



At the
HEART of
ASEAN'S
GROWTH

Annual Report 2016

Our Integrated Journey:

Bursa Malaysia has embarked on an integrated reporting (<IR>) journey to develop a strategic corporate reporting approach to better meet the needs of various stakeholders and achieve business benefits. We aim to explain how we as a frontline regulator, market operator, influencer and a public listed company, create value for all our stakeholders including shareholders, customers, employees and the community over the near, medium and long term.

Our Vision

To be the preferred partner in Asia for fund raising, trading and investment.

Our Mission

As the preferred partner, Bursa Malaysia offers a fair and orderly market that is easily accessible, with diverse and innovative products and services.

Our Core Values

Building Relationships
United to Achieve
Responsibility
Simplicity
Agility

About This Report

As part of our on-going efforts to improve corporate reporting standards and adopt best practices, Bursa Malaysia has focused on developing transparency and effectiveness by adopting the guiding principles of the International Integrated Reporting Council (IIRC) with the ultimate objective of producing an Integrated Report. This Report therefore aims to disclose our role in value generation, how we create value for our stakeholders, and how we intend to sustain value creation through the near, medium and long term.

In Brief

A summary of our performance for the year ended 31 December 2016.

i For more information, go to: P02

Letter to Shareholders

Our Chairman provides a broad overview of Bursa Malaysia's operations throughout the year, with focus on the Group's current position in the market, performance, financial results and future plans.

i For more information, go to: P15

Sustainability

Our sustainability initiatives aim to strengthen collaboration with stakeholders towards shared Economic, Environmental and Social (EES) goals to position the Malaysian marketplace as a regional leader.

i For more information, go to: P85

Financial Review

An overview of Bursa Malaysia's financial results for 2016.

i For more information, go to: P100



ONLINE ANNUAL REPORT
www.bursamalaysia.com

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FINANCIAL REPORT

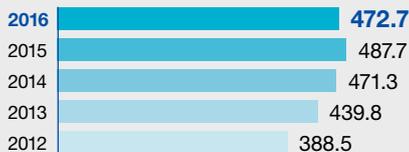
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Key Highlights

OPERATING REVENUE

▼ 3.1%

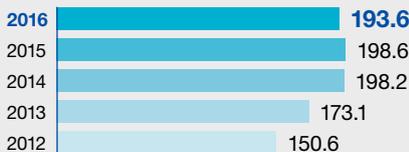
RM472.7
million



PATAMI

▼ 2.5%

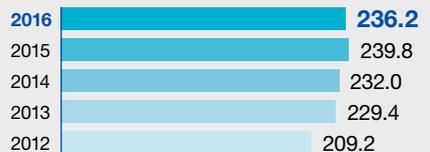
RM193.6
million



OPERATING EXPENSES

▼ 1.5%

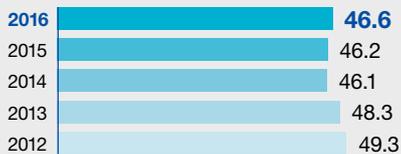
RM236.2
million



COST TO INCOME RATIO

▲ 0.4 percentage point

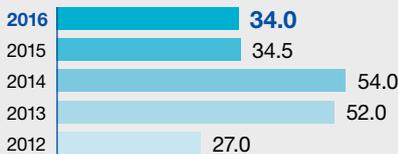
46.6%



NET DIVIDEND PER SHARE

▼ 0.5 sen

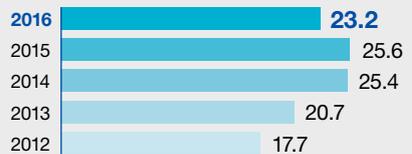
34.0 sen



ROE

▼ 2.4 percentage points

23.2%



i For more information on KPIs, go to: P03

FINANCIAL CAPITAL

RM472.7
million

Operating Revenue

RM268.1
million

Share Capital

HUMAN CAPITAL

593

Number of employees

INTELLECTUAL CAPITAL

740,000

Visitors to BursaMKTPCLC

SOCIAL CAPITAL

6,691

Number of university students we engaged with

MANUFACTURED CAPITAL

100%

Service availability and reliability

i For more information on Our Capitals, go to: P08

Our Performance

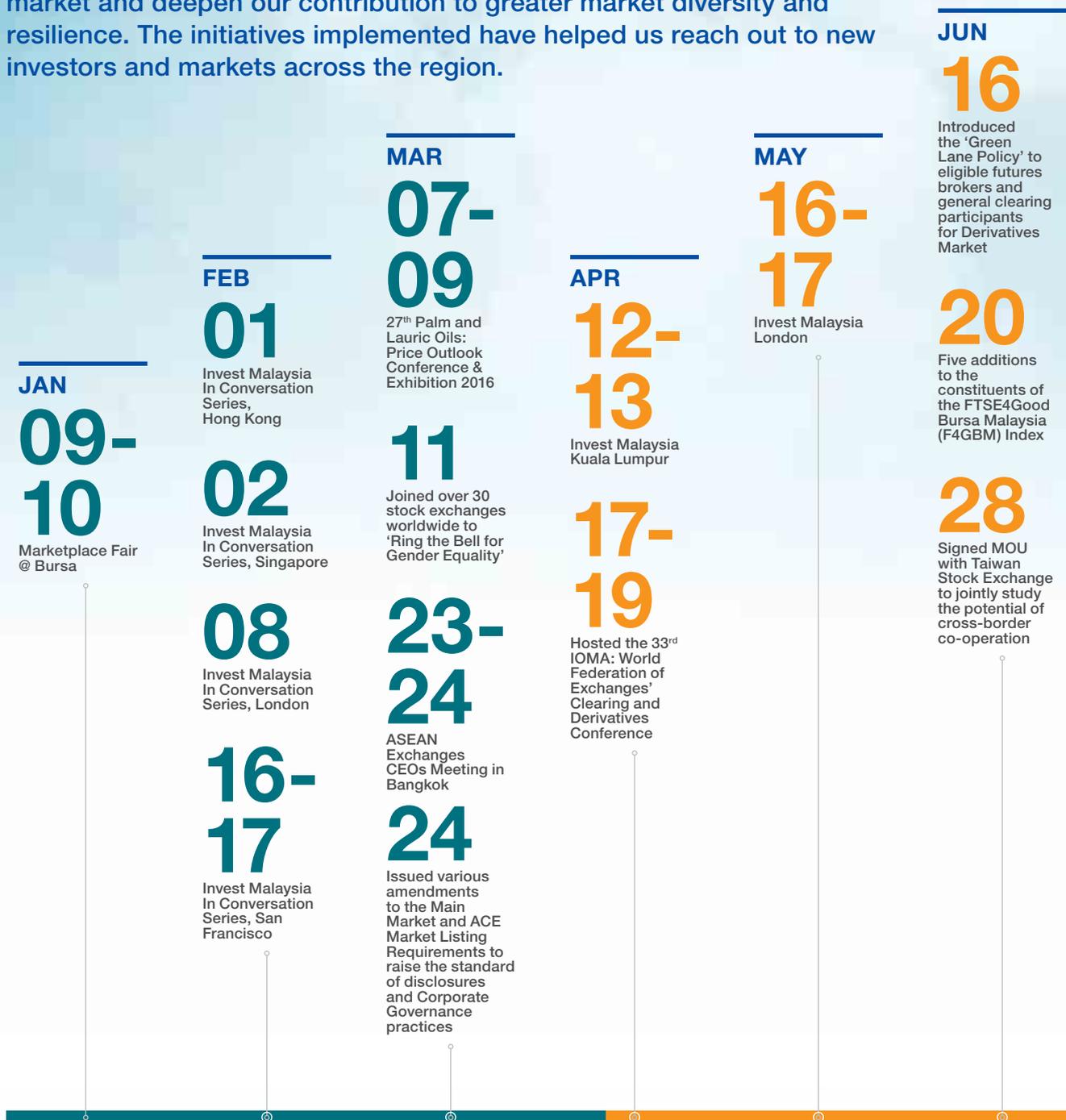
5-YEAR HIGHLIGHTS	31 DEC 2012 ¹	31 DEC 2013	31 DEC 2014	31 DEC 2015	31 DEC 2016
Key Operating Results (RM million)					
Operating Revenue	388.5	439.8	471.3	487.7	472.7
Operating Expenses	209.2	229.4	232.0	239.8	236.2
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	212.9	245.4	264.6	271.7	260.7
Profit After Tax and Minority Interest (PATAMI)	150.6	173.1	198.2	198.6	193.6
Other Key Data (RM million)					
Total Assets	2,198.4	1,741.7	1,656.5	2,086.5	2,436.4
Total Liabilities	1,325.1	914.2	893.8	1,267.0	1,549.1
Shareholders' Equity	857.6	811.2	748.7	803.4	868.9
Capital Expenditure	26.7	33.3	11.9	14.1	10.5
Financial Ratios (%)					
Operating Revenue Growth	1.8	13.2	7.1	3.5	(3.1)
Cost to Income Ratio	49.3	48.3	46.1	46.2	46.6
Net Profit Margin	36.9	37.8	40.5	39.8	40.0
PATAMI Growth	5.2	14.9	14.5	0.2	(2.5)
Return on Equity (ROE)	17.7	20.7	25.4	25.6	23.2
Share Information					
Earning per Share (EPS) (sen)	28.3	32.5	37.2	37.2	36.2
Net Dividends per Share (sen)	27.0	52.0	54.0	34.5	34.0
Dividend Yield (%)	4.3	6.3	6.7	4.1	3.8
Payout Ratio (%)	94.8	98.5	91.5	92.9	94.2
Net Assets per Share (RM)	1.61	1.52	1.40	1.50	1.62
Share Price – High (RM)	7.72	8.47	8.32	9.00	9.26
Share Price – Low (RM)	5.91	6.22	7.40	7.48	8.18
Share Price as at 31 December (RM)	6.22	8.23	8.10	8.35	8.85
Price Earnings Ratio (times)	22	25	22	22	24
Company Market Capitalisation (RM billion)	3.3	4.4	4.3	4.5	4.7

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

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

Corporate Milestones

In 2016, Bursa Malaysia continues to broaden our sustainability journey and embarked on concerted efforts to promote the Malaysian capital market and deepen our contribution to greater market diversity and resilience. The initiatives implemented have helped us reach out to new investors and markets across the region.



2016

JUL

05

Named the 'Best Islamic Finance Facilitation Platform Asia 2016' and 'Best Islamic Exchange Asia 2016' by the Global Banking and Finance Review

11-12

Invest Malaysia Tokyo

19

Released a consultation paper to seek public feedback on proposals to enhance Bursa Malaysia as a destination for capital raising and investment, in relation to Collective Investment Schemes

AUG

02

Signed MOU with Indonesia Stock Exchange to explore potential areas for collaboration in the development of the Islamic capital market

15

Enabled multi-currency fixed income instruments in web-based Electronic Trading Platform

SEP

02

Issued a concept consultation paper to seek feedback on the business model for the proposed New Market which aims at providing small and medium sized enterprises greater access to the capital market

05

Introduced Bursa Malaysia-i, the world's first end-to-end Shariah investing platform

08

Organised the 3rd Bursa Bull Charge annual charity run

19

Launched the enhanced 3-year, 5-year and 10-year Malaysian Government Securities Futures Contracts

21

Distributed RM2.1 million raised from the 3rd Bursa Bull Charge annual charity run to 37 beneficiaries

OCT

07

ASEAN Exchanges CEOs Meeting in Hanoi

11

Awarded the 'Best Islamic Exchange 2016' at the Global Islamic Finance Awards

12

Invest Malaysia Taiwan

31

Launched the US Dollar-denominated Tin Futures contracts

NOV

08

Released a rules consultation paper on the proposed rule framework for the proposed New Market

09

Renewed the collaboration agreement with Dalian Commodity Exchange for the joint organisation of China International Oils and Oilseeds Conference

21

Supported the Malaysian Institute of Chartered Secretaries and Administrators to launch a Best Practice Guide on Annual General Meetings

28

Corporate website made available in three languages namely English, Bahasa Malaysia and Chinese

30

Invest Malaysia Bangkok

DEC

19

Six additions to the constituents of the F4GBM Index

19

Received Excellence Awards for 'Top Corporate Governance and Performance (Overall Category)', 'Long Term Value Creation', and Merit Awards for 'CG Disclosures' and 'Best AGM (Overall Category)' at the Malaysia-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016

Our Strategy

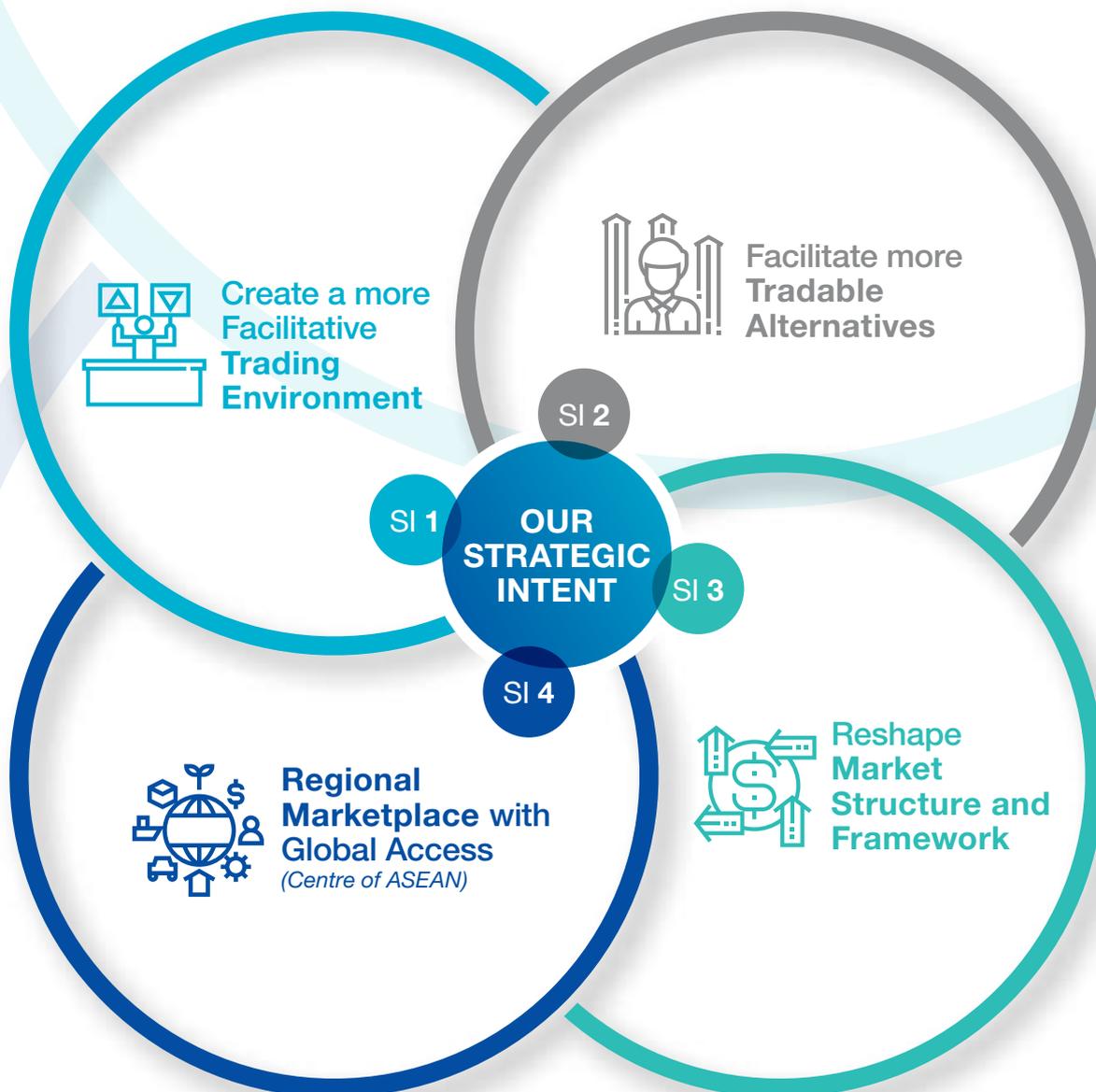
On our journey to become ASEAN's **MULTINATIONAL MARKETPLACE**, our Strategic Intents are the directions that guide us onwards, and embed us deeper as the heart of regional markets.

To build our inherent strengths to take us forward towards our goal, we established four Strategic Intents (SIs). We align our initiatives along these SIs to ensure that our approach in the development and reshaping of our products and microstructure or ecosystem will be comprehensive and efficient.

In developing our strategy, we also took into account emerging developments in the global marketplace, our operating environment and the input from our stakeholders. These are

material factors that have impact to our performance and can be found on pages 12 to 14 of this Report.

With relentless determination we align our actions to these strategic pillars and towards goal-driven outcomes. Our focus will be on collaborations and alliances with ASEAN exchanges and building an interconnected Islamic capital market. By 2020, we envision the end state of being a developed market with regional reach.



STRATEGIC INTENT

1

Create a more Facilitative Trading Environment

Initiatives

- i. Introduced the 'Green Lane Policy' to eligible futures brokers and general clearing participants for Derivatives Market
- ii. Enabled multi-currency fixed income instruments in web-based Electronic Trading Platform
- iii. Launched Bursa Malaysia-i, the world's first end-to-end Shariah-compliant investing platform

Expected Outcome

- i. Shortened time-to-market for processing of new activities undertaken by Futures Brokers and streamline regulatory processes for market participants across both Securities and Derivatives Markets
- ii. Cost optimisation, diverse instruments and improved market transparency
- iii. Increased volume and value of Shariah-compliant trades

STRATEGIC INTENT

2

Facilitate more Tradable Alternatives

Initiatives

- i. Facilitated the listing of call and put warrants over the Standard & Poor's 500 Index
- ii. Launched the enhanced 3-year, 5-year and 10-year Malaysian Government Securities Futures contracts
- iii. Launched the US Dollar-denominated Tin Futures contracts
- iv. Continued ESG engagement programmes with public-listed companies (PLCs) and investors to promote the ESG agenda

Expected Outcome

- i. Investors' exposure to foreign markets via Bursa listed products
- ii. Increased product attractiveness to investors and hedgers
- iii. Greater trading and investment opportunities
- iv. Increase in the number of constituents of the F4GBM Index

STRATEGIC INTENT

3

Reshape Market Structure and Framework

Initiatives

- i. Launched Equities Margining Framework
- ii. Issued three consultation papers to seek public feedback on:
 - the proposals to enhance the attractiveness and competitiveness of Bursa Malaysia as a destination for capital raising and investment in relation to Collective Investment Schemes;
 - the proposal for a new Market on Bursa Malaysia, which aims to provide small and medium-sized enterprises greater access to the capital market; and
 - the proposed rules governing the listing trading and depository framework of the proposed New Market
- iii. Amended Listing Requirements to raise the standards of disclosure of corporate governance practices

Expected Outcome

- i. A robust risk management system is in place to strengthen the marketplace against systemic risk
- ii. Valuable input from relevant stakeholders to ensure effective implementation of the proposals
- iii. Improving the quality of disclosures in annual reports through enhanced disclosure requirements and at the same time, reducing burden of regulatory compliance through removal of redundant information

STRATEGIC INTENT

4

Regional Marketplace with Global Access (Centre of ASEAN)

Initiatives

- i. Launched FTSE4Good ASEAN 5 Index
- ii. Signed a memorandum of Understanding (MOU) with:
 - Indonesia Stock Exchange to collaborate in the development of Islamic capital market;
 - Taiwan Stock Exchange to explore potential areas such as Exchange Traded Funds, indices and market promotional activities
- iii. Renewed the collaboration agreement with Dalian Commodity Exchange for the joint organisation of China International Oils and Oilseeds Conference
- iv. Co-organised Invest Malaysia – KL, Tokyo, Taiwan, Bangkok
- v. Co-organised Invest Malaysia In Conversation Series – Hong Kong, Singapore, London, San Francisco – proactive engagements post Budget Recalibration 2016
- vi. Organised 27th Global Palm and Lauric Oils: Price Outlook Conference & Exhibition (POC)
- vii. Provided a platform for Participating Organisations at the ASEAN Broker Networking Session held in Hanoi

Expected Outcome

- i. Profiling of 82 Malaysian PLCs to almost 1,200 fund managers representing about 300 organisations with total assets under management valued approximately USD45 trillion
- ii. Identification of potential areas for alliances
- iii. Provision of improve services to the global edible oils and oilseeds industry
- iv. Investors are kept updated to ensure fully informed decisions are made
- v. Increased foreign inflow into Malaysia
- vi. Participation by over 2,000 industry drivers from over 50 countries to the POC
- vii. Promotion of trade growth amongst ASEAN brokers

How Our Business Model Creates Value

Our business model supports and facilitates a robust platform for capital raising, price discovery and risk management to drive growth for our shareholders.

OUR ROLE

Bursa Malaysia plays an important role as the lead facilitator for capital formation and price discovery of the Malaysian capital markets. We operate and regulate an integrated exchange which offers trading in securities, derivatives, conventional and Islamic products and bonds, giving investors a diverse range of investment choices.

1 A Regulator

As a frontline market regulator, we ensure that our listed issuers and intermediaries meet their regulatory obligations to uphold investor protection, market integrity and stability.

2 A Market Operator

We provide easy access to attractive and alternative products via a facilitative market infrastructure.

3 An Influencer

We drive sustainability and good governance practices amongst our listed issuers and intermediaries, by influencing and strengthening their business conduct and standards of self regulation.

4 A Public Listed Company (PLC)

As a listed company, we build long-term value for our shareholders through capital appreciation and sustainable dividends.

OUR FORM OF CAPITALS

In creating value, we rely on the effective deployment of our capitals:



1 Financial Capital

Our Financial Capital comprises share capital and operating revenue.

Financial Capital is used to:

- Recruit and retain talent
- Invest in technology
- Ensure that our markets operate efficiently and effectively.



2 Human Capital

Our Human Capital comprises highly trained people with the right skills and competencies to manage our market infrastructure.

We deploy our staff to:

- Ensure the effective and efficient discharge of our obligations in all our markets
- Create new products and services in tandem with the needs and developments in the wider marketplace
- Apprise themselves with and adapt to regulatory and supervisory changes in a constantly evolving marketplace.



3 Intellectual Capital

Our Intellectual Capital comprises the institutionalised forms of knowledge, information and competencies derived from years of experience in market operations.

These in turn form the backbone of our knowledge base, as well as our information portfolio, which comprises intellectual property, proprietary rights and the Bursa Malaysia brand.



4 Social Capital

Our Social Capital comprises the relationships that we have built with our stakeholders including our investors, PLCs, regulators, intermediaries and CSR communities.

Bursa Malaysia is committed to the development of a sustainable ecosystem for all market participants, and is similarly committed to empowering these ecosystems through our Corporate Sustainability Initiatives.



5 Manufactured Capital

Our Manufactured Capital comprises technology as an enabler across our trading platforms and market operations to ensure reliability and efficiency of our market infrastructures.

We are committed to providing effective and relevant technology to run the trading platform, Bursa Trade Securities 2, and our clearing system, as well as our regulatory, supervision and risk management functions.

WHAT WE PROVIDE

As one of the largest bourses in ASEAN, we are a diversified and integrated exchange providing a wide range of integrated products and services including listing, trading, clearing, settlement, depository and market data.

1 Securities

We operate the stock market in Malaysia where PLCs can access funds and investors can participate in growth of the companies.

Main Market:
791
Companies

ACE Market:
113
Companies

18
Sectors covering
69 economic
activities

516 Structured Warrants
264 Warrants
16 REITs

10 Foreign Listings
8 ETFs
3 SPACs

3 ETBS
1 Stapled Securities
1 Closed-End Fund

2 Derivatives

We offer three categories of derivatives which are commodity derivatives, equity derivatives and financial derivatives.

Derivatives Products:

7
Commodity derivatives

3
Equity derivatives

4
Financial derivatives

3 Islamic

We offer diverse Shariah-compliant products and services. Our Bursa Malaysia-*i* provides a comprehensive end-to-end Shariah investing platform. We also operate Bursa Suq Al-Sila', a commodity trading platform, specifically dedicated to facilitating Islamic liquidity management.

Shariah-compliant offerings include:

671 *i*-Stocks

4 *i*-ETFs

4 *i*-REITs

3 ETBS

2 *i*-SPACs

4 Offshore

We operate the Labuan International Financial Exchange, where issuers can list their non-Ringggit denominated securities.

USD25.6billion
Total market capitalisation

20
Bond listings

12
Sukuk listings

1 For more information on Business Segments, go to: P33

VALUE WE CREATE

A Diverse and Resilient Market:

RM 1.7trillion

Market capitalisation

As one of the largest stock markets in ASEAN, we are responsible for creating a resilient market on the back of quality PLCs and a sustainable market ecosystem.

Global Benchmark for Crude Palm Oil (CPO):

Rank 1

Being a leading market for CPO contracts, the contracts on Bursa Malaysia function as a global benchmark for CPO settlement price.

Effective Fundraising Channels:

RM 12.8billion

Funds raised

Bursa Malaysia is a choice destination for fundraising, offering deep liquidity and vibrant investment options.

Pacesetter In Islamic Capital Markets:

Our expertise in Islamic Finance has enabled us to become a leading specialist in global Islamic capital markets.

Exposure to ASEAN:

As home to some of ASEAN's largest companies with operations throughout the region, Bursa Malaysia is steadily reaching its goal of becoming ASEAN's Multinational Marketplace.

Investor Protection:

Bursa Malaysia upholds investor protection through its robust regulatory framework and approaches, with a high level of adherence to its rules by listed issuers and intermediaries.

Economic Value Created for Shareholders

OPERATING REVENUE

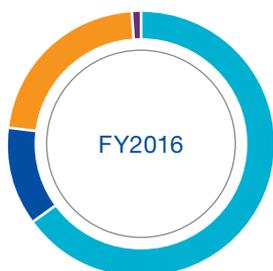
(RM million)



Securities Trading	212.9
Derivatives Trading	88.7
BSAS Trading	16.4
Listing & Issuer Services	53.5
Depository Services	39.0
Market Data	35.3
Member Services & Connectivity	21.0
Others	5.9

Total operating revenue for 2016 was RM472.7 million

SHAREHOLDER MIX

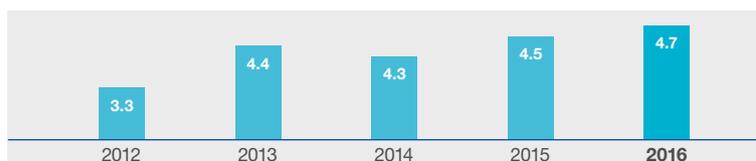


Domestic Institution	65%
Domestic Retail	12%
Foreign Institution	22%
Foreign Retail	1%

Our public shareholding of 61.4% represents a fair free float of Bursa Malaysia's shares and a healthy level of liquidity. As at the end of 2016, we had a total of 16,699 shareholders.

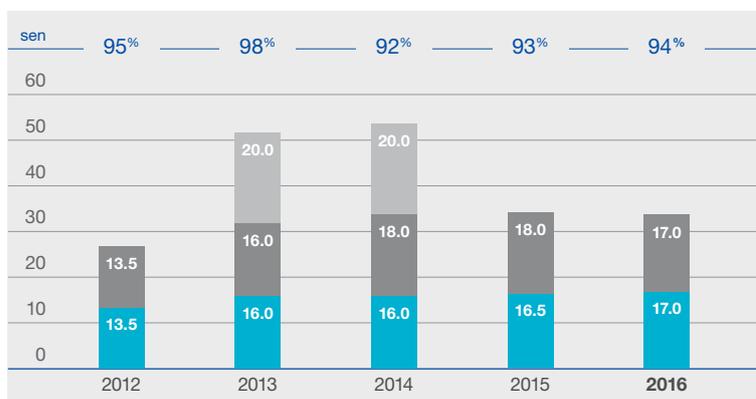
MARKET CAPITALISATION*

(RM billion)



* As at 31 December

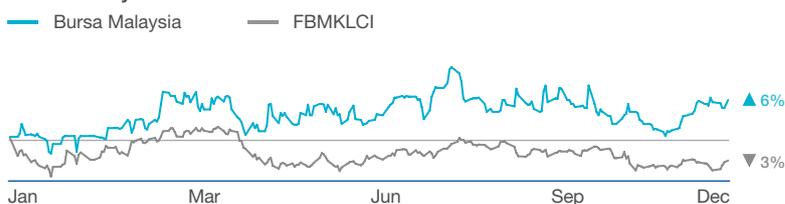
FIVE-YEAR DIVIDEND PAYOUT TO SHAREHOLDERS



■ Interim Dividend (sen) ■ Final Dividend (sen) ■ Special Dividend (sen)
 — Dividend payout as a percentage of PATAMI, not including special dividend

SHARE PRICE PERFORMANCE

Bursa Malaysia Share Price Performance vs. FBMKLCI



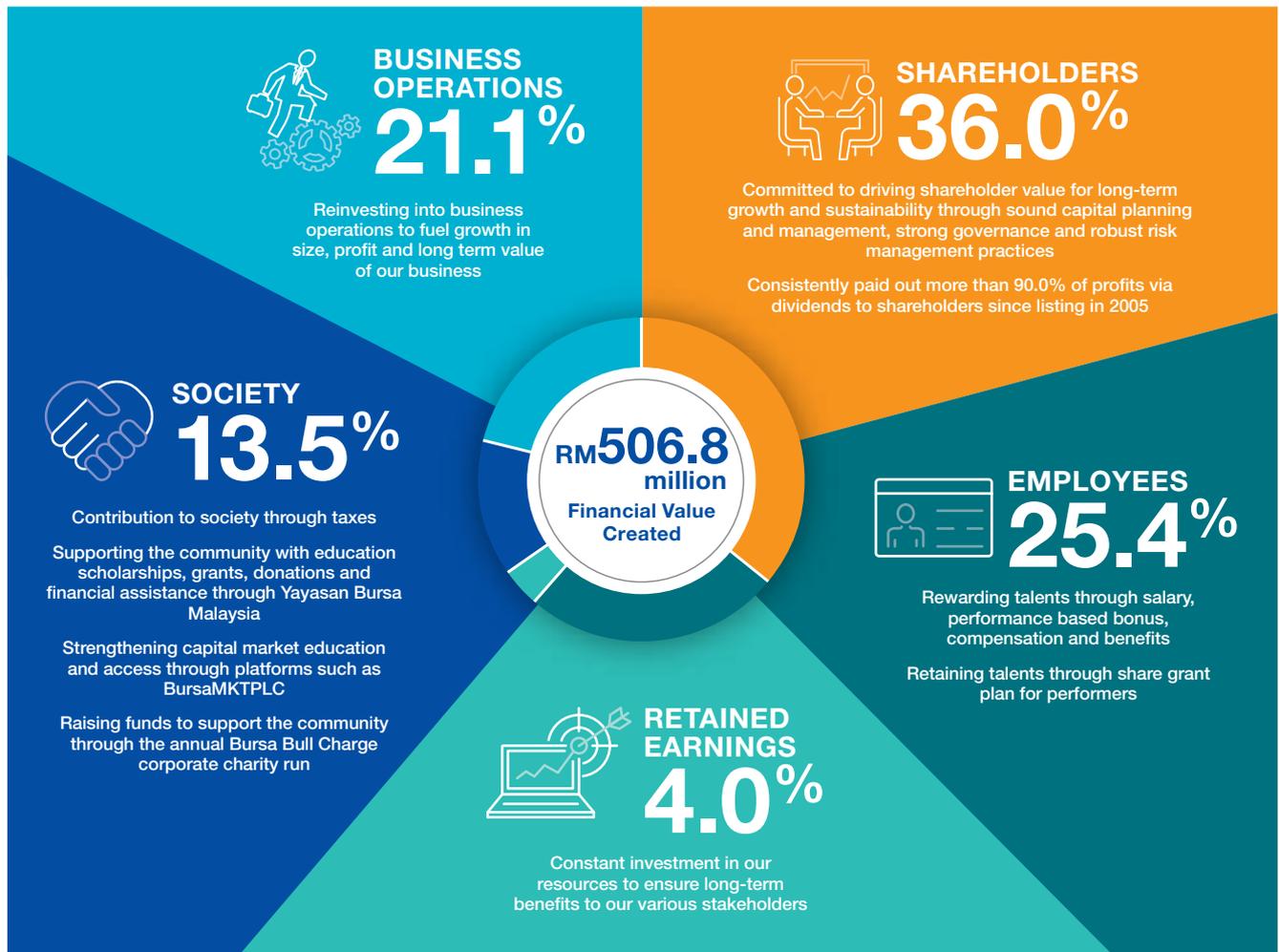
Bursa Malaysia Share Price Performance vs. Listed Asian Peers



Bursa Malaysia's share price increased 6.0% in 2016 reflecting its resilience within volatile market conditions. Starting the year strong at RM8.35, Bursa Malaysia's share price traded at its highest level since 2011 at RM9.26 on 12 August 2016. The share price closed at RM8.85 on 30 December 2016.

Financial Value We Distributed

FINANCIAL VALUE: TOTAL INCOME



NON-FINANCIAL VALUE:

1

CUSTOMERS:

Create a more facilitative trading environment for investors, providing efficiency such as e-services, and ensuring sound investor protection and governance are accorded

Offer a wide range of investment options and an attractive marketplace to raise funds as a choice ASEAN destination for fundraising and the leading specialist in global Islamic capital markets

2

SOCIETY:

Committed to being a responsible corporate citizen by contributing back to society with our time and our knowledge by volunteering hours at charitable organisations as well as providing educational initiatives to the young

3

EMPLOYEES:

Recognising, rewarding and retaining people through training, talent management programmes and initiatives promoting work-life balance

Material Factors

Bursa Malaysia's continued success in maintaining a sustainable business and generating long-term shareholder value is influenced by several internal and external factors. Each material factor presents unique risks and opportunities to our organisation, and is a key consideration in our approach to strategy formulation and execution as it substantially influences the assessments and decisions of our stakeholders. We regularly review these factors to assess their impacts on our business model over the near, medium and long term.



COMPETITION

Bursa Malaysia is exposed to strong competition both regionally and globally. Based on data from the World Federation of Exchanges (WFE), the global exchanges industry is valued at USD71 trillion in terms of domestic market capitalisation as at end December 2016. Although the weightage for Malaysian stocks in the MSCI Emerging Market Index stood only at 3.3% during the May 2016 index review, Bursa Malaysia is still ASEAN's fourth-largest stock exchange by market capitalisation based on WFE's data at end 2016.

The landscape for global exchanges is evolving rapidly and it has had great impact on Bursa Malaysia. Over the last 10 years, market indicators such as market capitalisation, average daily value and velocity indicate that whilst our market has grown, Bursa Malaysia needs to be fast paced and ahead of its peer exchanges. In response, we have drawn up gameplans with clear growth levers to attract companies to list on the Exchange, to improve our market velocity, to build up the pool of retail investors, and to entice further domestic participation in the futures products for derivatives growth.

At the same time, Bursa Malaysia is also exploring inorganic opportunities, partnerships and collaborations that could offer synergies and growth, especially in product development and internationalisation of our market reach. This has been drawn up in our Blueprint and our Strategic Intentions that shall take us towards our desired end state of becoming Asia's Leading Marketplace.

TECHNOLOGY

Technology has been the driving force for Bursa Malaysia in its quest to bring efficiency and innovation to the Exchange, and for its trading members and investors at large.

We ensure that our systems are kept up to date and that best practices are adopted to manage our systems and services.

We plan to further enhance the current infrastructure to be more robust and cost effective. We will widen the use of mobile services to enrich investor experience. For cross border activities, we will further capitalise and leverage on technological developments to improve connectivity with partner exchanges.

We are also exploring potential collaboration with FinTech companies in the areas of innovation and expansion of capabilities. This will result in improved accessibility, efficiency, security and quality of services of the Exchange.

The landscape is continuously evolving and the Exchange shall keep abreast with and leverage on new innovative and disruptive technology to spearhead its aspiration to achieve a developed market status.

TALENT

Seeking only the best, we are made up of people with vast experience and industry background. Building capability is key, hence we proactively provide opportunities for growth and development for talent in the organisation through targeted development plans and succession planning. Ensuring our long term sustainability, we continuously invest time and effort in recruiting (internal and external), upskilling, engaging and rewarding talents/employees of the organisation accordingly. This is no compromise.

Cultivating a learning culture in the organisation, programmes to support accelerated skill development and innovative approaches to learning and development are at hand. In addition, our Knowledge Centre is readily available providing easy access to data and information through the wide range of collection of reference documents, books and publications.

An internal Talent Council is also established to provide consultation and guidance in building the talent pipeline and succession plan for Bursa Malaysia.

With our aspiration to be a High Performance Organisation, we have embarked upon many initiatives including the Optimising Organisational Structure Project for organisation effectiveness to review and align our structure, processes, people and governance towards steering the exchange to be highly efficient, effective and regionally competitive.

Material Factors

MARKET INTEGRITY AND STABILITY

Being one of the largest bourses in ASEAN and a key powerhouse of the domestic economy, Bursa Malaysia has continued to place strong emphasis on upholding the integrity and stability of the Malaysian capital market. As the Asian financial crisis took its toll on investor confidence in 1997, many reform measures have been undertaken to improve market orderliness and grow our attractiveness as the preferred market for investment and fund raising in the region.

Currently, Bursa Malaysia operates a well regulated market supported by adequate levels of investor protection. Our regulatory framework is assessed regularly and is benchmarked against international standards of market regulation. There is a prevalent culture of compliance amongst our listed issuers and intermediaries, with high level of adherence to our rules. Further, their self-regulation and implementation of quality practices have continued to strengthen over the years. All these efforts contribute towards the maintenance of market integrity and stability.

Our comprehensive regulatory framework was put to the test during the period of significant volatility in 2015 and in the first half of 2016, to which it held up well, evidenced by the fair and orderly manner in which the market operated. This was a result of the strong investor protection safeguards, high standards of business conduct and corporate governance demonstrated by our listed issuers and intermediaries.

We take cognisance that the marketplace is dynamic and as such, it is essential that we take note of trajectories and changes in the global landscape to enable effective regulation. In doing so, we are also conscious of the need to adopt a balanced approach to regulation, to ensure adequate investor protection whilst facilitating growth and development in the capital market so that it remains competitive. In this regard, the long-term integrity and sustainability of the capital market is a matter that is material to us.

Our constant engagement with regulatory bodies, investor groups, listed issuers, intermediaries and other relevant parties ensure that we take the needs of all stakeholders into account when effecting regulatory strategy. For the past decade, rankings such as the Asian Corporate Governance Association CG Watch Surveys have shown consistent improvement for Malaysia with the exception of 2016 where there was a minor decline in the overall score due to public governance matters. Our efforts have resulted in an overall success, as demonstrated by the high standards of self-regulation amongst our listed issuers and intermediaries. We will continue to monitor shifts in the global and regional landscape to ensure a contemporary and balanced approach to regulation, to maintain the attractiveness of the Malaysian capital market as a competitive yet stable domain.

Chairman's Letter to Shareholders

TAN SRI AMIRSHAM A AZIZ
Chairman

Dear Shareholders,

Bursa Malaysia remains focused on its role as both a frontline regulator of an efficient market and a value creator for our stakeholders. We are firmly on course in implementing the next phase of our strategy.



RESILIENCE AMIDST UNCERTAINTY

Capital markets globally have experienced significant volatility amidst uncertainty over growth prospects on the back of fluctuating commodity prices, slower global growth and unexpected results of the European Union referendum in the United Kingdom that weighed heavily on global investors' sentiments. However, strong fundamentals have contributed to the resilience of the Malaysian capital market.

The global exchange business also continues to be highly competitive, partly driven by technology that provides instant access to multiple markets across different time zones, and infrastructure that will be impacted by changes brought about by technological advances such as blockchain.

OUR HIGHLIGHTS:

Ranked 4th among 138 economies for Strength of Investor Protection and 30th Best Regulated Securities Market as reported in the World Economic Forum – Global Competitiveness Report 2016-2017.

Ranked 3rd among 190 economies for Protecting Minority Investors based on The World Bank – Doing Business 2017 Report.

i For more information on Awards & Recognition, go to: P50

Chairman's Letter to Shareholders

Closer to home, the slowdown in the Chinese economy affected the equities market, while volatile commodity prices have created opportunities for the Derivatives Market. Weaker market sentiment has seen a reduction in the number of Initial Public Offerings (IPOs) across many regional markets including Malaysia. In 2016, funds raised from eleven IPOs and the secondary market totalled RM0.6 billion and RM12.2 billion, compared to RM4.1 billion and RM17.1 billion respectively in the previous year.

Despite the strong headwinds, we have sustained our financial performance. Higher trading revenues from the Derivatives Market and improved revenue from Market Data segment helped cushion the contraction in the trading revenue from Securities Market.

We posted a Profit after Tax and Minority Interest (PATAMI) of RM193.6 million, a decrease of 2.5% from 2015. For the period under review, the Board of Directors has proposed a final single-tier dividend of 17.0 sen per share. This amounts to a total dividend of 34.0 sen for the full year, representing a dividend pay-out ratio of 94.2% of its PATAMI, higher compared to 2015's pay-out at 92.9%.

TRUSTED FRONTLINE REGULATOR AND VALUE CREATOR

Bursa Malaysia is committed to providing an efficient platform for capital-raising, investment and trading, supported by a sound regulatory framework. We strive to ensure the right balance in our approach to regulating the markets. Our market governance and strength of investor protection are recognised as one of the best in the Emerging Markets and at par with Developed Markets.

FUNDS RAISED

**RM12.8
billion**

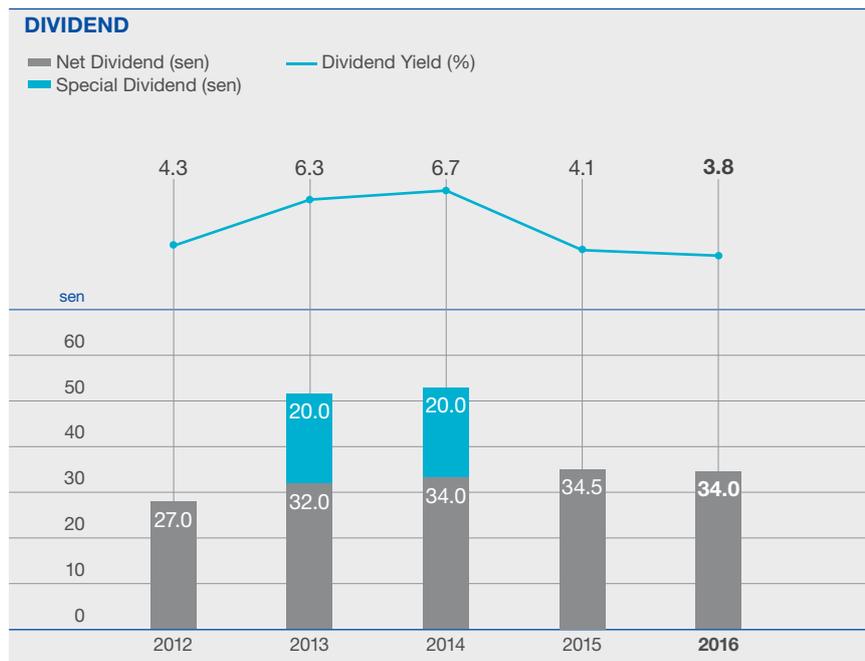
EQUITY MARKET CAPITALISATION

**RM1.7
trillion**

as at 31 December 2016

**Our market
governance and
strength of investor
protection are
recognised as one
of the best in the
Emerging Markets
and at par with
Developed Markets.**





We constantly strive to make Bursa Malaysia a more dynamic exchange that supports economic growth and provides businesses a platform to raise funds efficiently. We are committed to create more opportunities to boost the vibrancy and appeal of our market. We will continue to look at broadening our product and service offerings as we stay ahead and be relevant to market needs. We are also supportive of efforts to spur the growth of entrepreneurs within our Small-Medium Enterprise sector, and will continue to explore ways to help facilitate the growth of this and other segments to increase overall market participation.

AT THE HEART OF ASEAN

Bursa Malaysia is well positioned to benefit from the establishment of the ASEAN Economic Community in 2015 and the region's growth. In April 2016, ASEAN Finance Ministers endorsed the ASEAN Capital Market Forum (ACMF) Action Plan 2016-2020. This will accelerate the implementation of various measures to achieve the ACMF Vision 2025 of an inter-connected, inclusive and resilient ASEAN Capital Market. As for the region's growth, the International Monetary Fund (IMF) in its October 2016 issue of the World Economic Outlook projects a stronger growth at 5.1% in 2017 from 4.8% in 2016 for the ASEAN-5 economies, comprising Indonesia, Thailand, Malaysia, Philippines and Vietnam.

Our aspiration to build Bursa Malaysia into the Centre of ASEAN, a key regional player with international reach, remains intact. In building for the future, we continue to focus on expanding the depth and breadth of the Malaysian capital market, establishing international best practices and building regional footprints. We will continue to progress, and maintain a leadership position in areas of governance, sustainability, commodity derivatives and the Islamic capital market.

Malaysia is ranked fourth among 138 economies for Strength of Investor Protection and 30th Best Regulated Securities Market as reported in the World Economic Forum – Global Competitiveness Report 2016-2017. Malaysia is also ranked third among 190 economies for Protecting Minority Investors based on The World Bank – Doing Business 2017 Report.

In recent years, Bursa Malaysia focused on building a sustainable Malaysian capital market, taking deliberate steps to develop a sustainability-themed index and encouraging corporate sustainability disclosures. Our FTSE4Good Bursa Malaysia (F4GBM) Index is a testament that as a frontline regulator, we are able to make a difference towards the long-term sustainable development of the nation, to push the bar and lead the way as a market influencer in Malaysia and also within ASEAN. As at December 2016, the F4GBM index constituents stood at 42, an increase of 17 from its launch in 2014. This initiative will continue to ensure that Bursa Malaysia remains on the radar of investors seeking to invest in companies with sustainability best practices.

Charting a steady course amid uncertainty requires not only for us to respond to market conditions but also to seek ways to reinvent ourselves and our business. Enhancing timely and quality disclosures is one of the key areas we continue to invest in our listed issuers. For our stakeholders to have complete trust and confidence in our market, we will continue to strike a fine balance between the regulatory aspects and the dynamics of the market. Going forward, we remain committed to addressing any challenges that may arise as global standards in corporate governance and market regulations continue to evolve.

During the year under review, we embarked on adopting a more progressive approach to our corporate reporting. We are implementing the guiding principles of the International Integrated Reporting Council over a multi-year period. This will bring Bursa Malaysia closer to producing an Integrated Report, in line with international best practice for performance reporting.

Chairman's Letter to Shareholders

We are fortunate to be able to leverage on our PLCs with robust regional footprints as part of a compelling ASEAN investment proposition. As it is, we have created greater visibility for Malaysia internationally through various platforms such as the annual Invest Malaysia roadshows in major cities globally, and the annual Palm and Lauric Oils: Price Outlook Conference & Exhibition event which attracts international participants.

LOOKING AHEAD

We are encouraged by the IMF's 4.6% growth projection for the Malaysian economy in 2017. Nevertheless, the global economic and geopolitical environment remains one of uncertainty and complexity with the status of global free trade agreements yet to be determined. With prospects for global growth and trade remaining far from certain, 2017 will be another challenging year for Bursa Malaysia. We can, however, draw confidence from the fact that we are already making progress on the next phase of our strategic roadmap and that our entire organisation is committed to adapting in these times of uncertainty.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank our shareholders for their continued support. A special note of appreciation goes to all staff of Bursa Malaysia who remain resolute in their commitment, yet ready and open to embracing the constantly changing environment in which we now operate.

My personal appreciation goes to my fellow Board members, Dato' Zuraidah Atan and Dato' Saiful Bahri Zainuddin, who both retire in the 1st quarter of 2017.

Appreciating the increasing sophistication and competitiveness of our business along with the evolving dynamics of investors, remains the shared focus of our staff, our Management, my colleagues on the Board of Directors and myself as Chairman.

This focus on agility and innovation, combined with the efforts of our PLCs and other stakeholders, in particular our regulators and policymakers such as the Ministry of Finance, the Securities Commission of Malaysia and Bank Negara Malaysia, will help ensure that Bursa Malaysia remains at the forefront of regional standards in governance and reporting and, fundamentally, at the heart of the growth agenda of ASEAN's capital market.



Tan Sri Amirsham A Aziz
Chairman

The FTSE Bursa Malaysia KLCI ended the year at 1,641.73 points from 1,692.51 points at the close of 2015.

DIVIDEND YIELD

3.8%

as at 31 December 2016

NET DIVIDEND

34.0sen

in 2016

Chief Executive Officer's Message

DATUK SERI TAJUDDIN ATAN
CEO

The past year has seen Bursa Malaysia gain traction on several strategic fronts and achieve new milestones. In a year of on-going economic and geopolitical challenges, we demonstrated our resilience in facing the increasing headwinds. This was made possible by the strong fundamentals we have put in place in our continued effort to become ASEAN's Multinational Marketplace.

We continue to enhance the breadth and depth of our product offerings in meeting market participants' needs, be it in managing their risk profile and exposure, or in seeking diversification option to achieve insulation from the volatility of different asset classes.

INNOVATING FROM CORE STRENGTHS

The capital market is a space with growth potential, and where innovation is key to unlocking opportunities. As part of our strategy, we maintained our focus on areas where we have attained our biggest differentiators, namely our strengths in the Islamic capital market, our commodity product which is recognised and accepted globally, as well as our achievements in the area of sustainability, while continuously looking for new opportunities, particularly through strategic alliances, innovation and technology.



Chief Executive Officer's Message

We continue to enhance the breadth and depth of our product offerings in meeting market participants' needs, be it in managing their risk profile and exposure, or in seeking diversification option to achieve insulation from the volatility of different asset classes.



Financial Results	2016	2015	% change
Operating Revenue (RM million)	472.7	487.7	▼ 3.1%
Operating Expenses (RM million)	236.2	239.8	▼ 1.5%
Profit After Tax and Minority Interest (PATAMI) (RM million)	193.6	198.6	▼ 2.5%
Cost to Income Ratio (%)	46.6	46.2	▲ 0.4pp
Net Profit Margin (%)	40.0	39.8	▲ 0.2pp
PATAMI Growth (%)	(2.5)	0.2	▼ 2.7pp
Return on Equity (%)	23.2	25.6	▼ 2.4pp

pp percentage point

INCREASING OUR DIVERSITY

We capitalised on the growing acceptance of Bursa Suq Al-Sila' (BSAS) as a global commodity Murabahah trading platform, offering five commodities which are tradable in 28 major currencies and operating in a 15-hour, 6-day market.

We recognised the growing demand for Shariah-compliant investment opportunities. To this end, we are proud that we have established Bursa Malaysia-*i*, the world's first end-to-end Shariah-compliant investing platform which provides investors with a new landscape where investors are able to invest in Shariah-compliant investment instruments in a Shariah-compliant manner.

We enhanced our Malaysian Government Securities Futures, our interest-based products, and added tin futures to our list of commodity products, underscoring our aim for a more diverse product portfolio.

LEVERAGING ON ECOSYSTEM

Our pool of market participants forms the core of our ecosystem. Domestic institutions continue to be the major player in our market, while we see retail investors institutionalised through the unit trusts industry.

We continue to see strong participation by foreign institutions, despite the challenges of 2016. While retail participation would contribute to market velocity, active involvement from both domestic and foreign institutions cushioned us from the impact of volatile market conditions.

We will continue to build and capitalise on the strength of our ecosystem, reaching out to identified segments of the community.

SUSTAINING GOVERNANCE

In the face of the uncertainties that characterised 2016, the strong governance that we have built up over the years remain at the heart of our resilience. What we have put in place, in essence, is developed market governance in an advanced emerging market. We strive to provide opportunities for higher returns to our participants, but not at the expense of a high standard of corporate governance and investor protection, which together are at the heart of the dual role that we play as a market operator as well as a frontline regulator.

The recognitions by the World Bank 'Doing Business 2017' and the World Economic Forum 'Global Competitiveness Report 2016-2017', are acknowledgements accorded to Malaysia as a progressive and maturing market.

The FTSE4Good Bursa Malaysia (F4GBM) Environmental, Social and Governance (ESG) Index that we launched in 2014 is another testament of our effort in inculcating sustainability initiatives that can benefit our PLCs in environmental, social and economic terms. The constituents of F4GBM index has increased to 42 at the end of the year under review.

DRIVING SUSTAINABILITY

We recognise that sustainability practices are fast gaining importance as a criterion in investors' investment decisions. We aim to be the leading exchange for sustainability in ASEAN with the highest number of listed issuers embedding sustainability practices in their operation and reporting, and the choice listing destination for companies that have good sustainability practices. With this aim, we took steps to further improve the adoption of sustainability practices and reporting among listed issuers in our market, through rule amendments and the issuance of a Sustainability Reporting Guide & Toolkits – the first of its kind in ASEAN.

The new reporting framework, the F4GBM Index and being a signatory to the United Nation's Sustainable Stock Exchanges Initiative demonstrated the cohesiveness of our sustainability initiatives and have gained us international recognition. It is also a testament that as a frontline regulator, we are able to make a difference towards the long term development of the nation, to push the bar and to lead within ASEAN.

SUSTAINING PERFORMANCE

Given the exceptionally challenging macro market conditions of 2016, we are pleased that we are able to report a commendable result.

We recorded a profit after tax and minority interest of RM193.6 million, compared to RM198.6 million previously. The cost to income ratio increased marginally by 0.4 percentage point, while Return on Equity declined 2.4 percentage points to 46.6% and 23.2%, from 46.2% and 25.6%, respectively.

Year-on-year operating revenue slid by 3.1%, mainly from the contraction in securities trading revenue. The reduced activities in the Securities Market was however partially offset by growth in other revenue streams, namely from derivatives trading revenue, and the Market Data segment. A five-year review of our performance returns a 23.9% expansion from RM381.5 million in 2011 to RM472.7 million in 2016.

Operating expenses were kept in check at RM236.2 million with our robust cost-management discipline. This translates into a 1.5% decrease compared to RM239.8 million in 2015. Manpower and Technology expenses remained the two major cost drivers, signalling our continued investment in our talent strategy as well as ensuring that we are equipped with the relevant technology in performing our role to maintain a fair, orderly and efficient market.

MALAYSIA-ASEAN CORPORATE GOVERNANCE TRANSPARENCY INDEX, FINDINGS AND RECOGNITION 2016

EXCELLENCE

- Top Corporate Governance and Performance (Overall Category)
- Long Term Value Creation

MERIT

- CG Disclosures
- Best AGM (Overall Category)

We capitalised on the growing acceptance of BSAS as a global commodity Murabahah trading platform, offering five commodities which are tradable in 28 major currencies and operating in a 15-hour, 6-day market.

Chief Executive Officer's Message

In view of our performance and looking at the operating conditions ahead, Bursa Malaysia's Board of Directors has recommended a final dividend of 17 sen per share to be approved at our 40th Annual General Meeting to be held in March 2017. If approved, the total dividends paid by Bursa Malaysia in 2016 will amount to 34.0 sen per share, representing a dividend yield of 3.8%.

Segmental Performance

Our Securities Market returned a trading revenue of RM212.9 million, on the back of an Average Daily Trading Value (ADV) for Securities Market On-Market Trades of RM1.8 billion. On the IPO front, eleven new listings were welcomed in 2016, the same number achieved in 2015, raising RM0.6 million.

Our Derivatives Market segment continued to chart growth in trading volume, mainly as a result of heightened activities to manage volatility and exposure to risks in the markets. Average daily contracts traded was up by 1.2% to 57,829 contracts, with a total of 14.2 million contracts traded in 2016 compared to 14.1 million in 2015. This generated a trading revenue of RM88.7 million, an increase of 3.0% year-on-year.

In the Islamic Capital Market, the ADV for BSAS commodity trading platform increased commendably by 7.2% to RM16.3 billion in 2016, compared to RM15.2 billion in the previous year, bringing in trading revenue of RM16.4 million.

TOWARDS A DEVELOPED MARKET

Optimising Organisational Structure for Organisation Effectiveness (OOS)

Part of our strategy is to develop Bursa Malaysia to be a High Performance Organisation. In 2016, we embarked on the OOS Project.

The OOS Project has a set of clear objectives of making Bursa Malaysia a more productive, efficient and effective high performance organisation that is regional ready and future-proof in facing a more competitive environment and an ever-changing regulatory landscape. All these are imperative as we continue with our journey to stay ahead and meet the evolving needs of our customers and stakeholders in this highly competitive industry.

The outcome of the OOS Project was put into effect on 15 February 2017, and the line-up of the Management Committee and Senior Management can be found on pages 30 to 31 of this Report.

Having a balanced regulatory framework

We are moving towards a principle-based approach in our regulatory framework, one that maintains high standards of corporate governance and self-regulation while allowing vibrant participation from the markets. By streamlining Bursa Malaysia's regulatory role, it will enhance our efficiency as a platform for capital raising and investment, while upholding investor protection.

Seeding market sustainability

We are cognisant of the significance of our Small-Medium Enterprise segment in becoming the next pool of PLCs. We are working towards establishing a new market to provide access to fund raising for this segment of the economy. A consultation paper seeking public feedback on this proposal was issued during the year under review.

Participating in growth

The performance of Bursa Malaysia as an Exchange, primarily through our expanding portfolio of products and services, provides an opportunity for retail investors to participate in the growth of the market. This comes hand in hand with the need for education, helping Malaysians from all walks of life understand the returns that can be realised beyond traditional savings or fixed deposits.

As we aim to improve financial literacy, educating and empowering tomorrow's investors to participate in the next generation of growth and the creation of economic value, we continue to invest heavily in BursaMktPlc, the website we created to provide newcomers with knowledge on capital markets for them to get started, and for the experienced investors to use the tools we have created to help them be more savvy in their investment decisions. We will be expanding our research coverage to capture the medium and small market capitalised PLCs.

We will scale our digital outreach capabilities to grow the knowledge and experience of investors and listed companies and further develop our capital market ecosystem to one that is comprehensive in offerings, strong in governance and efficient in performance.

Nurturing retail investor participation in the capital markets remains a key challenge for us moving forward. We continue to invest in the future generation through our education initiatives, reaching out to the student community, and expanding the Bursa Young Investors' Club, among others.

Further discussions can be found in the Our Strategy and Management Discussion and Analysis sections of this Report.

FORGING AHEAD

Towards our aim to be the Centre of ASEAN and a key regional player with international reach by 2020, we will continue to leverage on technology to offer innovative and diverse products and services, a more enriching customer experience and achieve operational excellence. We will also expand our cross-border footprint through greater exchange alliances, Shariah connectivity and ASEAN businesses to offer a more compelling value proposition for our stakeholders.

We will continue to strengthen the Exchange's value proposition as a sustainable and dynamic national exchange that catalyses economic progress and capital market development with a strong niche in Islamic capital market and commodity derivatives market, upholding a high standard of corporate governance, sustainability practices as well as investor protection, at the very heart of ASEAN's growth.

APPRECIATION

The many initiatives and enhancements that we have implemented has stood us in good stead to create a market that remains attractive to our investors, offering depth and breadth of capital market products and services. This has enabled us to carve out a strong position as a leading market in ASEAN. This could not have been achieved without the support and unrelenting commitment of my Chairman, Board of Directors and valued staff members. We remain firmly committed to realising our strategy to become the Centre of ASEAN and create long-term value for our shareholders.

Our immense gratitude goes to our investors, our shareholders, our regulators and market partners, for your strong belief in us. As we continue to navigate the uncertain and ever-changing environment ahead, we will remain focused on strengthening our market governance while creating a vibrant marketplace through seeking new growth opportunities.



Datuk Seri Tajuddin Atan
Chief Executive Officer

We continue to see strong participation by foreign institutions, despite the challenges of 2016. While retail participation would contribute to market velocity, active involvement from both domestic and foreign institutions cushioned us from the impact of volatile market conditions.

Board of Directors



1. TAN SRI AMIRSHAM A AZIZ
Chairman, Non-Executive Director and Public Interest Director



2. DATUK SERI TAJUDDIN ATAN
CEO, Non-Independent Executive Director



3. DATO' ZURAIDAH ATAN
Non-Executive Director and Public Interest Director



4. DATO' ESHAH MEOR SULEIMAN
Non-Executive Director and Public Interest Director



5. JOHARI ABDUL MUID
Non-Executive Director and Public Interest Director



**6. DATUK KAROWNAKARAN
@ KARUNAKARAN RAMASAMY**
Independent Non-Executive Director



7. DATO' SAIFUL BAHRI ZAINUDDIN
Independent Non-Executive Director



8. DATUK CHAY WAI LEONG
Independent Non-Executive Director



9. GHAZALI HAJI DARMAN
Independent Non-Executive Director



10. PUSHPANATHAN S.A. KANAGARAYAR
Independent Non-Executive Director

Board of Directors

1. TAN SRI AMIRSHAM A AZIZ

Chairman, Non-Executive Director and Public Interest Director*

**Nationality/Age/
Gender:**
Malaysian/66/Male

Date of Appointment:
1 March 2015

**Length of Service
(as at 31 January 2017):**
1 year 11 months

**Academic /
Professional
Qualification /
Membership(s):**

- Bachelor of Economics (Hons), University of Malaya
- Malaysian Institute of Certified Public Accountants (Member)

Present Directorship(s):

LISTED ENTITY:

- CapitaLand Limited, Singapore

OTHER PUBLIC COMPANIES:

- Petrolim Nasional Berhad
- RAM Holdings Berhad
- Samling Global Limited, Bermuda
- StarChase Motorsports Limited, Hong Kong

Present Appointment(s):

- Chairman, Malaysian Investment Development Authority (MIDA)
- Chairman, Financial Services Talent Council
- Chairman, Themed Attractions Resorts & Hotels Sdn Bhd

Past Directorship(s) and/or Appointment(s):

- Director, Lingui Development Berhad (2011-2014)
- Director, CapitaMall Limited, Singapore (2011-2014)
- Chairman, National Economic Advisory Council (2009-2011)
- Minister in the Prime Minister's Department (2008-2009)
- President and Chief Executive Officer, Malayan Banking Berhad (1994-2008)

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

2. DATUK SERI TAJUDDIN ATAN

CEO, Non-Independent Executive Director

**Nationality/Age/
Gender:**
Malaysian/57/Male

Date of Appointment:
1 April 2011

**Length of Service
(as at 31 January 2017):**
5 years 10 months

**Duration of Previous
Appointment as Non-
Executive Director and
Public Interest Director:**
14 July 2008 –
31 March 2011

**Date of Last
Re-election:**
31 March 2016

**Academic /
Professional
Qualification(s):**

- Bachelor of Science (Agribusiness), Universiti Putra Malaysia
- Master of Business Administration, University of Ohio
- Fellow Chartered Banker, Asian Institute of Chartered Bankers

Present Directorship(s):

LISTED ENTITY:

Nil

OTHER PUBLIC COMPANIES:

- Bursa Malaysia Berhad Group
- Chairman, Yayasan Bursa Malaysia
- Capital Market Development Fund
- Securities Industry Development Corporation

Present Appointment(s):

- Member, Executive Committee of Malaysia International Islamic Financial Centre
- Member, Financial Reporting Foundation

Past Directorship(s) and/or Appointment(s):

- Group Managing Director, RHB Capital Berhad and Managing Director, RHB Bank Berhad (2009-2011)
- Adjunct Professor, Faculty of Economics and Management of Universiti Putra Malaysia (2008-2014)
- Member, SME Corp Malaysia (2008-2013)
- President/Group Managing Director, Bank Pembangunan Malaysia Berhad (2007-2009)
- CEO, Bank Simpanan Nasional (2004-2007)
- Managing Director, Chase Perdana Berhad (2001-2004)

3. DATO' ZURAIDAH ATAN

Non-Executive Director and Public Interest Director*

**Nationality/Age/
Gender:**
Malaysian/57/
Female

Date of Appointment:
19 February 2014

**Length of Service
(as at 31 January 2017):**
2 years 11 months

**Academic /
Professional
Qualification(s):**

- LLB (Hons), University of Buckingham, England
- Certificate in Legal Practice, Malaysia
- Advocate and Solicitor of the High Court of Malaya

Present Directorship(s):

LISTED ENTITIES:

- Petron Malaysia Refining and Marketing Berhad
- S P Setia Berhad

OTHER PUBLIC COMPANIES:

- Bursa Malaysia Derivatives Berhad
- Bursa Malaysia Derivatives Clearing Berhad
- Kenanga Islamic Investors Berhad
- Chairman, Yayasan Sukarelawan Siswa/ Students Volunteer Foundation

Present Appointment(s):

- Sole Proprietor, Chambers of Zuraidah Atan
- Honorary Advisor, National Cancer Society of Malaysia

Past Directorship(s) and/or Appointment(s):

- Director, NCB Holdings Berhad (February 2006-January 2016)
- Director, Northport (Malaysia) Berhad (May 2008-December 2015)
- Director, Universiti Sains Malaysia (2012-2015)
- Director, Bank Kerjasama Rakyat Malaysia Berhad (2012-2014)
- Director, Malaysia Building Society Berhad (2012)
- Director, HSBC Bank Malaysia Berhad (2006-2010)
- Director, Milux Corporation Berhad (2005-2007)
- Director, Commodities and Monetary Exchange of Malaysia (2000-2003)
- CEO and President, Affin Merchant Bank Berhad (1999-2003)

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

4. DATO' ESHAH MEOR SULEIMAN

Non-Executive Director and Public Interest Director*

<p>Nationality/Age/ Gender: Malaysian/62/ Female</p> <p>Date of Appointment: 1 November 2014</p> <p>Length of Service (as at 31 January 2017): 2 years 3 months</p>	<p>Academic / Professional Qualification(s):</p> <ul style="list-style-type: none"> Bachelor of Economics (Hons), University of Malaya Diploma in Public Administration, Institut Tadbiran Awam Negara (INTAN) Master of Business Administration in Finance, Oklahoma City University 	<p>Present Directorship(s):</p> <p>LISTED ENTITIES:</p> <ul style="list-style-type: none"> Pos Malaysia Berhad UMW Holdings Berhad <p>OTHER PUBLIC COMPANIES: Nil</p> <p>Past Directorship(s) and/or Appointment(s):</p> <ul style="list-style-type: none"> Director, Malaysia Airports Holdings Berhad (January 2004-September 2008 and July 2011-June 2014) Alternate Director, Malaysian Airline System Berhad (November 2012-June 2014) Alternate Director, Telekom Malaysia Berhad (June 2011-October 2014) Director, Global Maritime Ventures Berhad (subsidiary of Bank Pembangunan Malaysia Berhad) (June 2008-June 2014) 	<ul style="list-style-type: none"> Under Secretary, Statutory Bodies Strategic Management Division, Ministry of Finance (January 2014-October 2014) Principal Assistant Secretary, Deputy Under Secretary and Under Secretary, Investment, Minister of Finance Incorporated and Privatisation Division (1995-2013) Assistant Secretary, Government Procurement Management Division, Ministry of Finance (1991-1992) Assistant Director, Macro Economic Section, Economic Planning Unit, Prime Minister's Department (1981-1990)
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* appointed by the Minister of Finance pursuant to Section 10 of the CMSA

5. JOHARI ABDUL MUID

Non-Executive Director and Public Interest Director*

<p>Nationality/Age/ Gender: Malaysian/59/Male</p> <p>Date of Appointment: 1 April 2016</p> <p>Length of Service (as at 31 January 2017): 10 months</p> <p>Academic / Professional Qualification/ Membership(s):</p> <ul style="list-style-type: none"> Chartered Institute of Management Accountants (Fellow Member) 	<p>Present Directorship(s):</p> <p>LISTED ENTITY: Nil</p> <p>OTHER PUBLIC COMPANIES:</p> <ul style="list-style-type: none"> Malaysia Debt Ventures Berhad Bursa Malaysia Securities Berhad and its clearing house (Bursa Malaysia Securities Clearing Sdn Bhd) 	<p>Present Appointment(s):</p> <ul style="list-style-type: none"> Director, Nomura Asset Management Malaysia Sdn Bhd Director, Nomura Islamic Asset Management Malaysia Sdn Bhd Investment Panel Member, Kumpulan Wang Amanah Pencen <p>Past Directorship(s) and/or Appointment(s):</p> <ul style="list-style-type: none"> Managing Director, RHB Bank Berhad (November 2011-November 2013) Director, RHB Bank Berhad (April 2005-July 2013) Director, RHB Capital Berhad (April 2005-November 2011) Director, RHB Islamic Bank Berhad (January 2008-November 2011) 	<ul style="list-style-type: none"> Director, RHB Investment Bank Berhad (April 2005-January 2008) Deputy Chief Executive Officer, Employees Provident Fund (2007-2011) Chief Investment Officer, Employees Provident Fund (2004-2006) Chief Investment Officer, ValueCap Sdn Bhd (2003-2004) Institutional Sales, CIMB Securities Sdn Bhd (1994-2002) Treasury Division, Commerce International Merchant Bankers Berhad (1983-1994) Money Market Dealer, Asian International Merchant Bankers Berhad (1981-1983)
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* appointed by the Minister of Finance pursuant to Section 10 of the CMSA

6. DATUK KAROWNAKARAN @ KARUNAKARAN RAMASAMY

Independent Non-Executive Director

<p>Nationality/Age/ Gender: Malaysian/66/Male</p> <p>Date of Appointment: 28 March 2013</p> <p>Length of Service (as at 31 January 2017): 3 years 10 months</p> <p>Date of Last Re-election: 31 March 2016</p>	<p>Academic / Professional Qualification(s):</p> <ul style="list-style-type: none"> Bachelor of Economics (Hons) in Accounting, University of Malaya 	<p>Present Directorship(s):</p> <p>LISTED ENTITIES:</p> <ul style="list-style-type: none"> Malayan Banking Berhad IOI Corporation Berhad Chairman, Integrated Logistics Berhad <p>OTHER PUBLIC COMPANIES:</p> <ul style="list-style-type: none"> Chairman, Etiqa Insurance Berhad Chairman, Etiqa Takaful Berhad Maybank (Cambodia) PLC Maybank Ageas Holdings Berhad 	<p>Past Directorship(s) and/or Appointment(s):</p> <ul style="list-style-type: none"> Director, Maybank Asset Management Group Berhad (2012-2016) Director, Chemical Company of Malaysia Berhad (2011-2014) Director, Maybank Investment Bank Berhad (2009-2014) Director-General, Malaysian Investment Development Authority (MIDA) (2004-2008) Deputy Director-General, MIDA (2001-2003) Director, Industrial Promotion Division overseeing 16 MIDA overseas offices (1996-2000) Director, MIDA in Singapore, Germany and London (1978-1995)
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Board of Directors

7. DATO' SAIFUL BAHRI ZAINUDDIN

Independent Non-Executive Director

**Nationality/Age/
Gender:**
Malaysian/55/Male

Date of Appointment:
27 June 2008

**Length of Service
(as at 31 January 2017):**
8 years 7 months

**Date of Last
Re-election:**
31 March 2015

**Academic /
Professional
Qualification(s):**

- Bachelor of Science (Economics & Finance), Western Michigan University

Present Directorship(s):

LISTED ENTITY:

- OSK Holdings Berhad

OTHER PUBLIC COMPANIES:

- Bursa Malaysia Securities Berhad and its clearing house (Bursa Malaysia Securities Clearing Sdn Bhd)

Present Appointment(s):

- Executive Director, OSK Holdings Berhad
- Director, Securities Industry Dispute Resolution Centre
- Director, Secondary Market Advisory Council
- Financial Adviser to the State Government of Negeri Sembilan
- Member, Negeri Sembilan State Government Think Tank
- Investment Committee Member, Eastspring Investments Berhad

Past Directorship(s) and/or Appointment(s):

- Managing Director, Business Development, Affin Hwang Investment Bank Berhad (2014-2015)
- Head of Stockbroking Division, Affin Investment Bank Berhad (2007-2013)
- Executive Director, Affin Holdings Berhad (2009-2010)
- Managing Director, Affin UOB Securities (2002)
- Chairman, Association of Stockbroking Companies Malaysia (2006, 2008-2010)
- Executive Director and Executive Director Dealing, Rashid Hussain Securities (1992-1999, 2002)
- CEO/Executive Director Dealing, Fima Securities Sdn Bhd (2000-2001)

8. DATUK CHAY WAI LEONG

Independent Non-Executive Director

**Nationality/Age/
Gender:**
Singaporean/53/
Male
Permanent Resident of Malaysia

Date of Appointment:
28 March 2013

**Length of Service
(as at 31 January 2017):**
3 years 10 months

**Date of Last
Re-election:**
31 March 2015

**Academic /
Professional
Qualification(s):**

- Bachelor of Business Administration, National University of Singapore

Present Directorship(s):

LISTED ENTITY:
Nil

OTHER PUBLIC COMPANIES:

- Bursa Malaysia Derivatives Berhad
- Bursa Malaysia Derivatives Clearing Berhad
- K & N Kenanga Holdings Berhad
- Kenanga Vietnam Securities Joint Stock Corporation
- Securities Industry Development Corporation

Present Appointment(s):

- Group Managing Director, Kenanga Investment Bank Berhad

Past Directorship(s) and/or Appointment(s):

- Executive Director, Kenanga Investment Bank Berhad (May 2011-January 2017)
- Managing Director, RHB Investment Bank Berhad and Director of Corporate & Investment Banking, RHB Banking Group (2006-2011)
- Country Head, Malaysia and Head of Regional Origination for Southeast Asia, Standard Bank Group (2002-2006)
- Director, Head of Investment Banking Malaysia, JP Morgan Chase Bank (2000-2002)
- Director of Investment Banking, Jardine Fleming in Hong Kong (1990-2000)
- Senior Investment Analyst, Bankers Trust in Singapore (1987-1990)

9. GHAZALI HAJI DARMAN

Independent Non-Executive Director

**Nationality/Age/
Gender:**
Malaysian/52/Male

Date of Appointment:
28 March 2013

**Length of Service
(as at 31 January 2017):**
3 years 10 months

**Date of Last
Re-election:**
31 March 2015

**Academic /
Professional
Qualification(s):**

- Bachelor of Accounting, University of Canberra

Present Directorship(s):

LISTED ENTITY:
Nil

OTHER PUBLIC COMPANIES:

- Bank Muamalat Malaysia Berhad

Past Directorship(s) and/or Appointment(s):

- Commissioner for PT Praisindo Teknologi, Jakarta (2012-2015)
- Advisor to Outsourcing Malaysia (2014-2015)
- Head of Domain, DHL IT Services Sdn Bhd (2006-2010)
- Partner, Accenture (1986-2006)
- Director, Accenture Solutions Sdn Bhd (until 2006)
- Director, Accenture Sdn Bhd (until 2006)

10. PUSHPANATHAN S.A. KANAGARAYAR

Independent Non-Executive Director

<p>Nationality/Age/ Gender: Malaysian/65/Male</p> <p>Date of Appointment: 23 June 2014</p> <p>Length of Service (as at 31 January 2017): 2 years 7 months</p> <p>Date of Last Re-election: 31 March 2016</p>	<p>Academic / Professional Qualification/ Membership(s):</p> <ul style="list-style-type: none"> Institute of Chartered Accountants of Scotland (Member) Malaysian Institute of Certified Public Accountants (MICPA) (Member) Malaysian Institute of Accountants (MIA) (Member) 	<p>Present Directorship(s):</p> <p>LISTED ENTITY:</p> <ul style="list-style-type: none"> IJM Corporation Berhad IJM Plantations Berhad <p>OTHER PUBLIC COMPANIES:</p> <ul style="list-style-type: none"> Asian Institute of Finance Berhad Sun Life Malaysia Assurance Berhad Sun Life Malaysia Takaful Berhad <p>Present Appointment(s):</p> <ul style="list-style-type: none"> Council Member, MICPA Trustee, World Wildlife Fund Malaysia Director, Malaysian Community Education Foundation 	<p>Past Directorship(s) and/or Appointment(s):</p> <ul style="list-style-type: none"> Board Member, Malaysian Accounting Standards Board (MASB) (2009-2015) Honorary Secretary, Financial Reporting Foundation (2010-2015) President, MICPA (2012-2014) Council Member, MIA (2012-2014) Partner, Messrs Ernst & Young (1983-2009) Chairman, Adjudication and/or Organising Committees, National Annual Corporate Report Awards (2003-2009) Chairman, MICPA's Financial Statements Review Committee and Project Chairman, the Insurance Standards Working Group of MASB on Financial Reporting Standard 4 (2003-2007) Member, International Federation of Accountants' Developing Nations Permanent Taskforce (2004-2005)
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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, have not been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2016.

Save for the Chief Executive Officer and Executive Director, all the Non-Executive Directors satisfy the criteria of an independent director as defined under Bursa Malaysia Securities Berhad Main Market Listing Requirements, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders.

Management Committee/ Senior Management



1. Datuk Seri Tajuddin Atan

Chief Executive Officer
Bursa Malaysia Berhad

Leads Bursa Malaysia Berhad Group of Companies

2. Selvarany Rasiah

Chief Commercial Officer

- Securities Market
- Bursa Malaysia Derivatives Berhad
- Islamic Capital Market
- New Development and Market Facilitation
- Policy Development
- Business Analytics and Information Services
- Commercial Planning

3. Datin Azalina Adham

Chief Operating Officer

- Corporate Legal
- Operations
- Technology and Information Management

4. Yew Yee Tee

Chief Regulatory Officer

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

5. Rosidah Baharom

Director, Finance and Corporate Services

- Finance Operations
- Financial Planning
- Investor Relations
- Procurement and Administration
- Security Services

6. Jamaluddin Nor Mohamad

Chief Executive Officer
Bursa Malaysia Derivatives Berhad

Leads derivatives subsidiaries

Selvarany Rasiah (interim)

Director, Securities Market

- Listing Development
- Product and Market Development
- Marketing and Promotion

7. Shamsul Akmal Ahmad (interim)

Director, Islamic Capital Market

- Shariah and Governance
- Product and Market Development
- Bursa Suq Al-Sila' (Dealing)
- Market Support
- Treasury

8. Tay Yu Hui (interim)

Director, Operations

- Operations Planning
- Securities Trading Operations
- Derivatives Trading Operations
- Clearing and Settlement
- Depository

9. Leong Chai Kin

Director, Technology and Information Management

- IT Planning and Architecture
- IT Governance
- Trading Services
- Post Trade Services
- IT Services and Enterprise Management
- Infrastructure Technology Services

10. Zulfa Ashida Zulkifli

Director, Human Resources

- Talent and Organisation Development
- Rewards and Employee Relations
- Sustainability and Community Investment

Dr Tan Wei Lin (not in photo)

Director, Corporate Strategy and Alliances

- Corporate Strategy and Business Intelligence
- Domestic Alliances
- International Alliances
- Corporate Communications
- Organisation and Methods

11. Mazliana Mohamad

Director, Internal Audit

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

12. Yong Hazadurah Md Hashim

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

- Corporate Governance and Conflicts Management
- Regulatory Secretarial and Conflicts Operations
- Corporate Secretarial and Governance Operations

13. Intan Ruhanida Ramli

Director, Risk and Compliance

- Enterprise Risk Management
- Business Continuity Management
- Compliance



Key Senior Management

1. SELVARANY RASIAH Chief Commercial Officer

Nationality/Age/ Gender: Malaysian/51/ Female	Academic / Professional Qualification(s): <ul style="list-style-type: none"> Bachelor of Laws, University of Malaya Advocate and Solicitor of the High Court of Malaya 	Present Directorship(s): LISTED ENTITY: Nil OTHER PUBLIC COMPANIES: Nil	Working Experience: <ul style="list-style-type: none"> Joined Bursa Malaysia in December 1992 and has held various positions in Bursa Malaysia Group, the last being the Chief Regulatory Officer
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2. DATIN AZALINA ADHAM Chief Operating Officer

Nationality/Age/ Gender: Malaysian/48/ Female	Academic / Professional Qualification(s): <ul style="list-style-type: none"> BSc Finance, Purdue University, USA 	Present Directorship(s): LISTED ENTITY: Nil OTHER PUBLIC COMPANIES: <ul style="list-style-type: none"> Malaysian Investor Relations Association Berhad (MIRA) 	Working Experience: <ul style="list-style-type: none"> Joined Bursa Malaysia in June 2001 and has held various positions in Bursa Malaysia Group, the last being Director, Strategy and Transformation
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3. YEW YEE TEE Chief Regulatory Officer

Nationality/Age/ Gender: Malaysian/47/ Female	Academic / Professional Qualification(s): <ul style="list-style-type: none"> LLB, University of Malaya 	Present Directorship(s): LISTED ENTITY: Nil OTHER PUBLIC COMPANIES: Nil	Working Experience: <ul style="list-style-type: none"> Joined Bursa Malaysia in December 1999 and has held various positions in Bursa Malaysia Group, the last being Head of Enforcement
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4. ROSIDAH BAHAROM Director, Finance and Corporate Services

Nationality/Age/ Gender: Malaysian/48/ Female	Academic / Professional Qualification(s): <ul style="list-style-type: none"> Fellow Member of Association of Chartered Certified Accountants BSc (Hons) Accountancy, University of East Anglia, UK 	Present Directorship(s): LISTED ENTITY: Nil OTHER PUBLIC COMPANIES: <ul style="list-style-type: none"> Labuan International Financial Exchange Inc 	Working Experience: <ul style="list-style-type: none"> Joined Bursa Malaysia in August 1998 and has held various positions in Bursa Malaysia Group
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5. JAMALUDDIN NOR MOHAMAD Chief Executive Officer, Bursa Malaysia Derivatives Berhad

Nationality/Age/ Gender: Malaysian/57/Male	Academic / Professional Qualification(s): <ul style="list-style-type: none"> Bachelor of Business Administration, Ohio University and UITM, Shah Alam Master in Business Administration, University Putra Malaysia 	Present Directorship(s): LISTED ENTITY: Nil OTHER PUBLIC COMPANIES: Nil	Working Experience: <ul style="list-style-type: none"> Joined Bursa Malaysia in May 2012 and has held various positions in Bursa Malaysia Group, the last being Director, Islamic Capital Market
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Save as disclosed, the above Key Senior Management members have no family relationship with any Director and/or major shareholder of Bursa Malaysia, have no conflict of interest with Bursa Malaysia, have not been convicted of any offences within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2016.

The disclosure on the particulars of the Key Senior Management of Bursa Malaysia is made in compliance with the requirements under Appendix 9C of Bursa Malaysia Securities Main Market Listing Requirements.

Financial Calendar

FY17

BUILDING OUR STRENGTH

3 FEBRUARY

Announcement of the audited consolidated results for the 4th quarter and financial year ended 31 December 2016.

29 MARCH

40th Annual General Meeting.

26 APRIL

Announcement of the consolidated results for the 1st quarter ending 31 March 2017.

26 JULY

Announcement of the consolidated results for the 2nd quarter ending 30 June 2017.



25 OCTOBER

Announcement of the consolidated results for the 3rd quarter ending 30 September 2017.

It has always been Bursa Malaysia's priority to demonstrate the highest standards of integrity to our shareholders and the investment community. We are committed to building long-term relationships based on fair and timely disclosure, transparency, openness and constructive communication.

FY18

STEADFASTNESS

JANUARY/FEBRUARY

Announcement of the audited consolidated results for the 4th quarter and financial year ending 31 December 2017.



* Dates above are subject to changes.

Management Discussion and Analysis

Securities Market Report

The Securities Market remains the largest contributor to total operating revenue at 73%, contributing RM345.3 million in a year challenged by global economic uncertainty.

A YEAR OF CAUTIOUS TRADING

The year in review was challenged by macro-economic developments which led to slower economic growth, rising commodity prices and currency volatilities.

The FTSE Bursa Malaysia KLCI (FBMKLCI) ended the year at 1,641.73 points from 1,692.51 points at the close of 2015, having traded within a range of 1,600 to 1,730 points. Bursa Malaysia's equity market capitalisation stood at RM1.7 trillion at end of December 2016.

Operating revenue contribution from the Securities Market segment lowered to RM345.3 million in 2016. This translated to a 5.7% drop in profit contribution by the Securities Market, to RM269.4 million.

Trading revenue declined by 8.7% as the average trading value (ADV) of Securities Market's On-Market Trades (OMT) and Direct Business Trades (DBT) dipped 5.5% to RM2.0 billion.

Listing of new companies was unchanged from the previous year. Eleven companies went through an Initial Public Offering (IPO) and raised RM0.6 billion. Notable firms which raised equity capital for the year included Salutica Berhad (largest ACE Market listing), Ranhill Holdings (largest equity capital raised via a reverse takeover) and FoundPac Group. These listings also demonstrate the confidence enterprises with operations globally and substantial earnings have in efficiently raising funds on Bursa Malaysia.

Non-trading revenue chartered positive growth and helped to cushion the impact from weaker securities trading revenue. Market Data revenue rose by RM1.1 million due to a higher number of subscribers, while total listing and issuer services revenue increased by 1.1%.

STRENGTHENING OUR POSITION AS A DESIRED FUNDRAISING DESTINATION IN ASEAN

Bursa Malaysia is on track in its goal to be an ASEAN trading and investment hub. A number of leading companies in diverse industries with operations across the globe have chosen to raise funds on the Malaysian exchange, reflecting their confidence in Bursa Malaysia as a destination for listing in ASEAN. We continue to ensure that we offer innovative products in a market environment that is open, transparent and vibrant, with strong corporate and financial governance.

As part of our ongoing efforts to promote the depth of our market's offerings to a wider global investing audience, we met with key market movers in financial centres such as Hong Kong, London, San Francisco, New York, Bangkok, Tokyo and Taiwan. Our discussions centred on our theme which was "Malaysia – Sustainable at The Core" and highlighted Malaysia's competitive position as a leading emerging market with a view for long-term sustainable growth, and as an active proponent of the United Nations Sustainable Development Goals.

EDUCATION AND ENGAGEMENT

197 separate institutional and retail investor events both locally and overseas

Over

24,510

institutional and retail investors engaged

TOTAL LISTED COMPANIES

904

Management Discussion and Analysis

Securities Market Report

Throughout the year, we embarked on strategically focused institutional investor programmes that aimed at matching likeminded investors to their preferred investment strategies through engagements and forums such as Bursa Malaysia’s Invest Malaysia Conference 2016 and roadshows with industry partners.

We are committed to ensuring that we provide a market of offerings that is as diverse as it is relevant so that portfolio investors have the opportunity for viable investment options. We reached out to both local and international fund managers and analysts on the various sectors and industries offered in our market, and discussed new sectors, such as FinTech, and their offerings to the investment community.

SEEDING MARKET SUSTAINABILITY

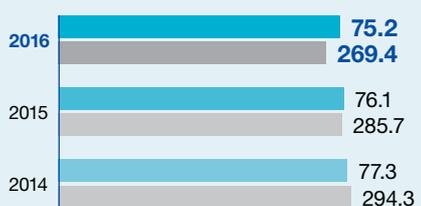
Ongoing education and engagement with stakeholders and investors will remain a large part of our role to build a sustainable market and generate long-term shareholder value. It has been a key priority for us over the past few years to ensure that the market, and its eco-system of investors, traders, brokers and listed companies, are cognisant of the importance and value of adopting sustainability practices.

Building a Knowledgeable Investment Community

As a stock exchange, we believe in strong fundamentals that will serve as a solid foundation for sustainable growth. We are aware that the young represent the pipeline of future investors and market players and have focused our education initiatives on this segment through various avenues.

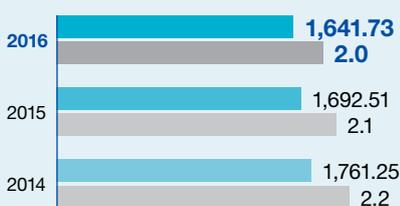
A number of leading companies in diverse industries with operations across the globe have chosen to raise funds on the Malaysian exchange, reflecting their confidence in Bursa as a destination for listing in ASEAN.

SEGMENT PROFIT AND OPERATING MARGIN



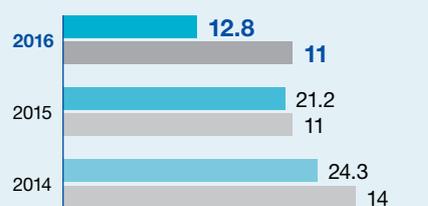
■ Operating Margin (%) ■ Segment Profit (RM million)

ADV – OMT & DBT AND FBMKLCI



■ FBMKLCI ■ ADV – OMT & DBT (RM billion)

NUMBER OF NEW LISTINGS AND FUNDS RAISED



■ Funds Raised from IPOs & Secondary Market (RM billion) ■ No. of new listings

We worked closely with our local universities to increase financial literacy among the undergraduates, so that they will have sufficient knowledge about the capital market in advancing their development as future investors. We successfully set up 18 Bursa Young Investor Clubs in these universities as well as conducted numerous seminars, workshops, conferences and investment games, reaching out to over 2,000 students. The response from them have been encouraging and their feedback shows a better understanding of the capital market and the importance of investment for long-term financial management.

A series of student visits to the Exchange was organised on a regular basis during the year, so that they are able to learn more about the role of the capital market within an economy. We were privileged to have over 2,500 students from local and foreign educational institutions visit us throughout the year.

Free investment workshops for the public in the Klang Valley and other parts of Malaysia were also organised to reach out to the untapped segments of millennials who have entered the workforce, as well as women who traditionally have a higher propensity to save.

We will continue with these educational and engagement initiatives as they play an essential role in sustainable capital market growth through enabling our society to make knowledgeable and informed investment decisions.

Strengthening Market Participation

We engaged with investors and market players to ensure that our market remains dynamic with ample liquidity. We conducted several product accreditation programmes to equip our dealers' representatives with proficiency on trading products such as the structured warrants masterclass and the CPE accredited product-centric workshops.

We are committed to ensuring that we provide a market of offerings that is as diverse as it is relevant so that portfolio investors have the opportunity for viable investment options.

We reached out to potential issuers, which included the Small-Medium Enterprise (SME) segment, on the merits of listing their companies for fund raising and better profiling. As economic conditions improve, these companies will be making the all-important decision to list and we want them to be ready with the relevant requirements. This included emphasising to the SMEs the importance of sustainability as part of their business framework as more investors look at sustainability as an important criteria in their investment decisions.

SEGMENTAL REVENUE

The details are as follows:

	2016	2015	% change
	RM million	RM million	
Trading Revenue	212.9	233.1	▼ 8.7%
Listing and Issuer Services	53.3	52.7	▲ 1.1%
Depository Services	39.1	38.4	▲ 1.8%
Market Data	26.8	25.7	▲ 4.3%
Member Services and Connectivity	13.2	12.9	▲ 2.3%
Total	345.3	362.8	▼ 4.8%

Sustainability reigns at the core of everything that we do and aspire to achieve in our capital market.

Management Discussion and Analysis

Securities Market Report

Bursa Malaysia is on track in its goal to be an ASEAN trading and investment hub.

We introduced products that allow investors the opportunity to leverage on market movements more efficiently, such as structured warrants (call and put warrants) on the Standard & Poor's 500 Index.

Our market participants were recognised for their achievements at our third Bursa Malaysia Brokers Award, a platform that acknowledges the success and performance of the capital market players.

NEW LISTINGS

No. of Listings

11

Funds Raised

RM0.6billion

Strengthening Environment, Social and Governance (ESG) Standards

Sustainability reins at the core of everything that we do and aspire to achieve in our capital market. With a growing demand for greater governance and transparency, we have been facilitating our listed companies to adopt ESG standards in their business practices. We have conducted numerous briefings, seminars and workshops to promote greater awareness of complying with these standards among our listed companies.

With the ESG Index that was launched in 2014, we have seen a marked improvement in ESG disclosures and practices among our listed companies. Listed constituents that have qualified to be included in the ESG Index increased by 75.0%. A material change in the December 2016 review is the increase of the inclusion threshold for Emerging Markets from 2.0 to 2.2, to narrow the difference with Developed Markets. Furthermore, the average overall ESG rating for the top 200 companies has improved from 1.3 to 1.6 since the launch of the index.

LOOKING AHEAD

In the near term, domestic liquidity will continue to provide support to the Securities Market given Malaysia's resilient and strong economic fundamentals. Earnings growth is likely to improve in line with a more favourable macro growth outlook.

We continue to ensure that we offer innovative products in a market environment that is open, transparent and vibrant, with strong corporate and financial governance.

Making our markets attractive and appealing to a wide range of investors require us to have a consistent investor outreach programme. While we will be looking at more engagements with investors, we will also be working closely with our PLCs to adopt the FTSE4Good Bursa Malaysia (F4GBM) index criteria, where applicable. This will offer investors who are seeking sustainability practices as part of their investing principles an option to look at the offerings that we have, as well as to broaden our ability to cater to various investment appetites.

Subject to regulatory approvals, we will be introducing a new market to support the growth of the SME segment and to provide SMEs with access to the investing market. This long-term plan is aimed to be a developmental private market with high net worth individuals in order to foster SME growth, and eventually to guide and support these enterprises when they are ready for an IPO listing.

Capitalising on the ASEAN Capital Market Forum Action Plan 2016-2020, we will continue working with our member partners to expedite implementation of the outlined initiatives so that there is greater inter-connectedness as Bursa Malaysia moves forward in realising our aim of being a Centre for ASEAN.

Derivatives Market Report

Derivatives Market performed well with increased hedging activities to manage risks arising from volatile commodity prices and global currencies.

VOLATILITY IN COMMODITY PRICES BOOSTED DERIVATIVES TRADING REVENUE

The strong performance of the Derivatives Market in 2016 was driven by the increased trading in the benchmark crude palm oil futures contracts (FCPO) as well as the FBMKLCI futures (FKLI).

Segment profit from Derivatives Market grew to RM58.4 million, 14.0% higher than the segment profit recorded in 2015. This was contributed by operating revenue of RM102.9 million compared to RM100.0 million in the previous year. The increased trading revenue from the Derivatives Market helped to cushion the overall lower trading revenue from the other market segments on Bursa Malaysia.

Trading in derivatives contracts rose due to more hedging activities to manage risks arising from volatile commodity prices in crude oil and crude palm oil, as well as global currencies. Average daily contracts (ADC) traded on the Derivatives Market grew by 1.2% at 57,829 contracts, up 672 contracts from the previous year. Options on Crude Palm Oil (OCPO), the first agricultural options launched in Asia saw an increase of 17 times from 2,300 contracts in 2015 to 40,120 contracts in 2016 as traders start to employ more advanced trading strategies.

Liquidity continued to improve with total open interest (OI) registering two record highs with all derivatives products reaching 337,267 OI on 26 May 2016 and OCPO reaching 12,900 OI on 8 September 2016.

CONTINUED FOCUS ON GLOBALISING OUR DERIVATIVES BUSINESS

We continued with our focus to globalise our derivatives offerings. While our FCPO product has been recognised as the international price benchmark, we stepped up efforts to strengthen our position with ongoing engagement through our annual Palm and Lauric Oils: Price Outlook Exhibition & Conference. This conference has continuously facilitated robust discussions on risk management techniques including hedging using Bursa Malaysia's FCPO, as well as providing the outlook for the market.

In November, we inked an agreement of co-operation with the Dalian Commodity Exchange to continue to jointly organise the China International Oils and Oilseeds Conference in our efforts to push forward the development of the oils and oilseeds futures market in the world.

EDUCATION AND RECRUITMENT

34 new Locals recruited

167 total active Locals in 2016

Over **80** derivatives education workshops and seminars held

Management Discussion and Analysis

Derivatives Market Report

BUILDING A SUSTAINABLE DERIVATIVES MARKET TO SUPPORT THE CAPITAL MARKET ECO-SYSTEM

Growth of a derivatives market is increasingly critical to the sustainability of capital markets and global economies. As businesses seek to accelerate their growth, they are increasingly exposed to risks arising from fluctuations in exchange rates and commodity prices, which currently are not being adequately addressed.

Businesses need to effectively manage their exposure to currency and commodity risks to protect themselves against significant potential losses. Having a good understanding of the role of derivatives trading to protect against risks is crucial for long-term business sustainability.

Educating and Engaging a New Breed of Derivatives Traders

We have seen growing interest from retail traders to trade in the Derivatives Market, and we are committed to equip them with knowledge on derivatives trading via ongoing education programmes.

Education workshops and seminars were conducted in collaboration with our Trading Participants for retail traders to increase awareness and knowledge on derivatives trading. A total of 88 workshops were organised nationwide throughout the year, reaching out to almost 2,700 participants.

We also organised several training sessions on options trading on OCPO and options on FKL1 to educate domestic retail and institution traders of the various strategies that can be used as an alternative investment and hedging tool.

Supporting the Growth of Our Market Participants

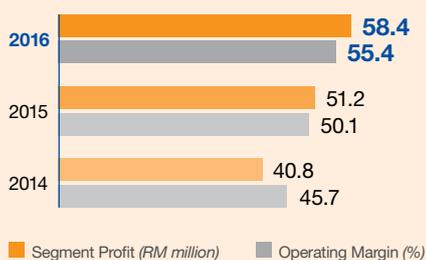
We have facilitated the conversion of our Local Participants to a proprietary trading firm model where individual traders are able to set-up individual firms or group together as owners of a proprietary trading firm. It is encouraging to note that certain Local Participants who have converted to this new business model have recruited new traders to expand their team, thereby increasing the number of professional traders in the market.

RECORD HIGH VOLUMES

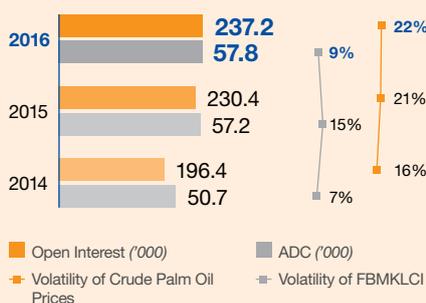
17times

increase of OCPO contracts over 2015

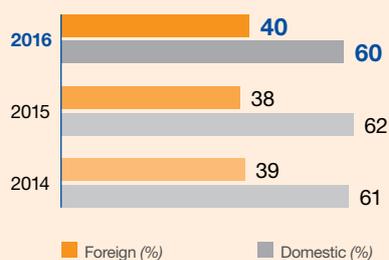
SEGMENT PROFIT AND OPERATING MARGIN



ADC OPEN INTEREST AND VOLATILITY



FOREIGN AND DOMESTIC PARTICIPATION



DEVELOPING OUR MARKET OFFERINGS

We enhanced and broadened our product offerings to ensure that they remain relevant and attractive to our market participants. Continual assessment and meeting market needs are the foundation for our continued growth.

We launched tin futures in October 2016, which is our first base metal commodities derivatives product denominated in US Dollar, that can provide market participants an avenue to hedge against potential tin price movements as well as capitalise on arbitraging opportunities. We signed an agreement with the Kuala Lumpur Tin Market (KLTM) to use their reference price as the settlement price and introduced our Trading Participants to physical tin players. We are pleased to note that several major tin players are in the process of opening trading accounts with our Trading Participants, and this will create more vibrancy in the trading of this new product.

We also enhanced the 3-year, 5-year and 10-year Malaysian Government Securities (MGS) Futures that will create avenues for financial institutions to hedge their MGS investments. We standardised the major contract specifications to be more reflective of credible settlement methodology.

LOOKING AHEAD

In 2017, we expect to launch for the first time in Malaysia, two currency futures subject to procuring the necessary regulatory approvals. The introduction of USD and CNH against Ringgit futures will be a progressive step towards a more liberalised and conducive financial market. Moreover, these currency futures will establish a new class of futures contracts. This new asset class is aimed to reach out to the retail and institutional participants, to manage their currency exposure.

Besides the above, we are currently in the process of decoupling clearing participation from trading participation to enable standalone clearing participants. This is expected to broaden the class of participants in the market, potentially opening our market further to the region.

We have facilitated the conversion of our Local Participants to a proprietary trading firm model where individual traders are able to set-up individual firms or group together as owners of a proprietary trading firm.

With the diversity of the new products that we introduced in 2016 and the planned currency futures to be launched in 2017, we will continue to participate in global trading engagement programmes to raise awareness on these products. We will also be introducing more commodity-based derivatives products which will go a long way in strengthening our leadership position in ASEAN.

We have seen growing interest from retail traders to trade in the Derivatives Market, and we are committed to equip them with knowledge on derivatives trading via ongoing education programmes.

SEGMENTAL REVENUE

The details are as follows:

	2016	2015	
	RM million	RM million	% change
Trading Revenue	88.7	86.1	▲ 3.0%
Market Data	8.3	7.8	▲ 6.4%
Member Services and Connectivity	0.2	0.3	▼ 33.3%
Conference Income	5.7	5.8	▼ 1.7%
Total	102.9	100.0	▲ 2.9%

Management Discussion and Analysis

Islamic Capital Market Report

The Islamic Capital Market charted admirable recognition as investors looked for alternatives against the global market volatilities.

SUSTAINED PERFORMANCE AMID GLOBAL ECONOMIC SLOWDOWN

Bursa Malaysia's Islamic Capital Market (ICM) continues to demonstrate sustained performance despite the economic slowdown globally.

Operating revenue dipped marginally by 2.3% to RM17.0 million compared to the previous year, while segment profit decreased by 7.2% to RM10.9 million.

The daily Average Trading Value (ADV) on our global commodity Murabahah trading platform, Bursa Suq Al-Sila' (BSAS) grew by 7.2% from RM15.2 billion in 2015 to RM16.3 billion in 2016, recording a compounded annual growth rate of 112.2% since its inception in 2009.

Membership increased to 124 in 2016, of which five were new foreign institutions. This signifies the growing acceptance of BSAS as a global platform to facilitate Murabahah and Tawarruq transactions.

In 2016 also saw an increased in the value of Sukuk listing under the Exempt Regime by 54.6% to USD53.5 billion from USD34.6 billion in 2015.

WORLD'S FIRST END-TO-END SHARIAH INVESTING PLATFORM SERVING DOMESTIC AND GLOBAL INVESTOR NEEDS THROUGH INNOVATION

Bursa Malaysia has been supporting the country's ambition of being an Islamic finance and capital market centre for over a decade, and our commitment to strengthening this aim has never wavered.

A significant development in 2016 was the introduction of the world's first comprehensive end-to-end Shariah-compliant investing platform, Bursa Malaysia-*i*, that aims to further attract a wider pool of both domestic and foreign investors and issuers. This further cements the Exchange's role as a key Islamic capital markets hub at the heart of ASEAN and beyond.

BURSA SUQ AL-SILA'

RM16.3 billion

daily average trading value

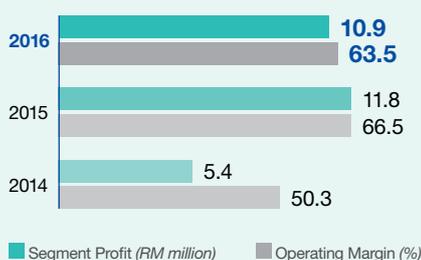
112.2%

compounded annual growth rate

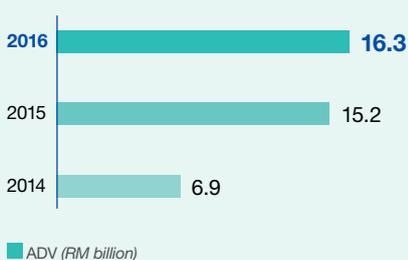
13.8%

increase of BSAS participants

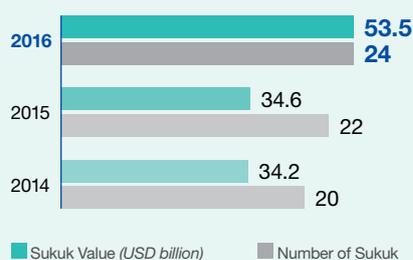
SEGMENT PROFIT AND OPERATING MARGIN



BSAS ADV



NUMBER OF SUKUK LISTINGS UNDER THE EXEMPT REGIME



The Bursa Malaysia-*i* platform offers a comprehensive suite of Shariah-compliant investing and exchange-related services, including listing, trading, clearing and settlement services. It also provides investors seeking Shariah-compliant securities with a new landscape whereby investors not only invest in Shariah-compliant investment instruments but also in a Shariah-compliant manner.

The platform supports Shariah-compliant products that include *i*-Stocks which comprise 74.2% of stocks listed on Bursa Malaysia, *i*-Indices, *i*-Exchange Traded Funds (*i*-ETFs), *i*-Real Estate Investment Trusts (*i*-REITs) and Sukuk trading on Exchange Traded Bonds and Sukuk (ETBS). All these offerings contribute to an enabling environment of choices for investors.

Despite the global economic slowdown, Shariah-compliant assets grew in 2016 due to demand for more resilient alternatives to conventional products. Within four months of its introduction, the Bursa Malaysia-*i* platform facilitated 2.2% of total value traded on the Exchange. As at end of

December 2016, there were eleven Islamic Participating Organisations carrying out Islamic stockbroking services.

STRENGTHENING INVESTOR AWARENESS AND ACCEPTANCE

Over the course of the year, we have noted a mounting demand from international and domestic investors who are seeking Shariah-compliant offerings as a diversification option to achieve insulation from the volatility of other asset classes. To this end, we have increased the number of engagements with market participants to increase familiarity and utilisation of our Shariah-compliant offerings over many jurisdictions.

Close engagements with our market participants is an ongoing strategy to foster greater understanding of ICM offerings and we continued with our regular dialogue sessions with our listed companies, as well as the regulators, both in Malaysia and internationally.

Reaching out to all segments of the investing community includes ramping up engagements with domestic retail

investors to educate them on Shariah investing, and we conducted and participated in various education programmes spanning the breadth of Peninsular Malaysia. We also participated in relevant retail investor education roadshows, and collaborated with industry partners on programmes that reached out to the public and university students.

During the year, we conducted 34 direct engagements with market participants, which included potential issuers, fund managers and institutional investors and engaged with over 7,000 individual retail investors. We also participated in international roadshows and forums in Beijing, Jakarta, London and Shanghai, among others.

STRONG RECOGNITION FOR OUR CONTRIBUTIONS IN ISLAMIC CAPITAL MARKET

We are humbled to receive acknowledgements and recognitions by renowned financial bodies over the past years, which motivate and inspire us to continue serving our investors and markets better.

SEGMENTAL REVENUE

The details are as follows:

	2016	2015	
	RM million	RM million	% change
BSAS Trading Revenue	16.4	16.8	▼ 2.4%
Other	0.6	0.6	–
Total	17.0	17.4	▼ 2.3%

We will continue to leverage on this strong platform to enrich offerings in our capital markets and broaden the use and availability of Islamic liquidity and products.

Management Discussion and Analysis

Islamic Capital Market Report

The prestigious Global Islamic Finance Awards conferred us with the *Best Islamic Exchange 2016* for outstanding performance of Islamic capital market from 2010 to 2016. Global Banking and Finance Review recognised our achievement as an Islamic capital market with the *Best Islamic Exchange Asia 2016* and, for the second year in a row, the *Best Islamic Finance Facilitation Platform Asia 2016*.

We were also awarded *Best Interbroker for Islamic Transactions 2016* at the 11th IFN Service Providers Poll 2016 for the outstanding performance of BSAS as a global commodity Murabahah trading platform.

LOOKING AHEAD

Malaysia has gained a very strong momentum in the development of Islamic capital market, having more than tripled its volume over the past decade. Moving forward, Bursa Malaysia will continue to leverage on this strong trajectory to broaden and deepen our product offerings.

Leveraging on the global acceptance of BSAS, we will focus on expanding the commodity supply and enhance the BSAS infrastructure. We expect

that transaction volumes will continue to grow as demand for Murabahah contracts increase as more investors look to Shariah tools to aid in liquidity management.

Given our already strong position as a leading specialist and a pacesetter in Islamic capital market, we expect to widen the pool of domestic and foreign investors utilising the offerings on Bursa Malaysia-i. To this end, we will be engaging in a more intensive outreach programme to further raise awareness on the offerings on BSAS and Bursa Malaysia-i.

Looking ahead, we see Islamic wealth management as a new area of growth and great potential given the trends that we have observed in liquidity outflow from traditional wealth management markets. With a five-year Islamic Fund and Wealth Management Blueprint recently unveiled by the Securities Commission Malaysia, we will leverage on our well-developed Islamic capital market ecosystem and our newly launched Bursa Malaysia-i to grow this segment.

Risks and Opportunities Ahead

Bursa Malaysia's operation is highly dependent on the level of activity in the respective markets, such as the number of listed issuers and new company listings, the volume and the value of instruments traded.

The market activity level, in turn, is significantly influenced by various global and domestic conditions, which include geopolitical and economic developments, market stability, competition from other exchanges as well as regulatory requirements. These factors continue to paint a landscape of uncertainty on the investing canvas.

The Group's operation is also subject to a number of risks, and in order to ensure that it is able to address these risks, Bursa Malaysia has put in place a robust risk framework. While we remain cognisant of the risks that may affect the capital markets, these may not be directly under the control of Bursa Malaysia.



Members of our Shariah Committee. From left to right: Dr Younes Soualhi (Member), Prof Dr Ashraf Md Hashim (Chairman) and Dr Shamsiah Mohamad (Member).

For the past year, we have seen rising geopolitical risks at the global stage. In ASEAN, we are aware of stiffer competition from exchanges within the region who are aggressively expanding their products in the market while also setting their sights on capturing an international IPO market. As domestic investors are presented with a larger pool of tradeable alternatives within the region, the importance of keeping the domestic market attractive is intensified. Nevertheless, the regional economic growth of ASEAN-5 comprising Malaysia, Indonesia, Thailand, Philippines and Vietnam suggests possible growth opportunities for further cross border expansion.

On the domestic front, the Government has projected a GDP growth of 4.5% for 2017, while commodity prices and the performance of the local currency have hinted signs of improvement. Although potential positive impact from these events may spillover to the local market, such impact may be moderate, if uncertainties stemming from geopolitical events persist. Hence, moving forward, we remain cautiously optimistic on the market outlook.

We are well positioned to meet the challenges ahead and to capitalise on future opportunities, as we pursue the creation of new businesses through product expansion, diversification of revenue streams and expanding market footprint across the border. Bursa Malaysia will continue to tap on opportunities to grow the derivatives and Islamic capital markets by capitalising on our key differentiators, and with proposed projects such as the new market for SME, Bursa is poised to expand its market offerings.

OPERATIONAL RISKS IN TECHNOLOGY INFRASTRUCTURE AND PROCESSES

Technology infrastructure and cyber security risks remain a key risk to our operations. Given the nature of our business that is heavily dependent on technology, ensuring that our technology and systems remain resilient and reliable at all times is crucial, as any interruptions or system failure shall have a major impact that will jeopardise Bursa Malaysia's reputation and credibility in the market.

We are constantly raising the standards of our risk management practices to align with international standards and best practices. While we have built extensive operational processes to ensure that we provide and meet the most rigorous standards through the crisis management and business continuity plans, we may face operational challenges that could have a material adverse effect on our business, reputation and financial position. We attempt to mitigate these risks by employing a number of measures which include upskilling our employee, continuous monitoring and stress-testing of parameters, maintenance of protective systems and regular review of contingency plans.

TOWARDS GREATER DIGITALISATION

We also continue to enhance and refresh the technologies we employ, capitalising on the opportunities presented by new technological innovations such as blockchain, robo-advisory and peer-to-peer financing. To ensure that we are in tandem with these developments, we have put in place a comprehensive digital strategy to move towards being a data-driven exchange, powered by analytics, insights and information.

We have invested in our own Enterprise Data Analytics, which will complement our trading engine and enhance our capability to process large amounts of complex data at high speed and performance.

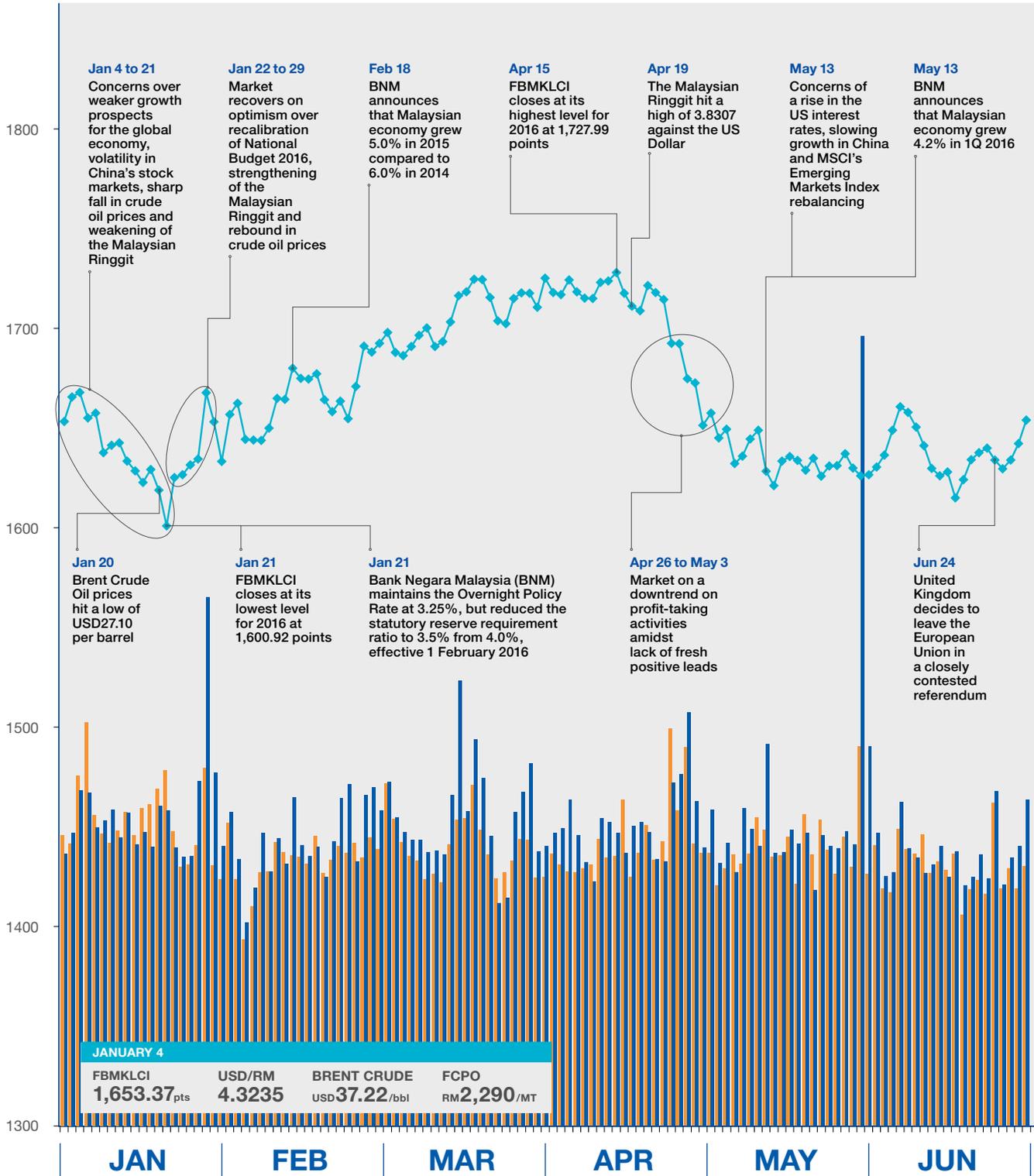
While we put efforts into the digitalisation of our operational infrastructures to offer value to our market participants, preparing the next generation of investors who will come into the market with their own technological acumen is equally important. As more than two-thirds of Malaysians are connected to the Internet, leveraging on digitalisation is crucial to expand market participation. We will continue to monitor these developments to determine their suitability for implementation, and stay fully committed to embracing digitalisation as a strategy and transformative tool moving forward.

MAKING BURSA MALAYSIA THE CENTRE OF ASEAN

We are making good progress in our aim to position ourselves as a viable Centre for ASEAN. We have laid the foundation through our technology platform that supports cross-border trading as well as through regulations which sees a fully harmonised prospectus disclosure requirement through the ASEAN Disclosure Standards which allows issuers from participating ASEAN jurisdictions to use a single prospectus in facilitating cross-border offering of equity and plain debt securities. We will ramp up our efforts to ensure that we remain relevant to the requirement of our domestic and foreign investors, and will continue to seek investors and market participants to participate in our market as their conduit to ASEAN.

Market Performance

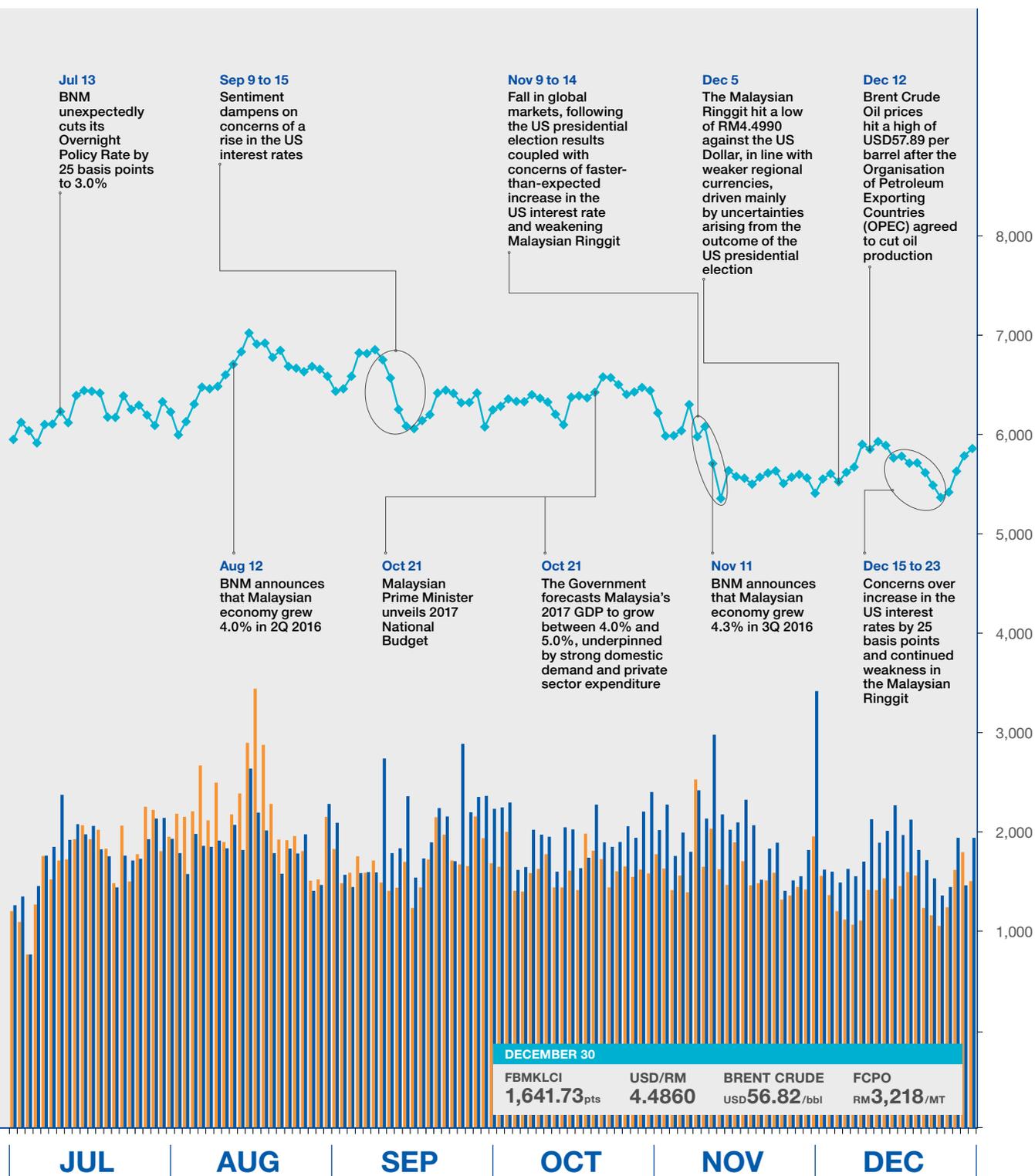
FBMKLCI
(Points)



■ Total Volume
 ■ Total Value
 —●— FBMKLCI

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

Total Volume (Units Million) and Total Value (RM Million)



Market Highlights

	2012	2013	2014	2015	2016
Securities Market					
FBMKLCI	1,688.95	1,866.96	1,761.25	1,692.51	1,641.73
Total Market Capitalisation (RM billion)	1,466	1,702	1,651	1,695	1,667
Velocity (%)	28	30	29	30	27
Average Daily Trading Volume – OMT & DBT (million shares)	1,361	1,567	2,157	2,038	1,763
Average Daily Trading Volume – OMT (million shares)	1,294	1,477	2,072	1,966	1,666
Average Daily Trading Value – OMT & DBT (RM million)	1,666	2,137	2,162	2,082	1,968
Average Daily Trading Value – OMT (RM million)	1,573	1,915	2,053	1,991	1,812
Total Trading Volume – OMT & DBT (billion shares)	334	387	531	501	434
Total Trading Value – OMT & DBT (RM billion)	408	528	532	512	484
Total Funds Raised (RM billion)	32.0	22.5	24.3	21.2	12.8
Total Listed Counters	1,640	1,566	1,739	1,739	1,750
• No. of PLCs	921	911	906	903	904
– No. of New Listings (IPOs including REITS)	17	18	14	11	11
– No. of Delistings (including REITS)	36	27	21	14	10
• No. of Listed REITS	16	17	16	17	17
– No. of New Listings – REITS	1	1	–	1	–
• No. of Listed ETFs	5	5	6	8	8
– No. of New Listings – ETFs	–	–	1	2	–
• No. of Listed Structured Warrants	477	398	527	503	516
– No. of New Listings – Structured Warrants	551	410	546	644	731
No. of Rights and Bonus Issue	60	54	89	73	63
No. of New CDS Accounts Opened (Yearly)	207,393	153,764	136,303	153,140	112,572
Total CDS Accounts (million)*	4.3	4.4	2.5	2.5	2.5
No. of Trading Days	245	247	246	246	246
No. of Participating Organisations of Bursa Malaysia Securities	33	31	30	30	30
Derivatives Market					
Open Interest as at 31 December 2016	214,065	196,493	196,413	230,376	237,232
• Crude Palm Oil Futures (FCPO)	173,649	151,486	166,625	188,888	198,648
• FBMKLCI Futures (FKLI)	30,550	40,473	25,476	37,750	27,829
• Others	9,866	4,534	4,312	3,738	10,755
No. of Contracts traded					
• FCPO (million)	7.5	8.0	10.2	11.0	11.4
• FKLI (million)	2.1	2.7	2.2	3.0	2.8
• Options on FCPO	821	2,520	714	2,300	40,120
• Options on FKLI	5,493	5,311	4,188	4,702	10,171
• Other Products (FGLD, FPOL, FKB3 and FMG5)	50,946	41,044	125,650	45,005	9,037
Average Daily No. of Contracts Traded	39,387	43,490	50,654	57,157	57,829
Total Contracts Traded (million)	9.6	10.7	12.5	14.1	14.2
No. of Trading Days	245	247	246	246	246
No. of Trading Participants of Bursa Malaysia Derivatives	20	18	19	18	18
Islamic Capital Market					
% of Shariah Compliant PLCs	88	71	74	74	74
% of Shariah Compliant (by Market Capitalisation)					
• PLCs	64	63	63	66	64
• ETFs	32	30	31	21	22
• REITs	14	43	42	43	42
No. of ETBS	–	2	3	3	3
No. of Sukuk Listings on Bursa Malaysia Securities	20	20	20	22	24
Value of Sukuk Listings (USD billion)	33.7	32.9	34.2	34.6	53.5
Bursa Suq Al-Sila':					
• Average Daily Value Commodity Traded (RM billion)	2.3	3.9	6.9	15.2	16.3
• Total Accumulated Commodity Trade Value (RM billion)	563.3	958.9	1,687.9	3,727.7	3,997.7
• Total No. of Matched Contracts	20,858	285,547	316,534	350,801	218,087
• No. of Trading Days	245	247	246	246	246
• No. of BSAS Registered Participants:					
– Total	69	78	93	109	124
– Domestic	51	60	73	87	98
– Foreign	18	18	20	22	26

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

SECURITIES MARKET

Funds raised from New IPOs and Secondary Market in 2016



New IPOs	5%
Secondary Market	95%

SHARE OWNERSHIP (%)

Market Capitalisation
RM1.7trillion

31 December 2016

2016	78	22
2015	78	22
2014	76	24
2013	76	24
2012	76	24

Domestic Foreign

MARKET DEMOGRAPHY BY TRADING VALUE (%)

Total Trading Value – OMT
RM446.0billion

2016	53	27	20
2015	50	27	23
2014	51	23	26
2013	52	26	22
2012	52	25	23

Domestic Institution Foreign Institution Retail

DERIVATIVES MARKET

Open interest as at
31 December 2016



FCPO	84%
FKLI	12%
Others	4%

MARKET DEMOGRAPHY OF FKLI CONTRACTS (%)

No of Contracts Traded
2.8million

2016	15	19	3	63
2015	18	22	5	55
2014	20	24	2	54
2013	18	28	1	53
2012	17	25	2	56

Locals Retail Domestic Institutions Foreign Institutions

MARKET DEMOGRAPHY OF FCPO CONTRACTS (%)

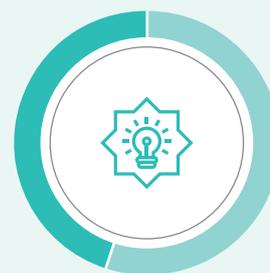
No of Contracts Traded
11.4million

2016	28	16	1	21	34
2015	31	15	1	21	32
2014	34	15	1	15	35
2013	33	17	1	10	39
2012	36	19	1	12	32

Locals Domestic Retail Foreign Retail Domestic Institution Foreign Institution

ISLAMIC CAPITAL MARKET

Value of listed Sukuk Listings



Domestic	45%
Foreign	55%

MARKET DEMOGRAPHY OF BSAS TRADING VALUE (%)

Total Commodity Trading Value
RM4.0trillion

2016	82	18
2015	88	12
2014	79	21
2013	70	30
2012	68	32

Domestic Institution Foreign Institution

DEMOGRAPHY OF BSAS REGISTERED PARTICIPANTS

No of Trading Participants
124

31 December 2016

2016	98	26
2015	87	22
2014	73	20
2013	60	18
2012	51	18

Domestic Institution Foreign Institution

Peer Comparison

BENCHMARK INDEX PERFORMANCE (AS AT 31 DECEMBER 2016)

FBMKLCI INDEX
Bursa
Malaysia

1,641.73

▼ 3.0% from 2015

PCOMP INDEX
The Philippine
Stock Exchange

6,840.64

▼ 1.6% from 2015

JCI INDEX
Indonesia Stock
Exchange

5,296.71

▲ 15.3% from 2015

STI INDEX
Singapore
Exchange

2,880.76

▼ 0.1% from 2015

SET INDEX
The Stock Exchange
of Thailand

1,542.94

▲ 19.8% from 2015

Source: Bloomberg

ASEAN EXCHANGES FIVE-YEAR INDEX GROWTH FROM 2012-2016

FBMKLCI Index

7.3%

PCOMP Index

56.5%

JCI Index

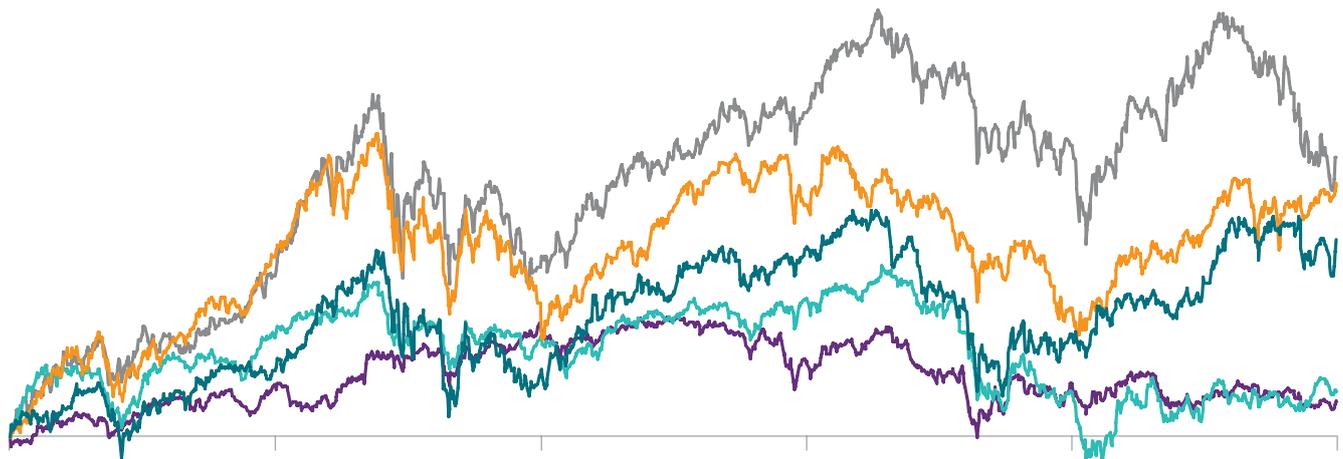
38.6%

STI Index

8.9%

SET Index

50.5%



2012

2013

2014

2015

2016

Source: Bloomberg

DIVIDEND YIELD (%)

Singapore
Exchange

3.76%

**BURSA
MALAYSIA**
IN ASEAN
FUNDRAISING

Bursa
Malaysia
3.20%

The Stock
Exchange of
Thailand

3.16%

WE WELCOME THE NEW IPOs OF 2016

- | | |
|----|--------------------------------------|
| 1 | Chin Hin Group Berhad |
| 2 | Bison Consolidated Berhad |
| 3 | Pecca Group Berhad |
| 4 | LKL International Berhad |
| 5 | Salutica Berhad |
| 6 | Dancomech Holdings Berhad |
| 7 | HSS Engineers Berhad |
| 8 | Perak Transit Berhad |
| 9 | BCM Alliance Berhad |
| 10 | Rhone Ma Holdings Berhad |
| 11 | Foundpac Group Berhad |
| 12 | Ranhill Holdings Berhad (via an RTO) |

IPO Initial Public Offering
RTO Reverse Takeover

RAISED FROM IPOs

RM0.6billion

The Philippine
Stock
Exchange

1.89%

Indonesia
Stock
Exchange

1.55%

Source: Bloomberg

TOTAL FUNDS RAISED FROM PRIMARY
AND SECONDARY MARKET (In USD Million)

Bursa Malaysia

3,123



Indonesia Stock
Exchange

3,316



The Philippine
Stock Exchange

3,349



Singapore Exchange

3,794



The Stock Exchange
of Thailand

5,996

Source: World Federation of Exchanges

Awards and Recognition

Awarded 'Excellence Award for Top Corporate Governance and Performance (Overall Category)', 'Excellence Award for Long Term Value Creation', 'Merit Award for CG Disclosures' and 'Merit Award for Best AGM (Overall Category)' at the Malaysia-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016.

Awarded the 'Best Islamic Exchange 2016' at the Global Islamic Finance Awards 2016 in recognition of Bursa Malaysia's Islamic Capital Market performance and growth over the last five years.

Named the 'Best Islamic Finance Facilitation Platform Asia 2016' and 'Best Islamic Exchange Asia 2016' by the Global Banking and Finance Review in recognition of the double digit growth of the Shariah-compliant commodity trading platform, Bursa Suq Al-Sila', since its inception in 2009, and outstanding performance of Bursa Malaysia's Islamic Capital Market.



Excellence Award
Top CG and Performance
(Overall Category)



Excellence Award
Long Term Value Creation

Best Islamic Exchange 2016



Best Islamic Exchange Asia 2016





Merit Award
Best AGM
(Overall
Category)



Merit Award
CG
Disclosures

Most Popular
Graduate
Employer
2016 (GLC)
Sector Award



Best Islamic
Finance
Facilitation
Platform Asia
2016

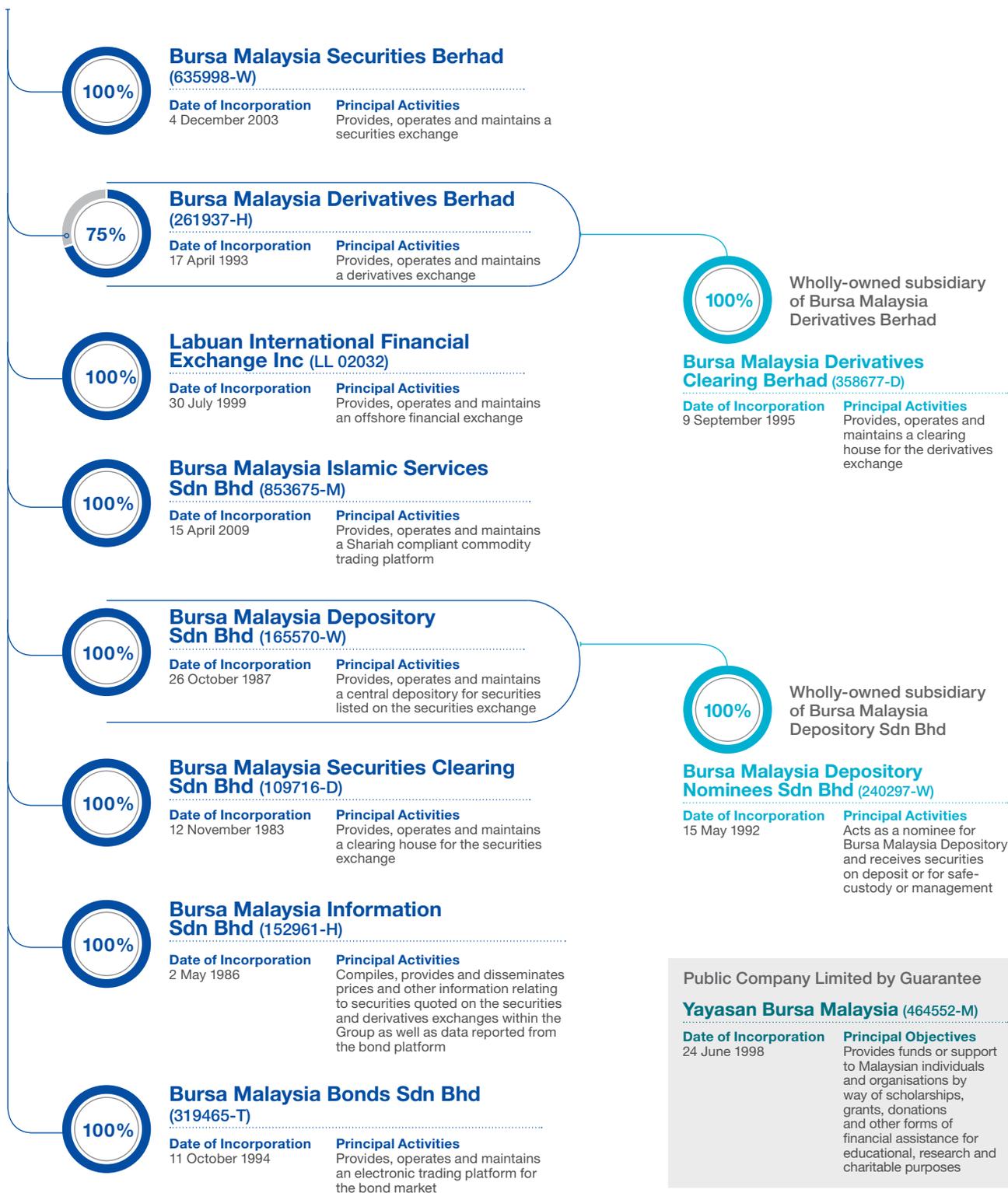


3rd among 190 economies for
Protecting Minority Investors by the
World Bank – Doing Business 2017.

4th among 138 economies for
Strength of Investor Protection by
World Economic Forum – Global
Competitiveness Report 2016-2017.

30th best regulated Securities Market
by World Economic Forum – Global
Competitiveness Report 2016-2017.

Group Corporate Structure



Corporate Governance Statement

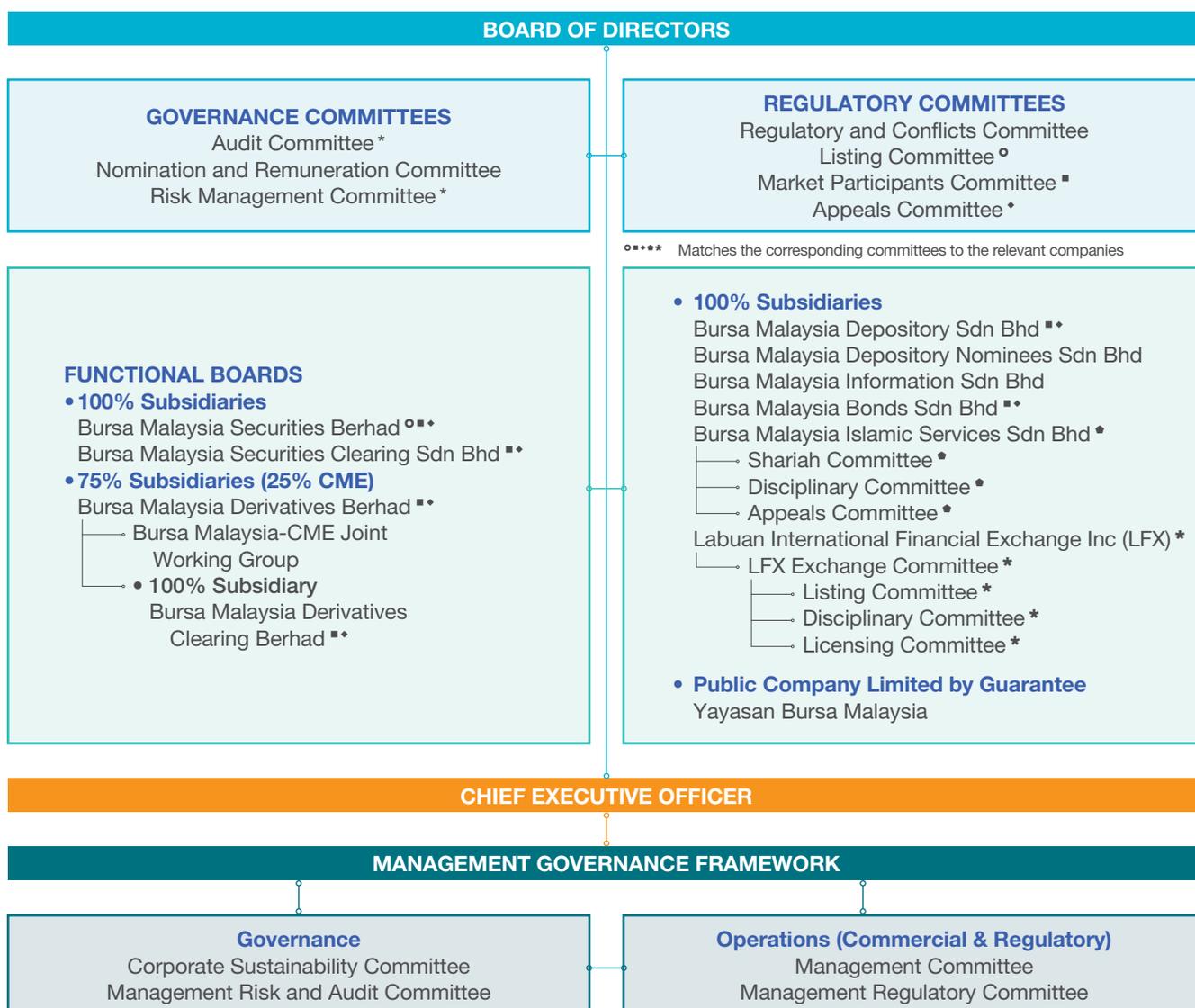
The Board of Directors of Bursa Malaysia (the Board) presents this statement to provide an insight into the corporate governance (CG) practices of the Company under the leadership of the Board.

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

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and Management

The Board is responsible for the oversight and overall management of the Company. In order to ensure the effective discharge of its functions and responsibilities, it has established a Governance Model for the Group where specific powers of the Board are delegated to the relevant Board Committees¹ and the Chief Executive Officer (CEO), as depicted below.



¹ Board Committees comprise three Governance Committees and four Regulatory Committees as set out in the Governance Model of Bursa Malaysia Group

Corporate Governance Statement

The Governance Model is supported by the Corporate Authority Manual (CAM), which clearly delineates relevant matters and applicable limits, including those reserved for the Board's approval, and those which the Board may delegate to the Board Committees, the CEO and Management. Key matters reserved for the Board's approval include the annual business plan and budget, dividend policy, business continuity plan, new issues of securities, business restructuring, expenditure above a certain pre-determined limit, disposal of significant fixed assets and the acquisition or disposal of companies within the Group. The Governance Model and the CAM are reviewed as and when required, to ensure an optimum structure for efficient and effective decision-making in the organisation.

The Board of Bursa Malaysia had also established the functional Boards for four of its subsidiaries (Functional Subsidiary Boards) to give focus to the core business functions of Bursa Malaysia Group. With the view to provide direct line of sight on the business developments of the exchanges and their respective clearing houses, the Board of Bursa Malaysia as an Exchange Holding Company² (EHC) had expanded the membership composition of each of the Functional Subsidiary Boards to five members. Since 2015, two Non-Executive Directors (NEDs) of Bursa Malaysia serve on each of the Boards of the subsidiary companies i.e. Bursa Malaysia Securities Berhad (Bursa Malaysia Securities) and its clearing house, Bursa Malaysia Securities Clearing Sdn Bhd, and Bursa Malaysia Derivatives Berhad (BMD) and its clearing house, Bursa Malaysia Derivatives Clearing Berhad (BMDC), as nominee directors. The Functional Subsidiary Boards also include an independent director with relevant industry experience to strengthen the Board composition³ with the appropriate mix of skill sets and expertise, for meeting the current and future needs of both the exchanges and the respective clearing houses.

The Governance Model and policies of Bursa Malaysia Group are adopted by the subsidiaries to ensure that their corporate practices are closely aligned with the strategies of Bursa Malaysia. The Board Charters for the Functional Subsidiary Boards were developed in 2016 to prescribe amongst others, the roles and duties of the nominee directors, the governance arrangements and communications between Bursa Malaysia as the EHC and the subsidiary companies.

The Terms of Reference (TOR) of the Board Committees in the Governance Model document were reviewed and amended during the year to reflect the changes in line with the recent amendments to the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities as well as various other enhancements in the respective Board Committees' responsibilities. This includes the revision to the membership composition of the Governance Committees from five to four members, taking into account the current distribution of membership of the Directors on the Board Committees, and the effectiveness of the said Governance Committees.

In June 2016, the Board also reviewed the current Governance Model to ensure its relevance, effectiveness and ability to address any perceived conflict arising from Bursa Malaysia's dual roles i.e. its listed entity for-profit and frontline regulator for public interest roles. In this respect, the Board decided amongst others that the current size of the respective Regulatory Committees, be retained whilst the roles and responsibilities of the Regulatory and Conflicts Committee (RACC) be further enhanced, to enable greater independence and adequate allocations of financial and manpower resources to the regulatory function of Bursa Malaysia Group. The RACC reviews and recommends the annual regulatory plan, budget and manpower plan to facilitate transparency and efficiency in the planning process and to enable proper checks and balances to effectively

² Bursa Malaysia is an EHC approved under Section 15 of the Capital Markets and Services Act 2007

³ The Board members and their attendance are set out in the table under Section 4.1 of this Corporate Governance Statement

discharge Bursa Malaysia's statutory duties, as a frontline regulator, under the Capital Markets and Services Act 2007 (CMSA). Arising from the above review, commencing from the fourth quarter of 2016, the RACC conducts quarterly private sessions with the Director of Regulation, in the absence of the Management, to ensure continuous independence of the regulatory function from the business functions in Bursa Malaysia Group.

The Board of Bursa Malaysia as a listed entity and an EHC has entrusted its Board Committees with specific responsibilities to oversee the Group's affairs in accordance with their respective TOR⁴. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairmen of the Board Committees and the tabling of minutes of the Board Committee meetings at Board meetings. The Chairmen of the Functional Subsidiary Boards also keep the Board of Bursa Malaysia updated with the business and market development issues at the subsidiaries, in addition to the tabling of the minutes of the meetings of the Functional Subsidiary Boards at the EHC Board meetings.

1.2 Clear roles and responsibilities

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

a. Reviewing and adopting the Company's strategic plans

The Board plays an active role in the development of the Company's strategy, and in monitoring its performance and implementation. In June 2016, the Board conducted a mid-year review of the 2016 Business Plan and Budget including financial performance, where the performance targets set by the Board were compared against the actual performance for the year to date. The Board also reviewed the sustainability, effectiveness and implementation status of the key initiatives by markets and functional units with reference to the 2016 Business Plan.

The milestones and progress of those initiatives which focused on "value extraction" and "building for the future" were monitored in line with the 2014-2016 Business Plan towards achieving the aspirations of Bursa Malaysia by 2016. At the same meeting, the Director of Regulation also presented to the Board the Regulatory Report for the Board's review. The Board gave its feedback and input to the Management on the key initiatives, which include product and market development initiatives and value extraction efforts, where some of which required further engagements with the relevant authorities.

Annually, the Board has a dedicated strategy session, whereby the Management presents to the Board its recommended strategy and proposed business and regulatory plans for the following year. The strategy planning process for 2016 began in July whereby the Management team had robust discussions to formulate the 2017-2020 Plan. The Board at its off-site meeting held in October 2016, considered the management proposals on the strategic plan including the issues and challenges of the Malaysian capital market's ecosystem with the focus on staying relevant and becoming a key regional player with global reach. The Management presented the corporate strategies which focused on diversifying and widening the investor base, product offerings and improving competitiveness of the ecosystem. The Management also presented the strategies that leverage on technology and people as capital for business and services expansion and operational excellence. At the off-site meeting, the 2017-2020 Business Plans were presented by the Heads of Business Units/Functional Units, which included the Securities, Derivatives and Islamic Capital Markets, Market Operations, Technology and Human Resources. The Director of Regulation also presented the 2017-2020 Regulatory Plan which included the key approaches and initiatives for the Board's feedback.

⁴ The tenure for Board Committee members shall be for two years. However, the Board may revoke the appointment and/or vary the term of appointment of a member at any time as it deems fit. The TOR of each Board Committee is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/terms-of-reference>, and the list of its current members is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/membership-of-board-committees>

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The Board reviewed and deliberated the Management's proposals and its own perspectives, as well as challenged Management's views and assumptions for the delivery of the regulatory strategy and corporate strategy game plans, taking into account the need for new strategic initiatives which provide opportunities for growth. The Board provided its guidance and feedback on the business and enterprise initiatives for the Management's takeaways to further refine its plan for 2017-2020, bearing in mind the need to engage with the relevant authorities on certain policy issues, given the current and evolving economic climate, opportunities and risks.

In November 2016, the RACC which is responsible for overseeing the regulatory function of Bursa Malaysia reviewed the proposed 2017-2020 Regulatory Plan, including the operational targets and regulatory initiatives. The RACC also considered the proposed regulatory budget and manpower requirements for 2017 and further recommended the Plan to the Board for approval.

The Management's final proposal on the 2017-2020 Corporate Strategy, 2017 Business Plan and Group Budget, 2017-2020 Regulatory Plan and 2017 Budget and Manpower Plan were approved by the Board in November 2016. In this respect, the Board also sets the Key Performance Indicators (KPIs) under the Corporate Scorecard, which link the strategies to corporate performance in financial, stakeholder, internal process and people development perspectives.

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

The CEO is responsible for the day-to-day management of the business and operations of the Group with respect to both its regulatory and commercial functions. He is supported by a Management Committee and other committees established under the Group's Management Governance Framework⁵.

The Management's performance under the leadership of the CEO is monitored by the Board through a status report which is tabled to the Board and includes a comprehensive summary of the Group's operating drivers and financial performance during each reporting period. The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance based on the approved KPIs in the Corporate Scorecard. The relevant members of the Management were in attendance at Board meetings to support the CEO in presenting the updates on the progress of key initiatives, business targets and achievements to date, and to provide clarification on the challenges and issues raised by the Board. The Director of Regulation was also in attendance at the Board meetings to present updates and to respond to the enquiries by the Board on the regulatory activities of the Group.

To ensure effective oversight and monitoring of the regulatory function, the Director of Regulation provides the RACC with a status report on a quarterly basis, to report on the progress of actions taken by the Regulation division and to update on regulatory initiatives and activities. In the first quarter of each year, the Management reports to the Board on Bursa Malaysia's compliance with its regulatory duties and obligations under the CMSA in the previous year. In March 2016, the Board reviewed and approved the Annual Regulatory Report 2015 before it was submitted to the Securities Commission (SC) in compliance with Section 16 of the CMSA.

⁵ The Management Governance Framework comprises two committees for governance function, and two committees for business operations function, as set out under Section 1.1 of this CG Statement. It is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/governance-model>

In June 2016, the Board reviewed the results of the 2015 employee engagement survey which was conducted by an external firm to assess the level of employee satisfaction. The objective of this annual exercise is to ensure continuous improvement in Bursa Malaysia's operating environment by maintaining areas of strength and improving opportunities for the internal stakeholders.

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

Through the Risk Management Committee (RMC), the Board oversees the risk management framework of the Group. The RMC advises the Audit Committee (AC) and the Board on areas of high risk and the adequacy of compliance and control procedures throughout the organisation.

The RMC reviews and recommends for the Board's approval the annual Corporate Risk Profile which specifies the key enterprise risks in light of the strategic objectives of the Group. The RMC then monitors the key risks facing the business in order to stay current on governance practices relating to the risk, and also oversees the compliance with regulatory and statutory requirements.

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

d. Succession planning

The Board through the Nomination and Remuneration Committee (NRC) is responsible to ensure that there is an effective and orderly succession planning in Bursa Malaysia Group. The TOR of the NRC provides that it is responsible for formulating the nomination, selection and succession policies for the Group's key management positions including the CEO. In discharging its responsibility on succession planning, the NRC receives succession management updates from Group Human Resources (GHR) in accordance with the approved succession management framework. This framework includes the implementation of the Senior Leadership Development (SLD) Programme for identified candidates within the organisation as preparation of the internal pipeline to assume mission

and operational critical positions in the Group. In monitoring the progress of the SLD Programme, which is conducted over a period of 24 months for the potential successors of key management positions, the NRC reviews the regular updates from GHR and provides its feedback for continuous improvement.

The NRC is responsible to review candidates for key management positions and determine the remuneration for these appointments. In this respect, the NRC considers new appointments and renewal of service contracts of key management positions to ensure that all candidates appointed to these positions are of sufficient calibre. For this purpose, the factors considered by the NRC include the suitability of the shortlisted candidates based on their profiles, professional achievements and personality assessments. The NRC also conducts interviews with shortlisted candidates to validate the assessment of the individuals. In 2016, the NRC considered new appointments of three key management positions, i.e. the Director of Group Risk & Compliance, Director of GHR as well as the CEO of BMD. Candidates for these positions were sourced externally and internally within the organisation. The shortlisted candidates were then interviewed by the NRC as part of the selection process. The NRC had also considered the renewal of the service contracts of key management personnel in 2016 having regard to their performance, contributions, achievements and deliverables during their tenure in their respective positions. The NRC further considered the remuneration packages for the key management personnel when finalising the terms and conditions of their service contracts.

Pursuant to Clause 12.1 under Part II: Regulatory Oversight of the Guidance on the Regulatory Role of Bursa Malaysia dated 28 March 2012, the appointment of any Management Committee position in Bursa Malaysia is subject to consultation with the SC, taking into account full and proper consideration of the SC's view on this matter. Accordingly, in 2016 the SC had been consulted on the renewal of the service contracts for the above Management Committee members.

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The NRC undertakes annual evaluation of the performance of the key management personnel (except for the Director of Group Internal Audit (GIA) and Director of Regulation) based on their scorecards⁶ with KPI measurements as the quantitative performance criteria. The Director of GIA reports to the AC which evaluates her performance, whilst the RACC evaluates the performance of the Director of Regulation. Both the AC and RACC then provide their recommendations to the NRC based on the outcome of their respective performance assessments. Generally, the remuneration of the key management personnel is directly linked to performance. The performance bonus for the year would be determined by the NRC based on their performance ratings. The share grants under the Restricted Share Plan of the Share Grant Plan (SGP) is awarded to employees of job grade E7 and above, whilst the share grants under the Performance Share Plan of the SGP is made to selected executives and vested based on a future 3-year performance for long-term incentives being met. For this purpose, the 2016 Corporate Scorecard and KPI results of the CEO and relevant key management personnel were reviewed by the AC, RACC and the NRC at their respective meetings in January/February 2017.

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

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

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

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

1.3 Formalised ethical standards through code of conduct

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

The Board is mindful of its leadership in business ethics practices as one of the key elements of business sustainability. In this respect, all employees of Bursa Malaysia Group are required to make annual declaration on their compliance with the policies and procedures as set out in the Code of Ethics. This declaration includes the confirmation by each employee to safeguard confidentiality of information obtained in the course of employment, and uphold personal integrity in the workplace. This serves to maintain awareness amongst staff of the need to build and maintain a value-based culture beyond a culture that is merely driven by compliance.

The Company's Whistleblower Policy and Procedures (WPP) fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct

⁶ Which are aligned to the KPIs of the 2016 Corporate Scorecard as approved by the Board at its 8th meeting held on 19 November 2015

or wrongdoing within the Group. The Board is responsible for overseeing the implementation of the WPP for Directors, and all whistle-blowing reports are addressed to the Non-Executive Chairman of the Board or Senior Independent Director (SID) of Bursa Malaysia⁷. The AC is responsible for overseeing the implementation of the WPP for the Group's employees, whilst duties relating to the day-to-day administration of the WPP are performed by the Director of GIA. The SID is also responsible for receiving whistle-blower reports made by employees or external parties as prescribed under the WPP⁸. Several emails addressed to the SID had been escalated to the AC for follow through. As the complaints were found to be not the subject matter of the WPP, they were reviewed and noted by the AC and the matters raised had been handled/responded to by the CEO and/or the respective business/functional units, accordingly.

As an EHC and a frontline regulator, internal guidelines are in place requiring certain standards of practice for the employees of Bursa Malaysia, in carrying out their functions in the organisation having regard to public interest and the need to manage COI. To assist members of the Appeals Committee, Listing Committee and Market Participants Committee of Bursa Malaysia (Regulatory Committees) in managing any actual/potential COI which may affect the process as well as integrity of decision making by the Regulatory Committees, the Guidance on Managing COI in Regulatory Decision Making was put in place so as to ensure the decision making process is carried out fairly and impartially towards ensuring that public confidence in Bursa Malaysia as a regulator is maintained at all times.

1.4 Strategies promoting sustainability

The Board promotes good CG through sustainability practices which are believed to translate into better corporate performance throughout Bursa Malaysia. A summary of Bursa Malaysia Group's management of material economic, environmental and social risks/opportunities, is provided in the Sustainability Statement of this Annual Report. A more detailed account can be found in the Sustainability Report, which is available on Bursa Malaysia's website.

1.5 Access to information and advice

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

Bursa Malaysia's green initiative has encouraged a paperless environment for all Board and Board Committee meetings, which enables digital access to meeting documents instead of requiring distribution of hard copies. The customised solution also provides various functionalities which enable Directors and committee members to access various Company documents, including Board policies, procedures, rules and guidelines, which are uploaded onto personal iPads for convenient reference. As a result, Directors and committee members are able to access meeting documents and Company information in a timely and more efficient manner, thus improving Board performance and overall effectiveness of decision-making.

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

Bursa Malaysia had also implemented video conferencing technology for the benefit of a face-to-face meetings should the need arise. Bursa Malaysia hosted for the first time its new video conferencing system at the Board offsite meeting in October 2016, to allow participation by certain members of the Management from the office without their need to travel. This initiative allows the Board to have access to information directly from relevant persons, to enable it to discharge its duties effectively. It is also sustainable in terms of saving time and money involved in business travel, contributing to productivity and business efficiency.

⁷ The contact details are set out under Corporate Information of this Annual Report. It is available at <http://www.bursamalaysia.com/corporate/about-us/other-corporate-information>

⁸ The whistle-blowing report form is available at http://www.bursamalaysia.com/misc/contact_form_whistleblower.pdf

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1.6 Qualified and competent Company Secretaries

Both Company Secretaries of Bursa Malaysia have legal qualifications, and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016 (CA). One of them is licensed by the Registrar of Companies whilst the other is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The Company Secretaries provide support to the Board in fulfilling its fiduciary duties and leadership role in shaping the CG of Bursa Malaysia Group. In this respect, they play an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislation. The Company Secretaries also support the Board in managing the Group Governance Model to ensure its relevance and effectiveness.

The Company Secretaries ensure that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions. The Board is updated by the Company Secretaries on the follow-up of its decisions and recommendations by the Management. Action items would stay as matters arising from the minutes of meetings until they are resolved.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG through attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions.

1.7 Board Charter

In addition to the TOR contained in the Company's Governance Model document which is available on the Bursa Malaysia website, the Board Charter serves as a primary reference for prospective and existing Board members of their fiduciary duties as directors of Bursa Malaysia, being an EHC, and the functions of the Board Committees as well as the Boards of the respective subsidiary companies within the Group. The Board Charter is reviewed regularly to ensure it complies with legislations and best practices, and remains relevant and effective in light of the Board's objectives. In November 2016, the Board reviewed and approved certain revisions to the Board Charter⁹ for the purpose of clarity and consistency with the TOR of the Board of Directors of Bursa Malaysia. It also incorporated the availability of the Video Conferencing System (VCS) since its implementation in October 2016, where the Directors are encouraged to use the VCS, rather than the telephone conference facility, when necessary. Certain ground rules were set to facilitate the use of the VCS to ensure all deliberations or information being communicated during the video conferencing are treated confidential.

The Board is satisfied that the NRC has effectively and efficiently discharged its roles and responsibilities with respect to its nomination and remuneration functions as listed in the TOR of the NRC¹⁰. As such, there is no need to separate the nomination and remuneration functions into distinct nomination and remuneration committees.

In compliance with Paragraph 15.08A of Bursa Malaysia Securities MMLR, the Board is pleased to report on the NRC's activities in the discharge of its duties, which are described in Sections 2 and 3 below, as it embraces Principles 2 and 3 of the Malaysian Code on Corporate Governance (MCCG) 2012 in strengthening the Board composition and reinforcing independence.

⁹ The revised Board Charter as approved by the Board in November 2016 is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/board-charter>

¹⁰ The distinct roles and responsibilities of the NRC in relation to the nomination and remuneration matters are provided in the TOR of the NRC which are available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/terms-of-reference/governance-committees>

2. STRENGTHEN COMPOSITION

2.1 Nominating Committee

The NRC comprises four NEDs of whom one is a Public Interest Director (PID) and three are Independent NEDs. The NRC is chaired by an SID, Datuk Karownikaran @ Karunikaran a/l Ramasamy with effect from 1 January 2016, for a term of two years.

With regard to nomination, selection and assessment of Directors, the specific responsibilities of the NRC include, amongst others:

- i. formulating the nomination, selection and succession policies for the members of the Board, Board Committees, SID and CEO;
- ii. making recommendations to the Board on new candidates for election/appointment, and re-election/re-appointment of Directors to the Board or for appointments to fill casual vacancies;
- iii. making recommendations to the Board on the appointment of Directors to the functional Boards of the subsidiaries of Bursa Malaysia;
- iv. reviewing the skills, experience and other qualities of the Board annually to ensure an appropriate range and mix of capabilities among members;
- v. establishing a set of quantitative and qualitative performance criteria to evaluate the performance of the members of the Board and Board Committees, and the CEO; and
- vi. reviewing and recommending to the Board the appointment of members to Board Committees established by the Board for each term.

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors

The policies and procedures for recruitment and appointment (including re-election/re-appointment) of Directors are set out in a document approved by the Board referred to as the Protocol for Appointment of Directors and Board Committee Members of Bursa Malaysia (the Protocol). The NRC is guided by the Protocol in carrying out its responsibilities in respect of the nomination, selection and

appointment process of Bursa Malaysia and its subsidiaries, which also provides the requirements under the relevant laws and regulations on the matter. In this respect, the Board has established a pool of potential Directors/Committee (Governance and Regulatory) members of Bursa Malaysia, for its reference when considering new appointments, in line with the sourcing process and criteria for potential candidates as set out in the Protocol. In 2016, the pool has been continuously refreshed with new potential candidates having regard to the selection criteria, to ensure that the list of potential candidates remains relevant and offers the talent/skills required for the NRC/Board's consideration.

Bursa Malaysia had in February 2016 received the SC's concurrence on the proposed appointment of Mr Kuok Wee Kiat to the Board of Bursa Malaysia Securities and its clearing house, and Mr William Francis Herder to the Board of Bursa Malaysia Derivatives and its clearing house. Thereafter in April 2016, the Board via the NRC further reviewed the suitability of Bursa Malaysia Directors and external independent individuals with relevant industry experience, to sit on the Board of subsidiary companies as Nominee Directors of Bursa Malaysia based on the agreed membership classification for the functional board of the subsidiary companies, taking into consideration the distribution of membership of the Directors of Bursa Malaysia on the Board Committees, as well as the securities and derivatives industry experience, knowledge and expertise to enable their contribution to the development and growth of business and operations.

In 2016, the NRC also reviewed the profiles of candidates with the relevant qualifications and experiences, for the Regulatory Committees, and shortlisted them. The NRC Chairman and members further held casual engagement sessions with the shortlisted candidates, to enable the NRC to ascertain other factors in terms of time commitment, characteristics, background and experience. The NRC also sought feedback from the Directors with the aim to increase transparency in the nomination and selection process of candidates for the Board Committee membership.

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In its effort to promote boardroom diversity, the NRC has taken various steps to ensure that women candidates are sought from various sources as part of its recruitment exercise. Apart from the nominations which the NRC may receive from Directors and Committee members for the pool, potential candidates may also be sourced from relevant bodies and/or the regulator(s). With the aim to identify suitable and calibre candidates, the NRC had also considered the women directors who are appointed to the boards of the financial institutions, government linked companies and other reputable and sizeable public listed companies (PLCs). The pool has also been thoroughly combed through to identify potential candidates who could complement the current Board. Invitations were sent out to the potential candidates to participate in the pool by providing their particulars and confirming certain personal information which would be relevant for the NRC's reference in the process. Due diligence is also conducted on the identified candidates to ensure that they satisfy the independence test and COI assessment as envisaged under the MMLR as well as other prescribed requirements.

a. Selection criteria and process for recruitment of Directors¹¹

The NRC had in 2016 actively sourced for potential candidates for the Board of Bursa Malaysia and its subsidiaries, based on the identified selection criteria approved by the Board in 2015. With reference to the selection criteria and other relevant factors, the NRC had selected several candidates for engagement sessions to review the suitability of these candidates for the Board of Bursa Malaysia and its subsidiaries. The proposed candidate will also be required to confirm that he/she meets the criteria of an independent director as prescribed in the MMLR and its Practice Note 13 prior to recommending to the Board for approval of his/her proposed appointment as an Independent NED.

Having conducted all the relevant reviews and assessments, the NRC had recommended several women candidates to the Board for appointment as Independent NEDs for Bursa Malaysia, Bursa Malaysia Securities and its

clearing house. In October 2016, the Board approved the NRC's recommendations, and the SC's concurrence was sought in accordance with Section 10(1)(b) and Section 10(2) of the CMSA respectively in the fourth quarter of 2016.

In this respect, the Board had concluded the recruitment exercise to achieve its target of three women directors for the Board of Bursa Malaysia by end of 2016.

b. Annual assessment and its criteria in respect of the Board and Board Committees, Directors and Board Committee members¹²

The NRC carries out the Board Effectiveness Evaluation (BEE) exercise annually. An external consultant is engaged every three years to assist the NRC in this assessment, with the last one conducted by an external consultant in 2014. In June 2016, the NRC approved for the BEE 2015/2016 exercise to be conducted internally and facilitated by the Company Secretaries. The NRC reviewed and agreed on the questionnaires for the BEE 2015/2016, which comprised a Board and Board Committee Effectiveness Assessment, Directors and Board Committee members' Self and Peer Assessment (SPA), as well as a 360 Degree Assessment by members of senior management. There was 100% participation in the said BEE exercise.

The effectiveness of the Board is assessed in the areas of the Board's responsibilities and composition, meeting process, administration and conduct, interaction and communication with Management and stakeholders and the Board engagement, as well as the effectiveness of the Chairman and the CEO. The effectiveness of the Board Committees is assessed in terms of structure and processes, accountabilities and responsibilities, as well as the effectiveness of the Chairmen of the respective Board Committees.

The NRC also conducted assessment of individual Directors based on performance criteria which are incorporated in the Directors' SPA questionnaire under four main areas, i.e. Board dynamics and participation, competency and capability, exercise of independent judgement and objectivity with integrity, as well as contribution and performance.

¹¹ Paragraph 15.08A(3)(b) of the MMLR

¹² Paragraph 15.08A(3)(c) of the MMLR

The SPA for the Board Committee members is similar to the Directors' SPA, which is intended to assess their contribution, performance, calibre and personality in relation to the skills, experience and other qualities they bring to the Board/Board Committees. The SPA also examines the ability of each Board or Committee member to give input at meetings and to demonstrate a high level of professionalism and integrity in the decision-making process.

It also takes into account the ability of each individual Director and Board Committee member to exercise independent judgement and demonstrate objectivity and clarity of thought on issues during deliberations at meetings, provide logical honest opinion, and offer practical and realistic advice to the Board and/or Committee discussions.

The NRC also sought feedback from the members of senior management via the 360 Degree Assessment questionnaires. The Management's feedback on the Board's role, and the extent of collaboration between the Board and Management in certain focus areas and in the review/decision-making process are useful for the Board's consideration in enhancing its overall effectiveness.

The NRC had in August 2016 reviewed the outcome of the BEE 2015/2016, and considered each of the feedback/comments given by the Board/Board Committee members and the Management for the Board's improvement.

With the view to raise the bar on the performance of the Board and its committees, the NRC focused on the areas and questions which scored below an average rating of 4.00 (good performance) in developing action plans for enhancement. Comparison was made to the BEE results between 2015/2016 and 2014/2015 where areas requiring ongoing attention for continuous improvements and for strengthening of the Board and/or Board Committees would entail further discussion amongst Board members so as to ensure successful realisation of its outcomes for sustaining performance.

In October 2016, the Board resolved to adopt the BEE 2015/2016 results while the action plans for enhancement by the Board and the respective Board Committees were adopted in November 2016, as recommended by the NRC. The results generally reflected the Board's consensus that each of the Directors' level of performance was either satisfactory or good, and that they had also met the performance criteria in the prescribed areas of assessment.

Each Board member was provided with his/her own individual results of the Directors' SPA together with a peer average rating on each area of assessment for personal information and further development. In November 2016, the Regulatory Committee members who are non-Directors of Bursa Malaysia were also provided with the results of their respective Committee Effectiveness Assessments including the Committee members' feedback, the individual results of the Committees' SPA together with a peer average rating on each area of assessment for personal information and further development.

The results of these assessments form the basis of the NRC's recommendations to the Board for the re-election of Directors at the forthcoming Annual General Meeting (AGM) in 2017.

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

Pursuant to Article 69 of the Articles of Association (AA) of the Company, Directors (other than PIDs) are to be elected at every AGM of the Company, where one-third of the Directors who have been the longest in office since their last election should retire. Eligible directors may seek re-election at the AGM. Based on the schedule of retirement by rotation, the NRC is responsible for recommending to the Board those Directors who are eligible to stand for re-election. This recommendation is based on formal reviews of the performance of the Directors, taking into account their BEE 2015/2016 results, contribution to the Board through their skills, experience, strengths and qualities, level of independence and ability to act in the best interests of the Company in decision-making.

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In October 2016, the Board approved the recommendation of the NRC that the Directors who are due to retire by rotation at the 40th AGM – Datuk Chay Wai Leong, Encik Ghazali bin Haji Darman and Datuk Seri Tajuddin bin Atan, be eligible to stand for re-election. These three Directors had expressed their intention to seek re-election at the 40th AGM. As Dato' Saiful Bahri bin Zainuddin would be completing his ninth year of service by 26 June 2017, he would retire at the forthcoming 40th AGM and will not be offering himself for re-election.

Section 10(1)(b) of the CMSA requires Bursa Malaysia, as an EHC, to obtain the SC's concurrence on any proposed election or re-election of Directors (other than PIDs) on the Board of the Company. Hence, a formal submission was made to the SC in October 2016, to seek its concurrence on the re-election of the abovementioned Directors prior to seeking the shareholders' approval at the 40th AGM. As part of the approval process, the SC conducts vetting on each Director to determine if he is a person of integrity and is fit and proper to be elected a Director of an EHC.

Section 10(1)(a) of the CMSA provides that the appointment/re-appointment of a PID should be made by the Minister of Finance in consultation with the SC. With reference to the Protocol for the Appointment of Directors and Board Committee Members, the relevant Divisions of the Ministry of Finance and SC who are involved in the process for appointment of the PID of Bursa in accordance with Section 10(1)(a) of the CMSA would be notified on the expiry of the term of appointment of a PID, at least three months prior to the expiry date. Accordingly the same review process is undertaken by the NRC for any re-appointment of PID.

d. Review of the composition of Board Committees

The NRC reviews the composition of the Board Committees once in every two years in accordance with the TOR of the Board Committees, save for the review of the composition of the AC which shall be conducted annually in accordance with Paragraph 15.20

of the MMLR. 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, their performance and contribution to the achievement of the Board Committees' goals and objectives, possession of the attributes, capabilities and qualifications considered necessary or desirable for committee service and demonstration of independence, integrity and impartiality in decision-making.

In the second quarter of 2016, the NRC commenced its review of the composition of the Board Committees, whose terms of appointment expired on 30 June 2016. The NRC agreed to adopt the maximum tenure of nine years for the Regulatory Committee members, consistent with the Board's 9-year policy. This would allow refreshing of the composition of the relevant Regulatory Committees in line with the evolving market dynamics.

In adopting the said policy, the NRC further considered the eligibility of the existing Regulatory Committee members for re-appointment for the ensuing term of two years. With reference to the Guidelines for Appointment and Removal of Regulatory Committee Members, the NRC reviewed the appointment of the independent individuals appointed to the Listing Committee, Market Participants Committee and Appeals Committee and considered several eligible and suitable independent individuals to fill the vacant positions, with the aim to safeguard investor protection and market integrity.

The attendance at Board Committee meetings during the financial year ended 31 December 2016 is provided under Section 4.1 of this CG Statement.

e. Board diversity¹³

Based on the review of the Board composition in 2016, the Board decided to maintain the optimum Board size at 12. The optimal size would enable effective oversight, delegation

¹³ Paragraph 15.08A(3)(a) of the MMLR

of responsibilities and productive discussions amongst members of the Board, considering Bursa Malaysia's unique composition comprising PIDs as required under Section 10(1)(a) of the CMSA, taking into account the governance and regulatory functions of an EHC, in pursuance of its integrated regulatory and commercial objectives.

The Board strongly views that diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. Whilst the capital market experience is of paramount importance to the Board, a high performance board is comprised of directors with a wide variety of backgrounds, experiences and skills to complement one another. A Board matrix has also been developed, and used as reference for the Board's refreshing/renewal and succession planning.

The current diversity in the race/ethnicity and nationality of the existing Board is as follows:

	Race/Ethnicity				Nationality	
	Malay	Chinese	Indian	Others	Malaysian	Foreigner
Number of Directors	7	1	1	1	9	1

The Board also had regard to the existing Directors' age distribution which appeared to be balanced at an average of 59, falling within the respective age groups as follows:

Age Group	51-55	56-60	61-65	66-70
Number of Directors	3	3	2	2

The NRC/Board takes into account the current diversity in the gender, age, race/ethnicity and nationality of the existing Board in seeking potential candidate(s). This helps to ensure an appropriate balance between the experienced perspectives of the long term directors and new perspectives that bring fresh insights to the Board. In this respect, the Board has in place its Diversity Policy for Bursa Malaysia, set out as follow:

BOARD DIVERSITY POLICY

Bursa Malaysia's diversity policy is to ensure that the mix and profiles of our Board members in terms of age, ethnicity and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. We believe that a truly diverse and inclusive Board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity and gender, which will ensure that Bursa retains its competitive advantage.

In this regard, the NRC is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriately qualified persons to occupy Board positions. In reviewing the composition of the Board, the NRC will consider the benefits of diversity in order to maintain an optimum mix of skills, knowledge and experience on the Board. Diversity and its benefits underpinned by meritocracy will continue to be the focus of the NRC when identifying and recommending new candidates for Board memberships, as well as evaluating the performance of the Board and its individual members.

In connection with its efforts to create and maintain a diverse Board, the NRC will:

- Assess the appropriate mix of diversity (including gender, ethnicity and age), skills, experience and expertise required on the Board and address gaps if any;
- Develop recruitment protocols that seek to include diverse candidates in any director search;
- Make recommendations to the Board in relation to appointments, and maintain an appropriate mix of diversity, skills, experience, and expertise on the Board, etc;
- Periodically review and report to the Board on requirements in relation to diversity on the Board, if any.

The NRC will discuss and agree annually on all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

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In November 2015, the Board had set a target of three women directors by 2016, in line with the country's aspirational target of 30% representation of women on boards. In pursuing this target, the NRC has embarked on an extensive exercise in 2016 to expand the Pool of Potential Candidates with profiles of outstanding women professionals in the country having the combination of skill, experience and strength in qualities which are relevant to Bursa Malaysia. Even though the Board was not able to meet its target, it had completed the recruitment exercise for the third woman Director on the Board and the SC's concurrence was sought in December 2016 in accordance with Section 10(1)(b) of the CMSA.

2.3 Remuneration policies

a. Employees of Bursa Malaysia Group

The NRC is responsible to review the Group's compensation policy and ensure alignment of compensation to corporate performance, and compensation offered in line with the market practice. The NRC is also responsible to approve the utilisation of the provision for annual salary increment, and performance bonus in respect of each financial year (FY). The NRC has been appointed by the Board to implement and administer the SGP in accordance with the SGP By-Laws which were approved by the shareholders since 26 May 2011 and as such, it is responsible for approving employees share grants for each FY.

In February 2016, the NRC reviewed the proposed 2015 performance bonus provision and utilisation of the 2016 provision for annual salary increment, to be in alignment with the then financial services sector market forecasts. The indicators for consideration in determining the distribution of the performance bonus and annual increment were corporate performance, financial metrics and relevant economic indicators i.e. profit after tax, inflation rate and consumer price index. At the same meeting, the NRC also assessed the performance of the key management personnel based on their performance with regard to the Corporate Scorecard and Divisional Scorecard results as well as competencies. To ensure consistency in performance assessment, the final performance ratings as decided by the NRC would be used for the purpose of determining their performance bonus.

The CEO's performance bonus and share grant in respect of FY 2015 performance were reviewed by the NRC, after which they were put to the Board for decision in March and June 2016 respectively.

In January 2017, the NRC considered the proposed quantum of the 2016 performance bonus and utilisation of the 2017 provision for annual salary increment, and further recommended the same to the Board, prior to the Board's approval of the Annual Financial Statements in February 2017.

b. Remuneration policy for the members of the Board and Board Committees, Nominee Directors on the functional Board of the subsidiaries of Bursa

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals serving as members of the Board Regulatory Committees. The Board has thus established formal and transparent remuneration policies and procedures for the Board and Board Committees. The Remuneration policy is reviewed by the NRC on an annual basis prior to making its recommendation to the Board for decision.

In November 2016, the NRC conducted a review of the Remuneration policy having regard to various factors including the NEDs' fiduciary duties, time commitments expected of NEDs and Board Committee members, and statutory duties as enunciated under the CMSA. In this review exercise, the NRC also considered the remuneration of directors of PLCs comparable to Bursa Malaysia based on industry, market capitalisation and dominant provider and several other exchanges (i.e. the Comparator Companies and Comparator Exchanges), to ensure that the Board's remuneration policies are competitive in reflecting the prevalent market rate. The Board subsequently approved the recommendations by the NRC on the Board Remuneration policy, which comprises the following:

- i. The Directors' fees were recently increased for FY 2014 following an independent Board remuneration review conducted by an external

consultant. In view of the foregoing and the fact that they are still competitive and at par with the prevalent market rate, the Directors' fees for FY 2016 shall remain unchanged at RM150,000 per annum for the Non-Executive Chairman and RM100,000 per annum for each of the NEDs of Bursa Malaysia. The shareholders' approval will be sought accordingly at the forthcoming 40th AGM.

- ii. Meeting allowance for the Directors as approved by the Board in 2012, shall remain the same as set out in the table below:

Type of Meeting Allowance	Chairman	NED / Member
• Board of Bursa Malaysia (per meeting)	RM4,000	RM2,000
• Board of Functional Subsidiary* (per meeting)	RM4,000	RM2,000
• Board Committees (per meeting)	RM2,500	RM1,500

* adopted after the Board's approval in October 2014.

- iii. Members of the Regulatory Committees 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, in view of the duties, responsibilities and the time commitment expected of them.
- iv. Similar to (iii) above, the Members of the Functional Subsidiary Boards are to be paid a monthly retainer fee of RM1,000 having regard to their fiduciary duties as directors of the subsidiary companies and the expectation of Bursa Malaysia as an EHC, for them to drive/monitor the business developments of these subsidiaries as well as to correspond with the current trend as practised by the Comparator Companies and Comparator Exchanges.
- v. The NEDs are not entitled to participate in the SGP of Bursa Malaysia or any incentive plan for employees of the Group. They are entitled to other benefits such as the medical coverage, travel, communication and other claimable benefits.
- vi. The Chairman is entitled to Club Membership and also a fixed monthly allowance of RM52,000 in view of

the amount of time the Chairman is expected to spend on the Group's corporate and regulatory matters including engagements with a wide range of stakeholders such as government agencies, regulators, other exchanges, as well as the fact that he does not serve on the boards of any other PLCs or market participants regulated by Bursa Malaysia so as to avoid COI.

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, BMD and BMDC, and as Director of all other subsidiary companies within the Group, is also not entitled to Director's fees for attending those respective Board meetings.

The CEO's remuneration package is structured so as to link to corporate and individual performance which comprises a fixed component which includes a monthly salary and benefits-in-kind/emoluments, such as gratuity, 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, which is determined based on the individual KPIs in the Corporate Scorecard aligned with the corporate objectives as approved by the Board. The award of Plan Shares to the CEO in 2016 had been announced via Bursa LINK on 31 March 2016 and 1 July 2016.

Having regard to the ambit of "benefits payable to Directors" under Section 230(1) of the CA which extends to all benefits, the Board approved the NRC's recommendation for Bursa Malaysia to seek the shareholders' approval at the 40th AGM on the Directors' remuneration through two separate resolutions as follows:

- To approve the payment of Directors' fees amounting to RM150,000 per annum for the Non-Executive Chairman and RM100,000 per annum for each of the NEDs in respect of the FY ended 31 December 2016 (*i.e. the preceding year*); and

Corporate Governance Statement

- To approve the payment of the NEDs' remuneration other than the Directors' fees payable to the Non-Executive Chairman and each of the NEDs for the FY ending 31 December 2017 (*i.e. the current year*) and up to the next AGM.

In November 2016, the Board further decided that payment of the Directors' Remuneration as set out in the policy shall not be made with effect from 1 January 2017 unless and until the shareholders' approval is obtained at the 40th AGM.

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

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 a D&O of Bursa Malaysia. However, the said insurance policy does not indemnify a Director or principal officer if he/she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his/her duty or trust. The Directors and principal officers are required to contribute jointly with the Company towards the premium of the said policy.

3. REINFORCE INDEPENDENCE

3.1 Annual assessment of independence

a. Non-Executive Directors' (NEDs) independence including new appointments

A proposed Director must satisfy the test of independence of an "independent director" as defined under Paragraph 1.01 and Practice Note 13 of the MMLR that he/she is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of Bursa Malaysia, taking into account the candidate's character, integrity and professionalism.

All the Directors had given confirmation on a quarterly basis, as to whether he/she has any family relationship with any

director and/or major shareholder of Bursa Malaysia, any COI with Bursa Malaysia and any convictions for offences within the past five years other than traffic offences. This is one of the criteria to enable the Board/NRC to assess the Directors' independence as and when any new interest or relationship develops.

In view of the fact that independent and objective judgement could be compromised by amongst others, familiarity or close relationship with other Board members, the Board recognised the importance to focus beyond the NEDs' (including PIDs') background, economic and family relationships, and consider whether the Independent NEDs/PIDs could continue to bring independent and objective judgement to Board deliberations.

In the fourth quarter of 2016, each NED undertook the process of assessing his/her own independence by completing the Form of Declaration/Confirmation of Independence on an annual basis since it was approved by the Board in November 2015.

The NRC assessed the independence of the NEDs on an annual basis in conjunction with the BEE exercise, during its review of the BEE results in October 2016. For this purpose, the assessment on "Independence and Objectivity" was included as one of the performance criteria for the Directors, where the Directors were also assessed through several questions under the Directors' SPA. For example, "One is not afraid to pursue an unpopular stand on issues, or expressing disagreement on matters during the meeting, if any", or "One consistently demonstrates independence of judgement, clarity of thought and objectivity in problem solving during deliberations at Board meetings".

To mitigate the risks arising from COI or undue influence from interested parties, the Directors were assessed through several questions on "Probity and Personal Integrity" under the Directors' SPA. For example, "This Director demonstrates that he/she assumes his/her fiduciary role responsibly and in utmost good faith, proactively discloses

real and apparent COI situations and abstains from voting when necessary, or demonstrates respect to confidentiality and high level of professionalism and impeccable integrity in his/her conduct at all times”.

The average ratings for the Directors on the above questions indicate the level of independence demonstrated by each of them in their exercise of judgement and ability to act in the best interest of the Company in decision-making, as well as the Directors’ ability to resolve problems based on clarity and understanding of the subject matter.

b. NEDs’ eligibility to stand for re-election/ re-appointment

In line with Recommendation 3.1 of the MCCG 2012, the NRC refers to the ratings of the Independent NEDs in “Independence and Objectivity” and “Probity and Personal Integrity” as one of the factors in determining their eligibility to stand for re-election at the forthcoming 40th AGM (as mentioned under Section 2.2.c of this CG Statement).

Based on the above assessment in 2016, the NRC is satisfied with the level of independence demonstrated by all the NEDs and their ability to act in the best interest of the Company during deliberations at Board meetings. The Board therefore approved the NRC’s recommendations and supports their proposed re-election in accordance with Article 69 of the AA.

3.2 Tenure of Independent Director

The Board has implemented a 9-year policy for Independent NEDs, in line with Recommendation 3.2 of the MCCG 2012. The Directors among the first batch of Independent NEDs of the demutualised Bursa Malaysia had already retired on a gradual basis at the 35th and 36th AGMs to enable the progressive refreshing of the Board in line with best CG practice.

The Chairman and all NEDs have served the Board for less than nine years. Their length of service are set out in the Board of Directors’ profiles of this Annual Report.

In line with the Board’s 9-year policy, Dato’ Saiful Bahri bin Zainuddin who would be completing nine years of service by 26 June 2017, would retire at the 40th AGM of the Company. The search for potential candidate(s) with relevant

experience/skill sets have been ongoing to complement the remaining Directors on the Board in meeting the current needs and future strategic direction of the Company.

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

Currently, none of the Independent NEDs of Bursa Malaysia has served the Board for nine years and is seeking re-election. Hence, no shareholders’ approval will be sought for this purpose at the forthcoming 40th AGM.

3.4 Separation of positions of the Chairman and CEO

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

3.5 Composition of the Board

The Board of Bursa Malaysia, chaired by a PID, comprises 10 Directors of whom four are PIDs, five are Independent NEDs and one is an Executive Director, who also serves as the CEO. Section 10(1)(a) of the CMSA provides that one-third of the Board shall be PIDs, including the Chairman. Their appointment by the Minister of Finance 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 investor protection in performing its duties as an EHC.

All the four PIDs including the Chairman and five Independent NEDs constitute 90% of the Board. They are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Directors play an active role in the Board’s decision-making process, offering vast experience and knowledge as well as independence and objectivity, in acting in the best interests of Bursa Malaysia, and thereby safeguarding the public interest.

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In line with the Board's policy effective October 2015, there was no Nominee Director on the Board of Bursa Malaysia i.e. a NED who is nominated by a substantial shareholder to represent its interest on the Board of Bursa Malaysia. This is in line with the responsibility of Bursa Malaysia as an EHC under the CMSA to uphold public interest above its commercial or other interests, and also to avoid any perceived or potential COI with the unique role of the Board of Bursa Malaysia in ensuring orderly and fair markets.

4. FOSTER COMMITMENT

4.1 Time commitment

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of Bursa Malaysia. All the current 10 Directors had attended at least 89% of the total number of Board of Directors meetings. The quorum of Board meetings had been met with full attendance for 7 Board meetings, and attendance of 9 out of 10 Directors at the Board meeting held on 24 October 2016. Their meeting attendance at Board and Board Committee meetings are evidenced by the attendance record set out in the table.

Name	Board of Directors	NED [∞]	Governance Committees				Regulatory Committees			Subsidiaries of Bursa Malaysia			
			AC**	RMC	NRC	RACC	LC	MPC	APC	BMS	BMSC	BMD	BMDC
Non-Executive and Public Interest Directors													
Tan Sri Amirsham A Aziz (Chairman)	8/8	7/7				6/6			9/9				
Datuk Dr. Md Tap Salleh ¹⁴	2/2	2/2			3/3	2/2	2/2			1/1	1/1		
Dato' Zuraidah Atan	8/8	7/7		1/1*	7/7*	5/6						3/4	
Dato' Eshah Meor Suleiman	8/8	6/7	6/6			5/6		3/3-					
Johari Abdul Muid ¹⁵	6/6	5/5		4/4^		4/4^		4/4^		4/4*	3/3*		
Independent Non-Executive Directors													
Dato' Saiful Bahri Zainuddin	8/8	6/7		3/6	10/11					5/5	4/4		
Datuk Karownikaran @ Karunikaran a/l Ramasamy	8/8	7/7		1/1 ^p	11/11	6/6			7/9				
Datuk Chay Wai Leong	8/8	7/7	5/6	6/6^^								4/4	
Ghazali Haji Darman	7/8	7/7	6/6	6/6				7/7				4/4	
Pushpanathan a/l S.A. Kanagarayar	8/8	7/7	6/6		11/11		9/9*						
Non-Independent Executive Director													
Datuk Seri Tajuddin Atan (CEO)	8/8	-								5/5	4/4	4/4	
Non-Executive Directors of Subsidiaries													
Bryan Thomas Durkin ¹⁶												4/4	
William Francis Herder ¹⁷												3/3	

¹⁴ Retired as Public Interest Director (PID) with effect from 1 April 2016

¹⁵ Appointed as PID with effect from 1 April 2016

¹⁶ A CME Group Inc nominee director

¹⁷ Appointed as Independent Director with effect from 2 June 2016

Name	Board of Directors		Governance Committees			Regulatory Committees			Subsidiaries of Bursa Malaysia				
	NED [∞]		AC**	RMC	NRC	RACC	LC	MPC	APC	BMS	BMSC	BMD	BMDC
Independent individuals with significant and relevant industry experience													
Dato' Thomas Lee Mun Lung									6/6 [□]				
Dato' Mohammed Adnan									9/9				
Datuk Shuaib													
Datuk Syed Zaid Syed Jaffar Albar									8/9				
Cheah Tek Kuang									9/9				
Kuok Wee Kiat									9/9	5/5 [○]	4/4 [○]		
Ooi Giap Ch'ng									8/9				
Datuk Seri Dr. Nik Norzrul Thani									3/3 [◇]				
Nik Hassan Thani													
Wong Chong Wah							3/4 [▲]						
Yon See Ting							8/9						
Salwah Abdul Shukor							8/9						
Dato' Sri Abdul Hamidy Abdul Hafiz							8/9						
Prof. Dr. Aiman @ Nariman Mohd Sulaiman							6/9						
Datuk Mohd Nasir Ahmad							3/4 [▲]						
Dato' Feizal Mustapha							8/9						
Lee Kha Loon							9/9						
Darryl Goon Siew Chye							5/5 [▲]						
Hijah Arifakh Othman							5/5 [▲]						
Khoo Guan Huat								6/7					
Dato' Abdul Shukor Ahmad								6/7					
Azura Azman								7/7					
Dato' Dr. Zaha Rina Zahari								6/7					
Azila Abdul Aziz								3/3 [□]					
Dato' Wan Asmadi Wan Ahmad								7/7					
Dr. Chung Tin Fah								7/7					
Rashid Ismail								7/7					
Raymond Tang Chee Kin								3/4 [*]					
Total number of meetings for 2016	8	7	6	6	11	6	9	7	9	5	4	4	4

- Chairman
- Member
- Non-member

- BMS** Bursa Malaysia Securities Berhad
- BMSC** Bursa Malaysia Securities Clearing Sdn Bhd
- BMD** Bursa Malaysia Derivatives Berhad
- BMDC** Bursa Malaysia Derivatives Clearing Berhad

Notes:

- [∞] Seven Non-Executive Directors (NED) sessions were held in 2016 i.e. on 2 February 2016, 16 March 2016, 25 April 2016, 29 June 2016, 25 July 2016, 24 October 2016 and 29 November 2016
- ** Two meetings were held between the Audit Committee (AC) and the external auditors, Ernst & Young i.e. on 28 January 2016 and 20 October 2016 respectively
- Risk Management Committee (RMC) member from 2 February 2016 to 29 May 2016
- * appointed as Nomination and Remuneration Committee (NRC) member with effect from (w.e.f) 30 May 2016

- ~ term of appointment as Market Participants Committee (MPC) Chairperson expired on 30 June 2016
- ^ appointed as RMC member w.e.f 30 May 2016; appointed as Regulatory and Conflicts Committee (RACC) member w.e.f 1 April 2016; and appointed as MPC Chairman w.e.f 1 July 2016
- μ ceased to be RMC Chairman w.e.f 2 February 2016
- ^^ RMC Member up to 1 February 2016 and RMC Chairman w.e.f 2 February 2016
- ◆ Listing Committee (LC) Member up to 30 June 2016 and LC Chairman w.e.f 1 July 2016
- retired as Appeals Committee (APC) member on 31 July 2016 after serving for 12 years
- ◇ appointed as APC member w.e.f 1 August 2016
- Δ term of appointment as LC member expired on 30 June 2016
- ▲ appointed as LC member on 1 July 2016
- term of appointment as MPC member expired on 30 June 2016
- appointed as MPC member on 1 July 2016
- appointed as Chairman of the Board of BMS and BMSC w.e.f 25 May 2016
- appointed as Member of the Board of BMS and BMSC w.e.f 22 February 2016

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The Boardroom environment allows for expression of views in the spirit of 'constructive challenge', effective debate and contribution from the Board/Board Committee members to facilitate decision-making by the Board/Board Committees. The NEDs met seven times before commencement of each Board meeting without the presence of the CEO and Executive Director. The 30-minute NED session allows discussion on any issues raised by the NEDs and/or issues from the Management of Bursa Malaysia Group, as may be shared by the Chairman with the other NEDs.

a. Protocol for the appointment of Directors

To ensure that Directors have sufficient time to fulfil their roles and responsibilities effectively, the criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold directorships of more than five PLCs (as prescribed in Paragraph 15.06 of the MMLR).

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

Such information is also used to monitor the number of directorships held by the Directors of Bursa Malaysia, particularly those on PLCs, and to notify the Companies Commission of Malaysia of any changes in other directorships on public companies. Currently, all the Directors of Bursa Malaysia hold not more than four directorships on PLCs¹⁸, including Bursa Malaysia.

b. Annual meeting calendar

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with the scheduled dates for meetings of the Board and Board Committees, the AGM, major conferences hosted by the Company, as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results. This calendar is available on electronic devices provided to all Directors.

4.2 Training

As the Board of Directors must on a continuous basis, evaluate and determine the training needs of its Directors¹⁹, the Board had delegated this responsibility to the NRC to ensure that orientation and education programs are provided for new members of the Board, and also to review the directors' continuing education programmes, as set out in the TOR of the NRC. The Board takes a strong view of the importance of continuing education for its Directors to ensure that they are equipped with the necessary skills and knowledge to keep up with industry developments and trends in meeting the challenges of the Board.

a. Based on the training needs analysis²⁰ of Directors, the NRC had in September 2015 formalised and implemented the Directors' Training Programmes, so as to meet the varying needs of the Directors of Bursa Malaysia. In 2016, the following in-house development programmes were organised by the Company Secretary for Directors/Committee members, to help ensuring that they stay current on relevant laws and issues:

- i. In-house briefing for the Directors on specific topics relating to business operations or capital market development
 - Briefing on business operations by Management during the Board's visit to the Command Centre on 16 March 2016;

¹⁸ In compliance with Paragraph 15.06 of the MMLR

¹⁹ Paragraph 15.08(2) of the MMLR

²⁰ Paragraph 15.08(3)(a) of the MMLR

- Briefing on Trans-Pacific Partnership Agreement by Datuk J Jayasiri, Deputy Secretary General of Ministry of International Trade and Industry on 25 April 2016;
 - In-house sharing session on the issues and challenges of the Malaysian capital market's ecosystem on 4 October 2016;
 - Briefing on Companies Act 2016 by Messrs. Raja, Darryl & Loh on 29 November 2016.
- ii. Monthly Capital Market Intelligence Reports had been provided on Boardpac as reading materials for Directors to keep abreast with the dynamics of the capital market industry;
- iii. Induction programmes were held where the Company Secretary and the relevant Management team members gave briefings, to familiarise the new Directors of Bursa Malaysia and its subsidiaries as well as new members of the Regulatory Committees with the Group's governance process, business and operations, as well as the regulatory role of the Group. The induction programmes also allowed them to get acquainted with senior management, so as to facilitate board interaction and independent access to Management.
- iv. Development sessions for Regulatory Committees, to keep its members updated on Bursa Malaysia's supervision approach and observations, common areas of breaches, proposed enforcement actions and policies, impact of key breaches, and related issues and challenges. External speakers were also invited to share on the following topics:
- Market Participants Committee: "Effective Monitoring and Surveillance towards Detection of Market Abuses; and Preservation of Market Integrity and Enforcement" on 19 October 2016;
 - Listing Committee: "Companies Act 2016" on 15 December 2016.
- b. Directors are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain their active participation in Board deliberations²¹. The Directors observe Recommendation 4.2 of the MCCG 2012 by attending conferences, briefings and workshops to update/deepen their knowledge and enhance their skills.
- To facilitate identification of appropriate tailored training programmes, many training programmes had been made available to the Directors for their attendance to address any skills or knowledge gaps, according to their needs. The Directors were invited to submit their request for attending the conferences in accordance with the training approval process, subject to the Board's training policy and availability of budget for each individual director.
- All Directors of Bursa Malaysia attended at least six training programmes in 2016, of which at least three programmes focused on capital market developments.
- i. The Directors also attended the following conferences on capital markets organised by the Company:
- 27th Annual Palm & Lauric Oils Conference on 7 & 8 March 2016;
 - Invest Malaysia Kuala Lumpur on 12 & 13 April 2016;
 - 2016 World Federation of Exchanges (WFE)/International Options Market Association (IOMA) Derivatives & Clearing Conference, 18 & 19 April 2016.
- ii. The Directors were also invited to attend a series of talks organised by Bursa Malaysia together with various professional associations and regulatory bodies. Overall, the development programmes focused on CG (including audit, risk management, and internal control) and sustainability, information technology, leadership, legal and business management and, financial and capital markets. In addition, the Directors had attended various external programmes including the following:

²¹ Commentary under Recommendation 4.2 of the MCCG 2012

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

- Workshop on Risk Management – Corporate Governance (CG), 14 January 2016 (attended by Datuk Karownikaran @ Karunikaran Ramasamy)
- Annual National Seminar on Directors Duties, Governance and Regulatory Updates, 26 & 27 January 2016 (attended by Encik Ghazali Hj Darman)
- Financial Institutions’ Directors Education (FIDE) Forum: Directors Remuneration Report 2015, 25 February 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
- Best Practices of Board Effectiveness, 26 February 2016 (attended by Tan Sri Amirsham A Aziz)
- 8th Annual CG Summit: Decoding Uncertainties, Delivering Value, 21 & 22 March 2016 (attended by Tan Sri Amirsham A Aziz)
- CG Breakfast Series: The Strategy, the Leadership, the Stakeholders and the Board, 6 May 2016 (attended by Dato’ Eshah Meor Suleiman and Encik Johari Abdul Muid)
- CG Statement Workshop: The Interplay between CG, Non-Financial Information and Investment Decisions Knowing How to Detect, Prevent and Report, 9 May 2016 (attended by Dato’ Eshah Meor Suleiman)
- Sustainability Engagement Series for Directors, 1 June 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
- FIDE Forum: Independent Directors Register, 2 June 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
- Cyber Security for Financial Services Industry, 28 June 2016 (attended by Datuk Chay Wai Leong)
- Maybank Annual Risk Workshop, 29 July 2016 (attended by Datuk Karownikaran @ Karunikaran Ramasamy)
- Board Risk Intelligence Workshop 2016: Risk Governance into Practice, 15 & 16 August 2016 (attended by Datuk Chay Wai Leong)
- Governance Symposium 2016: Driving Public-Private Governance Forward, 18 August 2016 (attended by Encik Johari Abdul Muid)

- Workshop on Sustainability Reporting and Preparation Thereof, 25 August 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
- CG, Directors’ Duties and Regulatory Updates Seminar 2016, 29 August 2016 (attended by Encik Johari Abdul Muid)
- Independent Directors Program: The Essence of Independence, 29 September 2016 (attended by Dato’ Eshah Meor Suleiman, Encik Johari Abdul Muid, Dato’ Saiful Bahri Zainuddin and Mr Pushpanathan S.A. Kanagarayar)
- Petronas Board Excellence Programme: Effective Strategy for Stakeholders Management, 17 October 2016 (attended by Tan Sri Amirsham A Aziz)
- CG Breakfast Series: How to Leverage on Annual General Meetings for Better Engagement with Shareholders, 21 November 2016 (attended by Tan Sri Amirsham A Aziz and Encik Johari Abdul Muid)

Information Technology

- European Union – South East Asia Big Data Summit, 5 & 6 May 2016 (attended by Encik Ghazali Hj Darman)
- CommunicAsia 2016 Summit: 27th International Communications and Information Technology Exhibition & Conference, 31 May 2016 - 3 June 2016 (attended by Encik Ghazali Hj Darman)
- Leading Digital Business Transformation Digital Program, 21-25 November 2016 (attended by Datuk Chay Wai Leong)

Leadership, Legal and Business Management

- Asian Institute of Finance (AIF) Distinguished Speaker’s Series: Other People’s Money – Masters of the Universe or Servants of the People? 19 January 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
- Leadership Think Lab, 10 March 2016 (attended by Datuk Seri Tajuddin Atan)
- Economic Planning in Malaysia – Past, Present and Way Forward, 17 March 2016 (attended by Datuk Seri Tajuddin Atan)

- Avoiding Financial Myopia, 19 April 2016 (attended by Datuk Karownikaran @ Karunakaran Ramasamy)
 - Kumpulan Wang Persaraan (KWP) Leadership Series, 9 May 2016 (attended by Dato' Saiful Bahri Zainuddin)
 - Global Science and Innovation Advisory Council (GSIAC)-Khazanah Distinguished Lecture Series, 17 May 2016 (attended by Datuk Seri Tajuddin Atan)
 - AIF Distinguished Speaker's Series: China in Perspective – End of the Economic Miracle, 31 May 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
 - Companies Bill 2015: Changes and Impact on Company Directors, 1 June 2016 (attended by Dato' Zuraidah Atan)
 - Presenting a Professional Persona, 25 June 2016 (attended by Dato' Zuraidah Atan)
 - Emergents: Psychometric Tool and Profiling, 21 July 2016 (attended by Dato' Zuraidah Atan)
 - AIF International Symposium 2016: Talent, Technology & Tomorrow's Workplace, 17 August 2016 (attended by Tan Sri Amirsham A Aziz)
 - International Conference on Blue Ocean Strategy: Volunteerism as a Key Pillar in Nation Building, 17 August 2016 (attended by Dato' Zuraidah Atan)
 - Companies Bill 2015: Key Amendments relevant to Directors, 7 September 2016 (attended by Dato' Saiful Bahri Zainuddin)
 - IJM Corporation Berhad Group Senior Management Leadership Forum, 7 September 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
 - Khazanah Megatrends Forum 2016, 26 September 2016 (attended by Mr Pushpanathan S.A. Kanagarayar and Datuk Seri Tajuddin Atan)
 - Digital Marketing: Finding & Engaging with your Target Market, 1 October 2016 (attended by Dato' Zuraidah Atan)
 - Malaysian Accounting Standards Board (MASB): Insurance Working Group on International Financial Reporting Standard (IFRS) 17 – Insurance Contracts, 14 November 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
 - Managing Misconduct and Poor Performance in the Workplace, 15 November 2016 (attended by Dato' Saiful Bahri Zainuddin)
 - 2017 Tax Budget Briefing, 16 November 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
 - Women's Institute of Management on Integrity and Governance: Corporate Malaysia – The Way Forward, 21 November 2016 (attended by Dato' Saiful Bahri Zainuddin)
 - AIF Distinguished Speaker's Series: Riding the Leadership Rollercoaster – An Observer's Guide, 2 December 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
 - AIF Distinguished Speaker's Series: Global Economic Outlook 2017 – Trends, Shocks and Change, 6 December 2016 (attended by Mr Pushpanathan S.A. Kanagarayar)
 - Amendments to Listing Requirements and Impact of the New Companies Act 2016, 16 December 2016 (attended by Dato' Zuraidah Atan)
- Financial and Capital Markets**
- Capital Market Forum 2016: Renminbi Qualified Foreign Institutional Investor, 22 January 2016 (attended by Datuk Chay Wai Leong)
 - Global Emerging Markets Programme: High Level Conference for Leaders in Capital Markets – Risk and Vulnerability of Global Markets: Reinforcing Resilience in Emerging Markets, 15 March 2016 (attended by Tan Sri Amirsham A Aziz and Datuk Seri Tajuddin Atan)
 - 34th Asian and Oceanic Stock Exchanges Federation (AOSEF) General Assembly, 25 March 2016 (attended by Datuk Seri Tajuddin Atan)
 - Capital Markets Directors Programme by Securities Industry Development Corporation, Module 4: Current and Emerging Regulatory Issues in the Capital Market, 20 April 2016 (attended by Datuk Chay Wai Leong)
 - UBS Mid-Year Economic Outlook, 19 July 2016 (attended by Datuk Chay Wai Leong)
 - 12th World Islamic Economic Forum, 2 August 2016 (attended by Datuk Seri Tajuddin Atan)
 - Shariah Investing, 5 September 2016 (attended by Dato' Eshah Meor Suleiman, Encik Johari Abdul Muid and Dato' Saiful Bahri Zainuddin)

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- Global Symposium on Innovative Financial Inclusion: Harnessing Technology for Inclusive Finance, 21-22 September 2016 (attended by Datuk Chay Wai Leong)
- Future Finance Conference, 23 September 2016 (attended by Datuk Chay Wai Leong)
- Rakuten FinTech Conference, 28 September 2016 (attended by Datuk Chay Wai Leong)
- Renminbi Conference: A Way Forward for the Malaysian Renminbi Market, 1 November 2016 (attended by Datuk Chay Wai Leong)
- SCxSC Digital Finance Conference: Capitalising Entrepreneurship, 3 & 4 November 2016 (attended by Datuk Chay Wai Leong and Encik Ghazali Hj Darman)
- Securities and Futures Commission Regtech and FinTech Contact Day 2016, 7 November 2016 (attended by Datuk Chay Wai Leong)
- 56th General Assembly of the World Federation of Exchanges, 2-4 November 2016 (attended by Tan Sri Amirsham A Aziz and Datuk Seri Tajuddin Atan)
- Asian Institute of Chartered Bankers-GBC Discourse Series: Catching the FinTech Wave, 25 November 2016 (attended by Datuk Seri Tajuddin Atan)

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board recognises the importance of providing shareholders with a balanced and clear assessment of the Group's financial performance, including its position and future prospects. Hence, the Board provides shareholders with quarterly and Annual Audited Financial Statements as well as corporate announcements on significant developments affecting the Company in accordance with the MMLR.

The AC Chairman, Mr Pushpanathan a/l S.A. Kanagarayar²², a member of three professional accounting organisations, together with AC members all of whom are financially literate, reviewed the Company's financial statements in the presence of both external and internal auditors, prior to recommending them for approval by the Board and issuance to stakeholders. The AC met on a quarterly basis and carried out their duties in accordance with the TOR.

The Director of Corporate Services/Chief Financial Officer (CFO) formally presented to the AC and the Board details of revenue and expenditure 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, the CEO's Message, and the Management Discussion and Analysis of this Annual Report provide additional analysis and commentary on the Group's financial performance.

As part of the governance process in reviewing the quarterly and yearly financial statements by the AC, the CFO provided assurance to the AC on a quarterly basis that appropriate accounting policies had been adopted and applied consistently; that the going concern basis applied in the Condensed Consolidated Financial Statements (CCFS) and Annual Financial Statements was appropriate; that prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards (MFRSs) and International Financial Reporting Standards (IFRSs); that adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, IFRSs and MMLR; and that the CCFS and Annual Financial Statements did not contain material misstatement and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2016.

²² Mr Pushpanathan a/l S.A. Kanagarayar's profile is set out in the Board of Directors' profiles of this Annual Report.

In addition, Bursa Malaysia has an in-house internal audit function within the Group, where the Director of GIA who reports directly to the AC undertook an independent assessment on the internal control system on a quarterly basis and assured the AC that no material issue or major deficiency had been noted which would pose a high risk to the overall system of internal control under review.

5.2 Assessment of suitability and independence of external auditors

The AC had in January 2017 undertaken an annual assessment of the quality of audit which encompassed the performance of the external auditors EY, and the quality of their communications with the AC and Bursa Malaysia Group, based on feedback obtained via assessment questionnaires from Bursa Malaysia personnel who had substantial contact with the external audit team and EY throughout the year. The AC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at private meetings, which demonstrated their independence, objectivity and professionalism. The activities relating to the external auditors and the lead audit engagement partner are provided in the AC Report of this Annual Report.

The AC was satisfied with the suitability of EY based on the quality of services and sufficiency of resources they provided to the Group, in terms of the firm and the professional staff assigned to the audit. The AC was also satisfied in its review that the provision of the non-audit services by EY to the Company for the FY 2016 did not in any way impair their objectivity and independence as external auditors of Bursa Malaysia.

Having regard to the outcome of the annual assessment of external auditors, the Board had in February 2017 approved the AC's recommendation for the shareholders' approval to be sought at the 40th AGM on the appointment of EY as external auditors of the Company for the FY 2017.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

The RMC assists the Board to oversee the risk management matters relating to the activities of the Group. The RMC reviews the risk management framework and processes to ensure that they remain relevant for use, and monitors the effectiveness of risk treatment/mitigation action plans for the management and control of the key risks.

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 Director of GIA who reports directly to the AC.

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

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate disclosure policy

The Company has in place Policies and Procedures for Compliance with the Listing Requirements, which set the policies and standard operating procedures for employees (including the CEO) to facilitate and ensure compliance by Bursa Malaysia as a PLC. It also serves to enhance awareness of corporate disclosure requirements among employees. Clear roles and responsibilities of Directors, Management and employees are provided together with the levels of authority to be accorded to "designated person(s)"²³, spokespersons and committees in the handling and disclosure of material information. The persons responsible for preparing the disclosures will conduct due diligence and proper verification, and coordinate the timely disclosure of material information to the investing public. A simplified Corporate Disclosure Policy has been approved and promulgated in November 2016 to provide easy guidance/reference to the Management and employees of Bursa Malaysia with regard to compliance with the continuous disclosure obligations on disclosure of material information in accordance with the MMLR.

²³ The name(s) and contact information are available at www.bursamalaysia.com, Contact Us-Contact Details

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

7.2 Leverage on information technology for effective dissemination of information

Bursa Malaysia's website includes a Corporate section which provides all relevant information on the Company, and it is accessible to the public. This Corporate section enhances the Investor Relations function by including all announcements made by Bursa Malaysia, share price information, annual reports and the corporate and governance structure of Bursa Malaysia. Notices of general meetings, minutes of general meetings, slide presentations made at such meetings and webcasts are also made available on Bursa Malaysia's website for the benefit of shareholders who are unable to attend these meetings.

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

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

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

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

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

At the 39th AGM held on 31 March 2016, the Chairman briefed members, corporate representatives and proxies who were present of their right to speak and vote on the resolutions set out in the Notice of the 39th AGM dated 3 March 2016. This is in line with Paragraph 7.21(A)(2) of the MMLR for promoting participation of members through proxies.

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

The AA of the Company also allows the use of technology to facilitate shareholders' participation at general meetings.

8.2 Encourage poll voting

In line with international best practice in CG, voting at the 39th AGM held on 31 March 2016, was conducted by poll, instead of by a show of hands. Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognised, in accordance with the principle of 'one share one vote'. The practice thus enforces greater shareholder rights, and allows shareholders who appoint the Chairman of the Meeting as their proxy to have their votes properly counted in the fulfilment of their voting rights.

In accordance with Article 54 of the AA, the Chairman of the Meeting exercised his right to demand a poll with respect to all resolutions which were put to vote at the 39th AGM as set out in the Notice of 39th AGM.

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

Bursa Malaysia had appointed Tricor Investor & Issuing House Services Sdn Bhd (Tricor) as Poll Administrator to conduct the polling process, and Deloitte Enterprise Risk Services (Deloitte) as Scrutineers to verify the poll results. The voting at the 39th AGM was conducted through electronic voting (e-voting) for the first time, where personalised passcode slips were issued by the Share Registrar upon registration.

The polling process for the resolutions was conducted upon completion of the deliberation of all items that transacted at the 39th AGM. The Tricor e-voting tutorial video on the e-voting process was played at the AGM prior to the commencement of the e-voting process, where the shareholders/proxies cast their votes at the e-voting counters, with personalised passcodes for voting.

The Scrutineers, Deloitte upon verification of the poll results, announced the results for each resolution, which include votes in favour and against, upon which the Chairman declared whether the resolutions were carried. The poll results were also announced by Bursa Malaysia via Bursa LINK on the same day for the benefit of all shareholders. Minutes of the 39th AGM were also made available on Bursa Malaysia's website.

8.3 Effective communication and proactive engagements

At the 39th AGM, all the 10 Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company. The proceedings of the 39th AGM included the CEO's presentation of the Company's operating and financial performance for 2015, the presentation of the external auditors' unqualified report to the shareholders, and a Questions & Answers session during which the Chairman invited shareholders to raise questions pertaining to the Company's financial statements 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 39th 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 the MMLR.

The Board is satisfied that in 2016, the Company fully complied with the principles and recommendations of the MCCG 2012.

This Statement was approved by the Board on 3 February 2017.

Marketplace Report: Fair and Orderly Markets

We are coming from a position of strength in our marketplace. Bursa Malaysia is a well regulated market supported by adequate levels of investor protection. Our regulatory framework and approaches are benchmarked against international standards of market regulation and we have a high level of adherence to our rules by our listed issuers and intermediaries. We have observed that the culture of self-regulation and quality of practices continue to strengthen over the past few years. The robustness of our regulatory framework was put to test during the period of significant volatility in 2015 and the first half of 2016, and held up well as our markets continued to operate in a fair and orderly manner.

DEVELOPMENT OF THE RULES FRAMEWORK

Our rules framework was continuously enhanced to keep our rules relevant and effective while supportive of innovations and developments; and taking into account demands of the market and stakeholders involved. With this in mind, we made the following key rule changes in 2016:

- (a) Changes to facilitate the offer of new or enhanced products such as Tin Futures Contracts and enhancements to MGS Futures Contract;
- (b) Changes to enhance disclosure of non-financial information and promote greater transparency in announcements and annual reports, as well as strengthen the governance practices of listed issuers, such as requiring poll voting for all resolutions set out in the notice of meeting and publication of key matters discussed at annual general meetings;
- (c) Changes to enhance efficiency and effectiveness of inspection, investigation and enforcement functions under the Rules of Bursa Malaysia Derivatives, Rules of Bursa Malaysia Securities Clearing, Rules of Bursa Malaysia Derivatives Clearing and Rules of Bursa Malaysia Depository;
- (d) Changes to safeguard the robustness and integrity of the clearing house by introducing margin requirements on the trading clearing participants in order for the clearing house to be in a better position to manage risks arising from defaults by the trading clearing participant in its obligations under the clearing house rules;
- (e) Changes to create new business opportunities for the intermediaries by allowing margin financing for foreign securities; and
- (f) Changes to achieve and facilitate compliance or consistency with changes to the law and Securities Commission Malaysia guidelines that came into effect or were amended during the year.

As always, we continued with our open, transparent and consultative approach in undertaking major rule changes, by engaging closely with the relevant industry participants, key stakeholders and the public. This is to ensure that we arrive at a proportionate rule framework, with no more rules than necessary. Two public consultation papers were issued in 2016 where we sought feedback on the proposed changes to the Main Market Listing Requirements on the Collective Investment Scheme framework and the proposed (New) Market. We strive to ensure that our rules framework is current, benchmarked with international standards, and effective as we navigate through the fast evolving financial and economic landscape.

EFFICIENT CAPITAL RAISING FRAMEWORK

Our time-to-market for secondary capital raising remained efficient and comparable to other regional markets, and we continue to provide a conducive environment for listed issuers to have access to and raise capital efficiently. However, there was a reduction in the total funds raised in 2016 at RM12.2 billion as compared to RM17.1 billion in 2015. This was mainly due to the volatile and challenging capital market, which resulted in a reduction of secondary issuance of securities in 2016.

In the constantly changing global environment, we are committed to being relevant and improving our services. Our focus in the area of capital raising is to further enhance the effectiveness of our capital raising framework which include improving the efficiency and cost-effectiveness of our processes. In this regard, we are undertaking an initiative to further centralise secondary fund raising for collective investment scheme at Bursa Malaysia.

We continue to receive request for pre-consultation meetings from potential applicants for ACE Market IPO. Arising from the pre-consultation approach which we implemented in 2015 we manage to improve certainty and the processing time for ACE Market IPO applications (three months from date of submission of applications).

SURVEILLANCE OF THE MARKET

In 2016, the market experienced some high volatility due to certain external factors, among them the falling oil and commodity prices, depreciation of the Ringgit and other geopolitical concerns. However, through our vigilant surveillance and monitoring, we were able to address trading concerns to ensure that our market continued to operate in a fair and orderly manner. Our key focus in the area of market surveillance continues to ensure that abusive trading practices are detected and prevented as well as facilitate a fair price discovery, which are crucial towards ensuring that market integrity and confidence are safeguarded at all times.

In the past year, we vigilantly monitored the trading activities and where trading concerns arose, we undertook appropriate regulatory measures in a timely manner to address them. We also regularly engaged the industry to obtain and provide feedback as well as organised educational programmes to further strengthen the brokers' supervisory measures in the area of front office supervision and trade monitoring. These engagements and educational programmes have been effective in raising the awareness of and enhancing brokers' supervision of trade monitoring to ensure abusive conduct were detected and acted upon in a timely manner.

SURVEILLANCE OF LISTED ISSUERS

In carrying out corporate surveillance activities, our primary focus is to detect, and where possible, pre-empt corporate irregularities or transgressions which may give rise to, amongst others, breaches of the Listing Requirements (LR). We undertook several initiatives to enhance our detection capabilities and improve effectiveness in identifying and addressing key risks. Our initiatives included greater leveraging of technology to enhance the capabilities and effectiveness of our corporate surveillance.

In 2016, in light of global volatility and uncertainties in the marketplace, we vigilantly monitored the financial condition and corporate developments of listed issuers through our day to day monitoring as well as thematic audits. We undertook effective regulatory actions where necessary, and made referral of breaches of the LR for investigation while breaches of the law were referred to the relevant authorities.

We also continue to engage with listed issuers including providing feedback and organising training in areas which are viewed as high risk to listed issuers based on our surveillance activities. In 2016, the programmes organised included fraud risk management involving 164 directors which was designed to assist directors to understand and effectively govern fraud risk in their respective companies.

QUALITY AND TIMELY DISCLOSURES

We noted continued improvement in disclosure practices among our listed issuers where companies are providing information beyond the prescribed requirements. Companies are making efforts to elaborate and explain on pertinent areas such as the basis and justification for consideration of a transaction and details of the intended utilisation of proceeds from fund raising proposals. The queries issued on announcements remain below 1.0% of total corporate announcements over the past three years. The adherence to the timeliness for submission of periodic financial information also remained strong in 2016 at 99.5%, as compared to 99.4% in 2015.

While we achieved progress on our efforts towards our goal of having a market environment with high levels of transparency and quality disclosure, there continues to be a need to ensure more robust disclosure practices as businesses and the economic landscape become more challenging with greater complexity in business models, with more diverse risks and uncertainty. Accordingly in 2016, we continued to focus on enhancing the standards of transparency by inculcating a strong culture of disclosure among listed issuers in our market through our improved supervisory approach, as well as education/advocacy programmes.

In 2016, we rolled-out a series of education/advocacy programmes tailored to the needs of specific stakeholders such as directors and senior management of listed issuers as well as company secretaries. We conducted technical briefings to company secretaries on disclosures and other areas relating to the LR. We also conducted a series of Advocacy Sessions on Management Discussion and Analysis (MD&A) to prepare listed issuers for the mandatory disclosures of MD&A in their annual reports for the financial year ending 31 December 2016 onwards. We also conducted specially designed training programmes for advisers to advocate the underlying principles of the LR and promote a culture of high quality disclosure.

During the year, the following programmes were conducted where we reached out to 1,101 company secretaries, 495 directors and senior management of listed issuers and 178 advisers from 11 investment banks and 3 universal brokers:

- (a) Eight technical briefings for company secretaries;
- (b) Four Advocacy Sessions on MD&A for CEOs and CFOs of listed issuers; and
- (c) Two training sessions on Elevating Standards of Corporate Disclosures in Announcements and Circulars to Shareholders

Marketplace Report: Fair and Orderly Market

We also leveraged on the Listing Advisory Desk and our online enquiry portal to respond to enquiries from our listed issuers and their advisors on interpretation of the LR. The turnaround times in responding to queries were swift and during the year, we resolved 1,614 enquiries on various matters relating to fund raising proposals, transactions and various provisions of the Listing Requirements.

CORPORATE GOVERNANCE STANDARDS AND SUSTAINABILITY PRACTICES

Bursa Malaysia continues its focus on building a strong culture of Corporate Governance (CG) including improving the quality of CG disclosures in annual reports. CG culture in our market has continued to strengthen as indicated by the positive scores obtained in our review of our listed issuers' disclosures as well as in the ASEAN Corporate Governance Scorecard by the Minority Shareholder Watchdog Group in 2016.

In 2016, as part of our efforts to strengthen our rules framework, we also undertook engagements and advocacy initiatives covering a wide range of areas to continuously build higher standards of CG practices and disclosure. Approximately 2,200 directors and practitioners attended our advocacy programmes covering topics on board quality, risk management and internal control and CG disclosure throughout 2016. We also conducted advocacy programmes on topical issues which were relevant to directors of our listed issuers. These comprised half-day breakfast series attended by over 100 directors covering topics such as cyber risks, sustainability and latest development in the area of risk management and internal controls. In March 2016, we collaborated with the Sustainable Stock Exchanges and other international organisations such as the World Federation of Exchanges and UN Global Compact to create more awareness about gender diversity among our listed issuers. The programme involved a robust discussion about the challenges and opportunities of appointing more women in senior management and on boards, which is aligned to our national agenda of having 30.0% women in decision-making positions.

Annually, we assess the CG statements of listed issuers and provide them feedback for improvement. In 2016, we undertook an assessment of the same 280 annual reports of listed issuers whose annual reports had been reviewed in 2014. We had in 2014, reviewed their annual reports and provided feedback on their CG Statements, Audit Committee Reports and Statement of Risk Management and Internal Control. It was noteworthy that just two years later in 2016; listed issuers from small market capitalisation have shown considerable improvement in their disclosures. The results of the review showed improvement on the level and quality of disclosures in annual reports which indicate that the CG culture among listed issuers continues to grow.

We take an inclusive approach to collaborate closely with the relevant parties in the CG ecosystem in order to build a strong CG culture. We worked with the Malaysian Institute of Chartered Secretaries on the issuance of an AGM Guide for directors of listed issuers which was issued on 21 November 2016. We also worked closely with the Institute of Internal Auditors to devise strategies to further improve the internal audit profession.

MEASURES TO PROMOTE SUSTAINABILITY

Following the introduction of the new Sustainability Reporting Framework in 2015, we devised strategies involving engagement and advocacy in order to improve awareness and understanding of sustainability among our listed issuers.

We engaged with listed issuers with market capitalisation of RM2 billion and above as at end December 2015, as this group will be issuing their first mandated Sustainability Statement in their annual report for 2016. We held discussions with the person in charge of sustainability within this group of listed issuers to understand their issues and provide them with further information and advice. We also conducted advocacy sessions for all levels of personnel in these companies ranging from directors and CEOs, CFOs and Chief Sustainability Officers (CSOs), as well as company secretaries and practitioners, in order to create more awareness about sustainability and the reporting requirements and hence, facilitate compliance of the LR.

Some of our advocacy sessions were targeted at specific sectors in order to highlight how our listed issuers within those specific sectors could identify their material sustainability matters and engage with their stakeholders in a meaningful manner, as well as disclose relevant indicators in their Sustainability Statements. Our advocacy sessions were well attended and were facilitated by best-in-class sustainability experts from around the region in order to provide the best expertise available to our listed issuers. In 2016 alone, we had more than 800 listed issuer representatives attending our sustainability advocacy sessions. We also conducted several sessions involving our listed issuers and investors to increase awareness on responsible investing and how this impacts investment decisions.

We have been actively involved in sharing our experience in creating more awareness and understanding about sustainability with the World Bank and the United Nations Principles for Responsible Investing (UNPRI) at events as well as in global dialogues such as with the Sustainable Stock Exchanges.

STANDARDS OF BUSINESS CONDUCT OF INTERMEDIARIES

Our intermediaries have satisfactory standards of business conduct, sound prudential standards and are subject to adequate safeguards for investor protection. There is also satisfactory back office and middle office functions among intermediaries. We have also observed improvements in business conduct as well as standards of self-regulation amongst our intermediaries. There were no material non-compliance affecting the overall systemic risk of the industry and no industry-wide breaches throughout 2016.

During the year, we noted an increase in the demand and reliance on the use of technology for trading activities. In this regard, we have embarked on various efforts to drive awareness on cyber security among intermediaries including carrying out targeted review/inspections, engagements, issuance of guidance note and industry communications, as well as conducting industry advocacy programmes.

In addition, we embarked on an initiative to revise the existing IT Security Standards (ITSS) for the industry. The revised ITSS outlines requirements which are more principle-based and is intended to serve as a guide to brokers in adopting and embracing principles and best practices which are benchmarked against international standards, namely ISO 27001.

To facilitate the ease of doing business, we extended the Green Lane Policy (GLP) to the Derivatives Market, to allow intermediaries which have met the criteria to commence their new activities with only a notification to Bursa Malaysia, instead of the prior approval and processing of readiness audits. The GLP will shorten the time to market for futures brokers and general clearing participants to commence their new activities which includes the opening of new branches or trading kiosks, relocation of business premises or change of business address, establishment of new/additional trading floors, commencement of proprietary trading, commencement of discretionary account trading facilities and commencement/relocation of trading in a dual licensed branch of a related stock broking company.

With the implementation of the GLP, the time-to-market for readiness processing of new activities undertaken by TPs have been shortened as follows:

- **Declaratory Approach to Green Lane from two market days to immediate; and**
- **Self-Assessment Approach from eight market days to immediate**

ENFORCEMENT ACTIVITIES

As part of our vigilant monitoring of compliance with our rules, we take actions for breaches of our rules. Depending on materiality/severity of the breach, enforcement actions or management actions (such as warning/caution/reminder) may be taken. We will take enforcement actions when material breaches are detected and established after thorough investigations and enforcement proceedings are conducted. These proceedings include giving ample opportunity to the defaulting parties to explain their actions prior to determination of breach and appropriate sanctions by our independent regulatory committees which comprise the Listing Committee and Market Participants Committee. In addition, the defaulting parties are accorded with a right of appeal which will be escalated to another independent regulatory committee, namely Appeals Committee. These independent regulatory committees are tasked to undertake deliberations on material breaches of the LR and Business Rules respectively.

In 2016, enforcement actions were taken against 14 listed issuers and 38 directors (of eight listed issuers) for various breaches of the LR. As part of enforcement, we also issued directives against the defaulting parties including, where relevant, directives for directors to undergo mandatory training as well as for errant listed issuers to conduct limited reviews on quarterly reports.

In 2016, actions were also taken against 22 intermediaries – which included Participating Organisations, Trading Participants, Authorised Depository Agents and Clearing Participants and 23 Registered Persons for various breaches of the Business Rules. In particular, for market offences or trading related breaches, enforcement actions were taken against 11 Dealer Representatives (DRs)/Registered Persons. In an effort to improve the conduct of errant DRs/Registered Persons, we also issued directives for mandatory training requirements when the misconduct showed ignorance or lack of understanding of the rules and requirements, similar to the approach under the LR.

Arising from our enforcement actions, we note a declining trend in some of the breaches of our rules, and in particular relating to financial reporting obligations by our listed issuers.

UTILISATION OF FINES AND TRANSFER FEES

The Capital Market Education and Integrity Fund (CMEIF) consists of a collection of all the fines imposed by Bursa Malaysia and its subsidiaries as well as transfer fees. The monies in CMEIF do not form part of Bursa Malaysia's revenue and is mainly utilised for education and advocacy programmes with the aim of raising awareness of our rules and requirements, and matters relating to the capital markets, including investing knowledge for our market participants and investors.

Marketplace Report: Fair and Orderly Market

In 2016, we conducted 92 advocacy programmes for Directors of listed issuers, CFOs, CROs, internal auditors, company secretaries and intermediaries. These programmes were well-received with 5,768 participants. In 2016, we had also introduced the following new programmes in addition to continuing the programmes conducted in 2015:

- (a) Independent Directors Programme;
- (b) New topics for Breakfast sessions with BOD and CG and Sustainability Stakeholders;
- (c) Risk management workshop for Audit Committees, Risk Committees, Executive Directors, CEOs and Risk Officers;
- (d) Risk Management and Internal Control Disclosure Workshop;
- (e) Fraud Risk Management for Board members;
- (f) Sustainability Engagement Series for Directors/CEOs/CFOs/CSOs;
- (g) Sustainability Reporting Workshop for Practitioners;
- (h) Collaboration with MIBA on disclosure education programmes for MIBA members;
- (i) Programme on Governance, Conflict of Interest and Compliance Culture for intermediaries; and
- (j) Programme on Front Office Supervision and Trade Monitoring for intermediaries.

Sustainability Statement

STRENGTHENING OUR APPROACH TO SUSTAINABILITY

Bursa Malaysia promotes sustainability best practices and disclosures among Malaysian Public Listed Companies (PLCs) to secure the long-term viability of our listed issuers and our marketplace. Our strong commitment has been clearly demonstrated in various initiatives we rolled out since 2006.

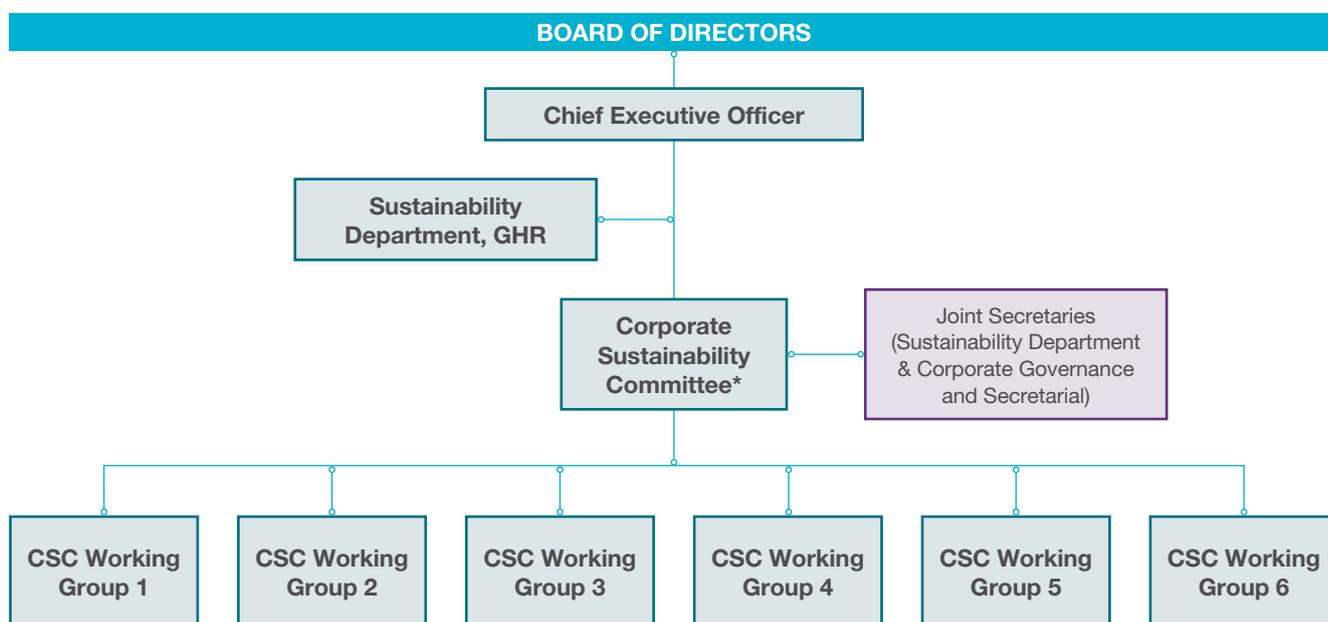
We strive to become the leading market in ASEAN on sustainability and an exemplary PLCs in terms of sustainability strategy, practices and reporting that is not only benchmarked against international standards or frameworks but with peer exchanges as well.

During the year, we embarked on an initiative to review our internal approach to sustainability management in an effort to strengthen our approach to sustainability.

DRIVING SUSTAINABILITY

At Bursa Malaysia, sustainability is governed by the Board, which oversees the Corporate Sustainability Committee and ensures that Bursa Malaysia pursues its regulatory and commercial objectives and remains a responsible organisation. The Board is responsible to review and approve Bursa Malaysia's sustainability strategy. The Corporate Sustainability Committee, chaired by the Chief Executive Officer, updates the Board on all key sustainability matters.

In establishing our governance structure, we considered an optimal structure that ensures efficiency and effectiveness in implementing our sustainability initiatives and disclosures.



* Composition as per Terms of Reference

Sustainability Statement

IDENTIFYING MATERIAL SUSTAINABILITY MATTERS

In our efforts to instil sustainability culture, we conducted a training-cum-workshop for ninety-nine (99) of our middle, senior and top management staff. Through these workshops, we identified a list of our Economic, Environmental and Social (EES) risks and opportunities (Sustainability Matters) for Bursa Malaysia. These sustainability matters were subsequently prioritised, deliberated by the top management and validated with our external key stakeholders. The four validated material Sustainability Matters are as follows:



1. Market Integrity and Stability

Being one of the largest bourses in ASEAN and a key powerhouse of the domestic economy, we continue to place strong emphasis on upholding the integrity and stability of the Malaysia capital market. As the marketplace is very dynamic, we will continue to adopt a balanced approach to regulation, to ensure adequate investor protection whilst facilitating growth and development in the capital market so that it remains competitive.

2. Competition

Bursa Malaysia is exposed to keen competition both regionally and globally. We have drawn up our Blueprint and our Strategic Intentions as well as gameplans with clear growth levers to take us towards our desired end state of becoming Asia's Leading Marketplace.

3. Technology

Technology has been the driving force for Bursa Malaysia in its quest to bring efficiency and innovation to the Exchange, its trading members and investors at large. We will continue to look for ways to improve accessibility, efficiency, security and quality of services of the Exchange.

4. Talent

Our employees are made up of people with vast experience and industry background. In ensuring our long-term sustainability, we continue to recruit, upskill, engage and reward our employees accordingly. We also review and align our structure, processes, people and governance to ensure that we are a highly efficient, effective and competitive Exchange.

A more detailed discussion on each material Sustainability Matter can be found in this Report on pages 12 to 14 as well as our standalone Sustainability Report.

DISCLOSING OUR SUSTAINABILITY PRACTICES

Bursa Malaysia has been disclosing its sustainability practices in the Annual Report since 2006, and from 2011, we have been issuing standalone Sustainability Reports (SRs). Our SRs made reference to Global Reporting Initiatives™ (GRI) G3 and subsequently, to G4 Sustainability Reporting Guidelines.

In continuing our practice since 2011, we issue our standalone SR2016, which describes in greater detail how each Sustainability Matter was being managed and measured through the initiatives undertaken for the year under review. The SR2016, which complements our Annual Report 2016, is available on www.bursamalaysia.com.

GOING FORWARD

We shall develop a sustainability strategy to ensure that we address each material Sustainability Matter in a more holistic and integrated manner moving forward. This may involve developing new policies and procedures, implementing various initiatives, measures and action plans, setting indicators, goals and targets as well as reviewing existing systems that capture, analyse and report sustainability data and information.

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/functional unit 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 2016.

BOARD'S RESPONSIBILITY

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

In 2016, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee (AC) in relation to the internal audits conducted by the Group Internal Audit (GIA) during the year. Audit issues and actions taken by Management to address the issues tabled by GIA were deliberated on during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

The Risk Management Committee (RMC) provides oversight on risk management matters relating to the activities of Bursa Malaysia as an exchange holding company and of its subsidiaries in accordance with Section 22 of the Capital Markets and Services Act 2007 (CMSA), to ensure prudent risk management over Bursa Malaysia's business and operations. At its scheduled meetings in 2016, the RMC had reviewed, appraised and assessed the efficacy of the controls and progress of action plans taken to mitigate, monitor and manage the overall risk exposure of the Group. The RMC also reviewed proposals for new products, monitored the progress and status of risk management activities, as well as raised issues of concern and provided feedback for Management's action.

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

KEY INTERNAL CONTROL PROCESSES

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

1. Separation of Commercial and Regulatory Functions

- a. The Group's commercial and regulatory functions are segregated to ensure the proper discharge of Bursa Malaysia's regulatory duties. Both these functions operate independently of each other to ensure that business units are not in a position to unduly influence any regulatory decision made by the Regulation unit. It is Bursa Malaysia's statutory duty to always act in the public interest, with particular regard for the need to protect investors. As such, the Board of Bursa Malaysia which includes Public Interest Directors is responsible for upholding public interest in its decision making.

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

- b. Processes are established and set out in the Guidelines for Handling Conflict 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 Corporate Authority Manual is reviewed periodically to reflect the authority and authorisation limits of Management in all aspects of the Group's major business operations and regulatory functions.
- c. The Group's Management Governance Framework, comprising two committees for the governance function and two committees for the business operations function, has clearly defined TOR to enable good business and regulatory governance.

Statement on Internal Control and Risk Management

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 on and approved by the Board before its implementation.
- b. The Board is updated on the Group's performance at the scheduled meetings. The Group's business plan and actual vs budget performance for the year are reviewed and deliberated on by the Board on a half-yearly basis. Financial performance variances are presented to the Board on a quarterly basis.
- c. There is a regular and comprehensive flow of information to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy, business and regulatory plans. The Board also reviews and approves the Annual Regulatory Report, which informs the Securities Commission (SC), under Section 16 of the CMSA, of the extent to which Bursa Malaysia and its subsidiaries have complied with their duties and obligations under Sections 11 and 21 of the CMSA.
- d. The Director of Corporate Services who is also the Chief Financial Officer (CFO) is required to provide assurance to the AC that appropriate accounting policies have been adopted and applied consistently, the going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements is appropriate, and that prudent judgements and reasonable estimates have been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards (MFRSs) and the International Financial Reporting Standards (IFRSs). The CFO also assures that adequate processes and controls are in place for effective and efficient financial reporting and disclosure under the MFRSs, IFRSs and Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR), and that the Annual Financial Statements and the quarterly Condensed Consolidated Financial Statements give a true and fair view of the financial position and financial performance of the Group and do not contain any material misstatement.
- e. The Board reviewed the Sustainability Statement which summaries the Group's management of material economic, environment and social risks/opportunities as detailed out in the standalone Sustainability Report.

4. Policies and Procedures

Clear, formalised and documented internal policies, standards and procedures are in place to ensure compliance with internal controls and relevant laws and regulations. A list of identified laws and regulations applicable to Bursa Malaysia is documented and maintained to facilitate compliance. Regular reviews are performed to ensure that documentation remains current and relevant. Common Group policies are available on Bursa Malaysia's intranet for easy access by employees.

5. Audits

- a. Audit engagements are carried out based on the annual audit plan approved by the Audit Committee and takes into consideration feedbacks from the Management. Using a risk based audit approach, GIA assesses the selected areas under the audit scope with regard to risk exposures, compliance towards the approved policies & procedures and relevant laws & regulations and also at times benchmark against available best practices. For any significant gaps identified in the governance processes, risk management processes and controls during the engagements, GIA provides recommendations to Management to improve their design and effectiveness where applicable.
- b. In addition, GIA assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework. The following five interrelated COSO components are considered during the assessment:



- c. 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.

- d. The yearly certification for the Information Security Management System (ISMS), MS ISO/IEC 27001:2013 was carried out by CyberSecurity Malaysia. The ISMS scope covered the management, operation and maintenance of the information system assets and information systems of Bursa Malaysia and its subsidiaries.
- e. In 2016, the Auditor Independence Policy (adopted in 2006) was reviewed and amended to be aligned with the Malaysian Institute of Accountants' By-Law on Professional Ethics, Conduct and Practice and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants. The previous policy required both the external audit lead engagement partner and quality review partner to be subjected to a five-year rotation and a five-year cooling-off period. As a result of the realignment, the cooling off period was revised to two-years without changing the rotation period.

As for the annual plan it comprises of planned audit services (inclusive of the quarterly review on the quarterly financial results and other regulatory reporting requirements), recurring non-audit services and non-recurring non-audit services by the External Auditors. The AC's approval requirement for unplanned non-audit services by the current External Auditors, remains the same.

- f. In addition to the annual audit of the financial statements of the Group, the External Auditors are engaged to conduct reviews on all of the quarterly financial results together with the cumulative quarters in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".
- g. The GIA team is required to conduct quarterly assessments of the internal control system pertaining to the processes of the relevant business/

functional units which have a bearing on the financial information of the Group, to ensure the reliability and integrity of such information. The Director of GIA, who is also the Head of GIA, is required to confirm the effective operation of process controls which support the preparation of the financial statements.

- h. GIA conducts system readiness reviews to assess the progress of project implementation according to the pre-determined timelines, milestones and objectives of the projects and also to ensure that due process has been complied with prior to the implementation or launch of significant systems development and enhancement projects. Post implementation reviews are also conducted after a predefined period of time to assess the realised benefits of the implemented significant systems and projects.

6. Risk Management

- a. To further strengthen the risk management and compliance functions of Bursa Malaysia Group, the Group Risk & Compliance (GRC) was set up on 1 April 2016. Under this enhanced set up, a centralised risk management function integrated with a compliance function for Bursa Malaysia Group was established, to provide a holistic and an enterprise-wide view of the risk and compliance management within the Group.
- b. The Group has in place an established risk management framework for managing risks affecting its business and operations which was based on the ISO 31000:2009 Risk Management – Principles and Guidelines and International Organisation of Securities Commissions (IOSCO) – Principles of Financial Market Infrastructures (PFMI). One of the key features of the risk management framework is a risk management structure comprising three lines of defence with established and clear functional responsibilities and accountabilities for the management of risk.

Three Lines of Defence



The 1st level of the control environment is the **business operations** which performs day to day risk management activity.

The 2nd line of defence provides **oversight function** and sets directions, defines policy and provides assurance.

Internal audit is the 3rd line of defence, offering **independent challenge** to the levels of assurance provided by business operations and oversight functions.

Statement on Internal Control and Risk Management

- c. 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 based on the Risk Management Principles & Framework and Risk Management Process & Guidelines manuals. This group of personnel is also responsible for the continuous development of the risk management capabilities of employees and ensure that risk management is embedded in all key processes and activities.
- d. The second line of defence is provided by the GRC team, with oversight by the RMC. The GRC team is responsible for monitoring the risk and compliance management activities of the Group.
- e. The third line of defence is provided by the GIA. GIA reports directly to the AC and provides independent assurance of the adequacy and reliability of governance, internal control and risk management processes.
- f. Within the framework, the Group has 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 enterprise levels. The analysis and evaluation of our risks are guided by approved risk criteria. The Group also has risk management tools to support the risk management process and reporting.
- g. 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. Clear risk treatment guidance are in place stipulating the actions to be taken for each type of risks.
- h. With the implementation of the new integrated GRC structure, the management and reporting of risks in the Group have been restructured and reorganised to align with the four established risk categories for the Enterprise Risk Management as outlined below:
 - i. **Management of Strategic Risk**
Strategic risk refers to the Group’s exposure to both internal and external events that can either support or prevent the Group from achieving its

strategic objectives. As Bursa Malaysia pursues its aspiration to become a developed market, external events such as competition from other exchanges to attract investors for new listings can affect Bursa Malaysia’s competitive position. To mitigate such risk, pursuing initiatives such as the development of new capital market products to attract the interest of investors or expanding Bursa Malaysia’s footprint beyond its shores can help to improve Bursa Malaysia’s competitive position. In this way, the value creation arising from the management of such strategic risk are the reduction of downside risks while increasing the upside potential to the organisation. Ultimately, this will result in the protection and preservation of shareholder value.

ii. Management of Operational Risk

The management of operational risk is guided by the definition and Principle 17 of the Committee on Payment Settlement and Systems (CPSS)-IOSCO)-PFMI. Operational risk is identified as the risk that deficiencies in information systems or internal processes, human errors, management failures, or disruptions from external events will result in the reduction, deterioration, or breakdown of services provided by a Financial Market Infrastructure.

The management of some of the significant operational risks faced by the Group for the financial year 2016 are outlined below:

● **Cyber security**

In order to ensure that the systems and information are secured, Bursa Malaysia has invested and set in place adequate IT security tools and mechanisms to enhance our cyber resilience capabilities to anticipate, withstand, contain and rapidly cover from a cyber incident with the objective of limiting the escalating risks that cyber threats pose to Bursa Malaysia and the broader capital market. The tools and mechanisms are reviewed and assessed to observe with the Guidance on Cyber Resilience for Financial Market Infrastructures issued by IOSCO as well as to comply with the Guidelines on Management of Cyber Risk issued by the SC Malaysia.

○ **Business interruption**

Appropriate systems with adequate capacity, security arrangements, facilities and resources are in place to mitigate risks that could cause interruption to the Group's critical business functions. The Group has a comprehensive Business Continuity Plan (BCP), including a Disaster Recovery Plan which is tested annually to ensure continuity of the business and technology operations.

In 2016, the Group did not encounter any major business interruption. In order to provide assurance that the Group can continue its business operations in the event of a disaster, two mandatory industry-wide BCP exercises were conducted in 2016.

Besides the mandatory industry wide test, the Group also facilitated two BCP exercises for the market participants. The objective of this exercise was to ensure market participants' backup sites/systems can be connected successfully to Bursa Malaysia.

○ **Talent management**

In 2016, the Group continued to implement and conduct various talent management and leadership programmes to further strengthen and improve the competency and capabilities of the human resources of the Group. Bursa Malaysia has also embarked on a review and implementation of the Optimising Organisational Structure for Organisation Effectiveness of the Group with the intention to align and steer Bursa Malaysia to be regional-ready, more competitive and become a productive, efficient and effective High Performance Organisation.

iii. **Management of Financial Risk**

The Group has in place robust risk management processes and procedures to manage counterparty/settlement risks and prevent a systemic impact on the market. Bursa Malaysia Securities Clearing Sdn Bhd (BMSC) and Bursa Malaysia Derivatives Clearing Berhad (BMDC) (collectively referred to as "Clearing Houses") act as the central counterparty for equities and derivatives trades, respectively, and thus are subject to counterparty credit risk. The processes and procedures of these two Clearing Houses are in line with the PFMI issued by the CPSS, Technical Committee of the IOSCO. The management of financial risk is guided by the following principles:

Principle 4 of PFMI (credit risk)	requires the Central Counterparty (CCP) to maintain sufficient financial resources to cover its credit exposure to each participant and manage its credit exposure arising from its payment, clearing and settlement processes effectively.
Principle 5 of PFMI (Collateral)	requires the CCP to accept only collaterals with low credit, liquidity and market risks while ensuring appropriate haircut and limits are imposed accordingly.
Principle 6 of PFMI (Margin)	requires the CCP to manage its credit exposure through the collection of margins.
Principle 7 of PFMI (Liquidity Risk)	requires the CCP to maintain sufficient liquid resources in all relevant currencies to effect same-day, intraday and multiday settlements with a high degree of confidence.
Principle 16 of PFMI (Custody and Investment Risk)	requires the CCP to safeguard its own and participants' assets and invest in instruments with minimal credit, market and liquidity risks.

The risk mitigation measures that have been put in place to manage Financial Risk are outlined below:

- Daily mark-to-market of outstanding positions and intraday revaluation of positions and collaterals;
- Initial and variation margin requirements; as well as prudent cash and collateral management;
- Monitor Trading Clearing Participants' (TCP) and Clearing Participants' (CP) capital adequacy ratios and adjusted net capital levels;
- Monitor settlement flows for both BMSC and BMDC and manage clearing house' exposure vis-a-vis other financial institutions;
- Perform daily stress-tests on adequacy of the Clearing Guarantee Fund (CGF) of BMSC and the Clearing Fund of BMDC respectively, to ensure that they are sufficient to protect the Clearing Houses under extreme but plausible market scenarios;

Statement on Internal Control and Risk Management

- Perform daily stress tests on adequacy of liquid resources of the Clearing Houses to ensure that there are sufficient liquid resources to meet its settlement obligations on a timely manner; and
- Conduct annual default drill exercises by simulating default scenarios to test the effectiveness of the Default Management Procedures to ensure they remain robust and relevant in the face of the uncertain market environment.

In 2016, there were no settlement defaults by any TCP or CP and neither the CGF nor the Clearing Fund needed to be called upon.

The Group will continue to review and enhance the above processes and procedures in accordance with global best practices and standards to ensure that the risk management framework remains relevant and applicable in the current market environment.

iv. Management of Legal and Regulatory Risk

The management of legal and regulatory risk focuses on protecting the Group from legal liability while ensuring that it is able to operate its business competitively under the changing regulatory landscape. With such a risk mechanism in place, it will help to preserve investor confidence in Bursa Malaysia as the reputation of the exchange will be mitigated from the impact of potential lawsuits and regulatory changes. Risk techniques to assess and mitigate the potential impact on the Group's business operations from regulatory changes are continuously being developed and enhanced.

- i. Towards the end of 2016, all existing significant risks have been revisited together with any relevant inherent and emerging risks to assess their impact on the Group for the upcoming year and the Group recognised that the above significant risks will remain relevant for 2017.

7. Compliance Management

- a. The Group's compliance management covers compliance to all legal obligations imposed on Bursa Malaysia, in particular laws, regulations, rules and major identified guidelines or legal requirements. It also covers risk-based compliance to internal policies and procedures, code of ethics and business conduct.

- b. In managing the compliance function, a compliance charter and compliance management framework are in place to ensure that the conduct of the compliance function is governed by internationally recognised standards and provide structured processes for establishing, implementing, evaluating, maintaining and improving the compliance management system for the Group. The Compliance Framework was developed based on the detailed guidance of ISO 91600 Compliance Management.

8. Performance Measurement

- a. Key Performance Indicators (KPIs), which are based on the Corporate and Divisional Balanced Scorecards and Individual KPIs and Behavioural Competencies are used to track and measure employees' performance.
- b. Yearly employee engagements and customer satisfaction surveys are conducted to gain feedback on the effectiveness and efficiency of stakeholder engagements for continuous improvement.

9. Employees' Competency

Hiring and Termination Guidelines are in place while training and development programmes are conducted to ensure that employees acquire the necessary competencies required to carry out their respective job roles in achieving the Group's objectives.

10. Conduct of Employees

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

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

and enhances the 3Ds – "Dynamic, Driven and Dependable" behaviour of its employees.

- b. A Code of Ethics is established for all employees, which defines the ethical standards and conduct of work required at Bursa Malaysia.

- c. Bursa Malaysia has a Whistleblower Policy and Procedures (WPP) to provide an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Group. The AC has the overall responsibility in overseeing the implementation of the WPP for Bursa Malaysia Group.
- d. A Securities Transaction Policy is established to govern the securities transactions of the Group's employees. 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. All 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 the Group's quarterly and annual financial results.
- e. A Corporate Fraud Policy is established to aid in the detection and prevention of fraud and to promote consistent organisational behaviour and practices.
- f. An Information Management Policy has been established to provide direction and guidance for the classification, management and control of information used by the Group, so as to protect and preserve the security of information from being wrongly disseminated or distributed to unauthorised parties.
- g. Management and employees at Grade E6 and above are required to annually declare and provide an update on assets acquired or disposed of during the year.
- h. Segregation of duties is practised whereby conflicting tasks are assigned to different employees to reduce the scope for error and fraud.

11. Insurance

Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. A yearly policy renewal exercise is undertaken by Management to review the coverage of the assets as recorded in the current fixed asset register and their respective net book values and "replacement values", i.e. the prevailing market price for the same or similar item, where applicable. There is also a yearly exercise to ensure the adequacy and renewal of the Group's professional indemnity insurance coverage.

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement for inclusion in the 2016 Annual Report, and have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate. This Statement was approved by the Board on 3 February 2017.

GIA has also reviewed this Statement and reported to the AC that, while it has addressed certain individual lapses in internal control during the course of its internal audit assignments for the year, it has not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control and risk management system.

CONCLUSION

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

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

Audit Committee Report

The Board presents the Audit Committee Report which provides insights into the manner in which the Audit Committee discharged its functions for the Group in 2016.

COMPOSITION AND ATTENDANCE

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

The AC Chairman, Mr Pushpanathan a/l S.A. Kanagarayar, is a member of the Institute of Chartered Accountants of Scotland, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants. Accordingly, Bursa Malaysia complies with paragraph 15.09(1)(c)(i) of MMLR.

The Board reviews the terms of office of the AC members and assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation. The Board is satisfied that the AC and its members discharged their functions, duties and responsibilities in accordance with the AC's Terms of Reference (TOR), supporting the Board in ensuring the Group upholds appropriate CG standards. The TOR of the AC was also reviewed and amended during the year to reflect the changes in line with the recent amendments to the MMLR.

MEETINGS

The AC held six meetings in 2016 without the presence of other Directors and employees, except when the AC requested their attendance. The Chief Executive Officer (CEO) was invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the Group's operations. The Director of Group Internal Audit (GIA), who is also the Head of GIA, and departmental heads of the respective GIA functions attended all AC meetings to table the respective Internal Audit (IA) reports. The relevant responsible Management member of the respective auditees were invited to brief the AC on specific issues arising from the audit reports or any matters of interest.

As part of the AC's efforts to ensure the reliability of Bursa Malaysia's quarterly financial statements and compliance with applicable Financial Reporting Standards, the External Auditors were engaged to conduct a limited review of Bursa Malaysia's quarterly financial statements before these were

presented to the AC for review and recommendation for the Board's approval and adoption.

Minutes of each AC meeting were recorded and tabled for confirmation at the next following AC meeting and subsequently presented to the Board for notation. In 2016, the AC Chairman presented to the Board the Committee's recommendations to approve the annual and quarterly financial statements as well as declaration of dividends. The AC Chairman also conveyed to the Board matters of significant concern as and when raised by the External Auditors or Internal Auditors.

As the AC is responsible for overseeing the implementation of the Whistleblower Policy and Procedures (WPP) for the Group's employees and third parties, several emails addressed to the Senior Independent Director from external parties had been escalated by the Head of GIA to the AC for notation at its meetings in 2016 in accordance with the process under the WPP. As these complaints received during the year were routine in nature and not the subject matter of the WPP, they were referred to and resolved by the relevant operating units, accordingly.

SUMMARY OF WORK

The AC's work during 2016 comprised the following:

1. Financial Reporting

- a. In overseeing Bursa Malaysia's financial reporting, the AC reviewed the quarterly financial statements for the fourth quarter of 2015 and the annual audited financial statements of 2015 at its meeting on 28 January 2016.

The quarterly financial statements for the first, second and third quarters of 2016, which were prepared in compliance with the Malaysian Financial Reporting Standard (MFRS) 134 *Interim Financial Reporting*, International Accounting Standards (IAS) 34 *Interim Financial Reporting* and paragraph 9.22, including Appendix 9B of the MMLR, were reviewed at the AC meetings on 20 April 2016, 21 July 2016 and 20 October 2016, respectively.

On 23 January 2017, the AC reviewed the quarterly financial statements for the fourth quarter of 2016 and the annual audited financial statements for 2016.

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

b. To safeguard the integrity of information, the Director of Corporate Services, who is also the Chief Financial Officer (CFO) had, on 14 April 2016, 14 July 2016, 14 October 2016 and 16 January 2017, given assurance to the AC that:

- i. Appropriate accounting policies had been adopted and applied consistently;
- ii. The going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements was appropriate;
- iii. Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
- iv. Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, IASs and MMLR; and
- v. The Annual Financial Statements and Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2016.

2. External Audit

a. The AC at its first meeting on 14 January 2016 deliberated the outcome of the tender evaluations for the appointment of an independent firm in providing audit and tax services as presented by the Minor Tender Committee, which included an assessment of the engagement teams' qualifications, credentials and experience, particularly in the financial services sector, the firms' competitive advantage with global network resources, their audit work approach, and their ability to provide value added advice and services, as well as to perform the work within Bursa Malaysia's timelines. The AC recommended to the Board for approval of the appointment of Messrs Ernst & Young (EY) as External Auditors of Bursa Malaysia Group for the financial year (FY) ended 31 December 2016.

With the shareholders' approval of the appointment of EY as External Auditors for the FY ended 2016 on 31 March 2016, Dato' Megat Iskandar Shah Bin Mohamad Nor of EY, being the lead audit engagement partner for the second year in 2016, presented the auditors' review reports on the unaudited quarterly financial statements together with that of the relevant cumulative quarters in accordance with the International Standard on Review Engagements (ISRE) 2410 "*Review of Interim Financial Information Performed by the Independent*

Auditor of the Entity" at the quarterly AC meetings in 2016 and January 2017.

b. The AC deliberated on the External Auditors' report at its meeting on 28 January 2016 with regard to the relevant disclosures in the annual audited financial statements for 2015.

The AC took note of the audit services rendered by EY in 2015 which involved the additional five subsidiary companies within Bursa Malaysia Group, i.e. the securities and derivatives exchanges and their respective clearing houses, as well as the central depository, which are classified as public interest entities and subject to the quality review partner's review.

With regard to the non-audit services, a separate team from EY which was not involved in the statutory audit work was engaged to conduct the cyber security assessment. In this respect, the AC, based on its review, was also satisfied that the provision of non-audit services by EY to Bursa Malaysia for the FY 2015 did not in any way impair their objectivity and independence as external auditors of Bursa Malaysia.

c. On 20 April 2016, the CFO sought the AC's approval for the proposed audit and non-audit services to be provided by the External Auditors for 2016 (Annual Plan 2016). The AC reviewed the list of services in the Annual Plan 2016 which comprised the audit services (which included the quarterly limited reviews and other regulatory reporting requirements such as annual review of the Statement on Internal Control and Risk Management (SICRM)), recurring non-audit services and non-recurring non-audit services that may be provided by the External Auditors. The recurring non-audit services were in respect of tax compliance and transfer pricing report. The non-recurring non-audit services that were expected to be utilised in 2016 were advisory services on sustainability reporting assessment and transfer pricing review on the proposed fixed management fees model. In considering the nature and scope of non-audit fees, the AC was satisfied that they were not likely to create any conflict of interest nor impair the independence and objectivity of the External Auditors.

The AC had on 20 April 2016 reviewed the proposed amendments to the Auditor Independence Policy which was previously approved by the Board on 29 June 2006. The proposed amendments to the Auditor Independence Policy were to reflect the current practices and to be aligned with the MIA By-Law on professional ethics, conduct and practice. The AC deliberated and recommended the proposed amendments for the Board's approval and the same was duly approved by the Board on 25 April 2016.

Audit Committee Report

- d. On 20 October 2016, the AC reviewed the External Auditors' 2016 Audit Plan outlining their scope of work and the proposed fees for the statutory audit, together with assurance-related fees for limited reviews of the quarterly condensed consolidated financial statements together with additional review procedures for relevant financial reporting, and review of the SICRM in accordance with International Standard on Assurance Engagements (ISAE) 3000 *Assurance Engagements other than Audits or Review of Historical Financial Information* and Recommended Practice Guide 5 (Revised) – Guidance for Auditors on Engagement to Report on the SICRM included in the Annual Report as issued by the MIA. The AC recommended the proposed audit fees for the Board's approval and the same was duly approved by the Board on 24 October 2016.

EY in its 2016 Audit Plan also presented to the AC its engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters. In applying the Auditor Independence Policy of Bursa Malaysia Group as approved by the Board in April 2016, the lead engagement partner and quality review partner who are responsible for the financial statements of Bursa Malaysia Group will be subject to a five-year rotation with a two-year cooling-off period. Dato' Megat Iskandar Shah Bin Mohamad Nor became the lead engagement partner in 2015 and will be rotated in 2020. The quality review partner Mr Abraham Verghese was replaced by Mr Yeo Beng Yean in 2016 due to his retirement from the firm. Mr Yeo Beng Yean will be due for rotation in 2021.

- e. The AC had two private meetings with the External Auditors in January and October 2016 respectively, without the presence of the CEO, Management, and Internal Auditors. The AC enquired about Management's co-operation with the External Auditors, their sharing of information and the proficiency and adequacy of resources in financial reporting functions, particularly in relation to the compliance with applicable MFRSs. The AC Chairman also invited the External Auditors to contact him at any time should they be aware of incidents or matters in the course of their audits or reviews that needed his attention or that of the AC or the Board.

At these meetings, the External Auditors also highlighted to the AC some of their observations and areas for improvement opportunities. With regard to the new and revised auditor reporting standards that were to be effective from 16 December 2016, EY

shared with the AC on 20 October 2016, the format of the new audit report together with the broad areas that could be covered under the key audit matters.

- f. On 23 January 2017, the AC undertook an annual assessment of the quality of audit which encompassed the performance of EY, the quality of EY's communications with the AC and Bursa Malaysia, and EY's independence, objectivity and professionalism.

Assessment questionnaires were used as a tool to obtain input from Bursa Malaysia personnel who had substantial contact with the external audit team throughout the year. EY's performance was rated using a five-point scale on their ability to provide advice, suggestions or clarifications relating to the presentation of financial statements, ability to provide realistic analysis of issues using technical knowledge and independent judgment, and maintain active engagement, through both verbal and written communication during the audit process, as well as their responsiveness to issues.

With regard to the observations by Bursa Malaysia's personnel on the external audit team, the AC also took into account the assessment of the lead audit engagement partner and engagement team's performance based on the two private meetings held between the AC and the external auditors in October 2016 and January 2017.

- g. The AC was satisfied with the suitability of EY, as a firm as well as in terms of the professional staff assigned to the audit, based on the quality of services and sufficiency of resources they provided to the Group. The AC took note of the openness in communication and interaction with the lead audit engagement partner and engagement team, which demonstrated their independence, objectivity and professionalism.

The above outcome of the performance assessment of EY for 2016 supports the AC's recommendation to the Board for approval of the appointment of EY as External Auditors for the FY ending 31 December 2017.

The Board at its meeting held on 3 February 2017 approved the AC's recommendation to appoint EY, subject to the shareholders' approval being sought at the forthcoming 40th AGM on the appointment of EY as external auditors of the Company for the FY ending 31 December 2017.

- h. On 23 January 2017, the CFO reported that non-audit fees incurred in 2016 amounted to RM218,400, constituting approximately 32.6% of the total remuneration of RM670,600 to the External Auditors for the FY 2016. The non-recurring non-audit services rendered in 2016 included the advisory services on sustainability reporting assessment, amounting to RM115,000, which constituted approximately 17.1% of the total remuneration.

The CFO also sought the AC's approval for the proposed audit and non-audit services to be provided by the External Auditors for 2017.

- i. EY had provided a written assurance on 23 January 2017 to the AC that, in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2016.

3. Internal Audit

- a. The GIA team conducted the audit work as per the 2016 Annual Audit Plan approved by the AC on 17 November 2015. The Head of GIA and departmental heads of the respective GIA functions presented the GIA's reports at each of the AC meetings during the year. The 2016 Annual Audit Plan was reviewed on a half-yearly basis or as required to reflect the developments that have had an impact on its coverage. A total of 48 audit engagements were completed in 2016.
- b. GIA's scope of audit engagements was developed based on risk based audit methodology. The identified key audit areas in 2016 were as follows:

- Securities Market
- Bursa Malaysia Derivatives
- Islamic Capital Market
- Regulation
- Market Operations
- Technology & Systems
- Review of critical systems and their disaster recovery process
- Other Functional Units – Group Human Resources and Corporate Services

- c. In addition to the engagement reports, GIA updated the AC on its work at every AC meeting comprising the progress of the 2016 Annual Audit Plan, ad-hoc assignments and GIA's key initiatives for 2016.

- d. As for the 2016 GIA's Scorecard which was earlier approved at the fifth AC meeting held on 17 November 2015, the AC in July 2016 endorsed the revisions to the 2016 GIA's Scorecard in line with the divisional exercises carried out to include Key Performance Indicators (KPIs) that were aligned with Bursa Malaysia's strategic direction.

- e. In January 2016, the AC reviewed and approved the 2015 GIA Divisional Scorecard results. The AC also assessed the performance of the Head of GIA based on the performance of the Corporate Scorecard, GIA Divisional Scorecard results and competencies. The outcome of the Head of GIA's performance assessment was then submitted to the Nomination and Remuneration Committee (NRC) for determination of her reward allocation.

The AC also assessed the performance and competency of the Head of GIA as well as her key achievements over the past three years. The AC approved the renewal of her service contract for a term of three years, upon the terms of remuneration as determined by the NRC.

- f. At the meeting on 20 April 2016, the AC reviewed the results of GIA's Customer Satisfaction Survey for 2015, based on the responses of the AC members and senior management via questionnaires, which aimed to gauge the level of satisfaction with the IA roles and services, Internal Auditors' competency and professionalism in governance, risk and controls, as well as their independence and objectivity. The results indicated that GIA's performance for FY2015 met its stakeholders' expectations. Notwithstanding, GIA had further identified and established some action plans to address areas which can be enhanced and to maintain their relevance with enrichment of knowledge and capabilities.

- g. During the same meeting, GIA presented to the AC the 2015 Control Risk Assessment report which provided the results of overall assessment of the internal control systems to manage the key risks within the Group. Based on the engagements carried out in 2015, GIA reported that the overall internal control assessment for Bursa Malaysia is adequate with reference to the five elements of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), i.e. control environment, risk assessment, control activity, information and communication as well as monitoring.

Audit Committee Report

- h. The AC on 21 July 2016 reviewed the verification of share grants under Bursa Malaysia's Share Grant Plan (SGP), which comprises two components: the Restricted Share Plan (RSP) for employees at Grade E7 and above, and the Performance Share Plan (PSP) for key management personnel. The AC concurred that the award of shares under the SGP complied with the criteria approved by the NRC pursuant to Paragraph 8.17(2) of the MMLR, which included the following:
 - i. The award of Bursa Malaysia Plan Shares to eligible employees of the Group on 1 July 2016 for the 2016 RSP Grant based on their job grades and performance ratings for 2015;
 - ii. The vesting of Plan Shares for the 2013, 2014 and 2015 RSP Grants on 15 July 2016; and
 - iii. The award of Plan Shares to selected executives of the Group on 1 July 2016 for the 2016 PSP Grant based on performance targets for the period 2016 to 2018.
- i. Arising from the AC's proposal for EY to leverage on certain resources of Bursa Malaysia's internal auditors in the FY 2016 audit as well as reliance on the internal audit reports, EY had on 20 October 2016 presented the involvement of GIA in their 2016 audit plan. Based on the plan, areas of collaboration were identified and the selected internal auditors had participated in the 2016 year-end audit under the direct supervision of the EY's audit team.
- j. On 23 November 2016, the AC deliberated and approved the 2017 GIA Scorecard that is developed in line with the proposed Corporate Scorecard for 2017.
- k. At the same meeting, the AC reviewed and approved the GIA's Audit Plan for 2017, having considered the adequacy of scope and coverage of all auditable areas in the first year of the new three-year cycle, and the allocation of Internal Auditors' man-days to the respective audit activities.
- l. The AC reviewed the SICRM on 23 January 2017, for publication in the 2016 Annual Report.
- m. On 23 January 2017, GIA confirmed its organisational independence to the AC, where the Head of GIA and all the internal auditors had signed the annual declaration that they were and had been independent, objective and in compliance with the Code of Ethics of Bursa Malaysia and the Institute of

Internal Auditors Inc. in carrying out their duties for the FY 2016.

- n. In the same meeting, the AC deliberated and approved GIA's 2017-2020 Strategy Plan (which is inclusive of the 2017 Business Plan) that was developed in line with the corporate strategy.

INTERNAL AUDIT FUNCTION

The mission of GIA is to enhance and protect organisational value of Bursa Malaysia Group by providing risk-based and objective assurance, advice and insight. GIA helps Bursa Malaysia to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. GIA, which reported functionally to the AC and administratively to the CEO, was led by the Head of GIA during the FY 2016. 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 IA engagements were carried out based on a risk-based audit plan approved by the AC. The results of the audits in the IA reports were reviewed by the AC. The relevant Management members were made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframes. GIA conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately. In this respect, the IA has added value by enhancing the governance, risk management and control processes within the Group.

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

The total costs incurred by GIA in discharging its functions and responsibilities in 2016 amounted to RM3,518,478 as compared to RM3,778,102 in 2015.

Other Corporate Information

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Karownikaran @ Karunakaran a/l Ramasamy

Tel: 03-2297 2101

E-mail: karu.kr@gmail.com

COMPANY SECRETARIES

Yong Hazadurah Md. Hashim

LS 006674

Hong Soo Yong, Suzanne

MAICSA 7026744

REGISTERED OFFICE

15th Floor, Exchange Square

Bukit Kewangan, 50200 Kuala Lumpur

Tel: 03-2034 7000

Fax: 03-2732 6437

E-mail: enquiries@bursamalaysia.com

Web: www.bursamalaysia.com

FORM OF LEGAL ENTITY

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

STOCK EXCHANGE LISTING

Listed on Main Board of Bursa Malaysia Securities Berhad on 18 March 2005

Stock Code: 1818

Stock Name: BURSA

CUSTOMER SERVICE

Bursa Malaysia Berhad

3rd Floor, Exchange Square

Bukit Kewangan, 50200 Kuala Lumpur

Tel: 03-2026 5099

Fax: 03-2072 2567

E-mail: customerservice@bursamalaysia.com

INVESTOR RELATIONS

Rasmona Abdul Rahman

13th Floor, Exchange Square

Bukit Kewangan, 50200 Kuala Lumpur

Tel: 03-2034 7175

Fax: 03-2026 3687

E-mail: ir@bursamalaysia.com

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Tel: 03-2783 9299

Fax: 03-2783 9222

E-mail: is.enquiry@my.tricorglobal.com

Web: www.tricorglobal.com

Tricor's Customer Service Centre

Unit G-3, Ground Floor, Vertical Podium

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

AUDITORS

Ernst & Young (AF 0039)

Chartered Accountants

Level 23A, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

50490 Kuala Lumpur

PRINCIPAL BANKERS

CIMB Bank Berhad (13491-P)

5th Floor, Bangunan CIMB

Jalan Semantan

Damansara Heights

50490 Kuala Lumpur

Malayan Banking Berhad (3813-K)

Menara Maybank

100, Jalan Tun Perak

50050 Kuala Lumpur

Financial Report

FINANCIAL STATEMENTS

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Directors' Responsibility Statement

FOR THE AUDITED FINANCIAL STATEMENT

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

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

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgments 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 the financial position of the Group and of the Company with reasonable accuracy, enabling 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.

Director's 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 2016.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	Group	Company
	RM'000	RM'000
Profit for the year	202,661	172,040
Profit attributable to:		
Owners of the Company	193,621	172,040
Non-controlling interest	9,040	–
	<u>202,661</u>	<u>172,040</u>

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.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2015 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015, as reported in the Directors' report of that year:	
Final dividend under the single-tier system of 18.0 sen per share, on 534,864,000 ordinary shares, approved on 31 March 2016 and paid on 18 April 2016	96,276
In respect of the financial year ended 31 December 2016:	
Interim dividend under the single-tier system of 17.0 sen per share, on 536,272,000 ordinary shares, declared on 25 July 2016 and paid on 19 August 2016	91,166
Total dividends paid since 31 December 2015	<u>187,442</u>

At the forthcoming Annual General Meeting, a final dividend under the single-tier system in respect of the financial year ended 31 December 2016 of 17.0 sen per share on 536,272,000 ordinary shares, amounting to a dividend payable of approximately RM91,166,000 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 2017.

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:

Tan Sri Amirsham bin A Aziz	
Datuk Seri Tajuddin bin Atan	
Dato' Saiful Bahri bin Zainuddin	
Datuk Karownakaran @ Karunakaran a/l Ramasamy	
Datuk Chay Wai Leong	
Ghazali bin Hj Darman	
Dato' Zuraidah binti Atan	
Pushpanathan a/l S.A. Kanagarayar	
Dato' Eshah binti Meor Suleiman	(retired on 31 March 2016)
Datuk Dr. Md Tap bin Salleh	(appointed on 1 April 2016)
Johari bin Abdul Muid	

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 of the Company during the financial year were as follows:

	Number of ordinary shares of RM0.50 each		
	1.1.2016	Shares vested under the SGP	31.12.2016
	'000	'000	'000
Direct interests			
Datuk Seri Tajuddin bin Atan	298	339	637

	Number of ordinary shares of RM0.50 each granted under the SGP			
	1.1.2016	Granted	Vested	31.12.2016
	'000	'000	'000	'000
Datuk Seri Tajuddin bin Atan	218	311	(339)	190

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.

Director's Report

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM267,307,000 to RM268,136,000 by way of the issuance of 1,658,000 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 was implemented on 18 April 2011 and is made up of two plans – the Restricted Share Plan (RSP) and the Performance Share Plan (PSP). The SGP will be in force for a maximum period of ten years from the date of implementation.

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

During the financial year, the Company granted 1,317,000 shares under the RSP and 312,000 shares under the PSP to its eligible employees. The details of the shares granted under the SGP and its vesting conditions are disclosed in Note 28(b) to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the Directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

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 3 February 2017.



Tan Sri Amirsham bin A Aziz



Datuk Seri Tajuddin bin Atan

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Amirsham bin A Aziz and Datuk Seri 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 111 to 198 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 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 3 February 2017.



Tan Sri Amirsham bin A Aziz



Datuk Seri Tajuddin bin Atan

Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Rosidah binti Baharom, being the Officer primarily responsible for the financial management of Bursa Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 111 to 199 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Rosidah binti Baharom at Kuala Lumpur in the Federal Territory on 3 February 2017.



Rosidah binti Baharom

Before me,



Tingkat 20 Ambank Group Building
55, Jln. Raja Chulan, 50200 Kuala Lumpur 5

Independent Auditors' Report

TO THE MEMBERS OF BURSA MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

REPORTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bursa Malaysia Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 111 to 198.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their 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.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (By-Laws) and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Independent Auditors' Report

TO THE MEMBERS OF BURSA MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

REPORTS ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

Risk

The risk that goodwill may be impaired

The Group's and Company's goodwill balances as at 31 December 2016 stood at RM42,957,000 and RM29,494,000.

On an annual basis, management is required to perform an impairment assessment for goodwill.

This assessment is significant to our audit as it involves significant management judgment and is based on assumptions that are affected by expected future market and economic conditions.

This risk is also described in Note 2 to the financial statements.

Responses

Audit procedures over the risk that goodwill may be impaired

We examined the cash flow forecasts which support management's goodwill impairment assessment. We evaluated the evidence supporting the underlying assumptions in those forecasts, by comparing revenue and expenses to approved budgets, considering prior budget accuracy, and comparing expected growth rates to relevant market expectations.

We tested the weighted-average cost of capital discount rates assigned to the cash generating units, as well as the long-term growth rate, with reference to our understanding of the business.

We performed sensitivity analysis on the key inputs to impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying value.

We also reviewed the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with International Financial Reporting Standards, Malaysian 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

REPORTS ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Responsibilities of the directors for the financial statements (cont'd.)

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards of auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concerns.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report

TO THE MEMBERS OF BURSA MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

REPORTS ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

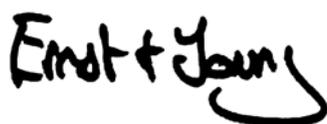
- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated 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 material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 42 on page 199 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



Dato' Megat Iskandar Shah Bin Mohamad Nor
No. 3083/07/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
3 February 2017

Statements of Profit or Loss

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating revenue	3	472,708	487,670	349,138	364,670
Other income	4	34,075	30,834	18,218	15,803
		506,783	518,504	367,356	380,473
Staff costs	5	(128,550)	(133,938)	(119,442)	(122,720)
Depreciation and amortisation	6	(24,227)	(23,739)	(22,080)	(21,646)
Other operating expenses	7	(83,416)	(82,051)	(54,523)	(51,748)
Profit before tax		270,590	278,776	171,311	184,359
Income tax expense	9	(67,929)	(72,321)	729	4,393
Profit for the year		202,661	206,455	172,040	188,752
Profit attributable to:					
Owners of the Company		193,621	198,613	172,040	188,752
Non-controlling interest		9,040	7,842	-	-
		202,661	206,455	172,040	188,752
Earnings per share attributable to owners of the Company (sen per share):					
Basic	10(a)	36.2	37.2		
Diluted	10(b)	36.0	37.0		

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 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year	202,661	206,455	172,040	188,752
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
Gain on foreign currency translation	150	506	-	-
Net fair value changes in Available-For-Sale (AFS) financial assets	-	30,141	-	30,144
Net fair value changes in unquoted bonds at Fair Value Through Other Comprehensive Income (FVTOCI)	356	-	-	-
Income tax effects relating to AFS financial assets (Note 18)	-	17	-	15
Income tax effects relating to unquoted bonds at FVTOCI (Note 18)	2	-	-	-
	508	30,664	-	30,159
Items that will not be subsequently reclassified to profit or loss:				
Actuarial losses on defined benefit obligations (Note 28(a))	(627)	(884)	(627)	(884)
Net fair value changes in quoted shares at FVTOCI	48,984	-	48,984	-
Income tax effects relating to actuarial losses on defined benefit obligations (Note 18)	151	168	151	168
	48,508	(716)	48,508	(716)
Total other comprehensive income for the year, net of income tax	49,016	29,948	48,508	29,443
Total comprehensive income for the year	251,677	236,403	220,548	218,195
Total comprehensive income attributable to:				
Owners of the Company	242,637	228,561	220,548	218,195
Non-controlling interest	9,040	7,842	-	-
	251,677	236,403	220,548	218,195

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

Statements of Financial Position

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	183,240	191,214	183,149	190,572
Computer software	13	47,107	52,873	38,269	42,559
Goodwill	14	42,957	42,957	29,494	29,494
Investment in subsidiaries	15	-	-	152,142	152,142
Investment securities	16	237,188	203,401	197,651	148,667
Staff loans receivable	17	3,525	4,392	3,120	3,932
Deferred tax assets	18	4,087	2,307	642	-
		518,104	497,144	604,467	567,366
Current assets					
Trade receivables	19	43,541	48,674	2,043	1,760
Other receivables	20	23,999	23,042	18,673	18,256
Due from subsidiaries	21	-	-	16,919	35,771
Tax recoverable		2,871	3,327	2,742	2,760
Investment securities	16	34,939	30,048	-	-
Cash for equity margins, derivatives trading margins, security deposits, Securities Borrowing and Lending (SBL) collaterals and eDividend distributions	22	1,381,059	1,087,526	-	-
Cash and bank balances of Clearing Funds	23	126,213	125,568	-	-
Cash and bank balances of the Group/Company	24	305,626	271,126	119,956	103,811
		1,918,248	1,589,311	160,333	162,358
Total assets		2,436,352	2,086,455	764,800	729,724

Statements of Financial Position

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Equity and liabilities					
Equity					
Share capital	25	268,136	267,307	268,136	267,307
Share premium		119,052	107,443	119,052	107,443
Other reserves	26	157,843	109,875	121,511	74,226
Retained earnings	27	323,909	318,825	167,313	183,207
Equity attributable to owners of the Company		868,940	803,450	676,012	632,183
Non-controlling interest		18,300	16,018	-	-
Total equity		887,240	819,468	676,012	632,183
Non-current liabilities					
Retirement benefit obligations	28(a)	25,079	26,112	25,079	26,112
Deferred grants	29	3,092	4,087	1,895	2,798
Deferred tax liabilities	18	2,123	3,333	-	967
		30,294	33,532	26,974	29,877
Current liabilities					
Trade payables	22	1,378,595	1,083,886	-	-
Participants' contribution to Clearing Funds	23	36,213	35,568	-	-
Other payables	30	100,509	107,297	61,814	67,664
Tax payable		3,501	6,704	-	-
		1,518,818	1,233,455	61,814	67,664
Total liabilities		1,549,112	1,266,987	88,788	97,541
Total equity and liabilities		2,436,352	2,086,455	764,800	729,724

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 2016

Note	Attributable to owners of the Company												
	Non-distributable									Distributable			Total equity
	Share capital	Share premium	Capital redemption reserve	Foreign currency translation reserve	Share grant reserve	Clearing fund reserves	AFS reserve	FVTOCI reserve	Retained earnings	Total	Non-controlling interest		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 January 2016	267,307	107,443	5,250	710	10,049	30,000	63,866	-	318,825	803,450	16,018	819,468	
Effects of MFRS 9 Financial Instruments adoption	2.2(ii)(a)	-	-	-	-	-	(63,866)	64,041	(619)	(444)	(8)	(452)	
At 1 January 2016 (restated)	267,307	107,443	5,250	710	10,049	30,000	-	64,041	318,206	803,006	16,010	819,016	
Profit for the year	-	-	-	-	-	-	-	-	193,621	193,621	9,040	202,661	
Other comprehensive income for the year	-	-	-	150	-	-	-	49,342	(476)	49,016	-	49,016	
Total comprehensive income for the year	-	-	-	150	-	-	-	49,342	193,145	242,637	9,040	251,677	
Transactions with owners of the Company:													
Issuance of ordinary shares pursuant to Share Grant Plan (SGP)	25	829	11,609	-	-	(12,438)	-	-	-	-	-	-	
SGP expense (Note a)	5	-	-	-	-	10,739	-	-	-	10,739	-	10,739	
Dividends paid	11	-	-	-	-	-	-	-	(187,442)	(187,442)	-	(187,442)	
Dividends paid to non-controlling interest	15(b)	-	-	-	-	-	-	-	-	-	(6,750)	(6,750)	
Total transactions with owners of the Company		829	11,609	-	-	(1,699)	-	-	(187,442)	(176,703)	(6,750)	(183,453)	
At 31 December 2016		268,136	119,052	5,250	860	8,350	30,000	-	113,383	323,909	868,940	18,300	887,240
At 1 January 2015		266,760	100,064	5,250	204	7,496	30,000	33,708	-	305,218	748,700	14,001	762,701
Profit for the year	-	-	-	-	-	-	-	-	198,613	198,613	7,842	206,455	
Other comprehensive income for the year	-	-	-	506	-	-	30,158	-	(716)	29,948	-	29,948	
Total comprehensive income for the year	-	-	-	506	-	-	30,158	-	197,897	228,561	7,842	236,403	
Transactions with owners of the Company:													
Issuance of ordinary shares pursuant to SGP	25	547	7,379	-	-	(7,926)	-	-	-	-	-	-	
SGP expense (Note a)	5	-	-	-	-	10,479	-	-	-	10,479	-	10,479	
Dividends paid	11	-	-	-	-	-	-	-	(184,290)	(184,290)	-	(184,290)	
Dividends paid to non-controlling interest	15(b)	-	-	-	-	-	-	-	-	-	(5,825)	(5,825)	
Total transactions with owners of the Company		547	7,379	-	-	2,553	-	-	(184,290)	(173,811)	(5,825)	(179,636)	
At 31 December 2015		267,307	107,443	5,250	710	10,049	30,000	63,866	-	318,825	803,450	16,018	819,468

Note a

SGP expense comprises RM10,127,000 (2015: RM9,940,000) relating to shares granted to the employees of the Company (as disclosed in Note 5) and RM612,000 (2015: RM539,000) relating to shares granted to the employees of Bursa Malaysia Derivatives Berhad.

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 2016

Note	Non-distributable				Distributable		Total equity RM'000	
	Share capital	Share premium	Share grant reserve	AFS reserve	FVTOCI reserve	Retained earnings		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 January 2016	267,307	107,443	10,049	64,177	-	183,207	632,183	
Effects of MFRS 9								
<i>Financial Instruments</i>								
adoption	2.2(ii)(a)	-	-	-	(64,177)	64,177	(16)	(16)
At 1 January 2016 (restated)		267,307	107,443	10,049	-	64,177	183,191	632,167
Profit for the year		-	-	-	-	-	172,040	172,040
Other comprehensive income for the year		-	-	-	-	48,984	(476)	48,508
Total comprehensive income for the year		-	-	-	-	48,984	171,564	220,548
Transactions with owners of the Company:								
Issuance of ordinary shares pursuant to SGP	25	829	11,609	(12,438)	-	-	-	-
SGP expense (Note a)		-	-	10,739	-	-	-	10,739
Dividends paid	11	-	-	-	-	-	(187,442)	(187,442)
Total transactions with owners of the Company		829	11,609	(1,699)	-	-	(187,442)	(176,703)
At 31 December 2016		268,136	119,052	8,350	-	113,161	167,313	676,012
At 1 January 2015		266,760	100,064	7,496	34,018	-	179,461	587,799
Profit for the year		-	-	-	-	-	188,752	188,752
Other comprehensive income for the year		-	-	-	30,159	-	(716)	29,443
Total comprehensive income for the year		-	-	-	30,159	-	188,036	218,195
Transactions with owners of the Company:								
Issuance of ordinary shares pursuant to SGP	25	547	7,379	(7,926)	-	-	-	-
SGP expense (Note a)		-	-	10,479	-	-	-	10,479
Dividends paid	11	-	-	-	-	-	(184,290)	(184,290)
Total transactions with owners of the Company		547	7,379	2,553	-	-	(184,290)	(173,811)
At 31 December 2015		267,307	107,443	10,049	64,177	-	183,207	632,183

Note a

SGP expense comprises RM10,127,000 (2015: RM9,940,000) relating to shares granted to the employees of the Company (as disclosed in Note 5) and RM612,000 (2015: RM539,000) relating to shares granted to the employees of Bursa Malaysia Derivatives Berhad.

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 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from/(used in) operating activities					
Profit before tax		270,590	278,776	171,311	184,359
Adjustments for:					
Amortisation of premiums, net	7	52	61	–	17
Depreciation and amortisation	6	24,227	23,739	22,080	21,646
Dividend income from investment securities	4	(6,505)	(5,372)	(6,505)	(5,372)
Grant income	4	(1,170)	(1,281)	(1,078)	(1,253)
Gross dividend income from subsidiaries	3	–	–	(186,770)	(211,936)
Interest income	4	(19,803)	(18,174)	(4,086)	(3,171)
Net gain on disposal of unquoted bonds	4	(47)	(95)	–	(95)
Net impairment loss/(reversal of impairment loss) on:					
Investment securities	7	286	–	–	–
Trade and other receivables	7	(347)	135	28	(173)
Amount due from a subsidiary	7	–	–	6	2
Loss on disposal of motor vehicle	4	–	345	–	345
Property, plant and equipment and computer software written off	7	5	42	5	42
Retirement benefit obligations	5	1,319	1,369	1,319	1,369
Reversal of short-term accumulating compensated unutilised leave	5	(55)	(206)	(26)	(213)
SGP expense	5	10,739	10,479	10,127	9,940
Unrealised loss/(gain) on foreign exchange differences		428	(735)	441	(537)
Operating profit/(loss) before working capital changes		279,719	289,083	6,852	(5,030)
Decrease/(Increase) in receivables		2,922	(7,334)	(2,144)	(784)
(Decrease)/Increase in payables		(5,160)	13,247	(5,998)	6,636
Changes in subsidiaries' balances		–	–	19,458	(2,387)
Cash generated from/(used in) operations		277,481	294,996	18,168	(1,565)
Staff loans repaid, net of disbursements		743	1,045	702	1,006
Retirement benefits paid		(2,979)	(2,368)	(2,979)	(2,368)
Net tax (paid)/refund		(73,316)	(77,717)	(706)	268
Net cash from/(used in) operating activities		201,929	215,956	15,185	(2,659)

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows (used in)/from investing activities					
Dividends received		8,306	1,515	195,076	213,451
Increase in deposits not for short-term funding requirements		(84,510)	(7,068)	(54,789)	(12,886)
Interest received		18,814	17,042	3,524	3,221
Proceeds from disposal of investment securities		40,012	58,554	-	43,553
Proceeds from disposal of motor vehicle		-	283	-	283
Purchases of investment securities		(29,641)	(31,463)	-	(11,439)
Purchases of property, plant and equipment and computer software		(10,881)	(15,534)	(10,198)	(14,960)
Net cash flows (used in)/from investing activities		(57,900)	23,329	133,613	221,223
Cash flows used in financing activities					
Dividends paid	11	(187,442)	(184,290)	(187,442)	(184,290)
Dividends paid by a subsidiary to non-controlling interest		(6,750)	(5,825)	-	-
Net cash used in financing activities		(194,192)	(190,115)	(187,442)	(184,290)
Net (decrease)/increase in cash and cash equivalents					
		(50,163)	49,170	(38,644)	34,274
Effect of exchange rate changes		153	521	-	-
Cash and cash equivalents at beginning of year		264,058	214,367	90,925	56,651
Cash and cash equivalents at end of year	24(ii)	214,048	264,058	52,281	90,925

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

Notes to the Financial Statements

31 DECEMBER 2016

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 the 15th 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 3 February 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements, other than for financial instruments and retirement benefit obligations, have been prepared on the historical cost basis. Certain financial instruments are measured at fair value in accordance with MFRS 9 *Financial Instruments* and MFRS 139 *Financial Instruments: Recognition and Measurement*, and the retirement benefit obligations include actuarial gains and losses in accordance with MFRS 119 *Employee Benefits*.

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

2.2 Changes in accounting policies and disclosures

At the beginning of the financial year, the Group and the Company adopted the following Standards, Amendments and Annual Improvements to Standards:

(i) Adoption of Standards, Amendments and Annual Improvements to Standards effective for the financial periods beginning on or after 1 January 2016

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 11 Joint Arrangements – *Accounting for Acquisitions of Interests in Joint Operations*

Amendments to MFRS 101 Presentation of Financial Statements – *Disclosure Initiative*

Amendments to MFRS 127 Separate Financial Statements – *Equity Method in Separate Financial Statements*

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets – *Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture – *Agriculture: Bearer Plants*

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures – *Investment Entities: Applying the Consolidation Exception*

Annual Improvements to MFRSs 2012 – 2014 Cycle

The above pronouncements are either not relevant to the Group and to the Company or do not have any impact on the financial statements of the Group and of the Company.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

(ii) Early adoption of Standards effective for the financial periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments

MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers – *Clarifications to MFRS 15 Revenue from Contracts with Customers*

The Group and the Company have elected to early adopt MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers*, which are mandatory for the financial periods beginning on or after 1 January 2018. The impacts of the adoption of these Standards on the Group's and the Company's financial statements are as follows:

(a) MFRS 9 Financial Instruments

The adoption of this Standard resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company. In accordance with the transition requirements under paragraph 7.2.15 of this Standard, comparatives are not restated and the financial impact on the adoption of this Standard is recognised in retained earnings as at 1 January 2016.

(i) Changes to the accounting policies

Financial assets

The Group and the Company classify their financial assets into the following measurement categories depending on the Group's and the Company's business model for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and loans and receivables financial asset categories were removed.
- A new financial asset category measured at amortised cost was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows only.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

(ii) Early adoption of Standards effective for the financial periods beginning on or after 1 January 2018 (cont'd.)

(a) MFRS 9 Financial Instruments (cont'd.)

(i) Changes to the accounting policies (cont'd.)

Financial liabilities

There is no impact on the classification and measurement of the Group's and of the Company's financial liabilities.

Impairment of financial assets

MFRS 9 *Financial Instruments* requires impairment assessments to be based on an Expected Credit Loss (ECL) model, replacing the incurred loss model under MFRS 139 *Financial Instruments: Recognition and Measurement*.

The key changes in relation to impairment of financial assets are as follows:

a. Unquoted bonds, staff loans receivable and cash and bank balances

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and to the Company, and all the cash flows that the Group and the Company expect to receive.

The Group and the Company apply a two-step approach to measure the ECL on unquoted bonds, staff loans receivable and cash and bank balances:

(i) 12-months ECL

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group and the Company shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

(ii) Lifetime ECL

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group and the Company. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group and the Company shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

At each financial year end, the Group and the Company assess whether there is a significant increase in credit risk for unquoted bonds, staff loans receivable and cash and bank balances since initial recognition by comparing the risk of default on these financial assets as at the financial year end with the risk of default as at the date of initial recognition. The Group and the Company consider external credit rating and other supportive information to assess deterioration in credit quality of these financial assets.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

(ii) Early adoption of Standards effective for the financial periods beginning on or after 1 January 2018 (cont'd.)

(a) MFRS 9 Financial Instruments (cont'd.)

(i) Changes to the accounting policies (cont'd.)

Impairment of financial assets (cont'd.)

b. Trade and other receivables which are financial assets

The Group and the Company apply the simplified approach prescribed by MFRS 9 *Financial Instruments*, which requires a lifetime ECL to be recognised from initial recognition of the trade and other receivables which are financial assets.

(ii) Classification and measurement

The following table summarises the reclassification and measurement of the Group's and of the Company's financial assets as at 1 January 2016:

	Note	Measurement category		Carrying amount as at 1 January 2016	
		Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	New (MFRS 9)
				RM'000	RM'000
Group					
Financial assets:					
Investment securities:					
- Quoted shares (outside Malaysia)	(1)	AFS	FVTOCI	148,667	148,667
- Unquoted bonds	(1)	AFS	FVTOCI	84,782	84,782
Staff loans receivable	(2)	Loans and receivables	Amortised cost	5,026	5,026
Trade receivables	(2)	Loans and receivables	Amortised cost	48,674	48,024
Other receivables which are financial assets	(2)	Loans and receivables	Amortised cost	14,662	14,662
Cash for equity margins, derivatives trading margins, security deposits, SBL collaterals and eDividend distributions	(2)	Loans and receivables	Amortised cost	1,087,526	1,087,526
Cash and bank balances of Clearing Funds	(2)	Loans and receivables	Amortised cost	125,568	125,568
Cash and bank balances of the Group	(2)	Loans and receivables	Amortised cost	271,126	271,126
Company					
Financial assets:					
Investment securities - Quoted shares (outside Malaysia)	(1)	AFS	FVTOCI	148,667	148,667
Staff loans receivable	(2)	Loans and receivables	Amortised cost	4,486	4,486
Trade receivables	(2)	Loans and receivables	Amortised cost	1,760	1,739
Other receivables which are financial assets	(2)	Loans and receivables	Amortised cost	10,082	10,082
Due from subsidiaries	(2)	Loans and receivables	Amortised cost	35,771	35,771
Cash and bank balances	(2)	Loans and receivables	Amortised cost	103,811	103,811

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

(ii) Early adoption of Standards effective for the financial periods beginning on or after 1 January 2018 (cont'd.)

(a) MFRS 9 Financial Instruments (cont'd.)

(ii) Classification and measurement (cont'd.)

- (1) The Group and the Company elected to present in other comprehensive income the changes in the fair value of its quoted shares (outside Malaysia) previously classified as AFS, as this investment is not held for trading. For debt instruments, unquoted bonds that have previously been classified as AFS are now reclassified to FVTOCI. The Group's and the Company's business model for unquoted bonds is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.
- (2) Staff loans receivable, trade receivables, other receivables which are financial assets, amount due from subsidiaries, cash and bank balances and cash for equity margins, derivatives trading margins, security deposits and eDividend distributions that have previously been classified as loans and receivables are now classified at amortised cost. The Group and the Company intend to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Classification of the Group's and of the Company's financial liabilities remained unchanged. Financial liabilities consisting of trade payables, participants' contributions to Clearing Funds and other payables which are financial liabilities, continue to be measured at amortised cost.

The following tables are reconciliations of the carrying amount of the Group's and of the Company's statement of financial position from MFRS 139 *Financial Instruments: Recognition and Measurement* to MFRS 9 *Financial Instruments* as at 1 January 2016:

Group	Original (MFRS 139)	Reclassification	Remeasurement	New (MFRS 9)
	Carrying amount as at 31 December 2015			Carrying amount as at 1 January 2016
	RM'000	RM'000	RM'000	RM'000
Investment securities - AFS	233,449	(233,449)	-	-
Investment securities - FVTOCI	-	233,449	-	233,449
Deferred tax assets:				
Opening balance	2,307	-	-	2,307
Deferred tax relating to allowance for impairment	-	-	198	198
Total deferred tax assets	2,307	-	198	2,505
Trade receivables:				
Opening balance	48,674	-	-	48,674
Increase in allowance for impairment*	-	-	(650)	(650)
Total trade receivables	48,674	-	(650)	48,024
Retained earnings:				
Opening balance	318,825	-	-	318,825
Increase in for allowance in impairment for:				
- unquoted bonds at FVTOCI**	-	-	(175)	(175)
- trade receivables*	-	-	(640)	(640)
Deferred tax relating to allowance for impairment	-	-	196	196
Total retained earnings	318,825	-	(619)	318,206
AFS reserve	63,866	(63,866)	-	-

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

(ii) Early adoption of Standards effective for the financial periods beginning on or after 1 January 2018 (cont'd.)

(a) MFRS 9 Financial Instruments (cont'd.)

(ii) Classification and measurement (cont'd.)

	Original (MFRS 139)			New (MFRS 9)
	Carrying amount as at 31 December 2015	Reclassification	Remeasurement	Carrying amount as at 1 January 2016
	RM'000	RM'000	RM'000	RM'000
Group				
FVTOCI reserve:				
Opening balance	-	63,866	-	63,866
Fair value changes arising from the increase in allowance for impairment	-	-	175	175
Total FVTOCI reserve	-	63,866	175	64,041
Non-controlling interest:				
Opening balance	16,018	-	-	16,018
Increase in allowance for impairment for trade receivables	-	-	(10)	(10)
Deferred tax relating to allowance for impairment	-	-	2	2
Total non-controlling interest	16,018	-	(8)	16,010
Company				
Investment securities - AFS	148,667	(148,667)	-	-
Investment securities - FVTOCI	-	148,667	-	148,667
Deferred tax liabilities:				
Opening balance	967	-	-	967
Deferred tax relating to allowance for impairment	-	-	(5)	(5)
Total deferred tax liabilities	967	-	(5)	962
Trade receivables:				
Opening balance	1,760	-	-	1,760
Increase in allowance for impairment*	-	-	(21)	(21)
Total trade receivables	1,760	-	(21)	1,739
Retained earnings:				
Opening balance	183,207	-	-	183,207
Increase in allowance for impairment for trade receivables*	-	-	(21)	(21)
Deferred tax relating to allowance for impairment	-	-	5	5
Total retained earnings	183,207	-	(16)	183,191
AFS reserve	64,177	(64,177)	-	-
FVTOCI reserve	-	64,177	-	64,177

* The Group and the Company apply the simplified approach to measure the ECL.

** There is no significant credit risk for unquoted bonds at FVTOCI. Thus, the Group applies 12-months ECL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

(ii) Early adoption of Standards effective for the financial periods beginning on or after 1 January 2018 (cont'd.)

(b) MFRS 15 Revenue from Contracts with Customers

The Group and the Company have elected to early adopt MFRS 15 *Revenue from Contracts with Customers* which is applied retrospectively from 1 January 2016. This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no material financial impact other than the disclosures made in the Group's and the Company's financial statements.

2.3 Standards issued but not yet effective

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

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 107 Statement of Cash Flows – *Disclosure Initiative*
 Amendments to MFRS 112 Income Taxes – *Recognition of Deferred Tax Assets for Unrealised Losses*
 Annual Improvements to MFRSs 2014 – 2016 Cycle

Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 2 Share-based Payment – *Classification and Measurement of Share-based Payment Transactions*
 Amendments to MFRS 140 Investment Property – *Transfers of Investment Property*
 Annual Improvements to MFRSs 2014 – 2016 Cycle

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 Leases

Effective date of these Standards have been deferred and yet to be announced

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company do not expect any material impact to the financial statements arising from the adoption of the above pronouncements.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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 of similar circumstances.

Subsidiaries are consolidated from the date on which control exists. They are deconsolidated from the date that control ceases.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Transactions with non-controlling interest

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

(b) Property, plant and equipment and depreciation

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

Subsequent to the initial 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.

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Projects-in-progress are not depreciated as these assets are not yet available for use.

Leasehold lands classified as operating leases are for a period of 99 years as disclosed in Note 32(a). Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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

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.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Intangible assets

(i) Goodwill

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

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

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

(ii) Computer software

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

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

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

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and 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 goodwill, computer software and property, plant and equipment that are not yet available for use, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Impairment of non-financial assets (cont'd.)

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

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

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

(e) Financial assets

The Group and the Company applied the classification and measurement requirements for financial assets under MFRS 9 *Financial Instruments* effective from 1 January 2016. The 2015 financial year comparative was not restated, and the classification and measurement requirements under the previous MFRS 139 *Financial Instruments: Recognition and Measurement* was still applied. The changes in the classification and measurement requirements and its impact are disclosed in Note 2.2(ii)(a)(ii).

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 (FVTPL), directly attributable transaction costs.

Notes to the Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Financial assets (cont'd.)

The Group and the Company determine the classification of financial assets upon initial recognition. The measurement for each classification of financial assets under MFRS 9 *Financial Instruments* for the financial year ended 31 December 2016 and MFRS 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 31 December 2015 are as below:

Categories in the financial year ended 31 December 2016

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets 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 financial assets are impaired or derecognised.

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at FVTOCI if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which 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.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. The Group and Company do not have any financial assets measured at FVTPL as at 31 December 2016.

Equity instruments are classified as financial assets measured 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 sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group and the Company elect an irrevocable option to designate its equity financial instruments at initial recognition as financial assets measured at FVTOCI if the equity instruments are not held for trading. As at 31 December 2016, all financial assets of the Group and of the Company that are equity instruments are classified at FVTOCI.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's or the Company's right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Financial assets (cont'd.)

Categories in the financial year ended 31 December 2015

(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 sale 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.

(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 which are classified as non-current.

(iii) HTM investments

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

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

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

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Financial assets (cont'd.)

Categories in the financial year ended 31 December 2015 (cont'd.)

(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's 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.

(f) Impairment of financial assets

The Group and the Company applied the impairment requirements for financial assets under MFRS 9 *Financial Instruments* for the financial year ended 31 December 2016. The 2015 financial year comparative was not restated, and the impairment requirements under the previous MFRS 139 *Financial Instruments: Recognition and Measurement* were still applied. The changes in the impairment requirements are explained in Note 2.2(ii)(a)(i).

Impairment based on ECL model in the financial year ended 31 December 2016

The Group and the Company assess at each financial year end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company use external credit rating and other supportive information to assess deterioration in credit quality of a financial asset. The Group and the Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Impairment of financial assets (cont'd.)

Impairment based on ECL model in the financial year ended 31 December 2016 (cont'd.)

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cashflows that are due to the Group and the Company and all the cash flows that the Group and the Company expect to receive. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group and the Company measure the impairment loss on unquoted bonds, staff loans receivable and cash and bank balances based on the two-step approach as disclosed in Note 2.2(ii)(a)(i). If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since initial recognition, then the impairment loss reverts from lifetime ECL to 12-months ECL.

Impairment based on incurred loss model in the financial year ended 31 December 2015

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, delinquency in interest or principal payments and other financial reorganisation where observable data indicates 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's 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 loans receivable, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable or staff loans 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.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Impairment of financial assets (cont'd.)

Impairment based on incurred loss model in the financial year ended 31 December 2015 (cont'd.)

(ii) AFS financial assets

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

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

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

(g) Cash and cash equivalents

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

(h) Financial liabilities

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

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

(i) Financial liabilities at FVTPL

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial liabilities (cont'd.)

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 amount is recognised in profit or loss.

(i) Fair value measurement

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

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

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

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

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

(j) Provisions

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

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

(k) Deferred grants

Grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all conditions will be met. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is recognised in the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by its related depreciation or amortisation charges.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) 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, and are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(m) Revenue recognition

The Group and the Company applied the five-step model for revenue recognition under MFRS 15 *Revenue from Contracts with Customers* effective from 1 January 2016. The adoption of this Standard results in changes in the accounting policy for revenue recognition, and has no material financial impact from the MFRS 118 *Revenue* applied previously.

The Group and the Company recognise revenue from contracts with customers for the provision of services and sale of information based on the five-step model as set out in this Standard:

- (i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.
- (v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

- (i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Revenue recognition (cont'd.)

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

(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 the Securities Commission 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 (ISS) fees. ISS fees from the securities exchange are recognised in full when services are rendered.

(iv) Other derivatives trading revenue

Other derivatives trading revenue mainly comprises collateral management services fees, 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:

(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.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Revenue recognition (cont'd.)

(viii) Member services and connectivity

Member services and connectivity mainly comprises:

(a) Access fees

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

(ix) Other operating revenue

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

(x) Other income

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

(n) Employee benefits

(i) Short-term benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(n) Employee benefits (cont'd.)

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

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation at each financial year end less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds 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 to 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 the estimate of the number of shares that are expected to be granted on vesting date. The impact of revision of original estimates, if any, is recognised in profit or loss, and a corresponding adjustment made to equity over the remaining vesting period. The equity amount is recognised in the share grant reserve.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(n) Employee benefits (cont'd.)

(v) Separation benefits

Separation benefits are payable when employment ceases before the normal retirement date or expiry of employment contract date. The Group and the Company recognise separation benefits as a liability and an expense when it is demonstrably committed to cease the employment of current employees according to a detailed plan without possibility of withdrawal. Benefits falling due more than 12 months after the financial year end are discounted to present value.

(o) Leases

(i) The Group and the Company as lessee

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

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

(ii) The Group and the Company as lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.4(m)(x).

(p) Borrowing costs

Borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(q) Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial year end.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the financial year end between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for the deferred tax liability that arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, unutilised 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, unutilised tax losses and unused tax credits can be utilised except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each financial year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Unrecognised deferred tax assets are reassessed at each financial year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the financial year end.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(r) Foreign currency

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (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 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 dates when the fair value was determined.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Foreign currency (cont'd.)

(ii) Foreign currency transactions (cont'd.)

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 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 from the translation of non-monetary items carried at fair value are not included in profit or loss for the period until their impairment or disposal.

(iii) Malaysian subsidiary with foreign currency as its functional currency

The results and financial position of a subsidiary that has a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the financial year end;
- Income and expenses for each statement of comprehensive income or separate income statement presented are translated at average monthly exchange rates, which approximate the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised directly in other comprehensive income. On disposal of a subsidiary with foreign currency as its functional currency, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular subsidiary is recognised in profit or loss.

(s) Contingencies

A contingent liability or asset is a possible obligation or benefit that arises from past events, and the existence of which 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 years.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Key sources of estimation uncertainty (cont'd.)

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 described 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 carry out the impairment test based on a variety of estimations including value-in-use of the CGUs to which the computer hardware and software are allocated to. Estimating the value-in-use requires the Group and the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of computer hardware and software as at the financial year end are disclosed in Notes 12 and 13 respectively.

(b) Impairment of goodwill

The Group and the Company determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the financial year end is disclosed in Note 14.

(c) Impairment of investment securities

Investment securities are reviewed and assessed at each financial year end on whether there is sufficient allowance for impairment loss provided.

The impairment review shall determine whether there is significant increase in credit risk since initial recognition of the investment securities, such as from deterioration of the credit quality of the issuers or obligors and significant financial difficulties of the issuers or obligors.

The carrying amount of investment securities as at the financial year end is 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 assets' useful lives. Management estimates the useful lives of these assets to be between three to ten years. Technological advancements could impact the useful lives and the residual values of these assets, therefore future depreciation and amortisation charges could be revised. The 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 tax losses and capital allowances can be utilised. Significant management judgement is required to determine the amounts of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The unutilised tax losses and unused capital allowances as at the financial year end are disclosed in Note 18.

Notes to the Financial Statements

31 DECEMBER 2016

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 terms of the liabilities.

(g) Share grant plan

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

3. OPERATING REVENUE

	Group	
	2016 RM'000	2015 RM'000
Clearing fees ⁽¹⁾	168,382	185,616
Trade fees	22,294	24,489
Others	22,245	22,944
Total Securities trading revenue	212,921	233,049
Clearing fees	19,469	18,995
Trade fees	49,764	50,935
Others	19,495	16,218
Total Derivatives trading revenue	88,728	86,148
Bursa Suq Al-Sila (BSAS) trading revenue	16,439	16,787
Listing and issuer services	53,540	52,914
Depository services	39,035	38,415
Market data	35,292	33,667
Member services and connectivity	21,001	20,844
Conference fee and exhibition related income	5,752	5,846
	171,059	168,473
Total operating revenue	472,708	487,670

⁽¹⁾ Securities clearing fees of the Group are stated net of the amount payable to the Securities Commission of RM43,830,000 (2015: RM48,952,000).

3. OPERATING REVENUE (CONT'D.)

The following table illustrates the Group's revenue as disaggregated by major products or services and provides a reconciliation of the disaggregated revenue with the Group's four major market segments as disclosed in Note 40. The table also includes the timing of revenue recognition.

	Securities market RM'000	Derivatives market RM'000	Exchange holding company RM'000	Others RM'000	Total RM'000
At 31 December 2016					
Major products or services:					
Securities trading revenue	212,921	-	-	-	212,921
Derivatives trading revenue	-	88,728	-	-	88,728
BSAS trading revenue	-	-	-	16,439	16,439
Listing and issuer services	53,342	-	-	198	53,540
Depository services	39,035	-	-	-	39,035
Market data	26,803	8,254	-	235	35,292
Member services and connectivity	13,184	167	7,500	150	21,001
Conference fee and exhibition related income	-	5,752	-	-	5,752
	345,285	102,901	7,500	17,022	472,708
Timing of revenue recognition:					
At a point in time	297,121	98,924	-	16,684	412,729
Over time	48,164	3,977	7,500	338	59,979
	345,285	102,901	7,500	17,022	472,708

	Company	
	2016 RM'000	2015 RM'000
Broker services	7,500	7,460
Income from subsidiaries:		
Dividend	186,770	211,936
Management fees	137,302	127,911
Office space rental	4,607	4,607
Lease rental	12,959	12,756
Total operating revenue	349,138	364,670

The Company recognises its revenue upon satisfaction of performance obligation and all revenue are recognised over time, except for dividend income from subsidiaries which is recognised at a point in time.

Notes to the Financial Statements

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4. OTHER INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income from:				
Deposits with financial institutions	16,176	13,887	3,876	2,504
Investment securities:				
- Unquoted bonds	3,406	3,952	-	343
- Commercial paper	52	116	52	116
Others	169	219	158	208
Dividends	6,505	5,372	6,505	5,372
Grants (Note 29)	1,170	1,281	1,078	1,253
Loss on disposal of motor vehicle	-	(345)	-	(345)
Net gain on disposal of unquoted bonds	47	95	-	95
Rental	6,398	6,132	6,398	6,132
Miscellaneous	152	125	151	125
	34,075	30,834	18,218	15,803

5. STAFF COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages and salaries	77,117	75,968	71,169	68,883
Bonus	16,999	23,597	15,650	21,478
Social security contributions	434	361	411	340
Contributions to a defined contribution plan - EPF	14,391	14,713	13,502	13,770
Reversal of short-term accumulating compensated unutilised leave	(55)	(206)	(26)	(213)
Retirement benefit obligations (Note 28(a))	1,319	1,369	1,319	1,369
SGP expense	10,739	10,479	10,127	9,940
Other benefits	7,606	7,657	7,290	7,153
	128,550	133,938	119,442	122,720

6. DEPRECIATION AND AMORTISATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Depreciation of property, plant and equipment (Note 12)	12,157	12,128	11,604	11,567
Amortisation of computer software (Note 13)	12,070	11,611	10,476	10,079
	24,227	23,739	22,080	21,646

7. OTHER OPERATING EXPENSES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Administrative expenses	6,010	5,867	5,535	5,578
Amortisation of premium, net	52	61	-	17
Auditors' remuneration:				
Statutory audit	336	366	77	82
Tax and assurance related services ⁽¹⁾	210	173	142	99
Other non-audit services ⁽²⁾	115	314	115	314
Building management costs:				
Office rental	83	103	83	103
Upkeep and maintenance	11,615	11,102	11,615	11,102
Central Depository System (CDS) consumables	3,561	3,478	3,561	3,478
Net impairment loss/(reversal of impairment loss) on:				
Investment securities	286	-	-	-
Trade and other receivables	(347)	135	28	(173)
Amount due from subsidiaries	-	-	6	2
Marketing and development expenses	10,003	9,312	5,451	4,535
Net loss/(gain) on foreign exchange differences	280	(262)	424	(580)
Operating lease payments (Note 32(a))	539	539	539	539
Professional fees	2,871	936	2,849	969
Property, plant and equipment and computer software written off	5	42	5	42
Rental of equipment	222	201	213	191
Technology charges:				
Information technology maintenance	17,339	18,046	15,304	15,753
Service fees	22,113	22,381	1,445	1,446
Others ⁽³⁾	8,123	9,257	7,131	8,251
	83,416	82,051	54,523	51,748

⁽¹⁾ Tax and assurance related services provided by the auditors are in respect of tax compliance, quarterly limited reviews and annual review of the statement on internal control and risk management.

⁽²⁾ Other non-audit services rendered in 2016 are in respect of sustainability reporting training, while the services rendered in 2015 were in respect of the review of Goods and Services Tax (GST) implementation, GST review services, cyber security assessment and transfer pricing study.

⁽³⁾ Others include Non-Executive Directors' remuneration as disclosed in Note 8.

8. DIRECTORS' REMUNERATION (CONT'D.)

Company	2016		2015	
	Directors' fees	Other allowances ⁽¹⁾ / salaries	Directors' fees	Other allowances ⁽¹⁾ / salaries
	RM'000	RM'000	RM'000	RM'000
Tan Sri Amirsham bin A Aziz	150	784	125	658
Datuk Seri Tajuddin bin Atan	-	5,774	-	5,774
Datuk Karownikaran @ Karunakaran a/l Ramasamy	100	100	100	117
Datuk Chay Wai Leong	100	87	100	70
Dato' Saiful Bahri bin Zainuddin	100	69	100	93
Dato' Zuraidah binti Atan	100	81	100	74
Dato' Eshah binti Meor Suleiman	100	73	100	96
Ghazali bin Hj Darman	100	76	100	85
Pushpanathan a/l S.A. Kanagarayar	100	101	100	95
Johari bin Abdul Muid	75	59	-	-
Datuk Dr. Md Tap bin Salleh	25	25	100	118
Tun Mohamed Dzaiddin bin Haji Abdullah	-	-	25	332
Tan Sri Ong Leong Huat @ Wong Joo Hwa	-	-	25	16
	950	7,229	975	7,528

⁽¹⁾ 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 during the year.

9. INCOME TAX EXPENSE

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current year provision	70,766	75,867	725	45
Overprovision of tax in prior year	(198)	(281)	(1)	(327)
	70,568	75,586	724	(282)
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	(2,580)	(3,587)	(1,263)	(4,351)
Relating to reduction in Malaysian income tax rate	-	823	-	727
Overprovision of tax in prior year	(59)	(501)	(190)	(487)
	(2,639)	(3,265)	(1,453)	(4,111)
Total income tax expense	67,929	72,321	(729)	(4,393)

Notes to the Financial Statements

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9. INCOME TAX EXPENSE (CONT'D.)

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 31 December 2015 is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Accounting profit before tax	270,590	278,776	171,311	184,359
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	64,942	69,694	41,115	46,090
Deferred tax not recognised in respect of current year's:				
Tax losses	2	1	-	-
Capital allowances	755	-	755	-
Effect of tax rate of 3% on profit before tax for subsidiary incorporated in Labuan	(66)	(61)	-	-
Effect of expenses not deductible for tax purposes	4,414	4,397	4,237	4,245
Effect of reduction in Malaysian income tax rate	-	823	-	727
Effect of income not subject to tax	(1,861)	(1,751)	(46,645)	(54,641)
Overprovision of income tax in prior year	(198)	(281)	(1)	(327)
Overprovision of deferred tax in prior year	(59)	(501)	(190)	(487)
Income tax expense for the year	67,929	72,321	(729)	(4,393)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Tax savings of the Group and of the Company are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Arising from utilisation of current year tax losses	354	762	354	762

10. EARNINGS PER SHARE (EPS)

(a) Basic EPS

Basic EPS is calculated by dividing the 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	
	2016	2015
Profit for the year, net of tax, attributable to owners of the Company (RM'000)	193,621	198,613
Weighted average number of ordinary shares in issue ('000)	535,550	534,105
Basic EPS (sen)	36.2	37.2

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 has 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 been vested as at the end of the year.

	Group	
	2016	2015
Profit for the year, net of tax, attributable to owners of the Company (RM'000)	193,621	198,613
Weighted average number of ordinary shares in issue ('000)	535,550	534,105
Effect of dilution of share grants ('000)	2,509	2,588
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	538,059	536,693
Diluted EPS (sen)	36.0	37.0

11. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interim dividend on ordinary shares				
17.0 sen per share under the single-tier system, on 536,272,000 ordinary shares	91,166	-	91,166	-
16.5 sen per share under the single-tier system, on 534,614,000 ordinary shares	-	88,211	-	88,211
Final dividend on ordinary shares				
18.0 sen per share under the single-tier system, on 534,864,000 ordinary shares	-	96,276	96,276	-
18.0 sen per share under the single-tier system, on 533,770,000 ordinary shares	-	-	-	96,079
	91,166	184,487	187,442	184,290

At the forthcoming Annual General Meeting, a final dividend under the single-tier system in respect of the financial year ended 31 December 2016 of 17.0 sen per share on 536,272,000 ordinary shares, amounting to a dividend payable of approximately RM91,166,000, 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 2017.

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12. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Buildings and office lots (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in-progress RM'000	Total RM'000
Cost							
At 1 January 2016		325,441	32,740	46,663	1,931	-	406,775
Additions		2,693	1,072	381	-	37	4,183
Write-offs		(838)	(405)	(1,941)	-	-	(3,184)
Exchange differences		13	4	73	-	-	90
At 31 December 2016		327,309	33,411	45,176	1,931	37	407,864
Accumulated depreciation							
At 1 January 2016		145,490	31,448	37,221	1,402	-	215,561
Depreciation charge for the year	6	7,065	671	4,270	151	-	12,157
Write-offs		(838)	(405)	(1,941)	-	-	(3,184)
Exchange differences		13	4	73	-	-	90
At 31 December 2016		151,730	31,718	39,623	1,553	-	224,624
Net carrying amount at 31 December 2016		175,579	1,693	5,553	378	37	183,240
Cost							
At 1 January 2015		320,841	32,177	49,353	2,188	430	404,989
Additions		4,547	550	1,031	580	-	6,708
Disposals		-	-	-	(837)	-	(837)
Write-offs		-	(3)	(4,460)	-	-	(4,463)
Exchange differences		53	16	309	-	-	378
Reclassification		-	-	430	-	(430)	-
At 31 December 2015		325,441	32,740	46,663	1,931	-	406,775
Accumulated depreciation							
At 1 January 2015		139,017	30,842	36,593	1,273	-	207,725
Depreciation charge for the year	6	6,420	593	4,777	338	-	12,128
Disposals		-	-	-	(209)	-	(209)
Write-offs		-	(3)	(4,458)	-	-	(4,461)
Exchange differences		53	16	309	-	-	378
At 31 December 2015		145,490	31,448	37,221	1,402	-	215,561
Net carrying amount at 31 December 2015		179,951	1,292	9,442	529	-	191,214

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company	Note	Buildings and office lots (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects- in-progress RM'000	Total RM'000
Cost							
At 1 January 2016		325,111	32,274	46,281	1,753	-	405,419
Additions		2,693	1,072	379	-	37	4,181
Write-offs		(838)	(405)	(1,705)	-	-	(2,948)
At 31 December 2016		326,966	32,941	44,955	1,753	37	406,652
Accumulated depreciation							
At 1 January 2016		145,174	31,001	37,447	1,225	-	214,847
Depreciation charge for the year	6	7,060	660	3,733	151	-	11,604
Write-offs		(838)	(405)	(1,705)	-	-	(2,948)
At 31 December 2016		151,396	31,256	39,475	1,376	-	223,503
Net carrying amount at 31 December 2016		175,570	1,685	5,480	377	37	183,149
Cost							
At 1 January 2015		320,564	31,727	48,568	2,010	429	403,298
Additions		4,547	550	1,031	580	-	6,708
Disposals		-	-	-	(837)	-	(837)
Write-offs		-	(3)	(3,747)	-	-	(3,750)
Reclassification		-	-	429	-	(429)	-
At 31 December 2015		325,111	32,274	46,281	1,753	-	405,419
Accumulated depreciation							
At 1 January 2015		138,760	30,427	36,954	1,096	-	207,237
Depreciation charge for the year	6	6,414	577	4,238	338	-	11,567
Disposals		-	-	-	(209)	-	(209)
Write-offs		-	(3)	(3,745)	-	-	(3,748)
At 31 December 2015		145,174	31,001	37,447	1,225	-	214,847
Net carrying amount at 31 December 2015		179,937	1,273	8,834	528	-	190,572

Notes to the Financial Statements

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12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) Buildings and office lots

Group	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
Cost				
At 1 January 2016	285,960	19,862	19,619	325,441
Additions	-	-	2,693	2,693
Write-offs	-	-	(838)	(838)
Exchange differences	-	-	13	13
At 31 December 2016	285,960	19,862	21,487	327,309
Accumulated depreciation				
At 1 January 2016	120,190	11,020	14,280	145,490
Depreciation charge for the year	5,242	281	1,542	7,065
Write-offs	-	-	(838)	(838)
Exchange differences	-	-	13	13
At 31 December 2016	125,432	11,301	14,997	151,730
Net carrying amount at 31 December 2016	160,528	8,561	6,490	175,579
Cost				
At 1 January 2015	285,960	19,862	15,019	320,841
Additions	-	-	4,547	4,547
Exchange differences	-	-	53	53
At 31 December 2015	285,960	19,862	19,619	325,441
Accumulated depreciation				
At 1 January 2015	114,948	10,738	13,331	139,017
Depreciation charge for the year	5,242	282	896	6,420
Exchange differences	-	-	53	53
At 31 December 2015	120,190	11,020	14,280	145,490
Net carrying amount at 31 December 2015	165,770	8,842	5,339	179,951

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

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

Company	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
Cost				
At 1 January 2016	285,960	19,862	19,289	325,111
Additions	-	-	2,693	2,693
Write-offs	-	-	(838)	(838)
At 31 December 2016	285,960	19,862	21,144	326,966
Accumulated depreciation				
At 1 January 2016	120,190	11,020	13,964	145,174
Depreciation charge for the year	5,242	281	1,537	7,060
Write-offs	-	-	(838)	(838)
At 31 December 2016	125,432	11,301	14,663	151,396
Net carrying amount at 31 December 2016	160,528	8,561	6,481	175,570
Cost				
At 1 January 2015	285,960	19,862	14,742	320,564
Additions	-	-	4,547	4,547
At 31 December 2015	285,960	19,862	19,289	325,111
Accumulated depreciation				
At 1 January 2015	114,948	10,738	13,074	138,760
Depreciation charge for the year	5,242	282	890	6,414
At 31 December 2015	120,190	11,020	13,964	145,174
Net carrying amount at 31 December 2015	165,770	8,842	5,325	179,937

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13. COMPUTER SOFTWARE

Note	2016			2015		
	Implemented projects RM'000	Projects-in-progress RM'000	Total RM'000	Implemented projects RM'000	Projects-in-progress RM'000	Total RM'000
Group						
Cost						
At 1 January	120,480	612	121,092	110,594	3,914	114,508
Additions	2,225	4,084	6,309	6,790	612	7,402
Write-offs	(5,594)	-	(5,594)	(818)	-	(818)
Reclassifications	612	(612)	-	3,914	(3,914)	-
At 31 December	117,723	4,084	121,807	120,480	612	121,092
Accumulated amortisation						
At 1 January	68,219	-	68,219	57,386	-	57,386
Amortisation charge for the year	6 12,070	-	12,070	11,611	-	11,611
Write-offs	(5,589)	-	(5,589)	(778)	-	(778)
At 31 December	74,700	-	74,700	68,219	-	68,219
Net carrying amount at 31 December	43,023	4,084	47,107	52,261	612	52,873
Company						
Cost						
At 1 January	100,207	612	100,819	91,179	3,914	95,093
Additions	2,107	4,084	6,191	5,932	612	6,544
Write-offs	(1,842)	-	(1,842)	(818)	-	(818)
Reclassifications	612	(612)	-	3,914	(3,914)	-
At 31 December	101,084	4,084	105,168	100,207	612	100,819
Accumulated amortisation						
At 1 January	58,260	-	58,260	48,959	-	48,959
Amortisation charge for the year	6 10,476	-	10,476	10,079	-	10,079
Write-offs	(1,837)	-	(1,837)	(778)	-	(778)
At 31 December	66,899	-	66,899	58,260	-	58,260
Net carrying amount at 31 December	34,185	4,084	38,269	41,947	612	42,559

14. GOODWILL

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January/31 December	42,957	42,957	29,494	29,494

Goodwill is in respect of acquisitions of subsidiaries by the Group and has been allocated to the CGUs in the following market segments:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Securities market	33,273	33,273	29,494	29,494
Derivatives market	9,684	9,684	-	-
	42,957	42,957	29,494	29,494

Key assumptions used in value-in-use calculations

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment assessment of goodwill:

(i) Securities market

The recoverable amount of this CGU has been determined based on value-in-use calculations using five-year financial projections. Revenue growth has been capped at 4% per annum (2015: 5% per annum), while expenses have been assumed to grow at an average of 3% per annum (2015: 5% per annum), which is in line with the expected inflation rate. 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 average revenue and expenses growth in the five-year financial projections was at 11% (2015: 14%) and 12% (2015: 10%) respectively, based on the expected developments. No revenue and expense growth was projected from the sixth year to perpetuity.

(iii) Discount rate

A discount rate of 7% (2015: 7%) 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.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	174,183	174,183
Less: Accumulated impairment losses	(22,041)	(22,041)
	152,142	152,142

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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		Principal activities
	2016 %	2015 %	2016 RM'000	2015 RM'000	
Bursa Malaysia Securities Berhad (Bursa Malaysia Securities)	100	100	25,000	25,000	Provides, operates and maintains a securities exchange.
Bursa Malaysia Derivatives Berhad (Bursa Malaysia Derivatives)	75	75	50,000	50,000	Provides, operates and maintains a derivatives exchange.
Labuan International Financial Exchange Inc (LFX)*	100	100	5,500 (in USD'000)	5,500 (in USD'000)	Provides, operates and maintains an offshore financial exchange.
Bursa Malaysia Securities Clearing Sdn Bhd (Bursa Malaysia Securities Clearing)	100	100	50,000	50,000	Provides, operates and maintains a clearing house for the securities exchange.
Bursa Malaysia Depository Sdn Bhd (Bursa Malaysia Depository)	100	100	25,000	25,000	Provides, operates and maintains a central depository for securities listed on the securities exchange.
Bursa Malaysia Information Sdn Bhd (Bursa Malaysia Information)	100	100	250	250	Compiles, provides and disseminates prices and other information relating to securities quoted on the securities and derivatives exchanges within the Group, as well as data reported from the bond platform.
Bursa Malaysia Bonds Sdn Bhd (Bursa Malaysia Bonds)	100	100	2,600	2,600	Provides, operates and maintains an electronic trading platform for the bond market.
Bursa Malaysia Islamic Services Sdn Bhd (Bursa Malaysia Islamic Services)	100	100	2,600	2,600	Provides, operates and maintains a Shari'ah compliant commodity trading platform.
Subsidiary held through Bursa Malaysia Depository					
Bursa Malaysia Depository Nominees Sdn Bhd (Bursa Malaysia Depository Nominees)	100	100	~	~	Acts as a nominee for Bursa Malaysia Depository and receives securities on deposit or for safe-custody or management.

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows: (cont'd.)

Name of subsidiaries	Proportion of ownership interest		Ordinary paid-up capital		Principal activities
	2016	2015	2016	2015	
	%	%	RM'000	RM'000	
Subsidiary held through Bursa Malaysia Derivatives					
Bursa Malaysia Derivatives Clearing Berhad (Bursa Malaysia Derivatives Clearing)	75	75	20,000	20,000	Provides, operates and maintains a clearing house for the derivatives exchange.

* Incorporated in the Federal Territory of Labuan, Malaysia.

~ Denotes RM2.

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

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

(a) Summarised consolidated statement of financial position

	2016	2015
	RM'000	RM'000
Assets		
Non-current assets	14,331	15,964
Current assets	1,394,960	1,179,342
Total assets	1,409,291	1,195,306
Equity attributable to owners of the Company		
	78,197	69,070
Liabilities		
Non-current liabilities	3,320	3,628
Current liabilities	1,327,774	1,122,608
Total liabilities	1,331,094	1,126,236
Total equity and liabilities	1,409,291	1,195,306

(b) Summarised consolidated statement of profit or loss

	2016	2015
	RM'000	RM'000
Revenue	105,367	102,176
Expenses	(57,669)	(60,154)
Profit for the year	36,158	31,367
Dividends paid to non-controlling interest	6,750	5,825

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(c) Summarised consolidated statement of cash flows

	2016 RM'000	2015 RM'000
Net cash from operating activities	33,001	31,156
Net cash from investing activities	1,874	521
Net cash used in financing activities	(27,155)	(23,460)
Net increase in cash and cash equivalents	7,720	8,217
Cash and cash equivalents at beginning of year	61,993	53,776
Cash and cash equivalents at end of year	69,713	61,993

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

16. INVESTMENT SECURITIES

	Group		Company	
	(1)2016 RM'000	(2)2015 RM'000	(1)2016 RM'000	(2)2015 RM'000
Non-current				
Quoted shares (outside Malaysia)	197,651	148,667	197,651	148,667
Unquoted bonds	39,537	54,734	-	-
	237,188	203,401	197,651	148,667
Current				
Unquoted bonds	34,939	30,048	-	-
Total investment securities	272,127	233,449	197,651	148,667

(1) On 1 January 2016, the shares quoted outside Malaysia and the unquoted bonds were classified as financial assets at FVTOCI under the requirements of MFRS 9 *Financial Instruments*. In accordance with the transition requirements under paragraph 7.2.15 of this Standard, comparatives are not restated.

(2) Prior to 1 January 2016, the shares quoted outside Malaysia and the unquoted bonds were classified as AFS financial assets under the requirements of MFRS 139 *Financial Instruments: Recognition and Measurement*.

17. STAFF LOANS RECEIVABLE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Housing loans	4,008	4,915	3,522	4,377
Vehicle loans	39	43	39	43
Computer loans	67	68	65	66
	4,114	5,026	3,626	4,486
Less: Receivables within 12 months, included in other receivables (Note 20)	(589)	(634)	(506)	(554)
	3,525	4,392	3,120	3,932

18. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	(1,026)	(4,476)	(967)	(5,261)
Effects of MFRS 9 <i>Financial Instruments</i> adoption (Note 2.2(ii)(a)(i))	198	-	5	-
Recognised in profit or loss (Note 9)	2,639	3,265	1,453	4,111
Recognised in other comprehensive income	153	185	151	183
At 31 December	1,964	(1,026)	642	(967)

Presented after appropriate offsetting as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets (before offsetting)	23,082	21,033	19,561	18,656
Offsetting	(18,995)	(18,726)	(18,919)	(18,656)
Deferred tax assets (after offsetting)	4,087	2,307	642	-
Deferred tax liabilities (before offsetting)	(21,118)	(22,059)	(18,919)	(19,623)
Offsetting	18,995	18,726	18,919	18,656
Deferred tax liabilities (after offsetting)	(2,123)	(3,333)	-	(967)
	1,964	(1,026)	642	(967)

Deferred tax assets of the Group:

	Provision for retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
At 1 January 2016	6,267	8,557	11	44	5,816	338	21,033
Effects of MFRS 9 <i>Financial Instruments</i> adoption (Note 2.2(ii)(a)(i))	-	-	198	-	-	-	198
Recognised in profit or loss	(398)	(412)	44	(10)	2,486	(10)	1,700
Recognised in other comprehensive income	151	-	-	-	-	-	151
At 31 December 2016	6,020	8,145	253	34	8,302	328	23,082
At 1 January 2015	6,651	7,742	19	47	4,632	1,586	20,677
Recognised in profit or loss	(552)	815	(8)	(3)	1,184	(1,248)	188
Recognised in other comprehensive income	168	-	-	-	-	-	168
At 31 December 2015	6,267	8,557	11	44	5,816	338	21,033

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18. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax assets of the Company:

	Provision for retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
At 1 January 2016	6,267	6,186	11	38	5,816	338	18,656
Effects of MFRS 9 <i>Financial Instruments</i> adoption (Note 2.2(ii)(a)(i))	-	-	5	-	-	-	5
Recognised in profit or loss	(398)	(1,324)	5	(10)	2,486	(10)	749
Recognised in other comprehensive income	151	-	-	-	-	-	151
At 31 December 2016	6,020	4,862	21	28	8,302	328	19,561
At 1 January 2015	6,651	5,606	11	42	4,632	-	16,942
Recognised in profit or loss	(552)	580	-	(4)	1,184	338	1,546
Recognised in other comprehensive income	168	-	-	-	-	-	168
At 31 December 2015	6,267	6,186	11	38	5,816	338	18,656

Deferred tax liabilities:

	Accelerated capital allowances RM'000	Investments securities – unquoted bonds RM'000	Total RM'000
Group			
At 1 January 2016	(21,961)	(98)	(22,059)
Recognised in profit or loss	920	19	939
Recognised in other comprehensive income	-	2	2
At 31 December 2016	(21,041)	(77)	(21,118)
At 1 January 2015	(24,992)	(161)	(25,153)
Recognised in profit or loss	3,031	46	3,077
Recognised in other comprehensive income	-	17	17
At 31 December 2015	(21,961)	(98)	(22,059)
Company			
At 1 January 2016	(19,623)	-	(19,623)
Recognised in profit or loss	704	-	704
At 31 December 2016	(18,919)	-	(18,919)
At 1 January 2015	(22,145)	(58)	(22,203)
Recognised in profit or loss	2,522	43	2,565
Recognised in other comprehensive income	-	15	15
At 31 December 2015	(19,623)	-	(19,623)

18. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

As disclosed in Note 2, the tax effects of deductible temporary differences, unutilised tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised. At the financial year end, the amount of unutilised tax losses and unused capital allowances which is not recognised in the financial statements due to uncertainty of its realisation is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unused capital allowances	3,144	-	3,144	-
Unutilised tax losses	8,157	8,150	-	-
	11,301	8,150	3,144	-

The availability of unutilised tax losses for offsetting against future taxable profits of the subsidiary in Malaysia is subject to no substantial changes in the shareholding of the subsidiary under the Income Tax Act, 1967 and guidelines issued by the tax authority.

19. TRADE RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	44,492	49,406	2,209	2,018
Less: Allowance for impairment	(951)	(732)	(166)	(258)
	43,541	48,674	2,043	1,760

20. OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits	738	738	616	616
Prepayments	8,946	7,746	8,719	7,620
Interest receivable	6,272	5,114	1,576	856
Staff loans receivable within 12 months (Note 17)	589	634	506	554
Sundry receivables	13,399	14,869	9,650	11,021
	29,944	29,101	21,067	20,667
Less: Allowance for impairment	(5,945)	(6,059)	(2,394)	(2,411)
	23,999	23,042	18,673	18,256

21. RELATED COMPANY BALANCES

The amounts due from subsidiaries are unsecured, receivable within 30 days and bear late interest charges of 2 percentage points above the prevailing base lending rate.

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22. CASH FOR EQUITY MARGINS, DERIVATIVES TRADING MARGINS, SECURITY DEPOSITS, SBL COLLATERALS AND eDIVIDEND DISTRIBUTIONS

	Group	
	2016	2015
	RM'000	RM'000
Equity margins	86,012	-
Derivatives trading margins	1,276,031	1,050,155
Security deposits	15,152	33,731
SBL collaterals	1,400	-
Trade payables (Note c)	1,378,595	1,083,886
Cash received for eDividend distributions (included in other payables (Note 30))	2,464	3,640
Total cash for equity margins, derivatives trading margins, security deposits, SBL collaterals and eDividend distributions (Note a)	1,381,059	1,087,526

Note a

The cash received from Clearing Participants (CPs) and Trading Clearing Participants (TCPs) are placed in interest-bearing deposits and interest earned is credited to the CPs' and TCPs' accounts net of service charges. Cash received for eDividend distributions are placed in interest-bearing deposits until such time when dividend payments are due. The details of the cash received are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Cash on hand and at banks	254,447	286,709
Deposits with licensed financial institutions	1,126,612	800,817
	1,381,059	1,087,526

Note b

The amount of non-cash collaterals for equity margining, derivatives trading margins, security deposits and SBL collaterals held by, but not belonging to, the Group and which are not included in the Group's statement of financial position as at the financial year end comprise the following:

	Group	
	2016	2015
	RM'000	RM'000
Collaterals in the form of letters of credit	637,940	669,057
Collaterals in the form of shares	427	7,179
	638,367	676,236

Note c

Trade payables comprise derivatives trading margins and security deposits which are derived from cash received from CPs of Bursa Malaysia Derivatives Clearing for their open interests in derivatives contracts as at the financial year end. Collaterals are also lodged by TCPs of Bursa Malaysia Securities Clearing for equity trading margins and for borrowings under the equity margining framework, and the SBL framework.

23. CASH AND BANK BALANCES OF CLEARING FUNDS

Group	Participants' contribution RM'000	Cash set aside by the Group RM'000	Total RM'000
Contributions from:			
TCPs of Bursa Malaysia Securities Clearing	13,260	-	13,260
Bursa Malaysia Securities Clearing	-	25,000	25,000
Additional cash resources from Bursa Malaysia Securities Clearing	-	60,000	60,000
Clearing Guarantee Fund (CGF) contributions	13,260	85,000	98,260
Contributions from:			
CPs of Bursa Malaysia Derivatives Clearing	22,953	-	22,953
Bursa Malaysia Derivatives Clearing	-	5,000	5,000
Derivatives Clearing Fund (DCF) contributions	22,953	5,000	27,953
Total cash and bank balances of Clearing Funds as at 31 December 2016	36,213	90,000	126,213
Contributions from:			
TCPs of Bursa Malaysia Securities Clearing	12,911	-	12,911
Bursa Malaysia Securities Clearing	-	25,000	25,000
Additional cash resources from Bursa Malaysia Securities Clearing	-	60,000	60,000
CGF contributions	12,911	85,000	97,911
Contributions from:			
CPs of Bursa Malaysia Derivatives Clearing	22,657	-	22,657
Bursa Malaysia Derivatives Clearing	-	5,000	5,000
DCF contributions	22,657	5,000	27,657
Total cash and bank balances of Clearing Funds as at 31 December 2015	35,568	90,000	125,568

(i) As at the financial year end, the total cash and non-cash components of the CGF are as follows:

	2016 RM'000	2015 RM'000
Cash and bank balances	98,260	97,911
Bank guarantees from TCPs of Bursa Malaysia Securities Clearing	4,263	4,547
Total CGF	102,523	102,458

(ii) There are no non-cash collaterals from CPs of Bursa Malaysia Derivatives Clearing for DCF held by the Group as at 31 December 2016 and 31 December 2015.

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24. CASH AND BANK BALANCES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash on hand and at banks	5,262	5,143	1,050	1,012
Deposits with:				
Licensed banks	284,457	252,010	113,267	95,372
Licensed investment banks	15,907	13,973	5,639	7,427
	300,364	265,983	118,906	102,799
Total cash and bank balances	305,626	271,126	119,956	103,811

- (i) Included in the Group's and the Company's cash and bank balances is an amount of RM175,000 (2015: RM182,000) set aside to meet or secure the claims of creditors pursuant to a High Court order issued in relation to the reduction of capital of the Company on 27 January 2005.
- (ii) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the financial year:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total cash and bank balances	305,626	271,126	119,956	103,811
Less: Deposits not for short-term funding requirements	(91,578)	(7,068)	(67,675)	(12,886)
	214,048	264,058	52,281	90,925

25. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares of RM0.50 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised				
At 1 January/31 December	2,000,000	2,000,000	1,000,000	1,000,000
Issued and fully paid				
At 1 January	534,614	533,520	267,307	266,760
Issued during the year pursuant to SGP (Note 28(b))	1,658	1,094	829	547
At 31 December	536,272	534,614	268,136	267,307

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

26. OTHER RESERVES

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital redemption reserve	(a)	5,250	5,250	-	-
Foreign currency translation reserve	(b)	860	710	-	-
Share grant reserve	(c)	8,350	10,049	8,350	10,049
Clearing fund reserves	(d)	30,000	30,000	-	-
FVTOCI/AFS reserve ⁽¹⁾	(e)	113,383	63,866	113,161	64,177
		157,843	109,875	121,511	74,226

⁽¹⁾ On 1 January 2016, the investment securities were classified as financial assets at FVTOCI under the requirements of MFRS 9 *Financial Instruments* from AFS financial assets under MFRS 139 *Financial Instruments: Recognition and Measurement*. Previously, the AFS reserve arising from AFS financial assets in previous years was reclassified to FVTOCI reserve. In accordance with the transition requirements under paragraph 7.2.15 of the Standard, comparatives are not restated.

(a) 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	
	2016 RM'000	2015 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 shareholders of the subsidiaries as fully paid bonus shares.

(b) 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.

(c) 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.

(d) Clearing fund reserves

	Note	Group	
		2016 RM'000	2015 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
		30,000	30,000

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26. OTHER RESERVES (CONT'D.)

(d) Clearing fund reserves (cont'd.)

(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 from TCPs. The CGF comprises contributions from TCPs and appropriation from Bursa Malaysia Securities Clearing resources, and other financial resources. The CGF composition is disclosed in Note 23(i).

(ii) DCF reserve

Pursuant to the Rules of Bursa Malaysia Derivatives Clearing, Bursa Malaysia Derivatives Clearing set up a DCF for derivatives clearing and settlement. The DCF comprises contributions from CPs and appropriation of certain amounts from Bursa Malaysia Derivatives Clearing's retained earnings. The DCF composition is disclosed in Note 23.

(e) FVTOCI/AFS reserve

FVTOCI/AFS reserve represents the cumulative fair value changes, net of tax, of investment securities until they are disposed or impaired.

27. RETAINED EARNINGS

The Company is able to distribute dividends out of its entire retained earnings under the single-tier system.

28. EMPLOYEE BENEFITS

(a) Retirement benefit obligations

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 amounts recognised in the statements of financial position were determined as follows:

	Group and Company	
	2016	2015
	RM'000	RM'000
Present value of funded defined benefit obligations	26,107	26,959
Fair value of plan assets	(1,028)	(847)
Net liability arising from defined benefit obligations	25,079	26,112

28. EMPLOYEE BENEFITS (CONT'D.)

(a) Retirement benefit obligations (cont'd.)

The movements in the net liability were as follows:

	Note	Group and Company		
		Present value of funded defined benefit obligations	Fair value of plan assets	Total
		RM'000	RM'000	RM'000
At 1 January 2016		26,959	(847)	26,112
Interest expense/(income)	5	1,364	(45)	1,319
		28,323	(892)	27,431
Remeasurements:				
Return on plan assets		-	34	34
Financial assumptions		297	-	297
Experience loss		296	-	296
		593	34	627
Contributions by employer		-	(1,857)	(1,857)
Payments from plan		(2,809)	1,687	(1,122)
At 31 December 2016		26,107	(1,028)	25,079
At 1 January 2015		27,943	(1,338)	26,605
Interest expense/(income)	5	1,439	(70)	1,369
		29,382	(1,408)	27,974
Remeasurements:				
Return on plan assets		-	61	61
Experience loss		823	-	823
		823	61	884
Contributions by employer		-	(375)	(375)
Payments from plan		(3,246)	875	(2,371)
At 31 December 2015		26,959	(847)	26,112

The plan assets comprise the following:

	Group and Company	
	2016	2015
	%	%
Malaysian Government Securities	68	95
Cash and fixed deposits	32	5

Principal actuarial assumptions used:

	Group and Company	
	2016	2015
	%	%
Discount rate	5.0	5.3
Expected rate of salary increase	5.0	5.0

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28. EMPLOYEE BENEFITS (CONT'D.)

(a) Retirement benefit obligations (cont'd.)

The discount rate is determined based on the values of AA rated corporate bond yields with 3 to 15 years maturity.

Significant actuarial assumptions for determination of the defined benefits obligation are discount rate and expected salary increase. The sensitivity analysis below has been derived based on changes to individual assumptions, with all other assumptions held constant:

	Group and Company			
	Discount rate		Expected salary growth	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
	RM'000	RM'000	RM'000	RM'000
At 31 December 2016				
(Decrease)/Increase in defined benefit obligations	(1,157)	1,249	1,152	(1,090)
At 31 December 2015				
(Decrease)/Increase in defined benefit obligations	(1,388)	1,508	1,417	(1,333)

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 to 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.

(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, at its discretion where necessary, direct the implementation and administration of the plan. The Committee may, at any time within the duration of the plan, offer RSP and PSP awards under the SGP to eligible employees and/or Executive Directors of the Group, wherein such offer shall lapse should the eligible employees or Executive Directors of the Group fail to accept the same 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.

28. EMPLOYEE BENEFITS (CONT'D.)

(b) SGP (cont'd.)

- (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 maximum shares available shall be allocated, in aggregate, to Executive Directors and senior management of the Group. In addition, not more than 10% of the maximum 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 respects with the then existing ordinary shares of the Company, except that the new ordinary shares so issued will not be entitled to any rights, dividends or other distributions declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission or otherwise.
- (v) The shares granted will only be vested to the eligible employees and/or Executive Directors of the Group who have duly accepted the offer of awards under the SGP, on their respective vesting dates, provided the following vesting conditions are fully and duly satisfied:
- Eligible employees and/or Executive Directors of the Group must remain in employment with the Group and shall not have given notice of resignation or received notice of termination of service as at the vesting dates.
 - In respect of the PSP, eligible employees and/or Executive Directors of the Group having achieved his/her performance targets as stipulated by the Committee and as set out in their offer of awards.

The following table illustrates the movement of shares under the SGP during the financial year:

	Group and Company				At 31 December '000
	At 1 January '000	Movements during the year			
		Granted '000	Vested '000	Forfeited '000	
2016					
2013 grants:					
RSP	310	-	(299)	(11)	-
PSP	416	-	(416)	-	-
2014 grants:					
RSP	741	-	(350)	(45)	346
PSP	426	-	-	-	426
2015 grants:					
RSP	1,096	-	(343)	(68)	685
PSP	441	-	-	-	441
2016 grants:					
RSP	-	1,317	(250)	(26)	1,041
PSP	-	312	-	-	312
	3,430	1,629	(1,658)	(150)	3,251

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28. EMPLOYEE BENEFITS (CONT'D.)

(b) SGP (cont'd.)

The following table illustrates the movement of shares under the SGP during the financial year: (cont'd.)

	Group and Company				At 31 December '000
	At 1 January '000	Movements during the year			
	Granted '000	Vested '000	Forfeited '000		
2015					
2012 grants:					
RSP	148	-	(146)	(2)	-
PSP	216	-	-	(216)	-
2013 grants:					
RSP	661	-	(321)	(30)	310
PSP	440	-	-	(24)	416
2014 grants:					
RSP	1,183	-	(377)	(65)	741
PSP	450	-	-	(24)	426
2015 grants:					
RSP	-	1,369	(250)	(23)	1,096
PSP	-	465	-	(24)	441
	3,098	1,834	(1,094)	(408)	3,430

As disclosed in Note 25, share grants vested during the financial year resulted in the issuance of 1,658,000 (2015: 1,094,000) ordinary shares of RM0.50 each. The weighted average share price at the date of vesting for the financial year was RM7.50 (2015: RM7.24).

The outstanding share grants at the end of the financial year are to be vested on specific dates in the following periods:

- (i) The 2014 grant is to be vested within the next year.
- (ii) The 2015 grants are to be vested within the next 2 years.
- (iii) The 2016 grants are to be vested within the next 3 years.

Fair value of shares granted during the financial year

The fair values of shares granted during the financial year were measured at grant date and the assumptions were as follows:

- (i) The fair value of RSP shares granted during the year was estimated using a discounted cash flow model, taking into account the vesting conditions upon which the RSP shares were granted. The weighted average share price at the grant date was RM8.65 (2015: RM8.27). An average expected dividend yield of 4.3% (2015: 5.3%) was used in measuring the fair values.

28. EMPLOYEE BENEFITS (CONT'D.)

(b) SGP (cont'd.)

Fair value of shares granted during the financial year (cont'd.)

- (ii) The performance conditions for the PSP include 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:

	2016	2015
Share price	RM8.59	RM8.20
Expected dividend yield	4.4%	4.9%
Expected volatility	15.0%	16.0%
Risk free rate	3.0%	3.3%

29. DEFERRED GRANTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	4,087	5,193	2,798	3,876
Grant income (Note 4)	(1,170)	(1,281)	(1,078)	(1,253)
Received during the year	175	175	175	175
At 31 December	3,092	4,087	1,895	2,798

The deferred grants of the Group refer to grants for the development of the bond trading platform, the development of clearing facilities and the licence for the order management system for the derivatives market, and the construction of an Environmental, Social and Governance (ESG) index. The deferred grants of the Company refers to the grant for the development of the bond trading platform and the construction of an ESG index. There are no unutilised conditions or contingencies attached to these grants.

30. OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Accruals	16,971	17,783	10,190	11,110
Amount due to Securities Commission	6,003	6,386	-	-
Capital Market Education and Integrity Fund (CMEIF)	22,404	21,871	22,404	21,722
Provision for employee benefits	22,170	27,940	19,958	25,425
Receipts in advance	8,480	7,889	543	541
Sundry payables	24,481	25,428	8,719	8,866
	100,509	107,297	61,814	67,664

Included in sundry payables of the Group is cash received for eDividend distributions amounting to RM2,464,000 (2015: RM3,640,000).

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31. BURSA MALAYSIA DEPOSITORY SDN BHD - COMPENSATION FUND (DEPOSITORY - CF)

In 1997, pursuant to the provisions of Section 5(1)(b)(vii) of the Securities Industry (Central Depositories) Act, 1991, Bursa Malaysia Depository, a wholly-owned subsidiary, established a scheme of compensation for the purpose of settling claims by depositors against Bursa Malaysia Depository, its authorised depository agents and Bursa Malaysia Depository Nominees. The scheme comprises monies in the Depository - CF and insurance policies. Bursa Malaysia Depository's policy is to maintain the balance in the Depository - CF at RM50,000,000. In consideration for the above, all revenue accruing to the Depository - CF's deposits and investments are to be credited to Bursa Malaysia Depository and all expenditure incurred for and on behalf of the Depository - CF will be paid for by Bursa Malaysia Depository.

The net assets of the fund are as follows:

	2016	2015
	RM'000	RM'000
Depository – CF	<u>50,000</u>	<u>50,000</u>

The assets of the fund are segregated from the financial statements of the Group and are accounted for separately.

32. OPERATING LEASE ARRANGEMENTS

(a) The Group and Company as lessee of land

The Company has entered into two non-cancellable operating lease agreements for the use of land. The leases are for a period of 99 years with no renewal or purchase option included in the contracts. The leases do not allow the Company to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. Tenancy is, however, allowed with the consent of the lessor.

The future aggregate minimum lease payments under non-cancellable operating lease contracted for as at the financial year end but not recognised as liabilities are as follows:

	Group and Company	
	2016	2015
	RM'000	RM'000
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	38,102	38,640
	<u>40,796</u>	<u>41,334</u>

The lease rental for the current financial year is disclosed in Note 7.

(b) The Group and Company as lessee of equipment

The Company has entered into an operating lease arrangement for the use of equipment. The lease period is five years with no renewal or purchase option included in the contracts.

The future aggregate minimum lease payments under operating lease contracted for as at the financial year end but not recognised as liabilities are as follows:

	Group and Company	
	2016	2015
	RM'000	RM'000
Not later than one year	126	152
Later than one year and not later than two years	-	126
	<u>126</u>	<u>278</u>

32. OPERATING LEASE ARRANGEMENTS (CONT'D.)

(b) The Group and Company as lessee of equipment (cont'd.)

The lease rental for the current financial year is disclosed in Note 7.

(c) The Group and Company as lessor of building

The Company has entered into operating lease agreements for the rental of office space in the building. The lease period is three years, with renewal option for another three years included in the agreements. The leases have a fixed rental rate for the existing lease period with an upward revision to the rental rate for the renewed lease period.

The future aggregate minimum lease payments receivable under operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Group and Company	
	2016	2015
	RM'000	RM'000
Not later than one year	6,088	5,333
Later than one year and not later than two years	308	5,235
Later than two years and not later than five years	-	7,669
	6,396	18,237

The lease rental for the current financial year is disclosed in Note 4.

(d) The Company as lessor of building

The Company has entered into an operating lease arrangement with its subsidiaries for the use of office space. The lease is for a period of three years and shall be automatically renewed for further periods of three years for each renewal unless terminated.

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Company	
	2016	2015
	RM'000	RM'000
Not later than one year	3,504	4,607
Later than one year and not later than two years	3,504	3,504
Later than two years and not later than five years	10,513	10,513
	17,521	18,624

The lease rental for the current financial year is disclosed in Notes 3 and 34(a).

(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.

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32. OPERATING LEASE ARRANGEMENTS (CONT'D.)

(e) The Company as lessor of equipment (cont'd.)

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Company	
	2016	2015
	RM'000	RM'000
Not later than one year	16,269	15,077
Later than one year and not later than five years	57,838	39,947
Later than five years	15,969	7,883
	90,076	62,907

The lease rental for the current financial year is disclosed in Notes 3 and 34(a).

33. CAPITAL COMMITMENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for				
Computers and office automation	1,448	1,399	1,448	1,247
Renovations	44	1,152	44	1,152
Office equipment	-	78	-	78
	1,492	2,629	1,492	2,477
Approved but not contracted for				
Computers and office automation	267	3,934	267	3,934
Renovations	26	1,148	26	1,148
	293	5,082	293	5,082

34. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Transactions with subsidiaries

Significant transactions between the Company and its subsidiaries are as follows:

	2016	2015
	RM'000	RM'000
Management fees income from:		
Bursa Malaysia Securities	82,747	76,594
Bursa Malaysia Derivatives	10,832	10,126
Bursa Malaysia Securities Clearing	8,514	8,278
Bursa Malaysia Derivatives Clearing	3,897	3,206
Bursa Malaysia Depository	19,050	17,930
Bursa Malaysia Information	5,027	5,213
Bursa Malaysia Islamic Services	7,218	6,547
Bursa Malaysia Bonds	2	2
LFX	15	15
	137,302	127,911

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(a) Transactions with subsidiaries (cont'd.)

	2016 RM'000	2015 RM'000
Office space rental income from:		
Bursa Malaysia Securities	1,682	1,682
Bursa Malaysia Derivatives	1,103	1,103
Bursa Malaysia Securities Clearing	275	275
Bursa Malaysia Depository	1,062	1,062
Bursa Malaysia Information	287	287
Bursa Malaysia Islamic Services	198	198
	4,607	4,607
Lease rental income from:		
Bursa Malaysia Securities	8,805	8,376
Bursa Malaysia Derivatives	821	836
Bursa Malaysia Securities Clearing	1,182	1,251
Bursa Malaysia Derivatives Clearing	186	200
Bursa Malaysia Depository	867	966
Bursa Malaysia Information	136	146
Bursa Malaysia Islamic Services	962	981
	12,959	12,756
Dividend income from:		
Bursa Malaysia Securities	59,000	78,000
Bursa Malaysia Derivatives	20,370	17,636
Bursa Malaysia Securities Clearing	50,000	58,100
Bursa Malaysia Depository	40,000	41,900
Bursa Malaysia Information	17,400	16,300
	186,770	211,936

Management fees 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.

(b) Transactions with other related 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 shareholding of Kumpulan Wang Persaraan (Diperbadankan) 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.

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34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(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	
	2016	2015
	RM'000	RM'000
Short term employee benefits	9,778	10,123
Contributions to defined contribution plan - EPF	1,299	1,170
SGP	3,928	3,459
	15,005	14,752

Included in total remuneration of key management personnel are:

	Group and Company	
	2016	2015
	RM'000	RM'000
Executive Director's remuneration (Note 8)	5,739	5,739
Benefits-in-kind (Note 8)	35	35
	5,774	5,774

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:

	Group and Company	
	2016	2015
	'000	'000
At 1 January	975	945
Granted	663	630
Vested	(646)	(360)
Forfeited	-	(240)
At 31 December	992	975

35. CONTINGENT LIABILITY

In connection with the partial disposal of Bursa Malaysia Derivatives on 30 November 2009, the Company had entered into put and call options with the Chicago Mercantile Exchange (CME) Group over the ordinary shares of Bursa Malaysia Derivatives representing the 25% equity interest disposed to the CME Group. The exercise price for the put and call options shall be determined based on a pre-agreed formula which takes into consideration the performance of Bursa Malaysia Derivatives and other peer exchanges.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to market risk (which comprises equity price risk, interest rate risk and foreign exchange risk), liquidity risk and credit risk arising from their business activities.

The Group and the Company ensure that the above risks are managed in order to minimise the effects of the unpredictability of the financial markets on the performance of the Group and of the Company. There has been no change in the nature of the risks which the Group and the Company are exposed to, nor the objectives, policies and processes to manage those risks compared to the previous year.

(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 the CME Group. The shares were obtained as part of the purchase consideration in the strategic alliance forged with the CME Group.

The Group and the Company monitor the value of the equity holding by considering the movements of the quoted price, the potential future value to the Group and the sell down restrictions surrounding the equity holding.

An increase/decrease of 1% (2015: 1%) in the quoted price of the instrument would result in an increase/decrease in equity of RM1,977,000 (2015: RM1,487,000).

(b) Market risk: Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Company are exposed to interest rate risk through the holding of unquoted bonds, commercial papers and deposits with licensed financial institutions.

The Group and the Company manage interest rate risk by investing in varied asset classes.

Interest rate risk sensitivity

The following table demonstrates the sensitivity of the Group's and the Company's profit after tax and equity to a 25 basis points (2015: 25 basis points) increase/decrease in interest rates with all other variables held constant:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Effects on profit after tax if:				
- Increase by 25 basis points	743	668	226	193
- Decrease by 25 basis points	(743)	(668)	(226)	(193)
Effects on equity if:				
- Increase by 25 basis points	425	409	226	193
- Decrease by 25 basis points	(425)	(409)	(226)	(193)

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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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk: Interest rate risk (cont'd.)

Interest rate risk exposure

The following table analyses the Group's and the Company's interest rate risk exposure. The unquoted bonds 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		
Group				
At 31 December 2016				
Investment securities	34,939	39,537	74,476	4.46
Deposits with licensed financial institutions:				
- Cash set aside by the Group for Clearing Funds	90,000	-	90,000	3.63
- Cash and bank balances	300,364	-	300,364	3.78
At 31 December 2015				
Investment securities	30,048	54,734	84,782	4.41
Deposits with licensed financial institutions:				
- Cash set aside by the Group for Clearing Funds	90,000	-	90,000	4.10
- Cash and bank balances	265,983	-	265,983	4.10
Company				
At 31 December 2016				
Deposits with licensed financial institutions:				
- Cash and bank balances	118,906	-	118,906	3.85
At 31 December 2015				
Deposits with licensed financial institutions:				
- Cash and bank balances	102,799	-	102,799	4.14

(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 Dollars (USD), and transactions in USD.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Market risk: Foreign currency risk (cont'd.)

The Group and the Company do not hedge their currency exposures. The following table shows the accumulated amount of material financial assets and liabilities which are unhedged:

	Group		Company	
	2016 USD RM'000	2015 USD RM'000	2016 USD RM'000	2015 USD RM'000
Financial assets				
Investment securities - shares quoted outside Malaysia	197,651	148,667	197,651	148,667
Trade receivables	1,826	535	-	-
	199,477	149,202	197,651	148,667
Financial liabilities				
Other payables	4,851	4,973	-	173

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 liabilities.

Group	USD RM'000	SGD RM'000	JPY RM'000	Total RM'000
At 31 December 2016				
Financial assets				
Cash for equity margins, derivatives trading margins, security deposits, SBL collaterals and eDividend distributions	317,116	222	6,167	323,505
Financial liabilities				
Trade payables	(317,116)	(222)	(6,167)	(323,505)
	-	-	-	-
At 31 December 2015				
Financial assets				
Cash for equity margins, derivatives trading margins, security deposits, SBL collaterals and eDividend distributions	275,218	-	5,705	280,923
Financial liabilities				
Trade payables	(275,218)	-	(5,705)	(280,923)
	-	-	-	-

The following table demonstrates the sensitivity of the Group's 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.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Market risk: Foreign currency risk (cont'd.)

	Group		Company	
	Profit after tax RM'000	Equity RM'000	Profit after tax RM'000	Equity RM'000
At 31 December 2016				
USD - strengthens by 5% against RM	<u>(115)</u>	<u>9,768</u>	<u>-</u>	<u>9,883</u>
At 31 December 2015				
USD - strengthens by 5% against RM	<u>(166)</u>	<u>7,267</u>	<u>(6)</u>	<u>7,427</u>

An equivalent weakening of the foreign currencies 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.

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the financial year end based on contractual undiscounted repayment obligations.

	Maturity			Total RM'000
	On demand RM'000	Less than three months RM'000	Three to twelve months RM'000	
Group				
At 31 December 2016				
Current liabilities				
Other payables which are financial liabilities*	<u>17,920</u>	<u>11,668</u>	<u>896</u>	<u>30,484</u>
At 31 December 2015				
Current liabilities				
Other payables which are financial liabilities*	<u>14,839</u>	<u>16,549</u>	<u>426</u>	<u>31,814</u>

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Liquidity risk (cont'd.)

(i) Liabilities related risk (cont'd.)

	Maturity			Total RM'000
	On demand RM'000	Less than three months RM'000	Three to twelve months RM'000	
Company				
At 31 December 2016				
Current liabilities				
Other payables which are financial liabilities*	2,733	5,090	896	8,719
At 31 December 2015				
Current liabilities				
Other payables which are financial liabilities*	3,446	4,993	427	8,866

* Other payables which are financial liabilities include amount due to Securities Commission and sundry payables as disclosed in Note 30.

(ii) Clearing and settlement related risk

The clearing house subsidiaries of the Group act as a counterparty to eligible trades concluded on the securities and derivatives markets through the novation of obligations of the buyers and sellers. The Group mitigates this exposure by establishing financial criteria for admission as participants, monitoring participants' position limits and requiring that margins and collaterals on outstanding positions be placed with the clearing houses. CGF and DCF, as disclosed in Note 26(d), were set up to further mitigate this risk.

The liabilities and corresponding assets in relation to clearing and settlement risk as at the financial year end are shown below:

Group	Note	On demand	
		2016 RM'000	2015 RM'000
Current assets			
Cash for equity margins, derivatives trading margins, security deposits and SBL collaterals	22	1,378,595	1,083,886
Cash and bank balances of Clearing Funds:			
Participants' contribution	23	36,213	35,568
Current liabilities			
Trade payables		(1,378,595)	(1,083,886)
Participants' contribution to Clearing Funds		(36,213)	(35,568)
		-	-

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(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's 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 is minimised.

Investment securities and cash and bank balances

The counterparty risk rating of the Group's and of the Company's investment securities and cash and bank balances with financial institutions at the financial year end are as follows:

	Government	Counterparty risk rating			Total
	Guaranteed	AAA	AA	A	
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
At 31 December 2016					
Unquoted bonds	9,638	9,986	49,896	4,956	74,476
Cash and bank balances*	-	889,864	832,117	90,917	1,812,898
At 31 December 2015					
Unquoted bonds	-	10,019	74,763	-	84,782
Cash and bank balances*	-	757,649	664,844	61,727	1,484,220
Company					
At 31 December 2016					
Cash and bank balances	-	28,153	87,984	3,819	119,956
At 31 December 2015					
Cash and bank balances	-	29,846	63,676	10,289	103,811

* Cash and bank balances include cash for equity margins, derivatives trading margins, security deposits, SBL collaterals and eDividend distributions, cash and bank balances of Clearing Funds, and the Group's and the Company's cash and bank balances.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

As at the current financial year end, there is no significant increase in credit risk for unquoted bonds since initial recognition. The Group's unquoted bonds are rated as investment grade and the allowance for impairment is measured on the basis of 12-months ECL. The movement of the allowance for impairment loss on unquoted bonds is as follows:

	Group 2016 RM'000
Movement in allowance accounts:	
At 1 January	-
Effects of MFRS 9 <i>Financial Instruments</i> adoption (Note 2.2(ii)(a)(i))	175
Impairment loss for the year (Note 7)	286
At 31 December	461

Receivables

The ageing analysis of the Group's and of the Company's receivables is as follows:

Group	Note	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	
At 31 December 2016										
Staff loans receivable	17	4,114	-	4,114	-	-	-	-	-	-
Trade receivables	19	44,492	951	31,602	4,377	2,516	652	2,075	2,319	11,939
Other receivables which are financial assets*	20	20,409	5,945	14,464	-	-	-	-	-	-
At 31 December 2015										
Staff loans receivable	17	5,026	-	5,026	-	-	-	-	-	-
Trade receivables	19	49,406	732	36,347	3,884	2,747	874	1,815	3,007	12,327
Other receivables which are financial assets*	20	20,721	6,059	14,662	-	-	-	-	-	-

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

Receivables (cont'd.)

The ageing analysis of the Group's and of the Company's receivables is as follows: (cont'd.)

Company	Note	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	
At 31 December 2016										
Staff loans receivable	17	3,626	-	3,626	-	-	-	-	-	-
Trade receivables	19	2,209	166	97	584	144	144	244	830	1,946
Other receivables which are financial assets*	20	11,842	2,394	9,448	-	-	-	-	-	-
Due from subsidiaries	21	<u>28,782</u>	<u>11,863</u>	<u>16,919</u>	-	-	-	-	-	-
At 31 December 2015										
Staff loans receivable	17	4,486	-	4,486	-	-	-	-	-	-
Trade receivables	19	2,018	258	532	355	177	140	248	308	1,228
Other receivables which are financial assets*	20	12,493	2,411	10,082	-	-	-	-	-	-
Due from subsidiaries	21	<u>47,628</u>	<u>11,857</u>	<u>35,771</u>	-	-	-	-	-	-

* Other receivables which are financial assets include deposits, interest receivables and sundry receivables, net of allowance for impairment.

(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's 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's 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

(ii) Receivables that are impaired

The Group and the Company apply the simplified approach whereby allowance for impairment is measured at lifetime ECL as disclosed in Note 2.2(ii)(a). Comparative amounts for 2015 represent allowance account for credit losses and reflect measurement basis under MFRS 139 *Financial Instruments: Recognition and Measurement*. The movement of the allowance for impairment loss on receivables is as follows:

Group	Trade receivables			Other receivables		
	Lifetime ECL allowance	⁽¹⁾ Specific allowance	Total allowance	Lifetime ECL allowance	⁽¹⁾ Specific allowance	Total allowance
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	-	732	732	-	6,059	6,059
Effects of MFRS 9 <i>Financial Instruments</i> adoption (Note 2.2(ii)(a)(i))	650	-	650	-	-	-
Charge/(reversal) for the year ⁽²⁾	(95)	(138)	(233)	28	(142)	(114)
Write-offs	-	(198)	(198)	-	-	-
At 31 December 2016	555	396	951	28	5,917	5,945
At 1 January 2015	-	388	388	-	6,268	6,268
Charge/(reversal) for the year	-	344	344	-	(209)	(209)
At 31 December 2015	-	732	732	-	6,059	6,059

⁽¹⁾ Receivables that are individually determined to be impaired at the financial year end relate to receivables that are in significant financial difficulties and have defaulted on payments. The nominal amounts of receivables that specific allowances are provided for are as follows:

	Trade receivables		Other receivables	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At nominal amounts	396	732	5,917	6,059
Less: Allowance for impairment	(396)	(732)	(5,917)	(6,059)
	-	-	-	-

⁽²⁾ The allowance for impairment loss on trade receivables and other receivables decreased by RM233,000 and RM114,000 respectively during the current financial year resulting from the recovery of previous bad debts.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

(ii) Receivables that are impaired (cont'd.)

Company	Trade receivables			Other receivables			Due from subsidiaries
	Lifetime ECL allowance	⁽¹⁾ Specific allowance	Total allowance	Lifetime ECL allowance	⁽¹⁾ Specific allowance	Total allowance	⁽¹⁾ Specific allowance
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	-	258	258	-	2,411	2,411	11,857
Effects of MFRS 9							
<i>Financial Instruments</i>							
adoption							
(Note 2.2(ii)(a)(i))	21	-	21	-	-	-	-
Charge/(reversal)							
for the year ⁽²⁾	30	15	45	28	(45)	(17)	6
Write-offs	-	(158)	(158)	-	-	-	-
At 31 December 2016	51	115	166	28	2,366	2,394	11,863
At 1 January 2015	-	258	258	-	2,584	2,584	11,855
(Reversal)/charge							
for the year	-	-	-	-	(173)	(173)	2
At 31 December 2015	-	258	258	-	2,411	2,411	11,857

⁽¹⁾ Receivables that are individually determined to be impaired at the financial year end relate to receivables that are in significant financial difficulties and have defaulted on payments. The nominal amounts of receivables that specific allowances are provided for are as follows:

Company	Trade receivables		Other receivables		Due from subsidiaries	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At nominal amounts	115	258	2,366	2,411	11,863	11,857
Less: Allowance						
for impairment	(115)	(258)	(2,366)	(2,411)	(11,863)	(11,857)
	-	-	-	-	-	-

⁽²⁾ The Company's allowance for impairment loss on trade receivables increased by RM45,000 during the current financial year mainly due to higher provision for lifetime ECL allowance. Allowance for impairment loss on other receivables decreased by RM17,000 resulting from the recovery of previous debts during the current financial year.

Receivables are not secured by any collateral or credit enhancements other than as disclosed in Note 22.

37. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Group's 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 financial liabilities of the Group and of the Company in the statements of financial position by the classes and categories of financial instruments to which they are assigned, and therefore by the measurement basis.

Group	Financial assets at FVTOCI RM'000	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2016				
Assets				
Investment securities				
- Quoted shares (outside Malaysia)	197,651	-	-	197,651
- Unquoted bonds	74,476	-	-	74,476
	<u>272,127</u>	-	-	<u>272,127</u>
Staff loans receivable	-	4,114	-	4,114
Trade receivables	-	43,541	-	43,541
Other receivables which are financial assets*	-	14,464	-	14,464
Cash for equity margins, derivatives trading margins, security deposits, SBL collaterals and eDividend distributions	-	1,381,059	-	1,381,059
Cash and bank balances of Clearing Funds	-	126,213	-	126,213
Cash and bank balances	-	305,626	-	305,626
Total financial assets	<u>272,127</u>	<u>1,875,017</u>	-	<u>2,147,144</u>
Liabilities				
Trade payables	-	-	1,378,595	1,378,595
Participants' contributions to Clearing Funds	-	-	36,213	36,213
Other payables which are financial liabilities**	-	-	30,484	30,484
Total financial liabilities	-	-	<u>1,445,292</u>	<u>1,445,292</u>

* Other receivables which are financial assets include deposits, interest receivables and sundry receivables, net of allowance for impairment, as disclosed in Note 20.

** Other payables which are financial liabilities include amount due to Securities Commission and sundry payables as disclosed in Note 30.

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37. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D.)

Group	AFS RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2015				
Assets				
Investment securities				
- Quoted shares (outside Malaysia)	148,667	-	-	148,667
- Unquoted bonds	84,782	-	-	84,782
	233,449	-	-	233,449
Staff loans receivable	-	5,026	-	5,026
Trade receivables	-	48,674	-	48,674
Other receivables which are financial assets*	-	14,662	-	14,662
Cash for equity margins, derivatives trading margins, security deposits, SBL collaterals and eDividend distributions	-	1,087,526	-	1,087,526
Cash and bank balances of Clearing Funds	-	125,568	-	125,568
Cash and bank balances	-	271,126	-	271,126
Total financial assets	233,449	1,552,582	-	1,786,031
Liabilities				
Trade payables	-	-	1,083,886	1,083,886
Participants' contributions to Clearing Funds	-	-	35,568	35,568
Other payables which are financial liabilities**	-	-	31,814	31,814
Total financial liabilities	-	-	1,151,268	1,151,268

* Other receivables which are financial assets include deposits, interest receivables and sundry receivables, net of allowance for impairment, as disclosed in Note 20.

** Other payables which are financial liabilities include amount due to Securities Commission and sundry payables as disclosed in Note 30.

37. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D.)

Company	Financial assets at FVTOCI RM'000	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2016				
Assets				
Investment securities				
- Quoted shares (outside Malaysia)	197,651	-	-	197,651
Staff loans receivable	-	3,626	-	3,626
Trade receivables	-	2,043	-	2,043
Other receivables which are financial assets*	-	9,448	-	9,448
Due from subsidiaries	-	16,919	-	16,919
Cash and bank balances	-	119,956	-	119,956
Total financial assets	197,651	151,992	-	349,643
Liability				
Other payables which are financial liabilities**	-	-	8,719	8,719

Company	AFS RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2015				
Assets				
Investment securities				
- Quoted shares (outside Malaysia)	148,667	-	-	148,667
Staff loans receivable	-	4,486	-	4,486
Trade receivables	-	1,760	-	1,760
Other receivables which are financial assets*	-	10,082	-	10,082
Due from subsidiaries	-	35,771	-	35,771
Cash and bank balances	-	103,811	-	103,811
Total financial assets	148,667	155,910	-	304,577
Liability				
Other payables which are financial liabilities**	-	-	8,866	8,866

* Other receivables which are financial assets include deposits, interest receivables and sundry receivables, net of allowance for impairment, as disclosed in Note 20.

** Other payables which are financial liabilities include sundry payables as disclosed in Note 30.

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38. FAIR VALUE

(a) Financial instruments that are carried at fair value

Investment securities are measured at fair value at different measurement hierarchies (i.e. Levels 1, 2 and 3). The hierarchies reflect the level of objectiveness of inputs used when measuring the fair values.

(i) Level 1: Quoted prices (unadjusted) of identical assets in active markets

Shares quoted outside Malaysia are measured at Level 1. The fair value of quoted shares is determined directly by reference to its published market bid price as at the financial year end.

(ii) Level 2: Inputs other than at quoted prices included within Level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices)

Unquoted bonds are measured at Level 2. The fair value of unquoted bonds is determined by reference to the published market bid price of unquoted fixed income securities based on information provided by Bond Pricing Agency Malaysia Sdn Bhd.

(iii) Level 3: Inputs for the asset that are not based on observable market data (unobservable inputs)

The Group and the Company do not have any financial instruments measured at Level 3 as at the current and previous financial years.

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Group			
At 31 December 2016			
Investment securities			
- Quoted shares (outside Malaysia)	197,651	-	197,651
- Unquoted bonds	-	74,476	74,476
	<u>197,651</u>	<u>74,476</u>	<u>272,127</u>
At 31 December 2015			
Investment securities			
- Quoted shares (outside Malaysia)	148,667	-	148,667
- Unquoted bonds	-	84,782	84,782
	<u>148,667</u>	<u>84,782</u>	<u>233,449</u>
Company			
At 31 December 2016			
Investment securities			
- Quoted shares (outside Malaysia)	197,651	-	197,651
At 31 December 2015			
Investment securities			
- Quoted shares (outside Malaysia)	148,667	-	148,667

There were no transfers between Level 1 and Level 2 during the current and previous financial years.

The Group and the Company do not have any financial liabilities carried at fair value nor any financial liabilities classified as Level 3 as at 31 December 2016 and 31 December 2015.

38. FAIR VALUE (CONT'D.)

(b) Financial instruments that are not carried at fair value

The carrying amount of the financial instruments carried at amortised cost, other than staff loans receivable, are reasonable approximation of their fair values due to their short-term nature:

	Note
Trade receivables	19
Other receivables which are financial assets (except staff loans receivable within 12 months)	20
Related company balances	21
Cash for equity margins, derivatives trading margins, security deposits, SBL collaterals and eDividend distributions	22
Cash and bank balances of Clearing Funds	23
Cash and bank balances of the Group and of the Company	24
Trade payables	22
Participants' contributions to Clearing Funds	23
Other payables which are financial liabilities	30

The carrying amount of staff loans receivable approximates its fair value, and is estimated by discounting the expected future cash flows using the current interest rates for loans with similar risk profiles. The staff loans receivable is measured at Level 3 under the measurement hierarchy.

	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
At 31 December 2016				
Staff loans receivable (Note 17)	4,114	3,996	3,626	3,522
At 31 December 2015				
Staff loans receivable (Note 17)	5,026	4,830	4,486	4,309

39. CAPITAL MANAGEMENT

The Group manages its capital with the objective of maximising shareholders' returns. To achieve this, the Group takes into consideration and ensures the sufficiency of funds for operations, risk management and development. Although the Group's policy is to distribute at least 75% of its profits to shareholders, it has been able thus far to distribute at least 90% of its profits every year whilst ensuring that its pool of funds for future development is at a sufficient level.

The Group is not subject to any externally imposed capital requirements. However, the Group is required to set aside funds for the CGF and DCF in accordance with the business rules of its clearing house subsidiaries.

Total capital managed at Group level, which comprises shareholders' funds and deferred capital grants, stood at RM872,032,000 (2015: RM807,537,000) as at the end of the 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 the securities exchange.
- (ii) The derivatives market mainly comprises the provision and operation of the trading, clearing, depository services and provision and dissemination of information relating to derivative products quoted on the derivatives exchange.
- (iii) The exchange holding business refers to the operation of the Company which functions as an investment holding company.
- (iv) Others mainly comprises the provision of a Sha'riah compliant commodity trading platform, a reporting platform for bond traders and the provision of an exchange for the 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 the market 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 company RM'000	Others RM'000	Consolidated RM'000
At 31 December 2016					
Operating revenue	345,285	102,901	7,500	17,022	472,708
Other income	13,191	2,465	18,218	201	34,075
Direct costs	(89,043)	(46,966)	(25,546)	(6,278)	(167,833)
Segment profit	269,433	58,400	172	10,945	338,950
Overheads					(68,360)
Profit before tax					270,590
Segment assets					
Assets	374,096	120,237	397,401	30,388	922,122
Clearing Funds	98,260	27,953	-	-	126,213
Cash for equity margins, derivatives trading margins, security deposits, SBL collaterals and eDividend distributions	89,876	1,291,183	-	-	1,381,059
Segment assets	562,232	1,439,373	397,401	30,388	2,429,394
Unallocated corporate assets					6,958
Total assets					2,436,352
Segment liabilities					
Liabilities	30,137	12,691	69,647	13,741	126,216
Participants' contribution to Clearing Funds	13,260	22,953	-	-	36,213
Equity margins, derivatives trading margins, SBL collaterals and eDividend distributions	89,876	1,291,183	-	-	1,381,059
Segment liabilities	133,273	1,326,827	69,647	13,741	1,543,488
Unallocated corporate liabilities					5,624
Total liabilities					1,549,112

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40. SEGMENT INFORMATION (CONT'D.)

Market segments (cont'd.)

	Securities market RM'000	Derivatives market RM'000	Exchange holding company RM'000	Others RM'000	Consolidated RM'000
At 31 December 2016					
Other information					
Depreciation and amortisation in:					
Segments	8,163	2,281	1,660	767	12,871
Overheads	-	-	-	-	11,356
Other significant non-cash expenses:					
Net impairment loss/(reversal of impairment loss) on:					
Investment securities	286	-	-	-	286
Trade and other receivables	(390)	6	28	9	(347)
Property, plant and equipment and computer software written off	-	-	5	-	5
Retirement benefit obligations	-	-	-	-	1,319
SGP expense in:					
Segments	4,467	952	3,156	222	8,797
Overheads	-	-	-	-	1,942

40. SEGMENT INFORMATION (CONT'D.)

Market segments (cont'd.)

	Securities market RM'000	Derivatives market RM'000	Exchange holding company RM'000	Others RM'000	Consolidated RM'000
At 31 December 2015					
Operating revenue	362,782	100,046	7,460	17,382	487,670
Other income	12,744	2,130	15,624	336	30,834
Direct costs	(89,781)	(50,938)	(32,000)	(5,928)	(178,647)
Segment profit/(loss)	285,745	51,238	(8,916)	11,790	339,857
Overheads					(61,081)
Profit before tax					<u>278,776</u>
Segment assets					
Assets	377,269	114,625	333,227	42,606	867,727
Clearing Funds	97,911	27,657	-	-	125,568
Cash for equity margins, derivatives trading margins, security deposits, SBL collaterals and eDividend distributions	3,640	1,083,886	-	-	1,087,526
Segment assets	478,820	1,226,168	333,227	42,606	2,080,821
Unallocated corporate assets					5,634
Total assets					<u>2,086,455</u>
Segment liabilities					
Liabilities	30,554	13,874	58,246	31,182	133,856
Participants' contribution to Clearing Funds	12,911	22,657	-	-	35,568
Equity margins, derivatives trading margins, SBL collaterals and eDividend distributions	3,640	1,083,886	-	-	1,087,526
Segment liabilities	47,105	1,120,417	58,246	31,182	1,256,950
Unallocated corporate liabilities					10,037
Total liabilities					<u>1,266,987</u>

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40. SEGMENT INFORMATION (CONT'D.)

Market segments (cont'd.)

	Securities market RM'000	Derivatives market RM'000	Exchange holding company RM'000	Others RM'000	Consolidated RM'000
At 31 December 2015					
Other information					
Depreciation and amortisation in:					
Segments	7,955	2,231	1,600	773	12,559
Overheads	-	-	-	-	11,180
Other significant non-cash expenses:					
Net impairment loss/(reversal of impairment loss) on trade and other receivables	315	(6)	(173)	(1)	135
Property, plant and equipment and computer software written off	-	-	42	-	42
Retirement benefit obligations	-	-	-	-	1,369
SGP expense in:					
Segments	4,273	875	3,244	208	8,600
Overheads	-	-	-	-	1,879

41. SUBSEQUENT EVENT

The Companies Act, 2016 (New Act) was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act is not expected to have any financial impact on the Group and on the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

42. SUPPLEMENTARY INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

The following breakdown and components of retained earnings are identified and disclosed in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings:				
Realised	345,279	332,389	166,827	184,175
Unrealised	2,238	1,018	486	(968)
	347,517	333,407	167,313	183,207
Consolidation adjustments	(23,608)	(14,582)	-	-
	323,909	318,825	167,313	183,207

List of Properties Owned by Bursa Malaysia Group

AS AT 31 DECEMBER 2016

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 as at 31 December 2016 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*	76 years (14 April 2092)	19 years	7,144/ 71,347	August 1997	119,404
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*	79 years (28 February 2095)	18 years	9,314/ 38,609	March 1998	41,124
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 th Floor, Wisma Chase Perdana, Off Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur	Four office units on the 4 th Floor of a 12-storey office building	Office	Freehold	N/A	33 years	N/A/ 3,355	May 1998	8,561

* The buildings are on freehold land which has been leased to Bursa Malaysia Berhad by the Federal Land Commissioner for a period of 99 years.

Statistics of Shareholdings

AS AT 31 JANUARY 2017

The total number of issued shares of the Company stands at **536,272,400** ordinary shares, with voting right of one vote per ordinary share.

The changes in the number of issued shares of the Company from 534,614,300 ordinary shares since 13 July 2015 to 536,272,400 ordinary shares as at 31 January 2017 are as set out in the table below:

Date of Allotment	Number of Shares Allotted	Consideration	Total Number of Issued Shares
1 April 2016	250,000	Subscription by the Trustee at RM8.90 per share under the Share Grant Plan (SGP)	534,864,300
28 April 2016	208,000	Subscription by the Trustee at RM6.53 per share under the SGP	535,072,300
	208,000	Subscription by the Trustee at RM8.42 per share under the SGP	535,280,300
13 July 2016	298,700	Subscription by the Trustee at RM6.53 per share under the SGP	535,579,000
	350,500	Subscription by the Trustee at RM7.06 per share under the SGP	535,929,500
	342,900	Subscription by the Trustee at RM7.81 per share under the SGP	536,272,400

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	248	1	249	1.50	2,688	12	2,700	0.00
100 - 1,000	6,766	99	6,865	41.36	5,624,903	79,111	5,704,014	1.06
1,001 - 10,000	7,491	287	7,778	46.87	28,537,569	1,368,134	29,905,703	5.58
10,001 - 100,000	1,309	166	1,475	8.89	34,920,748	6,159,370	41,080,118	7.66
100,001 - less than 5% of issued shares	135	91	226	1.36	100,818,308	119,234,752	220,053,060	41.03
5% and above of issued shares	3	0	3	0.02	239,526,805	0	239,526,805	44.67
Total	15,952	644	16,596	100.00	409,431,021	126,841,379	536,272,400	100.00

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	13,953	331	65,226,211	3,560,212	12.16	0.66
2.	Body Corporate						
	a Banks/finance companies	27	0	39,702,125	0	7.40	0.00
	b Investment trust/foundation/charities	5	0	319,600	0	0.06	0.00
	c Industrial and commercial companies	190	12	12,329,629	282,500	2.30	0.05
3.	Government agencies/institutions	2	0	206,030,401	0	38.42	0.00
4.	Nominees	1,774	301	85,813,055	122,998,667	16.00	22.94
5.	Others	1	0	10,000	0	0.00	0.00
	Total	15,952	644	409,431,021	126,841,379	76.35	23.65

Statistics of Shareholdings

AS AT 31 JANUARY 2017

TOP 30 SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Kumpulan Wang Persaraan (Diperbadankan)	105,830,400	19.73
2.	Capital Market Development Fund	100,200,001	18.68
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	33,496,404	6.25
4.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	19,761,700	3.69
5.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	9,758,300	1.82
6.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 12)	9,331,100	1.74
7.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Saudi Arabia)	9,276,500	1.73
8.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund G449 for Goldman Sachs Funds – Goldman Sachs Growth & Emerging Markets Broad Equity Portfolio	7,673,100	1.43
9.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A. (2)	6,291,700	1.17
10.	The Nomad Group Bhd	6,072,728	1.13
11.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Taiwan)	5,842,000	1.09
12.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 9)	5,473,800	1.02
13.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 14)	5,097,800	0.95
14.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	4,838,800	0.90
15.	Amanahraya Trustees Berhad Public Dividend Select Fund	4,040,900	0.75
16.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	3,996,000	0.75
17.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund KG33 for Invesco Asia Pacific Growth Fund	3,957,400	0.74
18.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	3,855,800	0.72
19.	HSBC Nominees (Asing) Sdn Bhd Pictet and Cie (Europe) for Pictet Global Selection Fund – Global High Yield Emerging Equities Fund	3,594,000	0.67
20.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	3,571,258	0.67
21.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	3,474,300	0.65
22.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund J6S6 for Asia Oceania Dividend Yield Stock Mother Fund	3,278,600	0.61

TOP 30 SECURITIES ACCOUNT HOLDERS (CONT'D.)

No.	Name	No. of Issued Shares	% of Issued Shares
23.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund JY63 for Russell Emerging Markets Equity Fund (RIC PLC)	3,150,700	0.59
24.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	3,122,100	0.58
25.	Amanahraya Trustees Berhad Amanah Saham Malaysia	3,000,000	0.56
26.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,865,400	0.53
27.	Pertubuhan Keselamatan Sosial	2,791,500	0.52
28.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	2,754,000	0.51
29.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Saham Amanah Sabah (ACC 2-940410)	2,551,200	0.48
30.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	2,416,300	0.45
	Total	381,363,791	71.11

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 31 January 2017 including those of his/her spouse and child/children which are deemed interest of the Directors by reference to Section 59(11)(c) of the Companies Act 2016 are maintained by the Company in the Register of Directors' Shareholdings pursuant to Section 59 of the Companies Act 2016, 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
Tan Sri Amirsham bin A Aziz	0	0.00	-	-	-
Dato' Zuraidah binti Atan	0	0.00	-	-	-
Dato' Eshah binti Meor Suleiman	0	0.00	-	-	-
Johari bin Abdul Muid	0	0.00	-	-	-
Dato' Saiful Bahri bin Zainuddin	0	0.00	-	-	-
Datuk Karownikaran @ Karunikaran a/l Ramasamy	0	0.00	-	-	-
Datuk Chay Wai Leong	0	0.00	-	-	-
Ghazali bin Haji Darman	0	0.00	-	-	-
Pushpanathan a/l S.A. Kanagarayar	0	0.00	-	-	-
Datuk Seri Tajuddin bin Atan	636,900	0.12	-	-	Refer Note*
Total	636,900	0.12			

Statistics of Shareholdings

AS AT 31 JANUARY 2017

DIRECTORS' DIRECT AND DEEMED INTERESTS IN THE COMPANY AND/OR ITS RELATED CORPORATIONS (CONT'D.)

Note: * Datuk Seri Tajuddin bin Atan has indirect interest in the securities of the Company by virtue of his acceptance of ordinary shares 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
2014 RSP Grant	9,600	17 July 2017
2015 RSP Grant	12,800	17 July 2017, 16 July 2018
2016 RSP Grant	19,200	17 July 2017, 16 July 2018, 15 July 2019

- (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:

RSP Grant	Number of Plan Shares	Vesting Dates
2014 RSP Grant	Up to 63,600	3 May 2017
2015 RSP Grant	Up to 42,400	16 July 2018
2016 RSP Grant	Up to 42,400	15 July 2019

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 JANUARY 2017

No.	Name	Number of Issued Shares	% of Issued Shares
1.	Kumpulan Wang Persaraan (Diperbadankan)	105,830,400	19.73
2.	Capital Market Development Fund	100,200,001	18.68
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	33,496,404	6.25

SHARE GRANT PLAN (SGP)

Under the SGP which is the only share issuance scheme of Bursa Malaysia in the financial year (FY) 2016, a maximum of 10% of the issued and paid-up share capital of Bursa Malaysia (excluding treasury shares) comprising ordinary shares of the Company (Plan Shares) are available at any point in time during the tenure of the SGP (Maximum Plan Shares Available). Further information on the SGP is set out in the Directors' Report and Note 28(b) of the Annual Audited Financial Statements for FY 2016 in this Annual Report.

SHARE GRANT PLAN (SGP) (CONT'D.)

Brief details on the number of Plan Shares granted, vested and outstanding since the commencement of the SGP on 18 April 2011 and during the FY 2011, FY 2012, FY 2013, FY 2014, FY 2015 and FY 2016 are set out in the table below:

For the period from 18 April 2011 to 31 December 2011	Type of Grant	Total	Executive Director/ CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2011 RSP Grant	778,200	-	34,900	743,300
Number of Plan Shares vested	2011 RSP Grant	(199,800)	-	(9,000)	(190,800)
Number of Plan Shares forfeited	2011 RSP Grant*	(37,300)	-	(5,200)	(32,100)
Number of Plan Shares outstanding as at 31 December 2011	2011 RSP Grant	541,100	-	20,700	520,400
For the period from 1 January 2012 to 31 December 2012	Type of Grant	Total	Executive Director/ CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2012 RSP Grant	829,200	270,200	29,200	529,800
	2012 PSP Grant	397,400	59,400	146,000	192,000
	Total	1,226,600	329,600	175,200	721,800
Number of Plan Shares vested	2011 RSP Grant	(174,700)	-	(6,600)	(168,100)
	2012 RSP Grant	(250,000)	(250,000)	-	-
	Total	(424,700)	(250,000)	(6,600)	(168,100)
Number of Plan Shares forfeited	2011 RSP Grant*	(59,400)	-	(1,700)	(57,700)
	2012 RSP Grant*	(30,500)	-	-	(30,500)
	2012 PSP Grant*	(17,800)	-	(17,800)	-
	Total	(107,700)	-	(19,500)	(88,200)
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
	Total	1,235,300	79,600	169,800	985,900

Statistics of Shareholdings

AS AT 31 JANUARY 2017

SHARE GRANT PLAN (SGP) (CONT'D.)

For the period from 1 January 2013 to 31 December 2013	Type of Grant	Total	Executive	Senior	Other
			Director/ CEO	Management	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
	Total	1,849,700	342,400	300,900	1,206,400
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)	-	-
	Total	(588,000)	(256,800)	(16,200)	(315,000)
Number of Plan Shares forfeited	2011 RSP Grant*	(12,600)	-	-	(12,600)
	2012 RSP Grant*	(33,900)	-	-	(33,900)
	2012 PSP Grant [∞]	(155,800)	-	(63,400)	(92,400)
	2013 RSP Grant*	(28,500)	-	-	(28,500)
	Total	(230,800)	-	(63,400)	(167,400)
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
	Total	2,266,200	165,200	391,100	1,709,900

Note: [∞] A portion of 2012 PSP Grant was forfeited, as the performance targets in respect of performance period from 2011 to 2013 were not achieved.

For the period from 1 January 2014 to 31 December 2014	Type of Grant	Total	Executive	Senior	Other
			Director/ CEO	Management	Selected Employees
Number of Plan Shares granted	2014 RSP Grant	1,478,000	278,800	100,300	1,098,900
	2014 PSP Grant	449,600	63,600	200,600	185,400
	Total	1,927,600	342,400	300,900	1,284,300
Number of Plan Shares vested	2011 RSP Grant	(134,800)	-	(4,800)	(130,000)
	2012 RSP Grant	(166,800)	(6,700)	(8,400)	(151,700)
	2013 RSP Grant	(356,400)	(9,600)	(27,600)	(319,200)
	2014 RSP Grant	(250,000)	(250,000)	-	-
	Total	(908,000)	(266,300)	(40,800)	(600,900)
Number of Plan Shares forfeited	2011 RSP Grant*	(5,100)	-	(1,400)	(3,700)
	2012 RSP Grant*	(15,900)	-	(2,500)	(13,400)
	2012 PSP Grant*	(8,400)	-	(8,400)	-
	2013 RSP Grant*	(78,700)	-	(17,700)	(61,000)
	2013 PSP Grant*	(35,400)	-	(35,400)	-
	2014 RSP Grant*	(44,700)	-	-	(44,700)
	Total	(188,200)	-	(65,400)	(122,800)

SHARE GRANT PLAN (SGP) (CONT'D.)

For the period from 1 January 2014 to 31 December 2014			Executive Director/CEO	Senior Management	Other Selected Employees
	Type of Grant	Total			
Number of Plan Shares outstanding as at 31 December 2014	2011 RSP Grant	-	-	-	-
	2012 RSP Grant	148,600	6,700	8,300	133,600
	2012 PSP Grant	215,400	59,400	56,400	99,600
	2013 RSP Grant	661,100	19,200	55,000	586,900
	2013 PSP Grant	439,600	63,600	165,200	210,800
	2014 RSP Grant	1,183,300	28,800	100,300	1,054,200
	2014 PSP Grant	449,600	63,600	200,600	185,400
	Total	3,097,600	241,300	585,800	2,270,500
For the period from 1 January 2015 to 31 December 2015			Executive Director/CEO	Senior Management	Other Selected Employees
	Type of Grant	Total			
Number of Plan Shares granted	2015 RSP Grant	1,369,200	269,200	106,200	993,800
	2015 PSP Grant	464,600	42,400	212,400	209,800
	Total	1,833,800	311,600	318,600	1,203,600
Number of Plan Shares vested	2012 RSP Grant	(145,700)	(6,700)	(8,300)	(130,700)
	2013 RSP Grant	(322,000)	(9,600)	(27,500)	(284,900)
	2014 RSP Grant	(376,800)	(9,600)	(33,400)	(333,800)
	2015 RSP Grant	(250,000)	(250,000)	-	-
	Total	(1,094,500)	(275,900)	(69,200)	(749,400)
Number of Plan Shares forfeited	2012 RSP Grant*	(2,900)	-	-	(2,900)
	2012 PSP Grant [□]	(215,400)	(59,400)	(56,400)	(99,600)
	2013 RSP Grant*	(28,900)	-	(3,900)	(25,000)
	2013 PSP Grant*	(23,600)	-	(23,600)	-
	2014 RSP Grant*	(65,200)	-	(7,900)	(57,300)
	2014 PSP Grant*	(23,600)	-	(23,600)	-
	2015 RSP Grant*	(23,200)	-	(11,800)	(11,400)
	2015 PSP Grant*	(23,600)	-	(23,600)	-
Total	(406,400)	(59,400)	(150,800)	(196,200)	
Number of Plan Shares outstanding as at 31 December 2015	2012 RSP Grant	-	-	-	-
	2012 PSP Grant	-	-	-	-
	2013 RSP Grant	310,200	9,600	23,600	277,000
	2013 PSP Grant	416,000	63,600	141,600	210,800
	2014 RSP Grant	741,300	19,200	59,000	663,100
	2014 PSP Grant	426,000	63,600	177,000	185,400
	2015 RSP Grant	1,096,000	19,200	94,400	982,400
	2015 PSP Grant	441,000	42,400	188,800	209,800
Total	3,430,500	217,600	684,400	2,528,500	

Note: [□] The remaining portion of 2012 PSP Grant was forfeited, as the performance targets in respect of performance period from 2012 to 2014 were not achieved.

Statistics of Shareholdings

AS AT 31 JANUARY 2017

SHARE GRANT PLAN (SGP) (CONT'D.)

For the period from 1 January 2016 to 31 December 2016	Type of Grant	Total	Executive	Senior	Other
			Director/ CEO	Management	Selected Employees
Number of Plan Shares granted	2016 RSP Grant	1,317,300	269,200	92,000	956,100
	2016 PSP Grant	312,200	42,400	184,000	85,800
	Total	1,629,500	311,600	276,000	1,041,900
Number of Plan Shares vested	2013 RSP Grant	(298,700)	(9,600)	(23,600)	(265,500)
	2013 PSP Grant	(416,000)	(63,600)	(141,600)	(210,800)
	2014 RSP Grant	(350,500)	(9,600)	(29,500)	(311,400)
	2015 RSP Grant	(342,900)	(6,400)	(31,400)	(305,100)
	2016 RSP Grant	(250,000)	(250,000)	-	-
	Total	(1,658,100)	(339,200)	(226,100)	(1,092,800)
Number of Plan Shares forfeited	2013 RSP Grant *	(11,500)	-	-	(11,500)
	2014 RSP Grant *	(44,800)	-	-	(44,800)
	2015 RSP Grant *	(68,700)	-	-	(68,700)
	2016 RSP Grant *	(25,900)	-	-	(25,900)
	Total	(150,900)	-	-	(150,900)
Number of Plan Shares outstanding as at 31 December 2016	2013 RSP Grant	-	-	-	-
	2013 PSP Grant	-	-	-	-
	2014 RSP Grant	346,000	9,600	29,500	306,900
	2014 PSP Grant	426,000	63,600	177,000	185,400
	2015 RSP Grant	684,400	12,800	63,000	608,600
	2015 PSP Grant	441,000	42,400	188,800	209,800
	2016 RSP Grant	1,041,400	19,200	92,000	930,200
	2016 PSP Grant	312,200	42,400	184,000	85,800
Total	3,251,000	190,000	734,300	2,326,700	

Note: * These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).

With regard to the Plan Shares granted to the Executive Director/CEO and Senior Management during FY 2016 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 2016 was 32.93% 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. MATERIAL CONTRACTS

There were no material contracts 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 2016 or entered into since the end of the previous financial year.

Notice of 40th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 40th Annual General Meeting (“AGM”) of Bursa Malaysia Berhad (“the Company”) will be held at Ballroom 2, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 29 March 2017 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 2016 and the Reports of the Directors and Auditors thereon. | |
| 2. | To approve the payment of final dividend of 17 sen per share under the single-tier system in respect of the financial year ended 31 December 2016. | 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) Datuk Chay Wai Leong | Resolution 2 |
| | (2) Encik Ghazali bin Haji Darman | Resolution 3 |
| | (3) Datuk Seri Tajuddin bin Atan | Resolution 4 |
| | Dato’ Saiful Bahri bin Zainuddin retires by rotation as a Director in accordance with Article 69 of the Company’s Articles of Association at the conclusion of this 40 th AGM. [Refer Note 10] | |
| 4. | To re-elect Datin Grace Yeoh Cheng Geok who retires in accordance with Article 76 of the Company’s Articles of Association and who being eligible offers herself for re-election. | Resolution 5 |
| 5. | To approve the payment of Directors’ fees amounting to RM150,000 per annum for the Non-Executive Chairman and RM100,000 per annum for each of the Non-Executive Directors in respect of the financial year ended 31 December 2016. | Resolution 6 |
| 6. | To approve the payment of Directors’ remuneration (excluding Directors’ fees) to the Non-Executive Chairman and Non-Executive Directors up to an amount of RM2,343,750, from 1 January 2017 until the next AGM of the Company. | Resolution 7 |
| 7. | To appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Board of Directors to determine their remuneration. | Resolution 8 |
| 8. | To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 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 40th 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 22 March 2017. Only a depositor whose name appears on the Record of Depositors as at 22 March 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the shareholders’ approval for the payment of final dividend of 17 sen per share under the single-tier system in respect of the financial year ended 31 December 2016 (“Dividend”) under **Resolution 1** at the 40th AGM of the Company, the Dividend will be paid to the shareholders on 18 April 2017. The entitlement date for the Dividend shall be 5 April 2017.

Shareholders of the Company will only be entitled to the Dividend in respect of:

- securities transferred into their securities account before 4.00 p.m. on 5 April 2017 for transfers; and
- 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
1 March 2017

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.
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 initialled. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 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 2016

7. The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act ("CA") 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

Final dividend

8. With reference to Section 131 of the CA 2016, a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. On 3 February 2017, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval.

The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on 18 April 2017 in accordance with the requirements under Section 132(2) and (3) of the CA 2016.

Re-election of Directors who retire in accordance with Article 69 of the Company's Articles of Association ("AA")

9. Article 69 of the AA provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. With the current Board size of eleven (11), four (4) Directors are to retire in accordance with Article 69 of the AA.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 40th AGM, the Nomination and Remuneration Committee ("NRC") has considered the following:

- (1) The performance and contribution of each of the Directors based on their Self and Peer Assessment ("SPA") results of the Board Effectiveness Evaluation 2015/2016;
- (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 their ability to act in the best interests of the Company in decision-making, to ensure that they are 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 commitment in effectively discharging their respective roles as Directors of the Company. The individual Directors were assessed based on performance criteria set in the areas of Board dynamics and participation, competency and capability, independence and objectivity, probity and personal integrity, contribution and performance together with their ability to make analytical inquiries and offer advice and guidance. Each of the NEDs has also provided his/her annual declaration/confirmation of independence in the fourth quarter of 2016.

The Board approved the NRC's recommendation that the Directors who retire in accordance with Article 69 of the AA are eligible to stand for re-election. All these retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board meeting.

Notice of 40th Annual General Meeting

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 has provided its concurrence in respect of the proposed re-election of the Directors of the Company pursuant to Section 10(1)(b) of the CMSA.

Retirement of Director

10. Dato’ Saiful Bahri bin Zainuddin who was appointed as Director of the Company on 27 June 2008 will retire in accordance with Article 69 of the AA. He will not seek re-election pursuant to the implementation of the Board’s 9-year policy and in line with Recommendation 3.2 of the MCCG 2012. Hence, he will retain office until the close of the 40th AGM.

Re-election of Director pursuant to Article 76 of the Company’s AA

11. Article 76 of the AA provides amongst others, that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

Accordingly, Datin Grace Yeoh Cheng Geok who was appointed as an Independent Non-Executive Director of Bursa Malaysia on 24 February 2017, shall hold office until the 40th AGM and shall then be eligible for re-election pursuant to Article 76 of the AA.

With this appointment, the Board of Bursa Malaysia has achieved its target of three (3) women Directors, in line with the country’s aspirational target of 30% representation of women on boards.

Directors’ remuneration

12. Section 230(1) of the CA 2016 provides amongst others, that “the fees” of the directors and “any benefits” payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders’ approval shall be sought at the 40th AGM on the Directors’ remuneration in two (2) separate resolutions as below:
- **Resolution 6** on payment of Directors’ fees in respect of the preceding year 2016; and
 - **Resolution 7** on payment of Directors’ remuneration (excluding Directors’ fees) in respect of the current year 2017 and until the next AGM (“Relevant Period”).

Directors’ fees

13. The fees for the NEDs had been increased for the financial year (“FY”) 2014 following an independent Board remuneration review conducted by an external consultant in 2014. In 2015, the Board decided that the Directors’ fees for FY 2015 be maintained as the previous FY given the recent review by the external consultant.

In 2016, a review of the Board remuneration policy was conducted internally by the NRC, to ascertain the competitiveness of the Board remuneration having regard to various factors including the Board remuneration framework of comparable public listed companies (“PLCs”) in Malaysia as well as other comparable exchanges. The Board subsequently approved the NRC’s recommendation for the Directors’ fees to remain unchanged in respect of the FY 2016 as the same are still competitive and at par with the prevalent market rate, as set out in the table below:

Directors’ Fees (as approved at AGMs)	2004 to 2008 (5 consecutive years)	2009 to 2013 (5 consecutive years)	2014, 2015 & Proposed for 2016 (Approval sought at 40 th AGM)
Non-Executive Chairman	RM60,000 per annum	RM90,000 per annum	RM150,000 per annum
Non-Executive Director	RM40,000 per annum	RM60,000 per annum	RM100,000 per annum

The payment of the NEDs’ fees in respect of the FY 2016 will only be made if the proposed **Resolution 6** has been passed at the 40th AGM pursuant to Article 78 of the AA and Section 230(1)(b) of the CA 2016.

Directors’ remuneration (excluding Directors’ fees)

14. The Directors’ remuneration (excluding Directors’ fees) comprises the allowances and other emoluments payable to the Chairman and members of the Board, Board of subsidiaries and Board Committees. The NEDs’ current remuneration policy is as set out below:

Description	Chairman	NEDs
Monthly Fixed Allowance	RM52,000 per month	Not Applicable
Other Benefits	Club membership, medical coverage, travel & communication and other claimable benefits	Medical coverage, travel & communication and other claimable benefits
Meeting Allowance (per meeting)	Chairman	Member
• Board of Bursa Malaysia	RM4,000	RM2,000
• Board of Functional Subsidiary	RM4,000	RM2,000
• Board Committees	RM2,500	RM1,500
Retainer Fee for membership on the Board of Functional Subsidiary (per month)	RM1,000	RM1,000

Note: The Chief Executive Officer/Executive Director does not receive any Directors’ remuneration.

The monthly fixed allowance is given to the Chairman of Bursa Malaysia as an Exchange Holding Company, in recognition of the significant roles in leadership and oversight, and the wide-ranging scope of responsibilities expected of him, as well as the fact that he does not serve on the boards of any other PLCs or market participants regulated by Bursa Malaysia.

In determining the estimated total amount of remuneration (excluding Directors' fees) for the NEDs including the Non-Executive Chairman of the Board of Bursa Malaysia, the Board considered various factors including the number of scheduled meetings for the Board, Board of subsidiaries and Board Committees as well as the number of NEDs involved in these meetings. The estimated amount of RM2,343,750 for the Relevant Period is derived from a total of RM1,875,000 for the FY 2017 and one-fourth (1/4) of the said amount equivalent to RM468,750 for the period from 1 January 2018 until the next AGM in 2018.

Payment of the NEDs' remuneration (excluding Directors' fees) will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed **Resolution 7** has been passed at the 40th AGM. The Board is of the view that it is just and equitable for the NEDs to be paid the Directors' remuneration (excluding Directors' fees) on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the Relevant Period.

Appointment of Auditors

15. The Audit Committee ("AC") at its meeting held on 23 January 2017 undertook an annual assessment of the suitability and independence of the external auditors, Ernst & Young ("EY") in accordance with the revised Auditor Independence Policy of the Group which was approved by the Board in April 2016. In its assessment, the AC considered several factors which include the following:

- (1) Quality of EY's performance and their communications with the AC and Bursa Malaysia group, based on feedback obtained via assessment questionnaires from Bursa Malaysia personnel who had substantial contact with the external audit team and EY throughout the year;
- (2) Adequacy of experience and resources provided to the Group by EY, in terms of the firm and the professional staff assigned to the audit; and
- (3) Independence of EY and the level of non-audit services to be rendered by EY to the Company for the FY 2017.

The AC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at the private meetings, which demonstrated their independence, objectivity and professionalism.

The AC was satisfied with the suitability of EY based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied in its review that the provisions of non-audit services by EY to the Company for the FY 2016 did not in any way impair their objectivity and independence as external auditors of Bursa Malaysia.

The Board at its meeting held on 3 February 2017 approved the AC's recommendation for the shareholders' approval to be sought at the 40th AGM on the appointment of EY as external auditors of the Company for the FY 2017, under **Resolution 8**.

Abstention from Voting

16. Any Director referred to in **Resolutions 2, 3, 4 and 5**, who is a shareholder of the Company will abstain from voting on the resolution in respect of his/her re-election at the 40th AGM. In this respect, only the Executive Director, Datuk Seri Tajuddin bin Atan is a shareholder of Bursa Malaysia. He shall abstain from voting on **Resolution 4**.

17. Any NEDs of the Company who are shareholders of the Company will abstain from voting on **Resolutions 6 and 7** concerning remuneration to the NEDs at the 40th AGM.

Statement Accompanying Notice of 40th 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 40th AGM are stated on pages 26 and 28 of this Annual Report.
- B. The profile of the Director who is standing for re-election as per Agenda 4 of the Notice of 40th AGM is as follows:

	Resolution 5
	Datin Grace Yeoh Cheng Geok Independent Non-Executive Director
Nationality/Age/Gender:	Malaysian/55/Female
Date of Appointment:	24 February 2017
Academic/Professional Qualification(s):	<ul style="list-style-type: none"> • Bachelor of Laws (Hons), London School of Economics and Political Science • Master of Laws (LLM), University of London • Barrister-at-Law, Middle Temple • Advocate and Solicitor of the High Court of Malaya
Present Directorship(s):	Listed entity: Nil
	Other public companies: <ul style="list-style-type: none"> • CIMB Bank Berhad
Present Appointment(s):	<ul style="list-style-type: none"> • Member, Management Committee and Managing Partner, Shearn Delamore & Co. • Head, Corporate and Commercial Law Practice Group, Shearn Delamore & Co. • Head, Energy, Natural Resources & Green Technology Practice Group, Shearn Delamore & Co. • Member, Corporate and Commercial Law Committee of the Malaysian Bar Council • Member, Trade in Legal Services Committee of the Malaysian Bar Council • Board Member, ICC Malaysia

Datin Grace Yeoh does not hold any shares in Bursa Malaysia. She has no family relationship with any Director and/or major shareholder of Bursa Malaysia, has no conflict of interest with Bursa Malaysia, has not been convicted of any offence within the past five years, and has not been imposed any penalty by the relevant regulatory bodies as at the date of her appointment as an Independent Non-Executive Director.

Datin Grace Yeoh has satisfied the criteria of an independent director as defined under Bursa Malaysia Securities Berhad Main Market Listing Requirements, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders.

- C. The details of the Directors' interests in the securities of the Company as at 31 January 2017 are stated on pages 203 and 204 of this Annual Report.

Glossary

A

ACE Market

The ACE Market is an alternative market for small and medium sized companies that are at growth stage and have business prospects. It replaced the formerly known MESDAQ (Malaysian Exchange of Securities Dealing and Automated Quotation) market in 2009. The ACE Market is seen as the ideal market for high growth companies with a limited track record and other companies who are looking to raise additional capital by taking their companies public through a listing exercise.

B

Bursa Malaysia-i

A fully integrated Islamic securities trading platform with a comprehensive range of exchange related facilities including listing, trading, clearing, settlement and depository services, leveraging on the existing Bursa Malaysia infrastructure with enhancements to incorporate Shariah-compliant features.

Bursa Suq Al-Sila' (BSAS)

A commodity trading platform dedicated to facilitate Islamic liquidity management and financing by Islamic Financial Institutions (IFI). Bursa Suq Al-Sila' is a world's first which aims to provide industry players with a regulated framework with defined codes of conduct governing commodity trade in support of Islamic interbank placements, client deposits and financing as well as sukuk issuances using the concept of Murabahah and Tawarruq. It undertakes contracts in various currencies to facilitate cross-border trades between IFIs and commodity players worldwide.

Business Trust

Business Trust is a new asset class introduced in the Malaysian capital market following the release of the Securities Commission Malaysia's Business Trust Guidelines which came into force on 28 December 2012. Business trusts are business enterprises set up as trusts, instead of companies. They are hybrid structures with elements of both companies and trusts. Like a company, a business trust operates and runs a business enterprise. But unlike a company, it is created under a trust deed in which the trustee has legal ownership of the trust assets and manages the assets for the benefit of the beneficiaries of the trust.

Unit holders of a business trust can participate in the profits or income arising from the management of the assets in the business trust through receipt of distributions declared by the trustee-manager. Business trusts are suitable for businesses which are capital intensive with stable cash flow wishing to pay distributions out of cash flow without being constrained by accounting profits. The flexibility in the payment of distributions is an advantage especially for businesses which may be affected by high depreciation charges.

C

CAGR

Compound Annual Growth Rate.

Close End Fund

A closed-end fund involves a listed company which invests in shares of other companies. A closed-end fund company has a fixed number of shares in issue at any point of time, the price of which will fluctuate according to net asset value and market forces.

D

Derivatives

A derivative is a security with a price that is dependent upon or derived from one or more underlying assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its value is determined by changes in the underlying asset. Derivative products available on Bursa Malaysia Derivatives are equity, interest rates, bond, agricultural commodity (crude palm oil and palm kernel), metal commodities (gold and tin) futures and options.

E

Exchange Traded Funds (ETF)

An open-ended investment fund listed and traded on a stock exchange. ETF combines the features of an Index fund and a stock. The liquidity of an ETF reflects the liquidity of the underlying basket of shares. Generally, there are three types of ETFs: equity ETFs, fixed income ETFs and commodity ETFs. These ETFs consist of baskets of stocks, bonds or commodities based on an index which instantly offers broad diversification and avert the risk involved in owning stock of a single company.

ETFs are listed and traded on a stock exchange. With units in an ETF, investors can gain exposure to a geographical region, market, industry or sector, commodity such as gold or oil or even a specific investment style such as growth or value.

Equities

An instrument that signifies an ownership position, or equity, in a corporation, and represents a claim on its proportionate share in the corporation's assets and profits. A person holding such an ownership in the company does not enjoy the highest claim on the company's earnings. Instead, an equity holder's claim is subordinated to creditor's claims, and the equity holder will only enjoy distributions from earnings after these higher priority claims are satisfied.

ESOP

A share option granted to specified employees of a company. ESOP offers the options holder the right to buy a certain amount of company shares at a predetermined price for a specific period of time.

F

FTSE Russell Group or FTSE Russell

FTSE International Limited and its subsidiaries, the Group subsidiary that is a leading global provider of index and analytics solutions.

FTSE4 Good Bursa Malaysia (F4GBM) Index

F4GBM Index measures the Environmental, Social and Governance (ESG) performance of public listed companies (PLCs) and was launched in December 2014. As at December 2016, a total of 42 constituents comprising PLCs from across the small, medium and large market capitalisation segments are in the F4GBM Index. The constituents are drawn from 200 shortlisted companies on the FTSE Bursa Malaysia Emas Index and are reviewed every June and December against international benchmarks developed in collaboration with FTSE Russell.

G

Green Lane Policy

This policy allows eligible Futures Brokers to commence their activities with only a notification process to Bursa Malaysia Derivatives. The policy shortens the time to market for Futures Brokers to commence their new activities which include the opening of new branches, commencement of discretionary trading, proprietary trading and dual licensed activities.

I

Integrated Reporting Framework

The International Integrated Reporting Council's integrated reporting framework (<IR> Framework) was designed to improve disclosure of financial and non-financial performance, while enhancing the way organisations articulate and report on value creation. The <IR> Framework was issued in 2013.

IPO

Initial Public Offering is when shares of an unlisted company are offered to the public on a recognised stock exchange for the first time. The shares then become publicly traded.

L

Latency

A measure of time delay experienced in a system, measured in milliseconds (1/1,000th of a second) or microseconds (1/1,000,000th of a second)

Listing Requirements

The criteria required to list and maintain a listing status on Bursa Malaysia's two markets.

Glossary

M

Main Market

The Main Market provides an avenue for companies to raise funds and is mainly populated by established and large companies.

Management Discussion and Analysis (MD&A)

The section of a company's annual report in which management provides an overview of the year's operations and how the company performed financially.

Murabahah

An Islamic financing structure. Murabahah refers to a sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser.

O

OTC

Over-the-counter trades in financial instruments executed outside a Regulated Market.

P

Participating Organisation

A company which carries on the business of dealing in securities pursuant to the Rules of the Exchange.

Primary Market

A part of the capital market that deals with issuance of new securities for the first time.

Put Warrants

A put warrant is a listed security which gives the warrant holder the right but not the obligation to sell the underlying asset at a predetermined exercise price within a pre-determined time period. Put warrant holders benefit from downward price movements in the underlying asset.

R

REITS

A Real Estate Investment Trust (REIT) is a fund or a trust that owns and manages income-producing commercial real estate (shopping complexes, hospitals, plantations, industrial properties, hotels and office blocks). A management company for a REIT is permitted to deduct distribution paid to its shareholders from its corporate taxable income. However, to enjoy this tax-free status, the REIT must have most of its assets and income tied to the real estate and distribute at least 90% of its total income to investors/unit holders annually. REITs that are listed on a stock exchange trade just like stocks.

S

Secondary Market

The public market on which securities, once issued, are traded.

Shares

A share is a security which represents a portion of the owner's capital in a business. Shareholders are the owners of the business and share the success or failure of the business. (Shares are also commonly referred to as stock).

Stapled Securities

Stapled securities refer to an arrangement under which different classes of securities are listed and traded as one security. Stapled securities may involve different classes of securities issued by an issuer or different issuers.

In general, stapled securities have the following characteristics:

- Different classes of securities are stapled together, listed and traded as one security.
- Issuers of stapled securities remain as separate legal entities even though their securities are stapled, listed and traded as one security.
- A stapling deed would be entered into by issuers of stapled securities.

The main advantage of stapled securities is that the stapling arrangement enhances the value and attractiveness of these securities in their stapled form as investors could enjoy the complementary benefits brought about by both securities, through different legal, tax structures and returns

Structured Warrants

Structured warrants are proprietary instruments issued by a third-party issuer, namely an eligible broker or financial institution that give holders the right, but not the obligation, to buy or sell the underlying instrument in the future for a fixed price. Essentially, one makes a 'reservation' to buy or sell a pre-determined number of the underlying instrument at a certain price in the future when investing in a structured warrant. Structured warrants can be issued over an underlying asset such as equity, ETF, index or a basket of stocks.

Sustainability Framework

The Sustainability Framework comprises amendments to the listing requirements where listed issuers are required to disclose a narrative statement of the management of material economic, environmental and social (EES) risks and opportunities in their annual reports. The Sustainability Framework also include the issuance of the Bursa Malaysia Sustainability Reporting Guide and Six Toolkits to aid listed issuers in embedding and reporting on sustainability practices.

Sustainable Stock Exchange (SSE) Initiatives

The Sustainable Stock Exchanges (SSE) initiative is a peer-to-peer learning platform for exchanges, in collaboration with investors, regulators, and companies, to explore how corporate transparency and performance on ESG issues can be enhanced and to further encourage the uptake of sustainable investment. The SSE is a project of the United Nations (UN), co-organised by the UN Conference on Trade and Development, the UN Global Compact, the UN Environment Programme Finance Initiative and the UN Supported Principles for Responsible Investment.

T

Tawarruq

An Islamic financial product. A Tawarruq consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis.

Trading Participant

A company which carries on the business of dealing in derivatives pursuant to the Rules of the Exchange.

W

Warrants

Company warrants are issued by the company and give the holder the right, but not an obligation, to subscribe for new ordinary shares at a specified price during a specified period of time. Warrants have a maturity date (up to 10 years) after which they expire and are worthless unless the holder had exercised to subscribe for the new shares before the maturity date.



Bursa Malaysia Berhad (30632-P)

15th Floor, Exchange Square, Bukit Kewangan,
50200 Kuala Lumpur, Malaysia.

T: +603 2034 7000

F: +603 2732 6437

E: enquiries@bursamalaysia.com

www.bursamalaysia.com