
USD - strengthen by 5% against RM	(127)	2,956	(10)	2,956
EUR - strengthen by 5% against RM	(3)	(3)	(3)	(3)

An equivalent weakening of the foreign currency as shown above would have resulted in an equivalent, but opposite, impact.

**(d) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial obligations due to a shortage of funds.

**(i) Liabilities related risk**

The Group and the Company maintain sufficient levels of cash and cash equivalents to meet working capital requirements. The Group and the Company also maintain a reasonable level of banking facilities for contingency operational requirements.

**35. Financial risk management objectives and policies (cont'd.)****(d) Liquidity risk (cont'd.)****(i) Liabilities related risk (cont'd.)**

The table below summarises the maturity profile of the Group and of the Company's liabilities at the financial year end based on contractual undiscounted repayment obligations.

	<b>Maturity</b>			<b>Total RM'000</b>
	<b>On demand RM'000</b>	<b>Less than three months RM'000</b>	<b>Three to twelve months RM'000</b>	
<b>Group</b>				
<b>At 31 December 2013</b>				
<b>Current liabilities</b>				
Other payables which are financial liabilities	10,600	10,590	1,368	22,558
<b>At 31 December 2012 (Restated)</b>				
<b>Current liabilities</b>				
Other payables which are financial liabilities	10,893	9,843	2,545	23,281
<b>Company</b>				
<b>At 31 December 2013</b>				
<b>Current liabilities</b>				
Other payables which are financial liabilities	3,044	2,991	1,368	7,403
<b>At 31 December 2012 (Restated)</b>				
<b>Current liabilities</b>				
Other payables which are financial liabilities	3,273	2,856	2,545	8,674

**(ii) Clearing and settlement related risk**

The clearing house subsidiaries of the Group acts as a counterparty to eligible trades concluded on the securities and derivatives markets through the novation of obligations of the buyers and sellers. The Group mitigates this exposure by establishing financial criteria for admission as participants, monitoring participants' position limits and requiring that margins and collaterals on outstanding positions be placed with the clearing houses. CGF and DCF, as disclosed in Note 25(e), were set up and banking facilities are also taken to further mitigate this risk.

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**35. Financial risk management objectives and policies (cont'd.)****(d) Liquidity risk (cont'd.)****(ii) Clearing and settlement related risk (cont'd.)**

The liabilities and corresponding assets in relation to clearing and settlement risk as at the financial year end are shown below:

	On demand	
	2013 RM'000	2012 RM'000
<b>Group</b>		
<b>Current assets</b>		
Cash and bank balances not belonging to the Group	769,692	1,173,172
<b>Current liabilities</b>		
Trade payables	(734,318)	(1,137,234)
CPs and TCPs contributions to clearing funds	(35,374)	(35,938)
	-	-

**(e) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk primarily from investment securities, staff loans receivable, trade receivables, other receivables which are financial assets and cash and bank balances with financial institutions.

As at the current and previous financial year end, the Group and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

For investment securities and cash and bank balances with financial institutions, the Group and the Company minimise credit risk by adopting an investment policy which allows dealing with counterparties with good credit ratings only. Receivables are monitored to ensure that exposure to bad debts are minimised.

**35. Financial risk management objectives and policies (cont'd.)****(e) Credit risk (cont'd.)****Investment securities and cash and bank balances**

The counterparty risk rating of the Group and of the Company's investment securities and cash and bank balances with financial institutions at the financial year end are as follows:

	Counterparty risk ratings						Total RM'000
	GG RM'000	P1 RM'000	AAA RM'000	AA RM'000	A RM'000	BB RM'000	
<b>Group</b>							
<b>At 31 December 2013</b>							
Cash and bank balances	-	-	710,502	388,697	53,160	-	1,152,359
AFS financial assets							
- unquoted bonds	1,939	-	26,840	72,683	-	-	101,462
HTM investment							
- commercial papers	-	14,632	-	-	-	-	14,632
<b>At 31 December 2012</b>							
Cash and bank balances	-	-	848,475	673,201	124,827	-	1,646,503
AFS financial assets							
- unquoted bonds	496	-	17,366	73,292	4,586	3,858	99,598
HTM investment							
- commercial papers	-	19,798	-	-	-	-	19,798

**Note a****Note a**

The risk rating of this AFS unquoted bond was downgraded from AA to BBB in 2010 and subsequently to BB in 2011. This bond was disposed off during the financial year.

	Counterparty risk ratings						Total RM'000
	GG RM'000	P1 RM'000	AAA RM'000	AA RM'000	A RM'000	BB RM'000	
<b>Company</b>							
<b>At 31 December 2013</b>							
Cash and bank balances	-	-	42,506	81,973	20,280	-	144,759
AFS financial assets - unquoted bonds	1,939	-	6,861	17,745	-	-	26,545
HTM investment - commercial papers	-	9,723	-	-	-	-	9,723
<b>At 31 December 2012</b>							
Cash and bank balances	-	-	130,698	83,963	53,714	-	268,375
AFS financial assets - unquoted bonds	496	-	7,229	17,814	4,586	-	30,125
HTM investment - commercial papers	-	14,840	-	-	-	-	14,840

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## 35. Financial risk management objectives and policies (cont'd.)

## (e) Credit risk (cont'd.)

## Receivables

The ageing analysis of the Group and the Company's receivables are as follows:

	Total RM'000	Impaired RM'000	Neither past due nor impaired RM'000	Past due not impaired					Total past due not impaired RM'000
				< 30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-180 days RM'000	>181 days RM'000	
<b>Group</b>									
<b>At 31 December 2013</b>									
Staff loans receivable	7,944	-	7,944	-	-	-	-	-	-
Trade receivables	33,234	501	26,388	3,394	1,167	380	480	924	6,345
Other receivables which are financial assets	16,694	7,004	9,690	-	-	-	-	-	-
<b>At 31 December 2012</b>									
Staff loans receivable	10,030	-	10,030	-	-	-	-	-	-
Trade receivables	28,920	458	22,075	3,166	1,103	590	365	1,163	6,387
Other receivables which are financial assets	18,488	7,024	11,464	-	-	-	-	-	-
<b>Company</b>									
<b>At 31 December 2013</b>									
Staff loans receivable	7,259	-	7,259	-	-	-	-	-	-
Trade receivables	1,480	194	498	506	63	56	54	109	788
Other receivables which are financial assets	8,883	2,675	6,208	-	-	-	-	-	-
Due from subsidiaries	42,533	11,851	30,682	-	-	-	-	-	-
<b>At 31 December 2012 (Restated)</b>									
Staff loans receivable	9,289	-	9,289	-	-	-	-	-	-
Trade receivables	1,581	206	568	546	-	94	61	106	807
Other receivables which are financial assets	8,729	2,695	6,034	-	-	-	-	-	-
Due from subsidiaries	55,887	11,851	44,036	-	-	-	-	-	-

**35. Financial risk management objectives and policies (cont'd.)****(e) Credit risk (cont'd.)****(i) Receivables that are neither past due nor impaired**

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and with the Company. The Group and the Company's trade receivables credit term ranges from 7 days to 30 days, except for trade receivables relating to fees due from clearing participants for clearing and settlement services where payment is due three market days from the month end.

None of the Group and the Company's receivables that are neither past due nor impaired have been renegotiated during the current and previous financial years.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single clearing participant or counterparty.

**(ii) Receivables that are impaired**

The Group and the Company's receivables that are impaired at the financial year end and the movement of the allowance accounts used to record the impairment are as follows:

	Trade receivables		Other receivables		Due from subsidiaries	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Group</b>						
At nominal amounts	601	628	7,004	7,024	-	-
Less: Allowance for impairment	(501)	(458)	(7,004)	(7,024)	-	-
	<b>100</b>	<b>170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Movement in allowance accounts:						
At 1 January	458	719	7,024	5,809	-	-
Charge/(reversal) of impairment loss for the year	43	24	(20)	1,215	-	-
Written off	-	(285)	-	-	-	-
At 31 December	<b>501</b>	<b>458</b>	<b>7,004</b>	<b>7,024</b>	<b>-</b>	<b>-</b>



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**35. Financial risk management objectives and policies (cont'd.)****(e) Credit risk (cont'd.)****(ii) Receivables that are impaired (cont'd.)**

	Trade receivables		Other receivables		Due from subsidiaries	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Company</b>						
At nominal amounts	194	276	2,675	2,695	11,851	11,851
Less: Allowance for impairment	(194)	(206)	(2,675)	(2,695)	(11,851)	(11,851)
	-	70	-	-	-	-
Movement in allowance accounts:						
At 1 January	206	238	2,695	1,647	11,851	8,527
(Reversal)/charge of impairment loss for the year	(12)	(5)	(20)	1,048	-	3,324
Written off	-	(27)	-	-	-	-
At 31 December	194	206	2,675	2,695	11,851	11,851

Receivables that are individually determined to be impaired at the financial year end relate to debtors that are in significant financial difficulties and have defaulted on payments.

Receivables are not secured by any collateral or credit enhancements other than as disclosed in Note 22.

**36. Fair value of financial instruments****(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value**

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>At 31 December 2013</b>				
Staff loans receivable (Note 17)	7,944	5,974	7,259	5,449
<b>At 31 December 2012</b>				
Staff loans receivable (Note 17)	10,030	7,163	9,289	6,606

**36. Fair value of financial instruments (cont'd.)****(b) Determination of fair value****(i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value**

The following are classes of financial instruments that have carrying amounts which are reasonable approximations of fair value due to their short-term nature:

	<b>Note</b>
HTM investment	16
Trade receivables	19
Other receivables which are financial assets (except staff loans receivable within 12 months)	20
Due from subsidiaries	21
Cash and bank balances not belonging to the Group	22
Cash and bank balances of the Group	23
Trade payables and clearing funds	22
Other payables which are financial liabilities	29

**(ii) Staff loans receivable**

The fair value of staff loans receivable is estimated by discounting the expected future cash flows using the current interest rates for loans with similar risk profiles.

**(iii) Quoted equity instrument**

Fair value is determined directly by reference to its published market bid price at the financial year end.

**(iv) Unquoted bonds**

Fair value is determined by reference to the published market bid price of unquoted fixed income securities based on information provided by Bond Pricing Agency Malaysia Sdn Bhd.

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**37. Classification of financial instruments**

The Group and the Company's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2.4 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities of the Group and of the Company in the statements of financial position by the classes and categories of financial instrument to which they are assigned, and therefore by the measurement basis.

	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>Group</b>					
<b>At 31 December 2013</b>					
<b>Assets</b>					
Investment securities	200,046	14,632	-	-	214,678
Staff loans receivable	-	-	7,944	-	7,944
Trade receivables	-	-	32,733	-	32,733
Other receivables which are financial assets	-	-	9,690	-	9,690
Cash and bank balances not belonging to the Group	-	-	770,917	-	770,917
Cash and bank balances of the Group	-	-	381,442	-	381,442
<b>Total financial assets</b>	<b>200,046</b>	<b>14,632</b>	<b>1,202,726</b>	<b>-</b>	<b>1,417,404</b>
<b>Liabilities</b>					
Trade payables	-	-	-	734,318	734,318
Clearing funds	-	-	-	35,374	35,374
Other payables which are financial liabilities	-	-	-	22,558	22,558
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>792,250</b>	<b>792,250</b>

## 37. Classification of financial instruments (cont'd.)

	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>Group</b>					
<b>At 31 December 2012 (Restated)</b>					
<b>Assets</b>					
Investment securities	158,920	19,798	-	-	178,718
Staff loans receivable	-	-	10,030	-	10,030
Trade receivables	-	-	28,462	-	28,462
Other receivables which are financial assets	-	-	11,464	-	11,464
Cash and bank balances not belonging to the Group	-	-	1,175,000	-	1,175,000
Cash and bank balances of the Group	-	-	471,503	-	471,503
<b>Total financial assets</b>	<b>158,920</b>	<b>19,798</b>	<b>1,696,459</b>	<b>-</b>	<b>1,875,177</b>
<b>Liabilities</b>					
Trade payables	-	-	-	1,137,234	1,137,234
Clearing funds	-	-	-	35,938	35,938
Other payables which are financial liabilities	-	-	-	23,281	23,281
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,196,453</b>	<b>1,196,453</b>
<b>Company</b>					
<b>At 31 December 2013</b>					
<b>Assets</b>					
Investment securities	125,129	9,723	-	-	134,852
Staff loans receivable	-	-	7,259	-	7,259
Trade receivables	-	-	1,286	-	1,286
Other receivables which are financial assets	-	-	6,208	-	6,208
Due from subsidiaries	-	-	30,682	-	30,682
Cash and bank balances	-	-	144,759	-	144,759
<b>Total financial assets</b>	<b>125,129</b>	<b>9,723</b>	<b>190,194</b>	<b>-</b>	<b>325,046</b>
<b>Liabilities</b>					
Other payables which are financial liabilities	-	-	-	7,403	7,403

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## 37. Classification of financial instruments (cont'd.)

	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>Company</b>					
<b>At 31 December 2012 (Restated)</b>					
<b>Assets</b>					
Investment securities	89,447	14,840	-	-	104,287
Staff loans receivable	-	-	9,289	-	9,289
Trade receivables	-	-	1,375	-	1,375
Other receivables which are financial assets	-	-	6,034	-	6,034
Due from subsidiaries	-	-	44,036	-	44,036
Cash and bank balances	-	-	268,375	-	268,375
<b>Total financial assets</b>	<b>89,447</b>	<b>14,840</b>	<b>329,109</b>	<b>-</b>	<b>433,396</b>
<b>Liabilities</b>					
Other payables which are financial liabilities	-	-	-	8,674	8,674

## 38. Fair value hierarchies of financial instruments

The fair value measurement hierarchies used to measure financial assets carried at fair value in the statements of financial position are as follows:

- (a) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- (c) Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**38. Fair value hierarchies of financial instruments (cont'd.)**

	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>Group</b>			
<b>At 31 December 2013</b>			
<b>Asset</b>			
AFS financial assets	98,584	101,462	200,046
<b>At 31 December 2012</b>			
<b>Asset</b>			
AFS financial assets	59,322	99,598	158,920
<b>Company</b>			
<b>At 31 December 2013</b>			
<b>Asset</b>			
AFS financial assets	98,584	26,545	125,129
<b>At 31 December 2012</b>			
<b>Asset</b>			
AFS financial assets	59,322	30,125	89,447

There were no transfers between Level 1 and Level 2 during the current and previous financial years.

The Group and the Company do not have any financial liabilities carried at fair value nor any financial instruments classified as Level 3 as at 31 December 2013 and 31 December 2012.

In relation to financial assets which are not carried at fair value and for which the fair values have been disclosed, staff loans receivable is classified as Level 3.

**39. Capital management**

The Group manages its capital with the objective of maximising shareholders returns. To achieve this, the Group takes into consideration and ensures the sufficiency of funds for operations, risk management and development. Although the Group's policy is to distribute 75% of its profits to shareholders, it has been able thus far to distribute at least 90% of its profits every year whilst ensuring that its pool of funds for future development is at a sufficient level.

The Group is not subject to any externally imposed capital requirements. However, the Group is required to set aside funds for the CGF and DCF in accordance with the business rules of its clearing house subsidiaries.

Total capital managed at Group level, which comprises shareholders' funds and deferred capital grants, stood at RM818,919,000 (2012: RM867,535,000) as at the end of the respective financial year.

There has been no change in the above capital management objectives, policies and processes compared to the previous year.



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### 40. Segment information

#### (a) Reporting format

For management reporting purposes, the Group is organised into operating segments based on market segments as the Group's risks and rates of return are affected predominantly by the macro environment of the different markets.

The securities, derivatives and others market segments are managed by the respective segment divisional heads responsible for the performance of the respective segments under their charge.

#### (b) Market segments

The four major market segments of the Group are as follows:

- (i) The securities market mainly comprises the provision and operation of the listing, trading, clearing, depository services and provision and dissemination of information relating to equity securities quoted on exchanges for the securities market.
- (ii) The derivatives market mainly comprises the provision and operation of the trading, clearing, depository services and provision and dissemination of information relating to derivatives products quoted on exchanges for the derivatives market.
- (iii) The exchange holding business refers to the operation of the Company which functions as an investment holding company.
- (iv) The others mainly comprises the provision of a Sha'riah compliant commodity trading platform, a reporting platform for bond traders and the provision of an offshore market.

#### (c) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, overheads and income tax expenses.

Management monitors the operating results of its market segments separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties.

## 40. Segment information (cont'd.)

## Market segments

	Securities market RM'000	Derivatives market RM'000	Exchange holding RM'000	Others RM'000	Consolidated RM'000
<b>At 31 December 2013</b>					
Operating revenue	338,827	84,433	10,191	6,371	439,822
Other income	10,108	3,284	21,654	126	35,172
Direct costs	(92,089)	(43,168)	(28,130)	(5,615)	(169,002)
Segment profit	256,846	44,549	3,715	882	305,992
Overheads					(60,412)
<b>Profit before tax</b>					<b>245,580</b>
<b>Segment assets</b>					
Assets that belong to the Group	440,821	133,963	357,617	30,085	962,486
Assets that do not belong to the Group	15,120	755,797	-	-	770,917
Segment assets	455,941	889,760	357,617	30,085	1,733,403
Unallocated corporate assets					8,260
Total assets					<b>1,741,663</b>
<b>Segment liabilities</b>					
Liabilities that belong to the Group	19,696	11,877	62,683	30,371	124,627
Liabilities that do not belong to the Group	15,120	755,797	-	-	770,917
Segment liabilities	34,816	767,674	62,683	30,371	895,544
Unallocated corporate liabilities					18,638
Total liabilities					<b>914,182</b>
<b>Other information</b>					
Depreciation and amortisation in:					
Segments	17,541	3,974	1,283	1,046	23,844
Overheads	-	-	-	-	11,120
Other significant non-cash expenses:					
Net impairment loss/(reversal of impairment loss) on trade and other receivables	79	(24)	(32)	-	23
Property, plant and equipment and computer software written off	1,568	-	-	-	1,568
Retirement benefit obligations	-	-	-	-	1,481
SGP expense in:					
Segments	2,084	633	2,320	79	5,116
Overheads	-	-	-	-	1,102

## Notes to the Financial Statements

31 December 2013

## 40. Segment information (cont'd.)

## Market segments (cont'd.)

	Securities market RM'000	Derivatives market RM'000	Exchange holding RM'000	Others RM'000	Consolidated RM'000
<b>At 31 December 2012 (Restated)</b>					
Operating revenue	295,876	76,563	12,091	3,936	388,466
Other income	10,299	2,546	23,147	129	36,121
Direct costs	(82,923)	(36,920)	(29,421)	(4,641)	(153,905)
Segment profit/(loss)	223,252	42,189	5,817	(576)	270,682
Overheads					(55,343)
<b>Profit before tax</b>					<b>215,339</b>
<b>Segment assets</b>					
Assets that belong to the Group	401,364	131,211	450,143	35,150	1,017,868
Assets that do not belong to the Group	27,763	1,147,237	-	-	1,175,000
Segment assets	429,127	1,278,448	450,143	35,150	2,192,868
Unallocated corporate assets					5,574
<b>Total assets</b>					<b>2,198,442</b>
<b>Segment liabilities</b>					
Liabilities that belong to the Group	18,400	12,079	68,782	33,347	132,608
Liabilities that do not belong to the Group	27,763	1,147,237	-	-	1,175,000
Segment liabilities	46,163	1,159,316	68,782	33,347	1,307,608
Unallocated corporate liabilities					17,463
<b>Total liabilities</b>					<b>1,325,071</b>
<b>Other information</b>					
Depreciation and amortisation in:					
Segments	17,002	2,910	1,785	1,002	22,699
Overheads	-	-	-	-	11,014
Other significant non-cash expenses:					
Net impairment loss/(reversal of impairment loss) on trade and other receivables	212	(15)	1,042	-	1,239
Property, plant and equipment and computer software written off	-	2	15	-	17
Retirement benefit obligations	-	-	-	-	1,906
SGP expense in:					
Segments	1,333	391	2,055	53	3,832
Overheads	-	-	-	-	656

#### 41. Subsequent event

On 6 December 2013, the Board of Directors of Bursa Malaysia Derivatives approved the proposed revamp of Bursa Malaysia Derivatives' participanship structure which creates a single trading right that would enable Bursa Malaysia Derivatives TPs to trade all categories of products on the derivatives exchange ("the Proposed Revamp").

The Proposed Revamp involves the following:

- (1) A capital reduction exercise via the cancellation of all the issued and paid-up non-cumulative "A", "B" and "C" preference shares of RM1.00 each and repayment of the par value thereof. The number of existing non-cumulative preference shares in issue as at 31 December 2013 are as follows:
  - (i) 40 non-cumulative "A" preference shares;
  - (ii) 17 non-cumulative "B" preference shares; and
  - (iii) 28 non-cumulative "C" preference shares.

The capital reduction for the cancellation of the existing preference shares and repayment of the par value thereof was approved by the ordinary shareholders and the holders of the non-cumulative "A", "B" and "C" preference shares of Bursa Malaysia Derivatives on 24 January 2014. This would need to be further confirmed by the High Court of Malaya.

- (2) Subject to the completion of (1), new redeemable "A" or "B" preference shares of RM1.00 each will be issued to the entitled non-cumulative "A", "B" and "C" preference shareholders and redeemed based on the terms and conditions of the new redeemable preference shares. The transactions will fully utilise the balance in Bursa Malaysia Derivatives' share premium account.

## Notes to the Financial Statements

31 December 2013

**42. Supplementary information pursuant to Bursa Malaysia Securities Listing Requirements**

The breakdown and components of retained earnings are identified and disclosed in accordance with the listing requirements of Bursa Malaysia Securities as follows:

	<b>31.12.2013</b>	<b>Group</b>	<b>1.1.2012</b>	<b>31.12.2013</b>	<b>Company</b>	<b>1.1.2012</b>
	<b>RM'000</b>	<b>31.12.2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>31.12.2012</b>	<b>RM'000</b>
		<b>(Restated)</b>	<b>(Restated)</b>		<b>(Restated)</b>	<b>(Restated)</b>
Total retained earnings:						
Realised	<b>395,350</b>	475,418	456,989	<b>290,150</b>	428,085	419,011
Unrealised	<b>(11,414)</b>	(6,474)	(6,338)	<b>(9,355)</b>	(3,924)	(7,382)
	<b>383,936</b>	468,944	450,651	<b>280,795</b>	424,161	411,629
Consolidation adjustments	<b>(974)</b>	5,312	11,411	-	-	-
	<b>382,962</b>	474,256	462,062	<b>280,795</b>	424,161	411,629

# List of Properties owned by Bursa Malaysia Group

as at 31 December 2013

No.	Location	Postal Address	Description	Current Use	Tenure	Remaining lease period (expiry date)	Age of Building	Land area/ Built-up area (sq. metres)	Date of acquisition	Net book value 31 December 2013 RM'000
1.	Geran No. 28936 Lot No. 520 (formerly P.T.8) Section 19, Town and District of Kuala Lumpur	Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur	16-storey office building with 5-level basement car park and a lower level car park known as the Main Building	Office	Leasehold *	79 years (14 Apr 2092)	16 years	7,144 / 71,347	Aug 1997	131,213
2.	Geran No. 28938 Lot No. 522 (formerly P.T.10) Section 19, Town and District of Kuala Lumpur	Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur	2-storey office cum exposition building with 2-level basement car park known as the Annexe Building	Office	Leasehold *	82 years (28 Feb 2095)	15 years	9,314 / 38,609	Mar 1998	45,041
3.	Lot 5.0 to 8.0, No. Berdaftar Geran 17768/MI/4/5 to 8 Bangunan No. M1 Lot No. 51452, Mukim of Kuala Lumpur Daerah Wilayah Persekutuan	4 <sup>th</sup> Floor, Wisma Chase Perdana, Off Jalan Semantan, Damansara Heights , 50490 Kuala Lumpur	Four office units on the 4 <sup>th</sup> Floor of a 12-storey office building	Office	Freehold	N/A	30 years	N/A / 3,355	May 1998	9,406

\* The buildings are on freehold lands which have been leased to Bursa Malaysia Berhad by the Federal Land Commissioner for a period of 99 years.



# Statistics of Shareholdings

as at 30 January 2014

Authorised Share Capital	: RM1,000,000,000 divided into 2,000,000,000 ordinary shares of RM0.50 each
Issued and Paid-up Share Capital	: <b>RM266,305,900</b> comprising <b>532,611,800</b> ordinary shares of RM0.50 each
Class of Shares	: Ordinary shares of RM0.50 each
Voting Rights	: One vote per ordinary share

## Analysis by Size of Shareholdings

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
1 - 99	123	1	124	0.60	1,891	12	1,903	0.00
100 – 1,000	8,236	122	8,358	40.50	7,011,190	101,890	7,113,080	1.34
1,001 – 10,000	9,662	371	10,033	48.62	37,147,030	1,806,146	38,953,176	7.31
10,001 – 100,000	1,672	186	1,858	9.00	43,648,290	6,507,492	50,155,782	9.42
100,001 – less than 5% of issued shares	142	119	261	1.27	115,857,313	115,459,514	231,316,827	43.43
5% and above of issued shares	3	0	3	0.01	205,071,032	0	205,071,032	38.50
<b>Total</b>	<b>19,838</b>	<b>799</b>	<b>20,637</b>	<b>100.00</b>	<b>408,736,746</b>	<b>123,875,054</b>	<b>532,611,800</b>	<b>100.00</b>

## Analysis of Equity Structure

No.	Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
		Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1.	Individual	17,109	409	80,834,122	4,878,012	15.18	0.92
2.	Body Corporate						
	a. Banks/finance companies	28	0	48,377,225	0	9.08	0
	b. Investment trust/foundation/charities	7	0	326,600	0	0.06	0
	c. Industrial and commercial companies	236	18	12,390,529	450,500	2.33	0.08
3.	Government agencies/institutions	3	0	162,822,338	0	30.57	0
4.	Nominees	2,454	372	103,975,932	118,546,542	19.52	22.26
5.	Others	1	0	10,000	0	0.00	0
	<b>Total</b>	<b>19,838</b>	<b>799</b>	<b>408,736,746</b>	<b>123,875,054</b>	<b>76.74</b>	<b>23.26</b>

## Top 30 Securities Account Holders

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Capital Market Development Fund	100,122,338	18.80
2.	Minister of Finance	61,200,000	11.49
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	43,748,694	8.21
4.	CIMSEC Nominees (Tempatan) Sdn Bhd Minister of Finance Incorporated (ESOS Pool Account)	25,000,000	4.69

## Statistics of Shareholdings

as at 30 January 2014

## Top 30 Securities Account Holders (cont'd.)

No.	Name	No. of Issued Shares	% of Issued Shares
5.	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	20,000,000	3.76
6.	Kumpulan Wang Persaraan (Diperbadankan)	17,794,800	3.34
7.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Resident USA-2)	15,373,500	2.89
8.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas SECS SVS LUX for Aberdeen Global	14,430,000	2.71
9.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	7,366,882	1.38
10.	The Nomad Group Bhd	6,072,728	1.14
11.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A.	5,575,300	1.05
12.	HSBC Nominees (Asing) Sdn Bhd Pictet and Cie (Europe) for Pictet Global Selection Fund - Global High Yield Emerging Equities Fund	4,189,900	0.79
13.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	3,760,600	0.71
14.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	3,510,700	0.66
15.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund JY63 for Russell Emerging Markets Equity Fund (RIC PLC)	3,319,000	0.62
16.	Pertubuhan Keselamatan Sosial	3,270,400	0.61
17.	Cartaban Nominees (Asing) Sdn Bhd RBC Inverstor Services Bank for Macquarie Asia New Stars Fund (Macquarie FD S)	2,790,900	0.52
18.	Amanahraya Trustees Berhad Sekim Amanah Saham Nasional	2,695,000	0.51
19.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	2,570,900	0.48
20.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A. (2)	2,367,700	0.45
21.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (FORSTAAP-FONDEN)	2,092,400	0.39
22.	Cartaban Nominees (Asing) Sdn Bhd BBH (LUX) SCA for The Master Trust Bank of Japan, Ltd. as Trustee of MUAM ASEAN Stock Open	2,074,500	0.39
23.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Acct)	1,988,600	0.37
24.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for AMB Value Trust Fund (4249)	1,880,000	0.35
25.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend)	1,850,000	0.35
26.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	1,623,700	0.31
27.	Citigroup Nominees (Tempatan) Sdn Bhd Bank Negara Malaysia National Trust Fund (Hwang)	1,608,300	0.30
28.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt AN for Eastspring Investments Berhad	1,607,300	0.30
29.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	1,514,300	0.29
30.	Employees Provident Fund Board	1,500,000	0.28
	<b>Total</b>	<b>362,898,442</b>	<b>68.14</b>

## Statistics of Shareholdings

as at 30 January 2014

### Directors' Direct and Deemed Interests in the Company and/or its related corporations

The interests of the Directors in the shares of the Company as at 30 January 2014 including those of his/her spouse and child/children which are deemed interest of the Directors by reference to Section 134(12)(c) of the Companies Act 1965 (CA) are maintained by the Company in the Register of Directors' Shareholdings pursuant to Section 134 of the CA, details of which are as follows:

Name of Directors	Direct Interest		Deemed Interest		
	No. of Issued Shares	% of Issued Shares	Spouse No. of Issued Shares	Child No. of Issued Shares	% of Issued Shares
Tun Mohamed Dzaidin bin Haji Abdullah	90,000	0.02	-	5,800	0.001
Datuk Dr. Md Tap bin Salleh	0	0.00	-	-	-
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	0	0.00	-	-	-
Dato' Saiful Bahri bin Zainuddin	0	0.00	-	-	-
Tan Sri Ong Leong Huat @ Wong Joo Hwa	0	0.00	-	-	-
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	0	0.00	-	-	-
Datuk Karownakaran @ Karunakaran a/l Ramasamy	0	0.00	-	-	-
Chay Wai Leong	0	0.00	-	-	-
Ghazali bin Haji Darman	0	0.00	-	-	-
Dato' Tajuddin bin Atan	506,800	0.09	-	-	Refer Note *
<b>Total</b>	<b>596,800</b>	<b>0.11</b>			

Note: \* Dato' Tajuddin bin Atan has indirect interest in the securities of the Company by virtue of his acceptance of ordinary shares of RM0.50 each granted under the Share Grant Plan (SGP) of Bursa Malaysia (Plan Shares) as follows:

- (1) The vesting of Plan Shares granted under the Restricted Share Plan (RSP) of the SGP is subject to fulfilment of vesting conditions as at the vesting dates:

RSP Grant	Number of Plan Shares	Vesting Dates
2012 RSP Grant	13,400	15 July 2014, 15 July 2015
2013 RSP Grant	28,800	15 July 2014, 15 July 2015, 15 July 2016

- (2) The vesting of Plan Shares granted under the Performance Share Plan (PSP) of the SGP is contingent on achievements against various performance targets for Bursa Malaysia group, and is subject to fulfilment of vesting conditions as at the vesting dates:

PSP Grant	Number of Plan Shares	Vesting Dates
2012 PSP Grant	Up to 59,400	30 April 2015
2013 PSP Grant	Up to 63,600	3 May 2016

## Statistics of Shareholdings as at 30 January 2014

### Substantial Shareholders according to the Register of Substantial Shareholders as at 30 January 2014

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Capital Market Development Fund (CMDf) <sup>1</sup>	100,122,338	18.80
2.	Minister of Finance Incorporated (MOF Inc) <sup>2</sup>	86,200,000	16.18
3.	Employees Provident Fund Board (EPF) <sup>3</sup>	45,248,694	8.50

Note:

<sup>1</sup> Total shares held by CMDf should be 100,200,001 ordinary shares of RM0.50 each in Bursa Malaysia. 77,663 shares representing 0.01% of CMDf's shareholdings in Bursa Malaysia were utilised for onward lending by Central Lending Agency to borrowers under Securities Borrowing and Lending.

<sup>2</sup> Total shares held by MOF Inc are set out in Items 2 and 4 of the Top 30 Securities Account Holders.

<sup>3</sup> Total shares held by EPF are set out in Items 3 and 30 of the Top 30 Securities Account Holders.

### Changes in Share Capital of the Company

The issued and paid-up share capital as at 30 January 2014 is RM266,305,900 comprising 532,611,800 ordinary shares of RM0.50 each. The changes in the issued and paid-up share capital are as set out in the table below:

Date of Allotment	Number of Shares Allotted	Consideration	Cumulative Number of Issued Shares	Cumulative Issued and Paid-up Share Capital (RM)
1 April 2013	250,000	Subscription by the Trustee at RM6.95 per share under the SGP	532,273,800	266,136,900
11 July 2013	154,500	Subscription by the Trustee at RM7.33 per share under the SGP	532,611,800	266,305,900
	183,500	Subscription by the Trustee at RM5.92 per share under the SGP		

### Share Grant Plan (SGP)

Under the SGP which is the only share issuance scheme of Bursa Malaysia in FY 2013, a maximum of 10% of the issued and paid-up share capital of Bursa Malaysia (excluding treasury shares) comprising ordinary shares of RM0.50 each of the Company (Plan Shares) are available at any point in time during the tenure of the SGP (Maximum Plan Shares Available). Further information on the SGP is set out in the Directors' Report and Note 27(b) of the Annual Audited Financial Statements for FY 2013 in this Annual Report.

Brief details on the number of Plan Shares granted, vested and outstanding since the commencement of the SGP on 18 April 2011 and during the FY 2011, FY 2012 and FY 2013 are set out in the table below:

For the period from 18 April 2011 to 31 December 2011	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2011 RSP Grant	778,200	-	34,900	743,300
Number of Plan Shares vested	2011 RSP Grant	(199,800)	-	(9,000)	(190,800)
Number of Plan Shares forfeited	2011 RSP Grant <sup>1</sup>	(37,300)	-	(5,200)	(32,100)
Number of Plan Shares outstanding as at 31 December 2011	2011 RSP Grant	541,100	-	20,700	520,400

## Statistics of Shareholdings

as at 30 January 2014

### Share Grant Plan (SGP) (cont'd.)

For the period from 1 January 2012 to 31 December 2012	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2012 RSP Grant	829,200	270,200	29,200	529,800
	2012 PSP Grant	397,400	59,400	146,000	192,000
	<b>Total</b>	<b>1,226,600</b>	<b>329,600</b>	<b>175,200</b>	<b>721,800</b>
Number of Plan Shares vested	2011 RSP Grant	(174,700)	-	(6,600)	(168,100)
	2012 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(424,700)</b>	<b>(250,000)</b>	<b>(6,600)</b>	<b>(168,100)</b>
Number of Plan Shares forfeited	2011 RSP Grant <sup>1</sup>	(59,400)	-	(1,700)	(57,700)
	2012 RSP Grant <sup>1</sup>	(30,500)	-	-	(30,500)
	2012 PSP Grant <sup>1</sup>	(17,800)	-	(17,800)	-
	<b>Total</b>	<b>(107,700)</b>	<b>-</b>	<b>(19,500)</b>	<b>(88,200)</b>
Number of Plan Shares outstanding as at 31 December 2012	2011 RSP Grant	307,000	-	12,400	294,600
	2012 RSP Grant	548,700	20,200	29,200	499,300
	2012 PSP Grant	379,600	59,400	128,200	192,000
	<b>Total</b>	<b>1,235,300</b>	<b>79,600</b>	<b>169,800</b>	<b>985,900</b>

## Statistics of Shareholdings

as at 30 January 2014

## Share Grant Plan (SGP) (cont'd.)

For the period from 1 January 2013 to 31 December 2013		Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2013 RSP Grant		1,374,700	278,800	100,300	995,600
	2013 PSP Grant		475,000	63,600	200,600	210,800
		<b>Total</b>	<b>1,849,700</b>	<b>342,400</b>	<b>300,900</b>	<b>1,206,400</b>
Number of Plan Shares vested	2011 RSP Grant		(154,500)	-	(6,200)	(148,300)
	2012 RSP Grant		(183,500)	(6,800)	(10,000)	(166,700)
	2013 RSP Grant		(250,000)	(250,000)	-	-
		<b>Total</b>	<b>(588,000)</b>	<b>(256,800)</b>	<b>(16,200)</b>	<b>(315,000)</b>
Number of Plan Shares forfeited	2011 RSP Grant <sup>1</sup>		(12,600)	-	-	(12,600)
	2012 RSP Grant <sup>1</sup>		(33,900)	-	-	(33,900)
	2012 PSP Grant <sup>2</sup>		(155,800)	-	(63,400)	(92,400)
	2013 RSP Grant <sup>1</sup>		(28,500)	-	-	(28,500)
		<b>Total</b>	<b>(230,800)</b>	<b>-</b>	<b>(63,400)</b>	<b>(167,400)</b>
Number of Plan Shares outstanding as at 31 December 2013	2011 RSP Grant		139,900	-	6,200	133,700
	2012 RSP Grant		331,300	13,400	19,200	298,700
	2012 PSP Grant		223,800	59,400	64,800	99,600
	2013 RSP Grant		1,096,200	28,800	100,300	967,100
	2013 PSP Grant		475,000	63,600	200,600	210,800
		<b>Total</b>	<b>2,266,200</b>	<b>165,200</b>	<b>391,100</b>	<b>1,709,900</b>

Note: <sup>1</sup> These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant dates, but prior to vesting dates.

<sup>2</sup> A portion of 2012 PSP Grant was forfeited as performance targets in respect of performance period from 2011 to 2013 were not achieved.

With regard to the Plan Shares granted to the Executive Director/CEO and Senior Management during FY 2013 and since the commencement of the SGP:

1. The aggregate maximum allocation is 50% of the Maximum Plan Shares Available; and
2. The actual percentage of Plan Shares granted to them as at 31 December 2013 was 30.32% of the total number of Plan Shares granted.

The Non-Executive Directors are not eligible to participate in the SGP.



# Additional Compliance Information Disclosures

**1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS**

There were no proceeds raised from corporate proposals during the financial year.

**2. SHARE BUY-BACK**

There was no share buy-back by the Company during the financial year.

**3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

The Company did not issue any options, warrants or convertible securities during the financial year.

**4. AMERICAN DEPOSITORY RECEIPT (ADR)/GLOBAL DEPOSITORY RECEIPT (GDR)**

The Company did not sponsor any ADR/GDR Programme during the financial year.

**5. SANCTIONS AND/OR PENALTY**

There were no sanctions and/or penalty imposed on the Company, its subsidiaries, Directors or management by the relevant regulatory bodies for the financial year.

**6. VARIATION IN RESULTS**

There was no variation between the financial results in the audited financial statements 2013 and the audited financial results for the year ended 31 December 2013 announced by the Company on 29 January 2014.

**7. PROFIT GUARANTEE**

There was no profit guarantee for the financial year.

**8. MATERIAL CONTRACTS**

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2013 or entered into since the end of the previous financial year.

# Notice of 37<sup>th</sup> Annual General Meeting

**BURSA MALAYSIA BERHAD (30632-P)**

**(Incorporated in Malaysia under the Companies Act, 1965)**

**NOTICE IS HEREBY GIVEN THAT** the 37<sup>th</sup> Annual General Meeting (AGM) of Bursa Malaysia Berhad (the Company) will be held at Ballroom 1, 1<sup>st</sup> Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 27 March 2014 at 10.00 a.m. for the transaction of the following business:

## Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and Auditors thereon.
2. To approve the payment of final dividend of 16 sen per share under single-tier system in respect of the financial year ended 31 December 2013. **Resolution 1**
3. To re-elect the following Directors who retire by rotation in accordance with Article 69 of the Company's Articles of Association and who being eligible offer themselves for re-election:
  - (1) Dato' Saiful Bahri bin Zainuddin **Resolution 2**
  - (2) Tan Sri Ong Leong Huat @ Wong Joo Hwa **Resolution 3**
  - (3) Dato' Tajuddin bin Atan **Resolution 4**
  - (4) Encik Ghazali bin Haji Darman **Resolution 5**
4. To approve the payment of Directors' fees amounting to RM90,000 per annum for the Non-Executive Chairman and RM60,000 per annum for each of the Non-Executive Directors in respect of the financial year ended 31 December 2013. **Resolution 6**
5. To appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2014 and to authorise the Board of Directors to determine their remuneration. **Resolution 7**

## Special Business

6. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129(6) of the Companies Act 1965:
  - (1) "THAT Tun Mohamed Dzaidin bin Haji Abdullah, a Public Interest Director who retires pursuant to Section 129(2) of the Companies Act 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next annual general meeting of the Company." **Resolution 8**
  - (2) "THAT Tan Sri Datuk Dr. Abdul Samad bin Haji Alias, an Independent Non-Executive Director who retires pursuant to Section 129(2) of the Companies Act 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next annual general meeting of the Company." **Resolution 9**
7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 1965 and the Company's Articles of Association.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 37<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 49A(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 20 March 2014. Only a depositor whose name appears on the Record of Depositors as at 20 March 2014 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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## Notice of 37<sup>th</sup> Annual General Meeting

**BURSA MALAYSIA BERHAD (30632-P)**

(Incorporated in Malaysia under the Companies Act, 1965)

### **NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the shareholders' approval for the payment of final dividend of 16 sen per share under single-tier system in respect of the financial year ended 31 December 2013 (Dividend) under **Resolution 1** at the 37<sup>th</sup> AGM of the Company, the Dividend will be paid to the shareholders on 16 April 2014. The entitlement date for the Dividend shall be 3 April 2014.

Shareholders of the Company will only be entitled to the Dividend in respect of:

- (a) securities transferred into their securities account before 4.00 p.m. on 3 April 2014 for transfers; and
- (b) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Yong Hazadurah binti Md. Hashim, LS 006674

Hong Soo Yong, MAICSA 7026744

Company Secretaries

Kuala Lumpur

27 February 2014

### **Notes:**

#### **Proxy**

1. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies, and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
2. In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
3. A member shall not, subject to Paragraphs (4) and (5) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
4. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee (EAN) as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
6. Any alteration to the instrument appointing a proxy must be initialised. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting.

#### **Audited Financial Statements for financial year ended 31 December 2013**

7. The audited financial statements are for discussion only under Agenda 1, as it does not require shareholders' approval under the provisions of Section 169(1) and (3) of the Companies Act 1965. Hence, it will not be put for voting.

#### Re-election of Directors who retire by rotation in accordance with Article 69

8. Article 69 of the Company's Articles of Association provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. In view of the recent appointment of a new Public Interest Director (PID), Dato' Zuraidah binti Atan by the Minister of Finance on 19 February 2014, the Board size has increased from 10 to 11 and hence, four (4) Directors are to retire in accordance with Article 69 of the Company's Articles of Association.

For the purpose of determining the eligibility of the Directors to stand for re-election or re-appointment at the 37<sup>th</sup> AGM, the Nomination and Remuneration Committee (NRC) has considered the following:

- (1) The performance and contribution of each of the Directors based on their Self and Peer Assessment results of the Board Effectiveness Evaluation (BEE) 2012/2013;
- (2) The assessment of the individual Director's level of contribution to the Board through each of their skills, experience and strength in qualities; and
- (3) The level of independence demonstrated by each of the Non-Executive Directors (NEDs), and his ability to act in the best interest of the Company in decision-making, to ensure that the NEDs were independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or the ability to act in the best interests of the Company.

In line with Recommendation 3.1 of the Malaysian Code on Corporate Governance (MCCG) 2012, the Board has conducted an assessment of independence of the NEDs, and also other criteria i.e. character, integrity, competence, experience and time to effectively discharge their respective roles as Directors of the Company. The Board approved the NRC's recommendation that the Directors who retire by rotation in accordance with Article 69 are eligible to stand for re-election. These retiring Directors had abstained from deliberation and decision on their own eligibility to stand for re-election at the relevant NRC and Board meetings, where applicable. Their profiles are referred to in Section A of the Statement Accompanying Notice of 37<sup>th</sup> AGM.

Section 10(1)(b) of the Capital Markets and Services Act 2007 (CMSA) provides that the appointment, re-appointment, election or re-election as a Director of the Company is subject to concurrence by the Securities Commission (SC). In this respect, the SC's concurrence has been sought in respect of the proposed re-election of the Directors of the Company pursuant to Section 10(1)(b) of the CMSA.

#### Appointment of Auditors

9. The Board at its meeting held on 29 January 2014 approved the recommendation by the Audit Committee on the re-appointment of Messrs. Ernst & Young as Auditors of the Company having considered several factors including the adequacy of experience and resources of the firm and the professional staff assigned to the audit.

#### Abstention from Voting

10. All the NEDs of the Company who are shareholders of the Company will abstain from voting on **Resolution 6** concerning remuneration to the NEDs at the 37<sup>th</sup> AGM.
11. Any Director referred to in **Resolutions 2, 3, 4, 5, 8 and 9**, who is a shareholder of the Company will abstain from voting on the resolution in respect of his re-election or re-appointment at the 37<sup>th</sup> AGM.

#### Special Business

12. Ordinary Resolutions: Re-appointment of Directors pursuant to Section 129(6) of the Companies Act 1965

The Board decided that the NEDs who retire pursuant to Section 129(2) of the Companies Act 1965 at the 37<sup>th</sup> AGM are eligible to stand for re-appointment based on the annual assessment process as mentioned in Note 8 above. Their profiles are referred to in Section B of the Statement Accompanying Notice of 37<sup>th</sup> AGM.

Tun Mohamed Dzaidin bin Haji Abdullah had abstained from deliberation and decision of the NRC in respect of his eligibility to stand for re-appointment. Further, both Tun Mohamed Dzaidin bin Haji Abdullah and Tan Sri Datuk Dr. Abdul Samad bin Haji Alias had abstained from deliberations and decisions of the Board on their respective re-appointment.

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## Notice of 37<sup>th</sup> Annual General Meeting

BURSA MALAYSIA BERHAD (30632-P)

(Incorporated in Malaysia under the Companies Act, 1965)

### Special Business (cont'd.)

#### 12. Ordinary Resolutions: Re-appointment of Directors pursuant to Section 129(6) of the Companies Act 1965 (cont'd.)

The Board through the annual BEE exercise is satisfied with the skills, contribution and independent judgment that Tun Mohamed Dzaiddin bin Haji Abdullah and Tan Sri Datuk Dr. Abdul Samad bin Haji Alias bring to the Board. They have satisfactorily demonstrated that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company. In view thereof, the Board also approved the NRC's recommendation to support their re-appointment, as they have offered themselves for re-appointment as Directors of the Company, to be approved by shareholders at the 37<sup>th</sup> AGM of the Company as follows:

- (1) The re-appointment of Tun Mohamed Dzaiddin bin Haji Abdullah, a person over the age of 70 years as a Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the proposed **Resolution 8** has been passed by a majority of not less than three-fourths (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at the 37<sup>th</sup> AGM.

Tun Mohamed Dzaiddin bin Haji Abdullah was appointed on 1 March 2004 as PID and Chairman of the Board of the Company by the Minister of Finance in consultation with the SC pursuant to Section 10(1)(a) and (3) of the CMSA. His current term of appointment as PID and Chairman of the Board of the Company shall expire on 28 February 2015.

In the light of Recommendation 3.2 of the MCGG 2012, Tun Chairman may be regarded as non-independent NED, as he has continued to hold office as a Director of the Company exceeding nine (9) years from 1 March 2004. In view of the statutory nature of his appointment as a PID and Chairman of the Board of the exchange holding company in accordance with Section 10(1)(a) and (3) of the CMSA, the shareholders' approval shall not be sought at this 37<sup>th</sup> AGM to justify and retain him as an independent NED pursuant to Recommendation 3.3 of the MCGG 2012.

- (2) The re-appointment of Tan Sri Datuk Dr. Abdul Samad bin Haji Alias, a person over the age of 70 years as a Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the proposed **Resolution 9** has been passed by a majority of not less than three-fourths (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at the 37<sup>th</sup> AGM.

The SC had concurred with the proposed re-appointment of Tan Sri Datuk Dr. Abdul Samad bin Haji Alias as Independent NED of the Company pursuant to Section 10(1)(b) of the CMSA.

# Statement Accompanying Notice of 37<sup>th</sup> Annual General Meeting

(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

- A. The profiles of the Directors who are standing for re-election as per Agenda 3 of the Notice of 37<sup>th</sup> AGM are stated on pages 21, 23 and 25 of this Annual Report.
- B. The profiles of the Directors who are standing for re-appointment as per Agenda 6 of the Notice of 37<sup>th</sup> AGM are stated on pages 21 and 24 of this Annual Report.
- C. The details of the Directors' interests in the securities of the Company as at 30 January 2014 are stated on page 184 of this Annual Report.







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