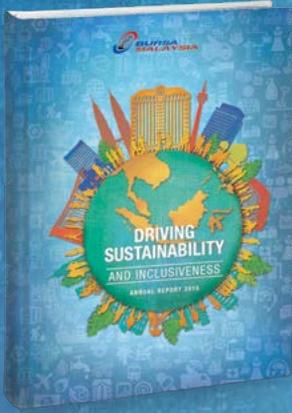
A central graphic featuring a green globe with a yellow map of Malaysia. The globe is surrounded by various silhouettes of people in different poses and activities, as well as stylized buildings and structures. The background is a blue pattern of various icons representing different industries and sectors.

# DRIVING SUSTAINABILITY AND INCLUSIVENESS

ANNUAL REPORT 2015



### Cover Rationale

The cover for our 2015 Annual Report reflects the central role Bursa Malaysia is playing in driving the sustainability of our marketplace and positioning ourselves as ASEAN's leading stock exchange on sustainability agenda. We are committed to building an inclusive and connected marketplace, one where we work closely with Malaysian capital market stakeholders and custodians to broaden and deepen the integration of sustainable strategies in all areas.

# VISION

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

# MISSION

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

# OUR REPORTS

We produce a full suite of reporting publications to cater to the diverse needs of our broad stakeholder base. The following reports, which support our Annual Report, are tailored to meet our readers' specific information requirements.



	Objective	Frameworks applied	Cross-referencing
Annual Report 2015	<ul style="list-style-type: none"> <li>Provides a comprehensive discussion of the Group's performance</li> </ul>	<ul style="list-style-type: none"> <li>Bursa Malaysia Securities Main Market Listing Requirements</li> <li>Malaysian Financial Reporting Standards</li> <li>International Financial Reporting Standards</li> <li>Companies Act, 1965</li> </ul>	Bursa Malaysia Website 
Sustainability Report 2015	<ul style="list-style-type: none"> <li>Presents a balanced and comprehensive analysis of the Group's sustainability practices and performance in relation to issues material to our stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Global Reporting Initiative GRI G4</li> <li>Bursa Malaysia Securities Main Market Listing Requirements</li> <li>ISO 26000</li> </ul>	

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## FEEDBACK

We welcome your feedback to make sure we are addressing what matters to you. Go to [www.bursamalaysia.com](http://www.bursamalaysia.com) or email [ir@bursamalaysia.com](mailto:ir@bursamalaysia.com) for the feedback form, or scan the QR Code with your smartphone.

Scan the QR Code by following these simple steps



### Get it

Download the "QR Code Reader" app from the Google Play (Android Market), BlackBerry AppWorld, App Store (iOS/iPhone) or Windows Phone Store



### Run it

Run the QR Code Reader app and point your camera at the QR Code



### Access it

Get access to the feedback form

# OUR STRATEGIC INTENTS

Our strategic intents and 2015 initiatives, bringing us another step closer to becoming

## ASEAN'S MULTINATIONAL MARKETPLACE



# OUR PERFORMANCE

## 5-YEAR HIGHLIGHTS

	31 DEC 2011 <sup>1</sup>	31 DEC 2012 <sup>1</sup>	31 DEC 2013	31 DEC 2014	31 DEC 2015
<b>Key Operating Results (RM million)</b>					
Operating Revenue	381.5	388.5	439.8	471.3	487.7
Operating Expenses	212.0	209.2	229.4	232.0	239.8
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	207.9	212.9	245.4	264.6	271.7
Profit after Tax and Minority Interest ("PATAMI")	143.1	150.6	173.1	198.2	198.6
<b>Other Key Data (RM million)</b>					
Total Assets	1,673.5	2,198.4	1,741.7	1,656.5	2,086.5
Total Liabilities	818.4	1,325.1	914.2	893.8	1,267.0
Shareholders' Equity	840.8	857.6	811.2	748.7	803.4
Capital Expenditure	13.6	26.7	33.3	11.9	14.1
<b>Financial Ratios (%)</b>					
Operating Revenue Growth	15.2	1.8	13.2	7.1	3.5
Cost to Income Ratio	51.1	49.3	48.3	46.1	46.2
Net Profit Margin	35.7	36.9	37.8	40.5	39.8
PATAMI Growth	27.8	5.2	14.9	14.5	0.2
Return on Equity ("ROE")	17.0	17.7	20.7	25.4	25.6
<b>Share Information</b>					
Earnings per Share ("EPS") (sen)	26.9	28.3	32.5	37.2	37.2
Net Dividend per Share (sen)	26.0	27.0	52.0	54.0	34.5
Dividend Yield (%)	3.9	4.3	6.3	6.7	4.1
Payout Ratio (%)	94.6	94.8	98.5	91.5	92.9
Net Assets per Share (RM)	1.58	1.61	1.52	1.40	1.50
Share Price - High (RM)	9.02	7.72	8.47	8.32	9.00
Share Price - Low (RM)	5.76	5.91	6.22	7.40	7.48
Share Price as at 31 December (RM)	6.70	6.22	8.23	8.10	8.35
Price Earnings Ratio (times)	25	22	25	22	22
Company Market Capitalisation (RM billion)	3.6	3.3	4.4	4.3	4.5

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

- Fines receipts and related expenses no longer recognised in income statement following the setting up of Capital Market Education and Integrity Fund ("CMEIF") on 1 January 2013.
- Actuarial gains and losses were recognised following the adoption of MFRS 119 Employee Benefits (Revised) on 1 January 2013.

# FINANCIAL HIGHLIGHTS

## Operating Revenue

(+3%)

2014: RM471.3 million

**RM487.7**  
million

## PATAMI

(Marginal increase)

2014: RM198.2 million

**RM198.6**  
million

## Cost to Income Ratio

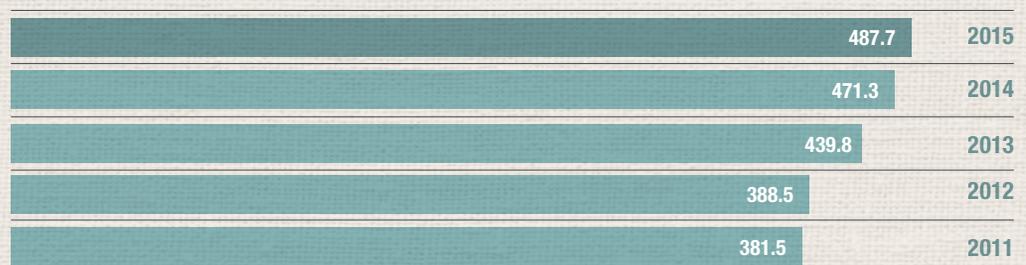
(Increased 0.1 percentage point)

2014: 46.1%

**46.2%**

### Operating Revenue

(RM million)



### PATAMI

(RM million)



FINANCIAL  
HIGHLIGHTS

## ROE

(Improved 0.2 percentage point)

2014: 25.4%

25.6%

Net Dividend  
per Share

(-36%)

2014: 54 sen

(including special dividend)

(+1%)

2014: 34 sen

(excluding special dividend)

## EPS

(Unchanged)

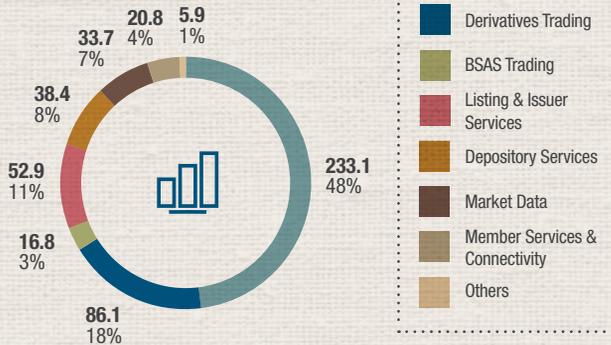
2014: 37.2 sen

37.2  
sen34.5  
senOperating Expenses  
(RM million)Net Dividend per Share  
(Sen)

# ECONOMIC VALUE CREATED FOR SHAREHOLDERS

## OPERATING REVENUE

(RM million)



Total operating revenue for 2015 rose 3% to RM487.7 million from RM471.3 million in 2014.

## SHARE PRICE PERFORMANCE

Bursa Malaysia Share Price Performance vs. FBM KLCI



Bursa Malaysia Share Price Performance vs. Listed Asian Peers



Bursa Malaysia's share price increased 3% reflecting its resilience within volatile market conditions. Starting the year strong at RM8.10, Bursa Malaysia's share price traded at its highest level since 2011 at RM9.00 on 24<sup>th</sup> April 2015. The share price closed at RM8.35 on 31<sup>st</sup> December 2015.

In the wider market, the FBM KLCI was weighed down by several factors, including a weaker Ringgit, depressed commodity prices, a slowdown in China's economy and higher interest rates in the US resulting in capital outflows.

## MARKET CAPITALISATION\*

(RM billion)



\* As at 31<sup>st</sup> December

## FIVE-YEAR DIVIDEND PAYOUT TO SHAREHOLDERS

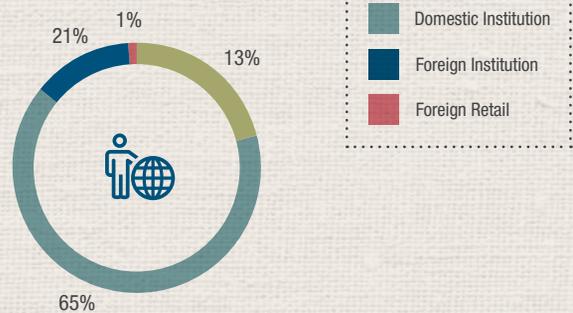


\* The dividend payout as a percentage of PATAMI, not including special dividend



## SHAREHOLDER MIX

Domestic vs. Foreign Shareholders



Our public shareholding of 61% represents a fair free float of Bursa Malaysia's shares and a healthy level of liquidity. As at the end of 2015, we had a total of 17,702 shareholders.



## INVESTOR RELATIONS CONTACT

Shareholders and investors may contact the Investor Relations ("IR") team directly at [ir@bursamalaysia.com](mailto:ir@bursamalaysia.com) or via the IR section on our website. You can also subscribe to our alert list to receive regular Bursa Malaysia updates via email from our website.

# AWARDS AND RECOGNITION

**Asian Corporate Governance Association**

- Malaysia Top 3 Public-Listed Company
- ASEAN Top 5 Public-Listed Company
- ASEAN Top 50 Public-Listed Company



**Futures & Options World ("FOW") Awards for Asia 2015**

- Best Emerging Exchange of the Year 2015

**EFFIE Awards Malaysia 2015**

- Gold for Innovative BursaMKTPLC Educational Campaign CELEB.TRADR
- Silver for Influencers under Financial Services
- Silver for BursaMKTPLC under the Financial Services category

**Global Islamic Finance Awards 2015**

- Best Islamic Exchange 2015

**Global Banking & Finance Review**

- Best Islamic Finance Facilitation Platform Asia 2015

**10<sup>th</sup> IFN Service Providers Poll 2015**

- Best Interbroker for Islamic Transactions



**Minority Shareholder Watchdog Group ("MSWG")**

- Excellence Award for Top CG & Performance (Overall)
- Merit Award for CG Disclosure

WORLD ECONOMIC FORUM

# 4<sup>th</sup>

among 148 countries for strength of Investor Protection

THE WORLD BANK

# 5<sup>th</sup>

among 189 countries for Investor Protection

ASIAN DEVELOPMENT BANK

# 2<sup>nd</sup>

among 6 ASEAN countries in Corporate Governance ("CG") assessment

INTERNATIONAL INSTITUTE FOR MANAGEMENT DEVELOPMENT

# 12<sup>th</sup>

most competitive country in the world

# PEER COMPARISON

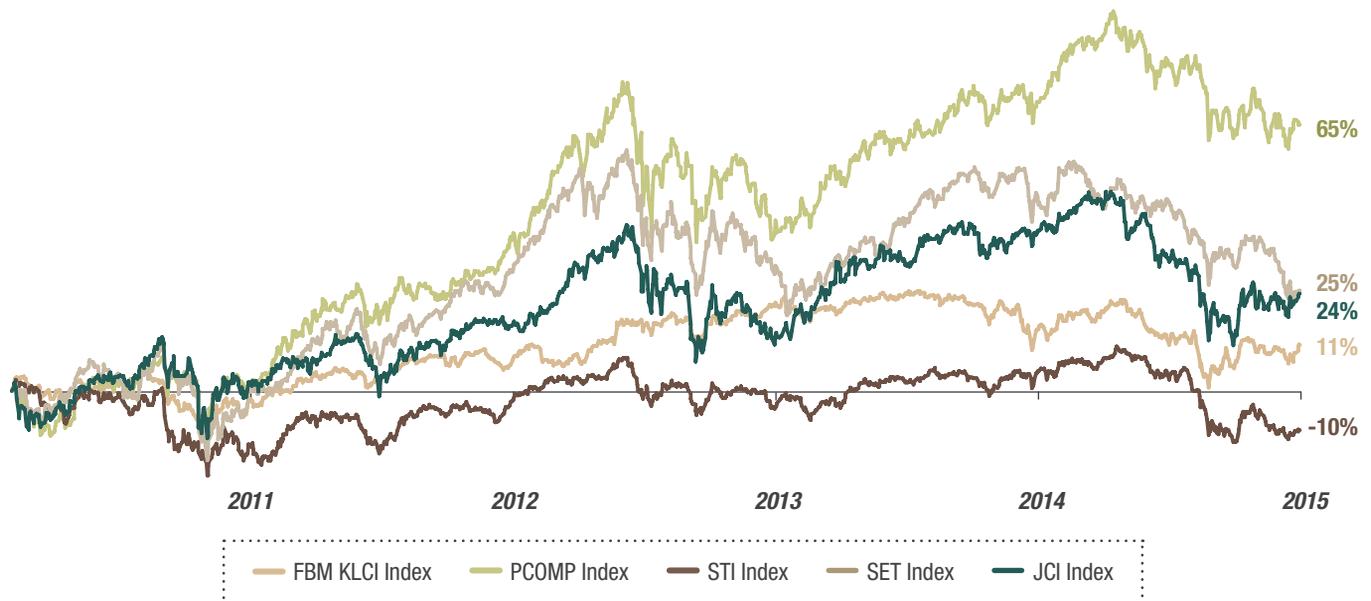
## BENCHMARK INDEX PERFORMANCE IN 2015

FBM KLCI INDEX Bursa Malaysia	PCOMP INDEX The Philippine Stock Exchange	JCI INDEX Indonesia Stock Exchange	STI INDEX Singapore Exchange	SET INDEX The Stock Exchange of Thailand
-4%	-4%	-12%	-14%	-14%
<b>1,692.51</b>	<b>6,952.08</b>	<b>4,593.01</b>	<b>2,882.73</b>	<b>1,288.02</b>

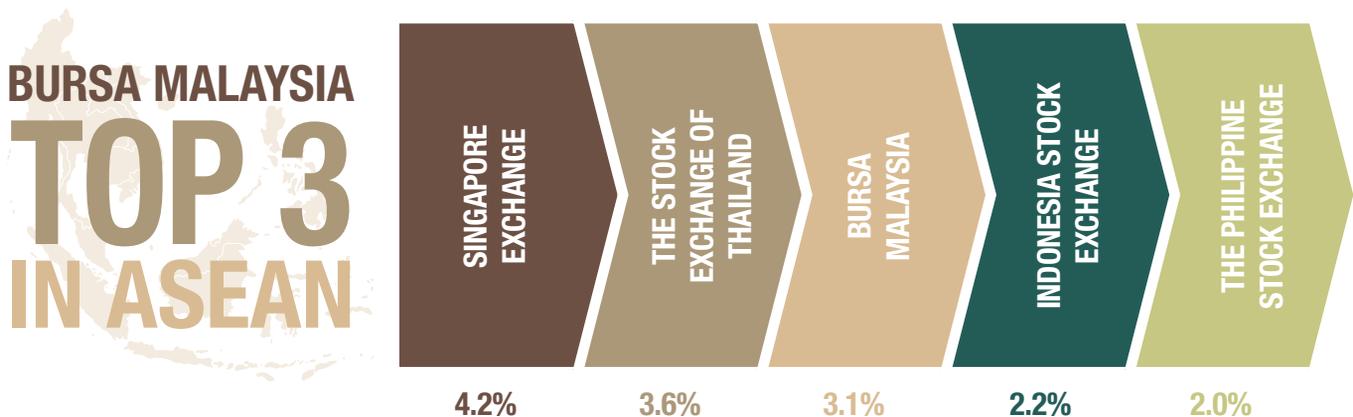
■ ASEAN EXCHANGES YoY INDEX GROWTH 2015  
 ■ INDEX POINT AS AT 31<sup>st</sup> DECEMBER 2015

Source: Bloomberg

## ASEAN EXCHANGES FIVE-YEAR INDEX GROWTH FROM 2011-2015



## DIVIDEND YIELD (%)



Source: Bloomberg

# BURSA MALAYSIA THE PREFERRED PARTNER FOR FUNDRAISING

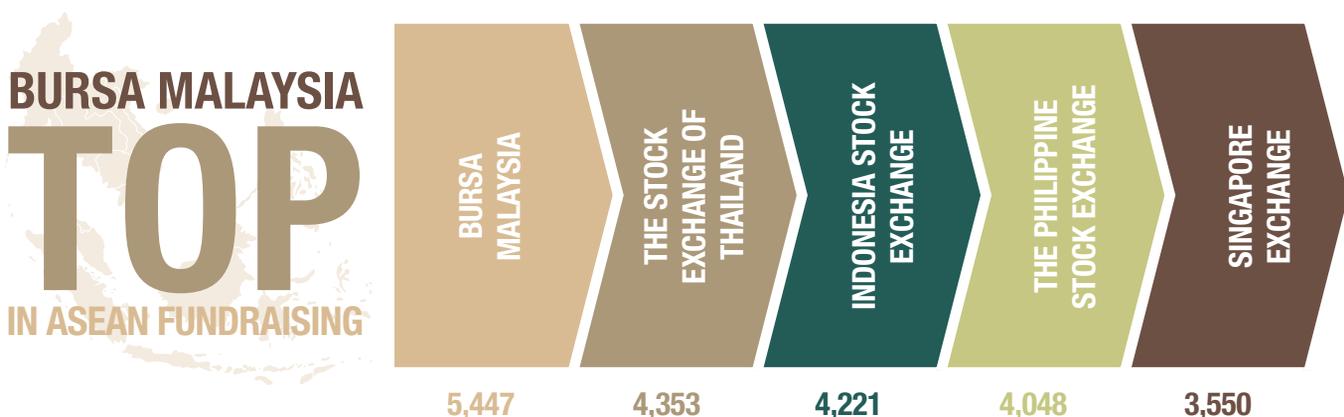
WE WELCOME THE NEW IPOs OF 2015



RM **4,140** million  
 Raised from IPOs

USD **1,095** million

TOTAL FUNDS RAISED (IN USD MILLION)



Source: World Federation of Exchanges

# THE VALUES THAT WE CREATE

## WHY WE EXIST

Bursa Malaysia has dual key roles as the leader of Malaysian capital markets:



**01**  
To operate and regulate an Integrated Exchange



**02**  
To create value for our shareholders as a leading public listed company ("PLC")

## OUR FORMS OF CAPITAL

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



### FINANCIAL CAPITAL

Our Financial Capital comprises share capital and operating revenue. With a market capitalisation of RM4.5 billion\*, we use our financial capital to recruit and retain talent, to invest in technology, and to ensure that our markets operate efficiently and effectively.



### HUMAN CAPITAL

Our Human Capital comprises our staff of 596 employees, all of whom have been highly trained to ensure that they have 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.
- Appraise themselves of and adapt to regulatory and supervisory changes in a constantly evolving marketplace.



### INTELLECTUAL CAPITAL

Our Intellectual Capital comprises our institutionalised forms of knowledge 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.



### SOCIAL CAPITAL

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

\* As at 31<sup>st</sup> December 2015

## THE VALUES THAT WE CREATE

### WHAT WE DO

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



#### SECURITIES

We operate the stock market in Malaysia where investors can participate in the buying and selling of shares on two types of markets, the Main Market and the ACE Market.

##### TWO TYPES OF MARKETS:

**Main Market: 794 companies**

**ACE Market: 109 companies**

- 18 sectors that cover 60 economic activities
- Total market capitalisation: RM1.7 trillion

##### PRODUCTS:

- **644** Structured Warrants
- **57** Warrants
- **16** REITs
- **10** Foreign listings
- **8** ETFs
- **4** SPACs
- **1** Stapled Securities
- **1** Closed-End Fund



#### DERIVATIVES

We offer 12 derivatives products comprising commodity, equity and financial futures and options.

##### 12 DERIVATIVES PRODUCTS:

###### 5 Commodity Futures:

- FCPO
- FUPO
- FPKO
- FGLD
- FPOL

###### 3 Financial Futures:

- FMG3
- FMG5
- FKB3

###### 2 Equity Futures:

- FKLI
- SSFs

###### 1 Commodity Options:

- OCPO

###### 1 Equity Options:

- OKLI



#### ISLAMIC

As a leading Islamic capital market, we operate a market offering diverse Shariah-compliant products. Our Bursa Suq Al-Sila' ("BSAS") is a commodity trading platform specifically dedicated to facilitating Islamic liquidity management. We have 22 Sukuk listings valued at USD34.6 billion.

##### OTHER SHARIAH-COMPLIANT OFFERINGS INCLUDE:

- **667** *i*-Stocks
- **4** *i*-ETFs
- **4** *i*-REITs
- **3** ETBS
- **2** *i*-SPACs



#### OFFSHORE

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

##### TOTAL MARKET CAPITALISATION: USD27.3 billion

- **22** Bond listings
- **11** Sukuk listings

### WHAT WE CREATE

- **A DIVERSE AND RESILIENT MARKET:** 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"):** Being a leading market for CPO contracts, the contracts on Bursa Malaysia function as a global benchmark for CPO settlement price.
- **EFFECTIVE FUNDRAISING CHANNELS:** A deep and vibrant pool of liquidity has made Bursa Malaysia the top ASEAN destination for fundraising for the second consecutive year.
- **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 protects its investors via a systemically sound financial infrastructure which has been recognised by international observers.

# MARKET HIGHLIGHTS

	31 DEC 2011	31 DEC 2012	31 DEC 2013	31 DEC 2014	31 DEC 2015
<b>Securities Market</b>					
FBM KLCI	1,530.73	1,688.95	1,866.96	1,761.25	1,692.51
Market Capitalisation (RM billion)	1,285	1,466	1,702	1,651	1,695
Velocity (%)	33	28	30	29	30
Average Daily Trading Volume - OMT & DBT (million shares)	1,344	1,361	1,567	2,157	2,038
Average Daily Trading Volume - OMT (million shares)	1,288	1,294	1,477	2,072	1,966
Average Daily Trading Value - OMT & DBT (RM million)	1,788	1,666	2,137	2,162	2,082
Average Daily Trading Value - OMT (RM million)	1,699	1,573	1,915	2,053	1,991
Total Trading Volume - OMT & DBT (billion shares)	329	334	387	531	501
Total Trading Value - OMT & DBT (billion shares)	438	408	528	532	512
Total Funds Raised (RM billion)	15.0	32.0	22.5	24.3	21.2
Total Listed Counters	1,476	1,640	1,566	1,739	1,739
• No. of PLCs	941	921	911	906	903
- No. of New Listings - IPOs (including REITs)	28	17	18	14	11
- No. of Delistings (including REITs)	43	36	27	21	14
• No. of Listed REITs	15	16	17	16	17
- No. of New Listings - REITs	1	1	1	-	1
• No. of Listed ETFs	5	5	5	6	8
- No. of New Listings - ETFs	-	-	-	1	2
• No. of Listed Structured Warrants	304	477	398	527	503
- No. of New Listings - Structured Warrants	363	551	410	546	644
No. of Rights & Bonus Issue	61	60	54	89	73
No. of New CDS Accounts Opened (Yearly)	164,110	207,393	153,764	136,303	153,140
Total CDS Accounts (million) <sup>1</sup>	4.2	4.3	4.4	2.5	2.5
No. of Trading Days	245	245	247	246	246
No. of Participating Organisations of Bursa Malaysia Securities	35	33	31	30	30
<b>Derivatives Market</b>					
Open Interest	152,419	214,065	196,493	196,413	230,376
• Crude Palm Oil Futures ("FCPO")	112,720	173,649	151,486	166,625	188,888
• FBM KLCI Futures ("FKLI")	23,505	30,550	40,473	25,476	37,750
• Others	16,194	9,866	4,534	4,312	3,738
No. of Contracts Traded:					
• FCPO (million)	5.9	7.5	8.0	10.2	11.0
• FKLI (million)	2.5	2.1	2.7	2.2	3.0
• 3-Month KLIBOR Futures	92,775	50,946	16,791	13,150	1,271
• GOLD <sup>2</sup>	-	-	24,253	111,844	39,974
• Other Products (OCPO <sup>3</sup> , OKLI <sup>4</sup> , FPOL <sup>5</sup> , and FMG5 <sup>6</sup> )	-	6,314	7,831	5,558	10,762
Average Daily No. of Contracts Traded	34,474	39,387	43,490	50,654	57,157
Total Contracts Traded (million)	8.4	9.6	10.7	12.5	14.1
No. of Trading Days	245	245	247	246	246
No. of Trading Participants of Bursa Malaysia Derivatives	20	20	18	19	18
<b>Islamic Capital Market</b>					
% of Shariah Compliant PLCs	89	88	71	74	74
% of Shariah Compliant (by Market Capitalisation)					
• PLCs	63	64	63	63	66
• ETFs	40	32	30	31	21
• REITs	18	14	43	42	43
No. of ETBS	-	-	2	3	3
No. of Sukuk Listings on Bursa Malaysia Securities	19	20	20	20	22
Value of Sukuk Listings (USD billion)	28.5	33.7	32.9	34.2	34.6
Bursa Suq Al-Sila':					
• Average Daily Value Commodity Traded (RM billion)	1.2	2.3	3.9	6.9	15.2
• Total Accumulated Commodity Trade Value (RM billion)	298.6	563.3	958.9	1,687.9	3,727.7
• Total No. of Matched Contracts	9,111	20,858	285,547	316,534	350,801
• No. of Trading Days	245	245	247	246	246
• No. of BSAS Registered Participants:					
Total	55	69	78	93	109
- Domestic	42	51	60	73	87
- Foreign	13	18	18	20	22

<sup>1</sup> The sharp decline in the number of CDS accounts in 2014 was due to the implementation of automatic closure of dormant 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.

<sup>2</sup> Gold Futures Contract was introduced in October 2013

<sup>3</sup> OCPO was introduced in July 2012

<sup>4</sup> OKLI was relaunched in May 2012

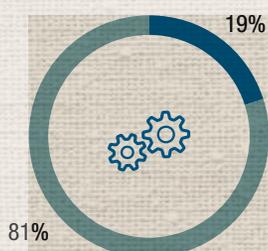
<sup>5</sup> FPOL was introduced in June 2014

<sup>6</sup> FMG5 was relaunched in December 2014

# MARKET HIGHLIGHTS

## SECURITIES MARKET

Funds Raised from New IPOs & Secondary Market in 2015



Secondary Market New IPOs

### Share Ownership (%)

Market Capitalisation **RM1,695 billion**  
(31 Dec 2015)

Year	Domestic (%)	Foreign (%)
2015	78	22
2014	76	24
2013	76	24
2012	76	24
2011	77	23

Domestic Foreign

### Market Demography by Trading Value (%)

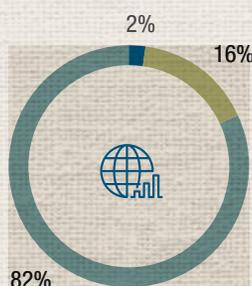
Total Trading Value **RM512 billion**  
- OMT (2015)

Year	Domestic Institution (%)	Foreign Institution (%)	Retail (%)
2015	50	27	23
2014	51	23	26
2013	52	26	22
2012	52	25	23
2011	49	25	26

Domestic Institution Foreign Institution Retail

## DERIVATIVES MARKET

Open Interest as at 31 Dec 2015



FCPO FKLI Others

### Market Demography of FKL Contracts (%)

No. of Contracts Traded **3.0 million**  
(2015)

Year	Local (%)	Domestic Retail (%)	Domestic Institution (%)	Foreign Institution (%)
2015	18	22	5	55
2014	20	24	2	54
2013	18	28	1	53
2012	17	25	2	56
2011	19	42	2	37

Local Domestic Retail Domestic Institution Foreign Institution

### Market Demography of FCPO Contracts (%)

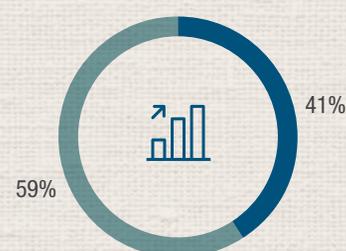
No. of Contracts Traded **11.0 million**  
(2015)

Year	Local (%)	Domestic Retail (%)	Foreign Retail (%)	Domestic Institution (%)	Foreign Institution (%)
2015	31	15	1	21	32
2014	34	15	1	15	35
2013	33	17	1	10	39
2012	36	19	1	12	32
2011	34	24	1	13	28

Local Domestic Retail Foreign Retail Domestic Institution Foreign Institution

## ISLAMIC CAPITAL MARKET

Value of Listed Sukuk as at 31 Dec 2015



Foreign Domestic

### Market Demography of BSAS Trading Value (%)

Total Commodity Trading Value **RM3,728 billion**  
(2015)

Year	Domestic Institution (%)	Foreign Institution (%)
2015	88	12
2014	79	21
2013	70	30
2012	68	32
2011	79	21

Domestic Institution Foreign Institution

### Demography of BSAS Registered Participants

No. of Trading Participants **109**  
(2015)

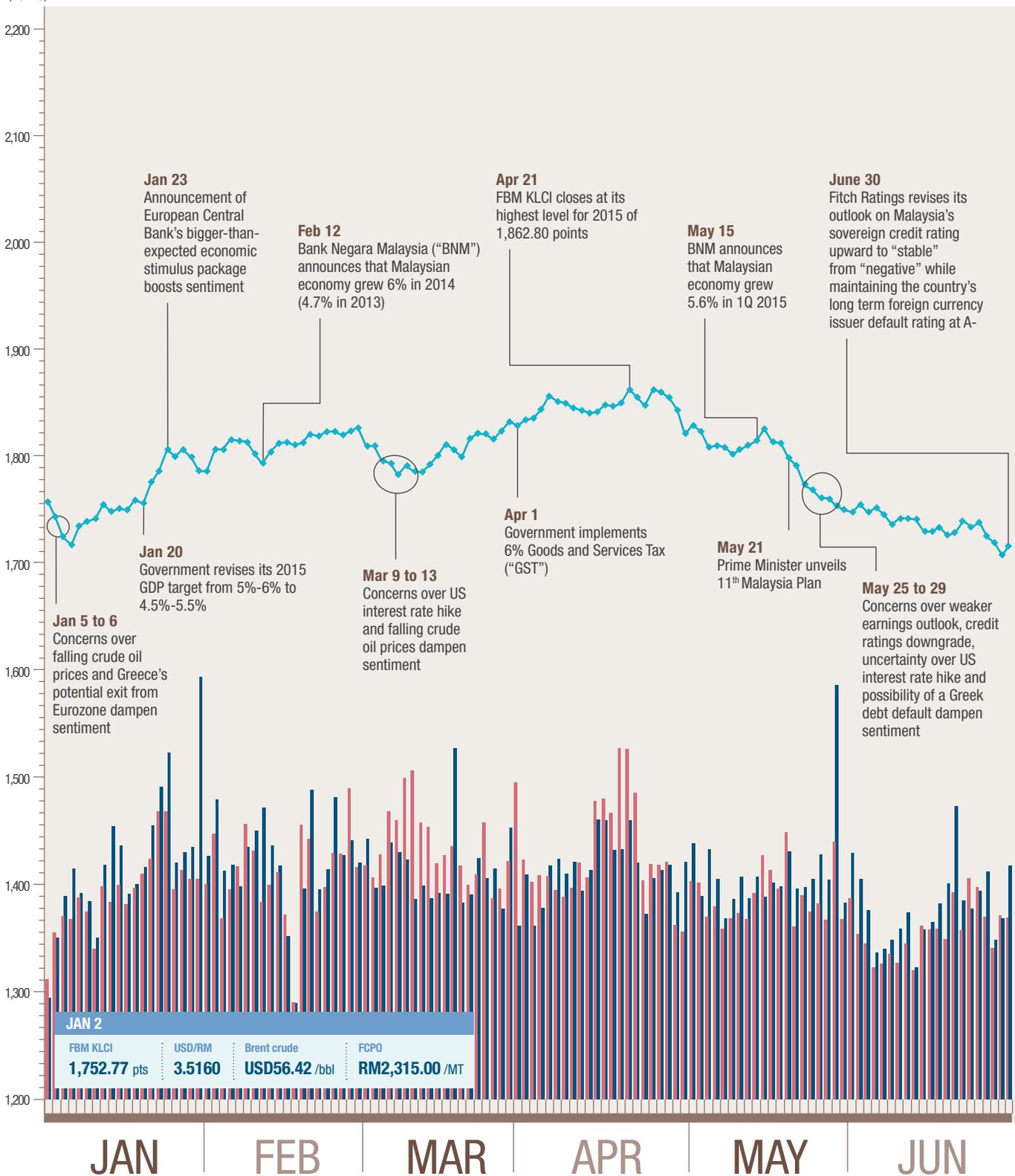
Year	Domestic Institution (%)	Foreign Institution (%)
2015	87	22
2014	73	20
2013	60	18
2012	51	18
2011	42	13

Domestic Institution Foreign Institution

# MARKET PERFORMANCE

FBM KLCI (Points)

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



# MARKET PERFORMANCE

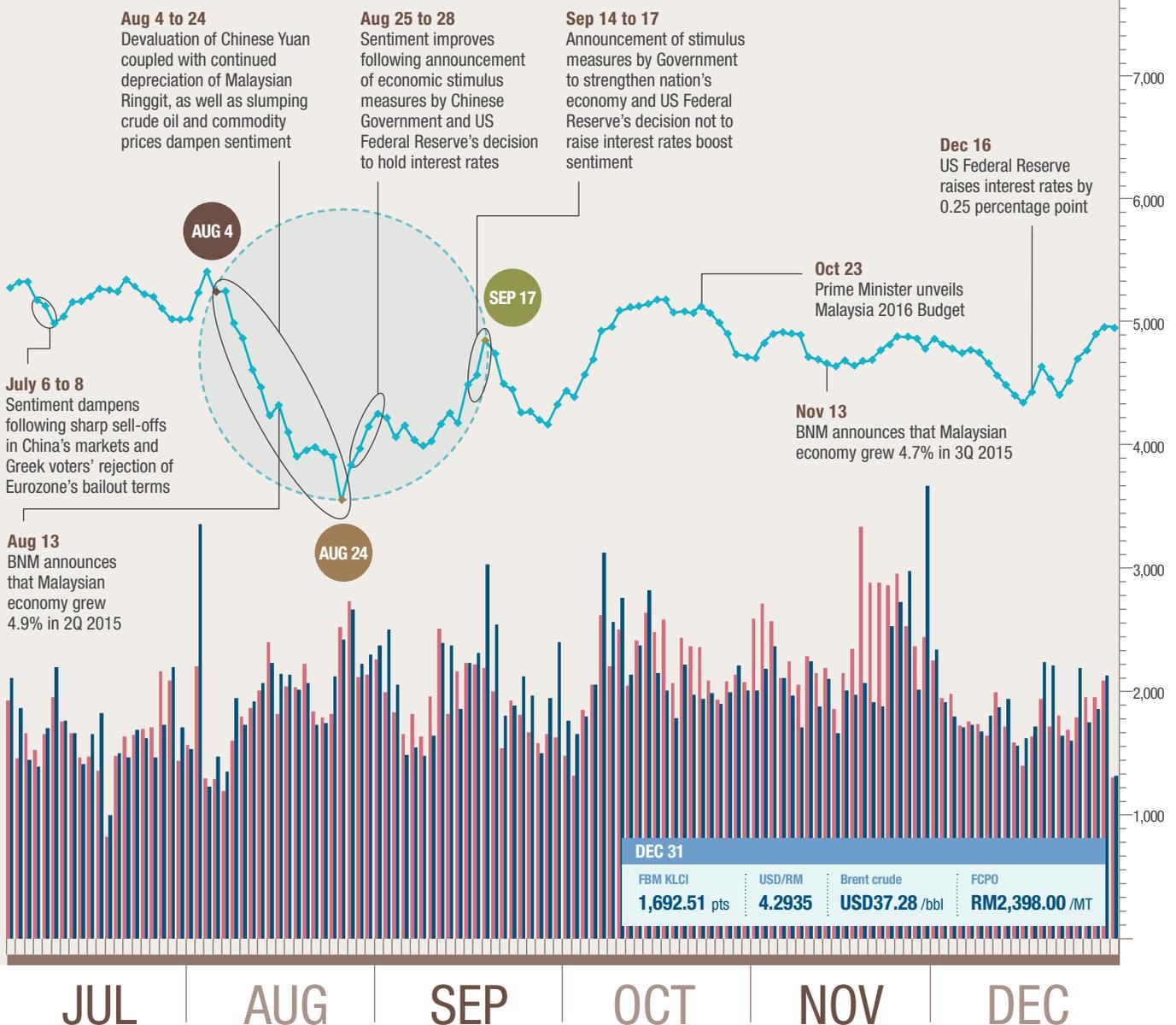
■ Total Volume ■ Total Value ◆ FBM KLCI

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

AUG 4	
FBM KLCI	USD/RM
<b>1,723.73 pts</b>	<b>3.8535</b>
-----	
Brent crude	<b>USD49.99 /bbl</b>
-----	
FCPO	<b>RM2,055.00 /MT</b>

AUG 24	
FBM KLCI	USD/RM
<b>1,532.14 pts</b> <small>(lowest for 2015)</small>	<b>4.2630</b>
-----	
Brent crude	<b>USD42.69 /bbl</b>
-----	
FCPO	<b>RM1,844.00 /MT</b>

SEP 17	
FBM KLCI	USD/RM
<b>1,681.54 pts</b>	<b>4.2550</b>
-----	
Brent crude	<b>USD49.08 /bbl</b>
-----	
FCPO	<b>RM2,054.00 /MT</b>



# CHAIRMAN'S LETTER TO SHAREHOLDERS

*Dear  
Shareholders,*

**IT GIVES ME GREAT HONOUR  
TO ADDRESS YOU THROUGH  
THIS ANNUAL REPORT IN MY  
INAUGURAL YEAR AS THE  
CHAIRMAN OF BURSA MALAYSIA  
BERHAD'S BOARD OF DIRECTORS  
("THE BOARD").**

The financial year under review was challenging for both the Malaysian and global marketplaces as investor sentiment was weighed down by easing growth and weakening commodity prices.

**Tan Sri Amirsham A Aziz**  
*Chairman*



# CHAIRMAN'S LETTER TO SHAREHOLDERS



Nevertheless, the Malaysian economy and market have proven themselves resilient against these challenges thanks to their diversity and robust fundamentals. Bursa Malaysia has drawn on these strengths and continued to be a source of value for our stakeholders even within this more challenging operating environment. The confidence of our investors and issuers is evident from the fact that Bursa Malaysia was again the largest ASEAN fundraising destination for the second consecutive year.

With numerous signs suggesting that 2016 will remain a challenging year for market players, the Exchange must remain focused in dispensing its obligations as both a market regulator and as a value creator. It is from within this context that we have embarked on our next strategic phase of development, which calls upon us to accelerate the development of sustainable communities with our stakeholders to strengthen our practices in this area.

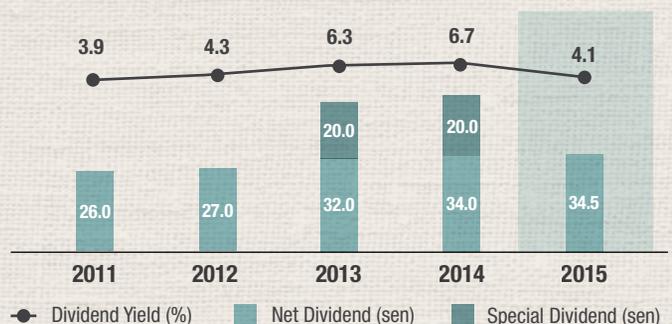
Over the past 12 months, we launched a number of sustainability initiatives that will take us to the next phase of our sustainability journey. These initiatives aim to strengthen our collaboration with our stakeholders towards shared Economic, Environmental and Social ("EES") goals to position the Malaysian marketplace as a regional leader.

We believe that our sustainability initiatives together with our continued pursuit of operational excellence and innovation will further enhance the long-term future of our organisation, as well as of the Malaysian marketplace in general.

## CREATING SHAREHOLDER VALUE

The initiatives implemented over the last several years have contributed to greater market diversity and resilience, which have protected our shareholder value in these challenging times. Thus, despite a 3% fall in the average daily trading value ("ADV") for on-market trades in our Securities Market in 2015 to RM2.0 billion from RM2.1 billion a year ago, we managed to maintain our profitability levels due to the better performance of our Derivatives and Islamic Capital Markets.

The Exchange posted a Profit after Tax and Minority Interest ("PATAMI") of RM198.6 million, a marginal increase from RM198.2 million recorded a year ago. Earnings per Share ("EPS") amounted to 37.2 sen during the same period, translating into an annualised Return on Equity ("ROE") of 25.6%. Based on this performance, the Board has recommended a final dividend of 18 sen, bringing our total dividend declared for FY2015 to 34.5 sen, which represents a yield of 4.1%, and is equivalent to 93% of PATAMI.



### Total dividends paid

**34.5 sen**  
per share

### Dividend yield of

**4.1%**  
as at 31<sup>st</sup> December 2015

## CHAIRMAN'S LETTER TO SHAREHOLDERS

### BUILDING A SUSTAINABLE CORE

As stated in my introduction, Bursa Malaysia has embarked on a concerted programme to broaden and deepen our sustainability journey to become more inclusive. The past year saw us implement a number of initiatives designed to build greater resilience in our markets including:

- Following the launch of the FTSE4Good Bursa Malaysia Index**, the Exchange conducted initial research and engagement programmes with the top 200 companies (in terms of market capitalisation) to evaluate their potential admission into the FTSE4Good Bursa Malaysia Index. The Index is reviewed twice yearly in June and December. Following the December 2015 review, the constituents of the Index increased to 34 from 25, which demonstrates a significant improvement in Malaysian companies' environmental, social and governance ("ESG") performance. The increase also reflects greater recognition of and better adherence to higher sustainability disclosure by our Public Listed Companies ("PLCs").
- The Bursa Malaysia ASEAN Capital Market CEO Summit 2015 ("ASEAN CAP10") Sustainability Series:** As part of the Exchange's commitment to moving the sustainability agenda forward, the Exchange developed the ASEAN CAP10 Sustainability Series which included two key events in 2015, namely the Global Sustainability and Impact Investing Forum in July and the Sustainability Symposium in October. These events served as platforms gathering some of the best minds together to discuss issues related to regional sustainability, building awareness and creating conversations between the various stakeholders on both local and global issues.
- Signing the United Nation's Sustainable Stock Exchanges ("UN SSE") Initiative commitment:** Bursa Malaysia made a formal commitment to promote sustainability performance and transparency in its capital market by becoming a signatory to the UN SSE's sustainability initiative. In doing so, Bursa Malaysia committed itself to prioritising sustainability and to introducing global best practices into the Malaysian market. In addition, Bursa Malaysia is also a part of the World Federation of Exchanges' Sustainability Working Group.
- New Sustainability Framework:** We are driving the sustainability agenda among our PLCs through the launch of a new sustainability framework in October 2015. The framework made amendments to the Listing Requirements, and saw the issuance of a sustainability reporting guide and sustainability toolkits to our PLCs. The framework, developed following a series of interviews and focus group sessions with key stakeholders, requires our PLCs to consider their EES impacts in greater depth, assess EES risks and opportunities that are material to them and their stakeholders, and to better identify and engage their key stakeholders.

In addition to the new PLCs listed under the FTSE4Good Bursa Malaysia Index, I am pleased to note that Malaysian PLCs as a whole have been excellent sustainability standard bearers for our marketplace after having been recognised in regional sustainability awards. For example, three of our PLCs, including Bursa Malaysia, placed in the Top 100 of Channel NewsAsia's Sustainability Ranking 2015. Also, the fact that Bursa Malaysia ranked higher than its listed peers in the survey is further encouragement that we as an organisation are on the right track.

The collective efforts of both Bursa Malaysia and its PLCs to improve corporate governance have also shown results. In its Corporate Governance Watch 2014 survey, the Asian Corporate Governance Association placed Malaysia fourth in the overall rankings. At the same time, Malaysia is the only market that has consistently edged up in scoring in every subsequent survey since its start in 2007. The results of the ASEAN CG Scorecard also show that the transparency practices of Malaysian PLCs are improving based on their scoring in the Transparency Index.

We subscribe to the principle that good sustainable practice translates into good business not only in terms of making organisations more resilient, but also in terms of giving them a sharper competitive edge, especially in view of the increasing interconnectedness of markets. At present, the overall market for sustainable investment in Asia is robust and continues to grow, increasing to USD53 billion at the start of 2014 from USD40 billion at the start of 2012 in the 13 markets where data was collected.

Awarded

# TOP 100

of Channel NewsAsia's Sustainability Ranking 2015

Asian Corporate Governance Association

# MALAYSIA 4<sup>TH</sup>

in the overall rankings

## CHAIRMAN'S LETTER TO SHAREHOLDERS

Sustainability thereby creates value for both shareholders and stakeholders in terms of greater returns as well as better stewardship of EES goals. Finally, I would like to reiterate that our sustainability journey did not begin with the initiatives in 2015 nor do they end with their implementation; rather, it is important to recognise that developing sustainability is a continual process and we expect to make further developments going forward.

### AWARDS AND RECOGNITION

Bursa Malaysia received a number of awards recognising its performance and commitment to market development in the financial year under review. The awards received include the ASEAN Top 50 Public-Listed Company, ASEAN Top 5 Public-Listed Company and Malaysia Top 3 Public-Listed Company at the inaugural ASEAN Corporate Governance Conference. In addition, the Exchange also received the Excellence Award for Top Corporate Governance and Performance (Overall) and Merit Award for Corporate Governance Disclosure at the MSWG-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2015. We are encouraged by the accolades received, which serve as indicators that we are progressing on the right track. A full list of our awards is available on page 7 of this Report.

### EXTRACTING VALUE FROM ASEAN

With regard to our role as a stock exchange operator, our next phase of development will see us leverage on our competitive advantages – e.g. our established framework on sustainability, our role in providing global benchmark for crude palm oil contracts and our role as the global pacesetter in the Islamic Capital Market – to enhance our footprint in ASEAN. The official launch of the ASEAN Community in October 2015 is a timely reminder that our horizons extend beyond Malaysian borders to encompass the region as a whole. ASEAN, collectively, is the seventh largest marketplace in the world, with a degree of built-in diversity that makes us an attractive and robust trading partner.

To take full advantage of ASEAN opportunities, Bursa Malaysia will accelerate its positioning as ASEAN's Multinational Marketplace. In other words, Bursa Malaysia aims to leverage on PLCs with regional exposure as an attraction for investors looking for ASEAN representation. We will continue to work closely with our PLCs going forward to develop winning propositions for all parties.

Bursa Malaysia strives to develop itself as a regional leader in key areas of the capital markets, e.g. in sustainability, governance and the Islamic capital market. The Exchange's role as a regional first adopter in many of these areas will be a key competitive advantage, but one that will require greater development if it is to remain in a leadership position.

### ACKNOWLEDGEMENTS

We are aware that we will need the combined efforts of our PLCs and stakeholders if we are to attain our vision of becoming the region's leading stock exchange. They have been splendid supporters thus far, and, on behalf of the Board of Directors, I would like to thank and recognise them for all their efforts. Special acknowledgement also goes to our shareholders, as well as to our regulators and policymakers, in particular the Ministry of Finance, the Securities Commission and Bank Negara Malaysia, for their contributions to our vibrant marketplace.

Our appreciation also goes out to the Management, and from a personal capacity, to my colleagues on the Board of Directors who have provided keen insight and advice during my first year as the Chairman of the Board. Last but not least, our thanks to the staff of Bursa Malaysia whose sacrifice and efforts are the very cornerstone of all our endeavours.



**Tan Sri Amirsham A Aziz**  
*Chairman*

### ASEAN

# TOP 5 PLC

at the inaugural ASEAN Corporate Governance Conference

# BOARD OF DIRECTORS' PROFILES



## TAN SRI AMIRSHAM A AZIZ

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

<b>Nationality / Age:</b>	Malaysian / 65
<b>Date of Appointment:</b>	1 March 2015
<b>Length of Service: (as at 29 February 2016)</b>	1 year
<b>Academic / Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Economics (Hons), University of Malaya</li> <li>• Malaysian Institute of Certified Public Accountants (Member)</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entity:</b></p> <ul style="list-style-type: none"> <li>• CapitaLand Limited, Singapore</li> </ul> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>• Petrolim Nasional Berhad</li> <li>• RAM Holdings Berhad</li> <li>• Samling Global Limited, Bermuda</li> <li>• StarChase Motorsports Limited, Hong Kong</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Chairman, Malaysian Investment Development Authority (MIDA)</li> <li>• Chairman, Financial Services Talent Council</li> <li>• Chairman, Themed Attractions Resorts &amp; Hotels Sdn Bhd</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Director, Lingui Development Berhad (2011-2014)</li> <li>• Director, CapitaMall Limited, Singapore (2011-2014)</li> <li>• Chairman, National Economic Advisory Council (2009-2011)</li> <li>• Minister in the Prime Minister's Department (2008-2009)</li> <li>• President &amp; Chief Executive Officer, Malayan Banking Berhad (1994-2008)</li> </ul>



## DATUK SERI TAJUDDIN ATAN

CEO, Non-Independent Executive Director

<b>Nationality / Age:</b>	Malaysian / 56
<b>Date of Appointment:</b>	1 April 2011
<b>Length of Service: (as at 29 February 2016)</b>	4 years 11 months
<b>Duration of Previous Appointment as Non-Executive Director and Public Interest Director:</b>	14 July 2008 - 31 March 2011
<b>Date of Last Re-election:</b>	27 March 2014
<b>Academic / Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Science (Agribusiness), Universiti Putra Malaysia</li> <li>• Master of Business Administration, University of Ohio</li> <li>• Chartered Banker, Asian Institute of Chartered Bankers</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entity:</b> Nil</p> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>• Bursa Malaysia Berhad Group</li> <li>• Chairman, Yayasan Bursa Malaysia</li> <li>• Capital Market Development Fund</li> <li>• Securities Industry Development Corporation</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Member, Executive Committee of Malaysia International Islamic Financial Centre</li> <li>• Member, Financial Reporting Foundation</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Group Managing Director, RHB Capital Berhad and Managing Director, RHB Bank Berhad (2009-2011)</li> <li>• Adjunct Professor, Faculty of Economics and Management of Universiti Putra Malaysia (2008-2014)</li> <li>• Member, SME Corp Malaysia (2008-2013)</li> <li>• President/Group Managing Director, Bank Pembangunan Malaysia Berhad (2007-2009)</li> <li>• CEO, Bank Simpanan Nasional (2004-2007)</li> <li>• Managing Director, Chase Perdana Berhad (2001-2004)</li> </ul>

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

## BOARD OF DIRECTORS' PROFILES



### DATUK DR. MD TAP SALLEH

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

<b>Nationality / Age:</b>	Malaysian / 66
<b>Date of Appointment:</b>	1 April 2010
<b>Length of Service: (as at 29 February 2016)</b>	5 years 11 months
<b>Date of Last Re-appointment:</b>	1 April 2014 (pursuant to Section 10(1)(a) of the CMSA)
<b>Academic / Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Arts (Hons), Monash University</li> <li>• Master of Science (Social Planning), University of Wales</li> <li>• PhD (Development Planning), University of Bath</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entity:</b> Nil</p> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>• Bursa Malaysia Securities Berhad and its clearing house (Bursa Malaysia Securities Clearing Sdn Bhd)</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Advisor, College of Local Government and International Studies, Universiti Utara Malaysia</li> <li>• Advisor, Faculty of Science, Technology and Human Resource Development, University Tun Hussein Onn</li> <li>• Member, Anti-Corruption Advisory Board, Malaysian Anti-Corruption Commission</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• President, Malaysian Institute of Integrity (2006-2014)</li> <li>• Secretary-General, Ministry of Rural and Regional Development (2004-2006)</li> <li>• Deputy Secretary-General, Ministry of Tourism, Malaysia (2003-2004)</li> <li>• Deputy Director, Governance and Institution Development, Commonwealth Secretariat in London (1996-2002)</li> </ul>



### DATO' ZURAIDAH ATAN

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

<b>Nationality / Age:</b>	Malaysian / 56
<b>Date of Appointment:</b>	19 February 2014
<b>Length of Service: (as at 29 February 2016)</b>	2 years
<b>Academic / Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• LLB (Hons), University of Buckingham, England</li> <li>• Certificate in Legal Practice, Malaysia</li> <li>• Advocate and Solicitor of the High Court of Malaya</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entities:</b></p> <ul style="list-style-type: none"> <li>• Petron Malaysia Refining and Marketing Berhad</li> <li>• S P Setia Berhad</li> </ul> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>• Bursa Malaysia Derivatives Berhad</li> <li>• Bursa Malaysia Derivatives Clearing Berhad</li> <li>• Kenanga Islamic Investors Berhad</li> <li>• Chairman, Yayasan Sukarelawan Siswa/Students Volunteer Foundation</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Sole Proprietor, Chambers of Zuraidah Atan</li> <li>• Arbitrator, Kuala Lumpur Regional Centre for Arbitration</li> <li>• Honorary Advisor, National Cancer Society of Malaysia</li> <li>• Member, Consultation and Corruption Prevention Panel, Malaysian Anti-Corruption Commission</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Director, NCB Holdings Berhad (February 2006-January 2016)</li> <li>• Director, Northport (Malaysia) Berhad (May 2008-December 2015)</li> <li>• Director, Universiti Sains Malaysia (2012-2015)</li> <li>• Director, Bank Kerjasama Rakyat Malaysia Berhad (2012-2014)</li> <li>• Director, Malaysia Building Society Berhad (2012)</li> <li>• Director, HSBC Bank Malaysia Berhad (2006-2010)</li> <li>• Director, Milux Corporation Berhad (2005-2007)</li> <li>• Director, Commodities and Monetary Exchange of Malaysia (2000-2003)</li> <li>• CEO and President, Affin Merchant Bank Berhad (1999-2003)</li> </ul>

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

## BOARD OF DIRECTORS' PROFILES



### DATO' ESHAH MEOR SULEIMAN

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

<b>Nationality / Age:</b>	Malaysian / 61
<b>Date of Appointment:</b>	1 November 2014
<b>Length of Service: (as at 29 February 2016)</b>	1 year 4 months
<b>Academic / Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Economics (Hons), University of Malaya</li> <li>• Diploma in Public Administration, Institut Tadbiran Awam Negara (INTAN)</li> <li>• Master of Business Administration in Finance, Oklahoma City University</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entity:</b></p> <ul style="list-style-type: none"> <li>• Pos Malaysia Berhad</li> </ul> <p><b>Other public companies:</b> Nil</p>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Director, Malaysia Airports Holdings Berhad (January 2004-September 2008 and July 2011-June 2014)</li> <li>• Alternate Director, Malaysian Airline System Berhad (November 2012-June 2014)</li> <li>• Alternate Director, Telekom Malaysia Berhad (June 2011-October 2014)</li> <li>• Director, Global Maritime Ventures Berhad (subsidiary of Bank Pembangunan Malaysia Berhad) (June 2008-June 2014)</li> <li>• Under Secretary, Statutory Bodies Strategic Management Division, Ministry of Finance (January 2014-October 2014)</li> <li>• Principal Assistant Secretary, Deputy Under Secretary and Under Secretary, Investment, Minister of Finance Incorporated and Privatisation Division (1995-2013)</li> <li>• Assistant Secretary, Government Procurement Management Division, Ministry of Finance (1991-1992)</li> <li>• Assistant Director, Macro Economic Section, Economic Planning Unit, Prime Minister's Department (1981-1990)</li> </ul>



### DATO' SAIFUL BAHRI ZAINUDDIN

*Independent Non-Executive Director*

<b>Nationality / Age:</b>	Malaysian / 54
<b>Date of Appointment:</b>	27 June 2008
<b>Length of Service: (as at 29 February 2016)</b>	7 years 8 months
<b>Date of Last Re-election:</b>	31 March 2015
<b>Academic / Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Science (Economics &amp; Finance), Western Michigan University</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entity:</b></p> <ul style="list-style-type: none"> <li>• OSK Holdings Berhad</li> </ul> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>• Bursa Malaysia Securities Berhad and its clearing house (Bursa Malaysia Securities Clearing Sdn Bhd)</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Executive Director, OSK Holdings Berhad</li> <li>• Director, Securities Industry Dispute Resolution Centre</li> <li>• Director, Secondary Market Council</li> <li>• Financial Adviser to the State Government of Negeri Sembilan</li> <li>• Member, Securities Commission's Securities Law Consultative Committee</li> <li>• Member, Board of Trustees for Bumiputera Dealer Representatives Education Fund and Bumiputera Training Fund</li> <li>• Member, Negeri Sembilan State Government Think Tank</li> <li>• Member, Crescent Wealth Asset Management Australia</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Managing Director, Business Development, Affin Hwang Investment Bank Berhad (2014-2015)</li> <li>• Head of Stockbroking Division, Affin Investment Bank Berhad (2007-2013)</li> <li>• Executive Director, Affin Holdings Berhad (2009-2010)</li> <li>• Managing Director, Affin UOB Securities (2002)</li> <li>• Chairman, Association of Stockbroking Companies Malaysia (2006, 2008-2010)</li> <li>• Executive Director and Executive Director Dealing, Rashid Hussain Securities (1992-1999, 2002)</li> <li>• CEO/Executive Director Dealing, Fima Securities Sdn Bhd (2000-2001)</li> </ul>

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

## BOARD OF DIRECTORS' PROFILES



### DATUK KAROWNAKARAN @ KARUNAKARAN RAMASAMY

*Independent Non-Executive Director*

<b>Nationality / Age:</b>	Malaysian / 65
<b>Date of Appointment:</b>	28 March 2013
<b>Length of Service: (as at 29 February 2016)</b>	2 years 11 months
<b>Date of Last Re-election:</b>	31 March 2015
<b>Academic / Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>Bachelor of Economics (Hons) in Accounting, University of Malaya</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entities:</b></p> <ul style="list-style-type: none"> <li>Malayan Banking Berhad</li> <li>IOI Corporation Berhad</li> <li>Chairman, Integrated Logistics Berhad</li> </ul> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>Etiqa Insurance Berhad</li> <li>Maybank Asset Management Group Berhad</li> <li>Maybank (Cambodia) PLC</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>Director, Chemical Company of Malaysia Berhad (2011-2014)</li> <li>Director, Maybank Investment Bank Berhad (2009-2014)</li> <li>Director-General, Malaysian Investment Development Authority (MIDA) (2004-2008)</li> <li>Deputy Director-General, MIDA (2001-2003)</li> <li>Director, Industrial Promotion Division overseeing 16 MIDA overseas offices (1996-2000)</li> <li>Director, MIDA in Singapore, Germany and London (1978-1995)</li> </ul>



### DATUK CHAY WAI LEONG

*Independent Non-Executive Director*

<b>Nationality / Age:</b>	Singaporean / 52 Permanent Resident of Malaysia
<b>Date of Appointment:</b>	28 March 2013
<b>Length of Service: (as at 29 February 2016)</b>	2 years 11 months
<b>Date of Last Re-election:</b>	31 March 2015
<b>Academic / Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>Bachelor of Business Administration, National University of Singapore</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entity:</b></p> <ul style="list-style-type: none"> <li>K &amp; N Kenanga Holdings Berhad</li> </ul> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>Bursa Malaysia Derivatives Berhad</li> <li>Bursa Malaysia Derivatives Clearing Berhad</li> <li>Kenanga Investment Bank Berhad</li> <li>Kenanga Vietnam Securities Joint Stock Corporation</li> <li>Securities Industry Development Corporation</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>Group Managing Director, K &amp; N Kenanga Holdings Berhad</li> <li>Managing Director, Kenanga Investment Bank Berhad</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>Managing Director, RHB Investment Bank Berhad and Director of Corporate &amp; Investment Banking, RHB Banking Group Berhad (2006-2011)</li> <li>Country Head, Malaysia and Head of Regional Origination for Southeast Asia, Standard Bank Group (2002-2006)</li> <li>Director, Head of Investment Banking Malaysia, JP Morgan Chase Bank (2000-2002)</li> <li>Director of Investment Banking, Jardine Fleming in Hong Kong (1990-2000)</li> <li>Senior Investment Analyst, Bankers Trust in Singapore (1987-1990)</li> </ul>

## BOARD OF DIRECTORS' PROFILES



### GHAZALI HAJI DARMAN

*Independent Non-Executive Director*

<b>Nationality / Age:</b>	Malaysian / 51
<b>Date of Appointment:</b>	28 March 2013
<b>Length of Service: (as at 29 February 2016)</b>	2 years 11 months
<b>Date of Last Re-election:</b>	31 March 2015
<b>Academic / Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>Bachelor of Accounting, University of Canberra</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entity:</b> Nil</p> <p><b>Other public companies:</b> Nil</p>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>Programme Director for large scale IT implementation at public and private sectors</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>Commissioner for PT Praisindo Teknologi, Jakarta (2012-2015)</li> <li>Advisor to Outsourcing Malaysia (2014-2015)</li> <li>Head of Domain, DHL IT Services Sdn Bhd (2006-2010)</li> <li>Partner, Accenture (1986-2006)</li> <li>Director, Accenture Solutions Sdn Bhd (until 2006)</li> <li>Director, Accenture Sdn Bhd (until 2006)</li> </ul>



### PUSHPANATHAN S.A. KANAGARAYAR

*Independent Non-Executive Director*

<b>Nationality / Age:</b>	Malaysian / 64
<b>Date of Appointment:</b>	23 June 2014
<b>Length of Service: (as at 29 February 2016)</b>	1 year 8 months
<b>Date of Last Re-election:</b>	31 March 2015
<b>Academic / Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>Institute of Chartered Accountants of Scotland (Member)</li> <li>Malaysian Institute of Certified Public Accountants (MICPA) (Member)</li> <li>Malaysian Institute of Accountants (Member)</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entities:</b></p> <ul style="list-style-type: none"> <li>IJM Corporation Berhad</li> <li>IJM Plantations Berhad</li> </ul> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>Asian Institute of Finance Berhad</li> <li>Sun Life Malaysia Assurance Berhad</li> <li>Sun Life Malaysia Takaful Berhad</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>Council Member, MICPA</li> <li>Trustee, World Wildlife Fund Malaysia</li> <li>Trustee, Malaysian Community Education Foundation</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>Board Member, Malaysian Accounting Standards Board (MASB) (2009-2015)</li> <li>Honorary Secretary, Financial Reporting Foundation (2010-2015)</li> <li>President, MICPA (2012-2014)</li> <li>Council Member, MIA (2012-2014)</li> <li>Partner, Messrs Ernst &amp; Young (1983-2009)</li> <li>Chairman, Adjudication and/or Organising Committees, National Annual Corporate Report Awards (2003-2009)</li> <li>Chairman, MICPA's Financial Statements Review Committee and Project Chairman, the Insurance Standards Working Group of MASB on Financial Reporting Standard 4 (2003-2007)</li> <li>Member, International Federation of Accountants' Developing Nations Permanent Taskforce (2004-2005)</li> </ul>

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

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.



# ECONOMIC

## SUSTAINABILITY

Our efforts to promote Economic Sustainability are designed to positively impact Malaysian economic conditions as well as our stakeholders through initiatives that are meaningful to us as a stock exchange. As a stock market operator and regulator, we are cultivating the next generation of investors and traders through our BursaMKTPLC.

# BOARD OF DIRECTORS' PROFILES



## 3 QUICK STEPS

### TO PUT THE MARKET IN YOUR POCKET

1

Connect to [BursaMarketplace.com](http://BursaMarketplace.com)

2

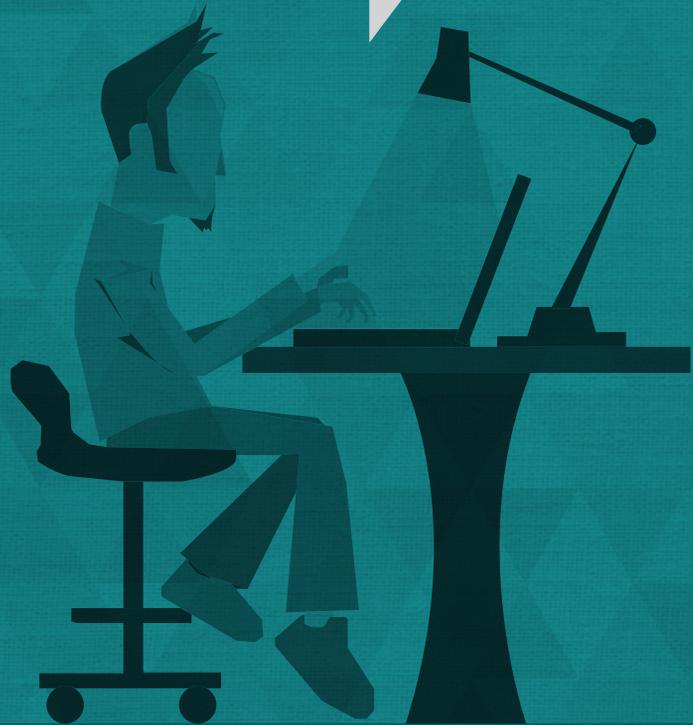
Register at [MY.MKT](http://MY.MKT)

3

Tweet, use #tag and follow [@BursaMKTPLC](https://twitter.com/BursaMKTPLC)



This QR Code link will take you to the BursaMKTPLC website



# BURSA MARKETPLACE

In the next few years Malaysia will see more millennials entering the workforce than ever before. That is why we created BursaMKTPLC, everyone's market-in-the-pocket. It is for newcomers to learn, practice and get started; and for experienced investors to use the unique tools we have created to help them become more savvy traders.

## INTEREST CONTINUES TO GROW



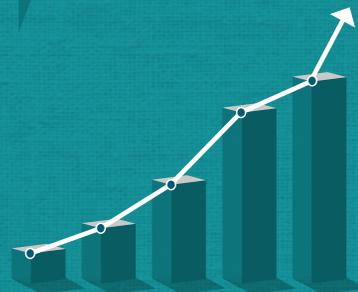
15,400

No. of Registered Users

**29,800**  
2015

**14,400**  
2014

**BURSA MKTPLC**  
BursaMarketplace.com



80,000

No. of Unique Visitors

**270,000**  
2015

**190,000**  
2014

## CONTENT ENRICHMENT CONTINUES...



Total No. of Page Views

**2.8mil**  
2015

**2.4mil**  
2014

0.4mil



No. of Research Articles

**12,400**  
2015

**9,500**  
2014

2,900



Total Videos Uploaded

**80**  
2015

**10**  
2014

70



Total Views

**206,000**  
2015

**16,000**  
2014

190,000

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

*Dear  
Shareholders,*

**WE CONTINUED OUR GROWTH  
MOMENTUM IN 2015 DESPITE  
THE CHALLENGING MARKET  
AND ECONOMIC ENVIRONMENT  
MARKED BY VOLATILITY IN  
THE GLOBAL ECONOMY AND  
COMMODITY PRICES.**

**Datuk Seri Tajuddin Atan**  
*Chief Executive Officer*



## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS



### 2015 ACHIEVEMENTS

- Achieved highest operating revenue of RM487.7 million since listing
- Grew revenue contributions from the Derivatives Market and the Islamic Capital Market
- Reviewed the ACE market framework to attract more listings
- Launched Bursa Malaysia's Sustainability Framework to take our sustainability journey to the next level
- Enhanced access to the Derivatives Market after receiving the US Commodities Futures Trading Commission ("CFTC") approval for Bursa Malaysia Derivatives ("BMD") to be recognised as a Foreign Board of Trade ("FBOT") with Direct Market Access
- Increased the trading value on the Bursa Suq Al-Sila' ("BSAS") platform by 121% due to the growing acceptance of the Murabahah principle and the introduction of tenor-based pricing

We achieved this strong result due to our continued efforts in previous years to develop and promote our markets, and by striving for operational excellence, both of which have created value for our market participants and shareholders.

The key initiatives undertaken include:

- expanding our range of products and services
- enhancing market access and engagement
- improving Corporate Governance ("CG") standards and sustainability practices
- enhancing operational excellence in two key areas, namely refreshing our technology and building our talent pool

2015 also saw us continue to deliver on our strategic initiatives, which have introduced even greater improvements aimed at further securing the Exchange's long-term sustainability.

### 2015: MAINTAINING OUR MOMENTUM

The Exchange's strong financial performance in 2015 is the result of the enhancements and the building blocks we have put in place in our markets and business over the last few years. Among the key initiatives implemented over the last few years is our cost optimisation effort, which has stabilised and lowered our cost to income ratio. The upgrade of our trading system in 2013 has not only enhanced our market efficiency by allowing us to conduct a greater number of trades at a much faster speed but also further reduced our technology costs.

Achieved highest revenue of

**RM487.7** million  
since listing

## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

We also took deliberate steps over the past few years to grow revenue contributions from our Derivatives Market and Islamic Capital Market ("ICM") to reduce our reliance on Securities Market revenue. The effort has proven to be fruitful as we saw that the increase in the Derivatives and Islamic Capital Markets revenue had cushioned the impact of the reductions in the Securities Market contributions in 2015.

Meanwhile, we continued to work towards our strategic goals in 2015 that will take us another step closer towards becoming ASEAN's Multinational Marketplace.

Our achievements in 2015 include:

- Having our Derivatives Market granted registration as a FBOT by the US CFTC which allows identified members and participants in the US to enter trades directly onto the Chicago Mercantile Exchange's ("CME") Globex platform.
- Reviewing our ACE Market framework to streamline the listing process to attract more small and medium enterprises ("SMEs") into our market.
- Stepping up our sustainability initiatives by issuing the Sustainability Reporting Guide and six toolkits to our Public Listed Companies ("PLCs") to make our sustainability framework more holistic and inclusive.

Meanwhile, we continued to extend our reach into the retail community in the past year to cultivate the next generation of investors and market participants without compromising our interactions with institutional players.

## CREATING VALUE IN A CHALLENGING ENVIRONMENT

Our previous experiences in managing and navigating challenging and volatile economic periods have helped condition our markets to be more robust, diverse and, more importantly, sustainable at the core. In addition, the resilience of our marketplace is supported by the ample domestic liquidity of strong domestic institutions.

Our marketplace today comprises a broad base of commercial and industrial activities, thanks in part to the Government's Economic and Government Transformation Programmes, which have supported the efforts of PLCs to grow and expand regionally by creating a pro-business environment. As the listing destination of these PLCs, we leveraged on the diversity and resilience of the economy to drive our performance while ensuring a fair and orderly market for our trading participants.

Bursa Malaysia has a clear strategy to become a regional leader and ASEAN's Multinational Marketplace. The details of this plan and its key deliverables are specified in our Strategic Blueprint (2014-2016), which identifies two focus areas for our initiatives in 2015:

- i. Extracting value from our initiatives
- ii. Building for the future

### EXTRACTING VALUE FROM OUR INITIATIVES

Bursa Malaysia implemented a number of initiatives over the past few years to create long-term value for our stakeholders. Initiatives such as the BursaMKTPLC digital eCommunity platform, the implementation of our Bursa Trading System 2 ("BTS 2") and the approval of our registration as a FBOT by the CFTC are examples of initiatives with latent value. The values realised from these initiatives grow in tandem with the level of participation in our markets. Our value extraction initiatives in 2015 were therefore focused on attracting a greater number of participants into our market to optimise our value, while delivering immediate benefits at the same time.

Bursa Malaysia has a clear strategy to become

## ASEAN'S MULTINATIONAL MARKETPLACE

Two main focus areas in 2015

1

Extracting value from our initiatives

2

Building for the future

## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

### Reaching out to the investing communities

Investor engagement remains a key priority for Bursa Malaysia. Our stakeholder engagement activities are focused on both retail and institutional investors.

#### Engaging retail investors

BursaMKTPCLC was launched in 2014 to reach out to the younger generation of retail investors, particularly the millennials. As part of our efforts to create greater awareness of and interest in the BursaMKTPCLC platform, we conducted a number of promotional campaigns including the CELEB.TRADR programme, which is a unique collaboration with local celebrities and brokers. CELEB.TRADR uses a gamification approach to familiarise participants with the trading process and educate them in an interactive and entertaining manner. Other campaigns included the Macquarie Capital Securities' Warrant Hero, CIMB's ASEAN Stock Challenge and Kenanga's KenTrade Trading Challenge 2.

Since its launch, BursaMKTPCLC has received 460,000 unique visitors with a return rate of 59% as at the end of December 2015. A total of 29 brokers have signed on as BursaMKTPCLC partners, providing investment advice and facilities and thereby creating an enriched environment for our investors to conduct research and educate themselves on their trip to trade. With more than 21,900 research reports in its repository that have been viewed over 1.6 million times, BursaMKTPCLC has become an investing touchstone for its 29,800 registered users.

In addition, we also conducted regular retail engagement sessions during the year through events such as the Bursa Young Investor Club, Derivatives Day and the Bursa Investor Education Workshop, which have proven to be effective communication channels in terms of raising financial literacy and investor understanding. We also engaged with non-traditional investing audiences by holding events such as the Diamond Club event which targets Malaysian women.

In total, Bursa Malaysia, in collaboration with our partners, conducted 238 engagements with retail investors, reaching an audience of over 30,000 individuals nationwide.

#### Engaging institutional investors

Bursa Malaysia conducts a substantial number of engagement sessions with our institutional investors annually to promote our marketplace and our products, and to educate our investors about our market offerings. We also make use of these engagement sessions to build linkages with partners from around the world and to attract new participants into our market.

We host annual events such as our flagship Invest Malaysia Kuala Lumpur, which showcases the diversity of our capital market and introduces our PLCs and regional champions to the global investing community. We conduct similar engagement sessions for our Derivatives Market through our Palm and Lauric Oils Price Outlook Conference & Exhibition, which is a key event for all players involved in the edible oils industry.

2015 also saw us co-host the inaugural ASEAN Capital Market CEO Summit ("ASEAN CAP10"), which brought key stakeholders of the region's 10 capital markets together to chart a path towards shared prosperity for all in the region. ASEAN is still one of the most exciting emerging market investing destinations for global investors, but regional coordination and cooperation is still required if we are to make the most of all opportunities presented by the region. The Summit is designed to serve as a platform where investors, stock exchange operators and other stakeholders can discuss and address regional issues.

#### Reaching out to foreign derivatives traders

Following the CFTC's approval of BMD as a FBOT in January 2015, our engagement teams conducted a number of roadshows in the US to attract new direct participants into the market. As a result of these engagements, the Exchange recruited eight new market participants from the US to trade Bursa Malaysia derivatives contracts through the Globex platform.

BursaMKTPCLC has received

**460,000**  
unique visitors

Bursa Malaysia reached out to over

**30,000**  
individuals nationwide

## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

### Launching new services and products

Innovation is a key priority for us at Bursa Malaysia, and we are constantly working with our partners to come up with new products and services for our marketplace. These are aimed at providing our existing market participants with a wider range of tradeable alternatives and at improving their interactions with the marketplace.

In 2015, we upgraded the Bursa LINK infrastructure to provide new services to its users. The upgraded system optimises business processes and introduces new functionalities such as data submission through web browsers rather than through specific database clients. The new system also facilitates online listing applications and the management of online queries to help Bursa Malaysia better serve its stakeholders.

2015 also saw us introduce tenor-based pricing in BSAS. The introduction of the new pricing structure encouraged greater use of the platform, and was part of the reason for the platform's significant increase in trading value.

As for new products, we listed two exchange-traded funds ("ETFs") – the MyETF MSCI SEA Islamic Dividend and MyETF Thomson Reuters Asia Pacific ex-Japan Islamic Agribusiness – and the Al-Salam Real Estate Investment Trust ("REIT") in 2015.

## BUILDING FOR THE FUTURE

---

In 2015, we continued to implement initiatives designed to strengthen the Exchange for the future. In doing so, we hope to make our market more resilient while making the most of our opportunities. Our efforts to build for the future must therefore take into account the needs of the market at large in anticipation of developments and trends. Our priorities in 2015 to build for the future were focused on improving the listing framework for the ACE Market and strengthening the sustainability ecosystem of our marketplace.

### Enhancing our ACE Market Listing framework and attracting SMEs to the market

One of the challenges faced by our market stakeholders is the sometimes lengthy journey involved in launching new products or obtaining listing on the market. We are committed to streamlining and easing this process as much as possible without compromising our risk profile. In 2015, we focused our efforts on facilitating SMEs to better participate in our market by conducting engagement sessions with select SMEs.

SMEs play a crucial role in the Malaysian economy and collectively represent substantial agents of commerce. The Exchange believes that it has a pivotal role to play in supporting the development of SMEs that demonstrate potential to grow and become full-fledged PLCs. The review of the ACE Market Framework in 2015 is designed to streamline and ease the listing process thereby helping SMEs to tap into the capital markets for debt or equity fundraising. Through this initiative, we are nurturing the next generation of PLCs that will contribute to the vibrancy and diversity of the market in the future.

### Establishing linkages with foreign partners

Bursa Malaysia signed a collaboration agreement with China's Dalian Commodity Exchange in 2015 that will see us working together on product research and development. This will in turn see new derivatives products being introduced into our markets that will drive greater investor interest and participation, both domestically and through our global distribution channels.

### Nurturing sustainability

The present volatile economic conditions are reminders of the importance of a sustainable marketplace. While we started our sustainability journey over 10 years ago, our activities in 2015 were noteworthy as they are designed to make sustainability more inclusive and to strengthen our core framework.

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Bursa Malaysia enhanced  
**ACE MARKET  
LISTING FRAMEWORK**

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Bursa Malaysia launched its  
**SUSTAINABILITY  
FRAMEWORK**  
in 2015

## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

While sustainability is gradually taking root in our PLCs, we believe that we must take the sustainability agenda to the next level to secure long-term viability of our PLCs and our marketplace.

In 2015, we took a four-pronged approach to sustainability:

- Communicating our sustainability vision and goals through our flagship events, i.e. the ASEAN CAP10 Sustainability Series and Sustainability Symposium
- Introducing a new Sustainability Reporting Guide and six toolkits for PLCs to encourage sustainable practices in their operations.
- Committing ourselves to the best sustainability practices by signing on to the United Nation's Sustainable Stock Exchange ("UN SSE") initiative
- Transforming the way our PLCs operate and report on sustainability via the FTSE4Good Bursa Malaysia Index and through Environment, Social and Governance ("ESG") engagement programmes

We recognise that sustainability is an ongoing conversation rather than an achievement, and hence we will continue to enhance our sustainability practices going forward. We are also proud to report that we are the first exchange in the region to develop a sustainability framework, and we aim to maintain this competitive advantage.

### SUSTAINED FINANCIAL PERFORMANCE AMIDST CHALLENGING CONDITIONS

The Exchange improved its financial performance from 2014 with profit after tax and minority interest ("PATAMI") of RM198.6 million from RM198.2 million a year ago. The cost to income ratio was sustained at 46.2% while Return on Equity ("ROE") improved slightly to 25.6%.

Financial Results	2015 RM million	2014 RM million	% change
Operating Revenue	487.7	471.3	+3%
Other Income	30.8	32.5	-5%
Operating Expenses	(239.8)	(232.0)	+3%
Profit Before Tax	278.7	271.8	+3%
Income Tax Expense	(72.3)	(67.8)	+7%
Profit After Tax	206.4	204.0	+1%
Minority Interest	(7.8)	(5.8)	+35%
<b>PATAMI</b>	<b>198.6</b>	<b>198.2</b>	<b>+0.2%</b>

Financial Ratios	2015	2014	change
Cost to Income Ratio	46.2%	46.1%	+0.1 percentage point
Return on Equity	25.6%	25.4%	+0.2 percentage point

### OPERATING REVENUE GROWTH DRIVEN BY NON-SECURITIES TRADING REVENUE

Operating revenue rose 3% to RM487.7 million in 2015 from RM471.3 million in 2014. This was due mainly to a significant rise in non-securities trading revenue as securities trading revenue fell 3% in 2015 to RM233.0 million. Meanwhile, revenue contributions from the Derivatives Market and the Islamic Capital Market ("ICM") rose 22% to RM86.1 million and 69% to RM16.8 million respectively.

PAT grew to

**RM206.4** million

PATAMI improved to

**RM198.6** million

## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

Securities trading revenue fell on a lower trading participation by domestic retail and institutional investors, but was cushioned partially by higher foreign participation. Meanwhile, there was greater trading interest in Crude Palm Oil Futures ("FCPO") and FTSE Bursa Malaysia KLCI Futures ("FKLI") in the Derivatives Market where average daily contracts ("ADC") rose 13% to 57,157 contracts owing to market volatility. BSAS similarly saw greater trading due mainly to the conversion to Murabahah contracts and growing interest in tenor-based pricing.

The rise in contributions from our non-securities markets is a positive sign that our efforts to grow these business segments are working, and we are optimistic that they will continue to grow their contributions going forward.

### OPERATING EXPENSES SHOW CONTROLLED RISE

Bursa Malaysia's operating expenses rose 3% to RM239.8 million in 2015 due mainly to higher staff costs. We remain committed to a talent strategy that will see us maintain the highest quality staff possible as part of our plan to become a high performing organisation ("HPO").

We also paid higher service fees (+22% to RM22.4 million) in 2015 due to the greater number of derivatives contracts traded and also the comparatively weaker value of the Malaysian Ringgit against the US Dollar. Meanwhile, we booked a lower depreciation and amortisation cost in 2015 as we had retired our Derivatives Order Management System ("OMS") in 2014. Other expense items including professional fees, administrative and miscellaneous expenses rose during the year as we continued to increase the capabilities of our marketplace.

### REWARDING OUR SHAREHOLDERS

In view of our financial performance and after taking into consideration operating conditions ahead, Bursa Malaysia's Board of Directors has recommended a final dividend of 18 sen per share to be approved at our

Annual General Meeting to be held in March 2016. If approved, the total dividends paid by Bursa Malaysia in 2015 will amount to 34.5 sen per share, representing a dividend yield of 4.1%.

### SEGMENTAL PERFORMANCE HIGHLIGHTS

Contributions from our individual markets were mixed in 2015 owing to volatile market conditions. Although trading in the Securities Market had decreased during the year, increased activity in the Derivatives and Islamic Capital Markets had more than made up the difference. The increase in our non-securities trading revenue is further evidence of the diversity of our market, as investors and market players can continue to find value in alternative products and options even when the general market is on the decline. The following table provides an overview of the financial performance of our markets:

Segmental Review	2015 RM million	2014 RM million	% change
Segmental Profit/(Loss) From:			
Securities Market	285.7	294.3	-3%
Derivatives Market	51.2	40.8	+25%
Islamic Capital Market	11.8	5.4	+120%
Exchange Holding	(8.9)	(8.9)	0%
Total Segmental Profit	339.8	331.6	+2%
Overheads	(61.0)	(59.8)	+2%
Profit Before Tax	278.8	271.8	+3%

ADC rose to

**57,157**  
contracts



Profit Before Tax

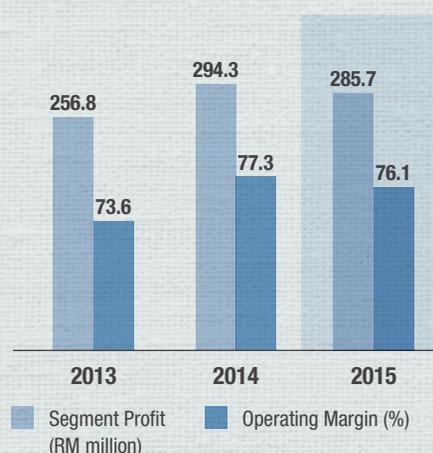
**RM278.8** million

## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

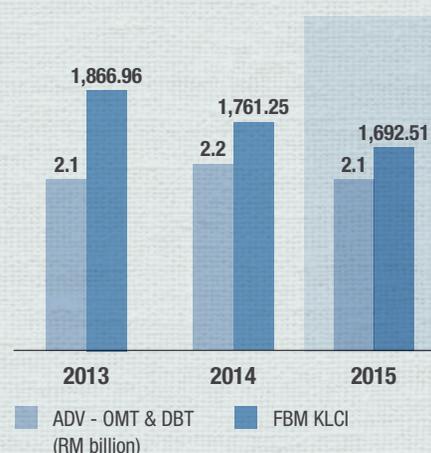
# SECURITIES MARKET

The FBM KLCI traded within a lower band in 2015 and hit a multi-year low of 1,503.68 points in August 2015. However, the index recovered and closed the year at 1,692.51 points.

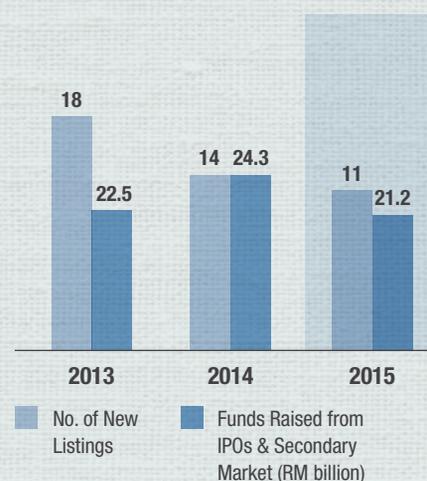
SEGMENT PROFIT AND OPERATING MARGIN



ADV - OMT &amp; DBT AND FBM KLCI



NO. OF NEW LISTINGS AND FUNDS RAISED



### SECURITIES MARKET SEGMENTAL REVENUE

	2015 RM million	2014 RM million	% change
Trading Revenue	233.1	239.1	-3%
Listing and Issuer Services	52.7	55.8	-6%
Depository Services	38.4	35.4	+9%
Market Data	25.7	24.0	+7%
Member Services and Connectivity	12.9	13.6	-5%
Conference Income	-	0.2	-100%
Total	362.8	368.1	-1%

### MARKET VOLATILITY DAMPENS TRADING SENTIMENTS

Profit contributions from the Securities Market fell 3% in 2015 to RM285.7 million from RM294.3 million in 2014 as volatile market conditions impacted trading activities. Total operating revenue fell 1% to RM362.8 million from RM368.1 million a year ago.

Trading revenue fell 3% to RM233.1 million owing to lower average daily value ("ADV") for on-market trades ("OMT") and direct business trades ("DBT") of RM2.1 billion (-4% from RM2.2 billion y-o-y). For OMT, foreign participation rose to account for 27% of total ADV (RM0.5 billion) from 24% a year ago. Revenue from Bursa Malaysia's Listing and Issuer Services also fell 6% to RM52.7 million from RM55.8 million in 2014 due to fewer large Initial Public Offerings ("IPOs") and corporate exercises conducted in 2015.

On a positive note, contributions from our Depository Services and Market Data rose 9% and 7% to RM38.4 million and RM25.7 million respectively. The contributions from these sources are attributable to higher earnings from CDS custody fees and a higher number of market data subscribers respectively.

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## SECURITIES MARKET

### BURSA MALAYSIA IS ASEAN'S LARGEST FUNDRAISING MARKET FOR THE SECOND CONSECUTIVE YEAR

The volatile market did not dissuade PLCs from making Malaysia their top choice in ASEAN for their fundraising activities, both from IPOs and secondary market, raising a total of RM21.2 billion in 2015. Although the number of IPOs in 2015 fell to 11 from 14 in the previous year, the RM4.1 billion raised through primary listings coupled with RM17.1 billion from secondary listings made Bursa Malaysia the top equity capital fundraiser in ASEAN. Notable IPOs for the year included the listing of Malakoff Corporation Berhad and Sunway Construction Group Bhd which raised RM2.7 billion and RM0.5 billion respectively.

Bursa Malaysia also played a central role in facilitating the listing journey of small and medium size enterprises ("SMEs") in collaboration with other stakeholders. A total of 130 foreign and domestic companies attended the IPO briefing sessions held in 2015.

### ACE MARKET FRAMEWORK REVIEWED TO BOOST SME LISTING

Bursa Malaysia reviewed and made changes to its ACE Market Framework in 2015, which is expected to encourage more SME listings. We conducted a number of initiatives including engagements with individual SMEs that have the potential to tap into our existing capital raising platforms, be it in the debt or equity space.

Given time and adequate support, we believe that some of these SMEs will grow into full-fledged PLCs, and will add to the diversity and vibrancy of the Malaysian capital markets.

### BUILDING SUSTAINABLE COMMUNITIES

As part of Bursa Malaysia's overall effort to embed sustainable values in our outreach activities, Bursa Malaysia's Securities Market outreach initiatives can be broadly grouped into three categories.

#### EDUCATION AND ENGAGEMENT

Bursa Malaysia believes that education remains a crucial focus in view of our vision to establish an inclusive sustainability framework involving all stakeholders. Long-term sustainability requires the cooperation of all stakeholders to make discerning choices about how they invest and what they invest in. It is especially important for us to reach out to young retail investors as they represent the backbone of the next generation of investors.

Events such as the Bursa Young Investor Club and the Bursa Investor Education Workshop have proven themselves to be effective channels of engagement in terms of raising financial literacy and the level of investment knowledge.

Bursa Malaysia is also targeting non-traditional investing audiences as we believe that there remain pockets of underserved Malaysians. For example, we held the Diamond Club event in collaboration with brokers to target Malaysian women, who are the majority of savers in the country. With better financial education, we hope to see greater mobilisation of domestic liquidity from savings into investments.

While our education programmes will certainly create a more vibrant market, we believe that these programmes also represent an important social responsibility. Through our education activities, we are empowering and enabling society to make better financial decisions and hence become more financially sustainable over the long term.

#### ACE MARKET LISTINGS

NO. OF LISTINGS

4

TOTAL IPO FUNDS RAISED

RM97.7 million

TOTAL IPO MARKET CAPITALISATION

RM368.3 million

#### EDUCATION & ENGAGEMENT

153 separate retail investor events both locally and overseas

Over

23,220 retail investors engaged

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## SECURITIES MARKET

### DRIVING THE SUSTAINABILITY AGENDA

We conducted a number of workshops and seminars to educate PLCs and stakeholders on the merits of sustainable practices. Our engagement sessions with both PLCs and institutional investors are targeted at creating a realignment of practices and expectations in line with ESG best practices and thereby creating a sustainability-based ecosystem. We will continue to enhance and diversify our engagements with PLCs in 2016 and the years to come. The launch of the Malaysian ESG Opportunity Fund by Valuecap Sdn Bhd, a Government fund manager investing proprietary funds, benchmarked against the FTSE4Good Bursa Malaysia Index is a positive sign that investor interest in ESG is growing.

### ENHANCING MARKET PARTICIPATION

Breadth and depth of market participation is key in maintaining the health of the Exchange. To this end, we have continued our outreach activities that we had started more than 10 years ago.

We continued to leverage on our established engagement channels including the Invest Malaysia Programme and on our Beyond Malaysia initiatives in Japan and Thailand to reach out to new stakeholders. Market participation was further enhanced by an increase in investor participation in our structured warrants ("SW") and securities borrowing and lending ("SBL").

The inclusion of the new market participants has made our Exchange a more vibrant and diverse trading hub. In terms of institutional investors and market participants, Bursa Malaysia reached out to 1,200 different institutions in 2015.

### MARKET DEVELOPMENT INITIATIVES

Initiatives to enhance the market structure in 2015 were focused on increasing trading vibrancy through a number of enhancements including:

- Promoting the issuance and trading of SW
- Promoting SBL to facilitate regulated short-selling ("RSS") activities

In promoting SW, we offered various listing fee incentives, which resulted in a rise in Index Warrants listings, increasing the diversity of SW available for trading in Malaysia. Our efforts to diversify the SW market were rewarded with greater trading activity in 2015 after market volatility made SW a product popular with investors. Total new SW listings as at 31 December 2015 rose 18% to 644 from 546 in 2014. Meanwhile, total listings for Index Warrants rose almost five-fold to 160 from 33 over the same period.

2015 also saw an increase in investor participation in our SBL market, with outstanding loans valued at RM7.7 billion at the end of 2015 compared to RM2.4 billion at the end of 2014. Consequently, RSS trading value, which SBL facilitates, rose to RM9.5 billion in 2015, up more than three times from RM2.7 billion in 2014.

### MOVING FORWARD

We aim to launch our new Equities Margining ("EM") framework in 2016 to bring it in line with Principle 6 on Margin of the Principles for Financial Market Infrastructures ("PFMI") developed by CPMI-IOSCO; the Committee on Payments and Market Infrastructures ("CPMI") and the International Organisation of Securities Commissions ("IOSCO"). The EM framework further safeguards our market infrastructure from disruptions due to defaults from Trading Clearing Participants, and reinforces the robustness, integrity and capability of our markets.

In addition, Bursa Malaysia plans to hold more engagement sessions on sustainability with our PLCs following the launch of our reporting guide and toolkits in 2015. While we have already started working with our PLCs to help them better understand the overall aim of sustainability, our next step will see us organising sessions aimed at report preparers, CEOs and Board Members to help them better understand their roles in driving sustainability in their organisations.

**CEO'S MESSAGE  
AND MANAGEMENT  
DISCUSSION AND ANALYSIS**

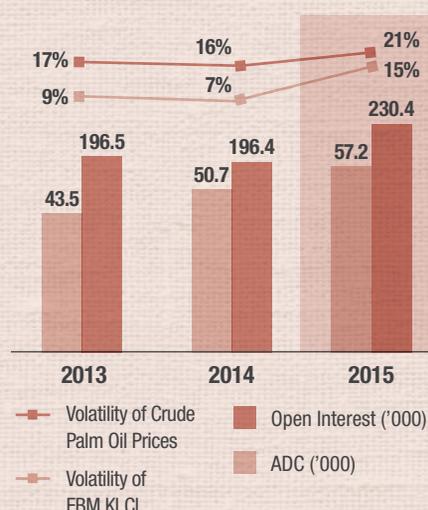
# DERIVATIVES MARKET

Trading volumes for all contracts set a new record in 2015 with ADC rising 13% to 57,157 contracts from 50,654 contracts in 2014. The greater trading activity was driven by fluctuations in the prices of underlying commodities and the FBM KLCI.

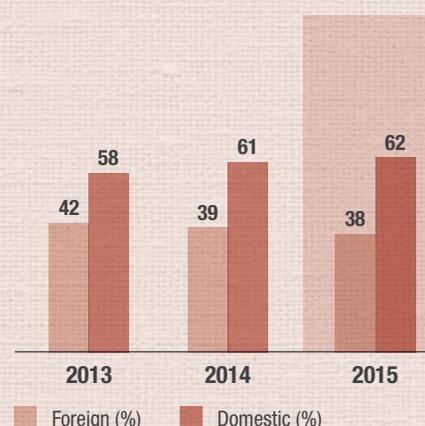
**SEGMENT PROFIT AND OPERATING MARGIN**



**ADC, OPEN INTEREST AND VOLATILITY**



**FOREIGN AND DOMESTIC PARTICIPATION**



**DERIVATIVES MARKET SEGMENTAL REVENUE**

	2015 RM million	2014 RM million	% change
Trading Revenue	86.1	70.6	+22%
Market Data	7.8	7.1	+10%
Member Services and Connectivity	0.3	1.9	-86%
Conference Income	5.8	6.2	-5%
<b>Total</b>	<b>100.0</b>	<b>85.8</b>	<b>+17%</b>

**DERIVATIVES TRADING BOLSTERED BY VOLATILE COMMODITY PRICES**

The Derivatives Market's segmental profit grew by 25% to RM51.2 million from RM40.8 million in 2014, while operating revenue rose 17% to RM100.0 million from RM85.8 million a year ago.

The growth was attributed to higher trading revenue, which saw the volume of FCPO and FKLI contracts traded grow by 8% to 11.0 million contracts from 10.2 million contracts, and by 39% to 3.0 million contracts from 2.2 million contracts respectively. Other positive contributors to operating revenue included higher guarantee and collateral management fees due to higher margin requirement for FCPO and FKLI, as well as the higher number of open interest positions.

Conversely, revenue from member services and connectivity fell 86% due to the cessation of the Derivatives OMS service following the system's retirement in December 2014. Since end February 2015, brokers have migrated to their individual authorised OMS.

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## DERIVATIVES MARKET

### TRADERS LEVERAGE ON COMMODITY AND PRICE VOLATILITY

Interest in derivatives products was led by trading in FCPO and FKL contracts, which contributed to historic highs for total contracts traded daily, breaching the 100,000 contracts mark in two days in August. The Derivatives Market posted a historic month high in August 2015 with the total number of contracts traded reaching 1,411,176 contracts.

### BUILDING SUSTAINABLE COMMUNITIES: REACHING OUT AND ENGAGING WITH OUR STAKEHOLDERS

Bursa Malaysia continued to prioritise the recruitment of new Locals, i.e. professional derivatives traders trading their own accounts, to build a more vibrant trading environment for the Derivatives Market. Locals have grown alongside the Exchange over the years, both in terms of numbers and trading participation in derivatives products. We recruited 34 new Locals in 2015 bringing the total number of active Locals to 167.

### EDUCATION AND ENGAGEMENT

Our engagement teams conducted education and networking sessions at local and international events, reaching out to a total of 15,920 individuals and 1,286 institutions.

Derivatives trading is still relatively new to certain investor segments, particularly among the younger generation. We leveraged on our annual events and conferences including the Palm and Lauric Oils Conference 2015, the Gold & Precious Metals Price Outlook Symposium 2015 and the Financial Markets Outlook Conference 2015 to build networks and better engage the trading community. These interactions between the various stakeholders are key in building a sustainable marketplace, and help the Exchange better understand stakeholder requirements and concerns.

### EDUCATION & RECRUITMENT

**34** new Locals  
recruited

**167** total active Locals  
in 2015

Over

**60** Derivatives Day  
events held

### MARKET DEVELOPMENT INITIATIVES

Bursa Malaysia reached a key milestone when it was registered as a FBOT for Direct Market Access in the US. With this approval, BMD's identified members and other participants located in the US may now enter trades directly onto its electronic trading platform on CME Globex to trade BMD products.

This is particularly appealing to US traders wishing to trade in palm oil futures, as the Ringgit-denominated FCPO is the global benchmark for the commodity. We are pleased to see the entry of eight new US trading clients in 2015.

BMD was awarded the "Best Emerging Exchange of the Year" at the Futures & Options World Awards for Asia in September 2015. The award follows the recognition granted by the CFTC that Bursa Malaysia possesses the attributes of an organised exchange and adopts comparable practices for market integrity and customer protection.

### MOVING FORWARD

Bursa Malaysia is seeking recognition as a third-country central counterparty ("TC-CCP") under the European Markets Infrastructure Regulation regime. We have made a submission to the European Securities Market Authority for the recognition and, if approved, our recognition as a TC-CCP will enable derivatives traders within the European Union to trade derivatives contracts on Bursa Malaysia with our local market acting as the focal point for all transactions. The impact of this recognition will be similar to the approval of our registration with the CFTC and will serve to significantly broaden market access.

In addition, we will be looking to attract a greater number of trading participants into our Derivatives Market by leveraging on our initiative to decouple clearing participation from trading participation. The decoupling of the participations will widen the class of participants in the market, potentially further opening our market to the region.

**CEO'S MESSAGE  
AND MANAGEMENT  
DISCUSSION AND ANALYSIS**

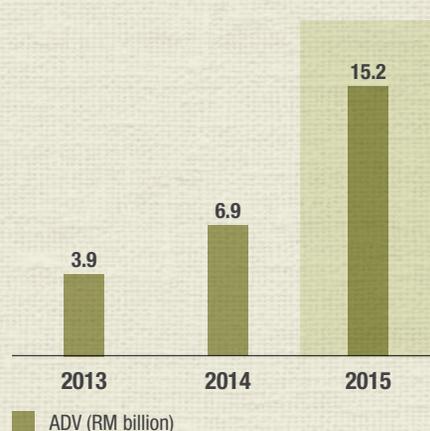
# ISLAMIC CAPITAL MARKET

The BSAS platform saw ADV grow 121% to RM15.2 billion in 2015. Since its inception in August 2009, BSAS has recorded a cumulative annualised growth rate (“CAGR”) of 136%. In 2015, the total commodity trade value on BSAS grew 121% to RM3.7 trillion from RM1.7 trillion in 2014.

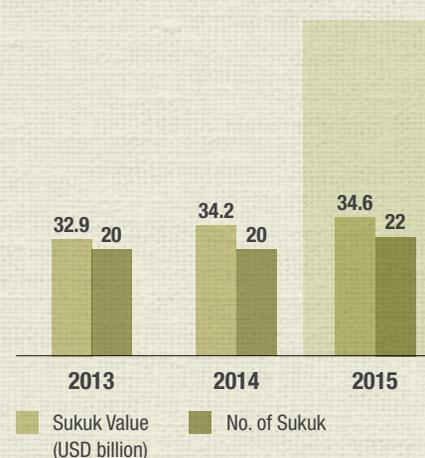
SEGMENT PROFIT AND OPERATING MARGIN



BSAS ADV



SUKUK LISTED UNDER EXEMPT REGIME



**ISLAMIC CAPITAL MARKET SEGMENTAL REVENUE**

	2015 RM million	2014 RM million	% change
BSAS Trading Revenue	16.8	10.0	69%
Other	0.6	0.5	8%
Total	17.4	10.5	65%

**GROWING ACCEPTANCE OF MURABAHAH AND BSAS PLATFORM DRIVES PERFORMANCE**

Profit contribution from ICM in 2015 increased more than two-fold to RM11.8 million compared to RM5.4 million in 2014. Operating revenue rose 65% to RM17.4 million from RM10.5 million in 2014. The primary driver for the growth in ICM is trading revenue generated on the BSAS platform, which amounted to RM16.8 million, representing a 69% increase from the previous year.

The strong growth in BSAS trading was mainly driven by the conversion of bank deposits from Mudharabah to Murabahah contracts and the growing interest in tenor-based pricing.

Key achievements of BSAS in 2015 included:

- **Largest daily trade:** RM30.7 billion on 28 December 2015
- **Largest single deal:** RM6.9 billion on 29 January 2015
- **Increase in BSAS participants:** The number of market participants continued to rise with the addition of 16 new participants, bringing the total to 109 in 2015 (from 93 in 2014). Domestic participants accounted for 88% of total trades while foreign participants accounted for the remaining 12%

BSAS' achievements were recognised by the Global Islamic Finance Awards 2015 which presented the Exchange with the “Best Islamic Exchange 2015” award and also by the award of “Best Islamic Finance Facilitation Platform Asia 2015” from the Global Banking & Finance Review. The international financial community picked BSAS as the “Best Interbroker for Islamic Transactions” at the 10<sup>th</sup> Islamic Finance News Service Providers Poll 2015.

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## ISLAMIC CAPITAL MARKET

### STAKEHOLDER ENGAGEMENTS

Over **25** retail seminars

Over **50** institutions

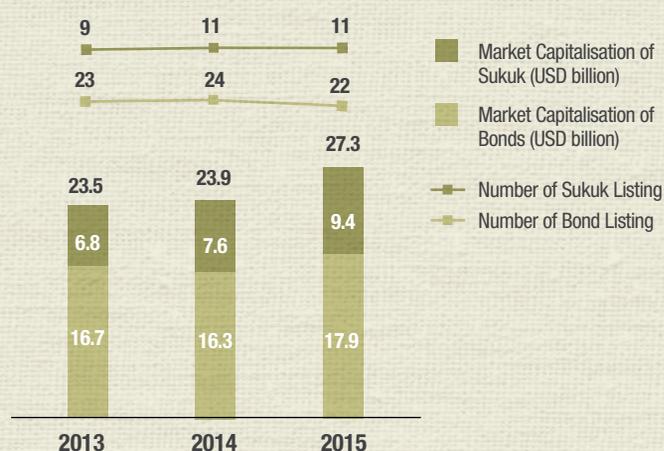
Over **7,000** retail investors

### BUILDING SUSTAINABLE COMMUNITIES

2015 was an active year of engagement for ICM as it focused its efforts on building regional bridges and widening the market base. During the year, ICM held direct engagements with over 7,000 individual retail investors and more than 50 institutions including potential issuers, institutional investors and fund managers, particularly those with Islamic mandates, domestically and internationally. Our BSAS engagement team reached out to countries including Jordan, Kuwait, Saudi Arabia, the UAE, Singapore and Brunei, soliciting new demand in the international market.

We continued to reach out to retail investors through targeted seminars and events. In 2015, we collaborated with our Islamic brokers to organise Shariah Investing @ Bursa retail seminars throughout the country. We also worked together with strategic agencies such as Yayasan Dakwah Islamiah Malaysia and Bank Rakyat to build greater rapport with the investing public.

### MARKET CAPITALISATION OF LABUAN INTERNATIONAL FINANCIAL EXCHANGE



### MARKET DEVELOPMENT INITIATIVES

We have contributed to the development of the Malaysian capital market by providing an alternative marketplace for fund raising and investments. Our efforts remain focused on increasing the role of ICM and on increasing the breadth and depth of its products and services to support the growth of the Islamic finance industry.

The past year saw the listing of two new Shariah-compliant Exchange Traded Funds ("ETFs"): the MyETF MSCI SEA Islamic Dividend and MyETF Thomson Reuters Asia Pacific ex-Japan Islamic Agribusiness. The addition of these new ETFs provides investors with greater product diversity in the Islamic space and will appeal to investors looking for index-linked products and returns. As at end 2015, there were four Shariah-compliant ETFs listed and traded on Bursa Malaysia.

2015 also saw the listing of a new Shariah-compliant Real Estate Investment Trust ("REIT"), i.e. the Al-Salam REIT, which gives investors an additional choice in their investment portfolio that is stable in nature while providing steady income. The addition of the Al-Salam REIT brought the total number of Shariah-compliant REITs listed on Bursa Malaysia to four.

In the Sukuk market, Malaysia retained its status as the global leader. In 2015, four Sukuks were listed under the Exempt Regime:

- i. PETRONAS Global Sukuk Ltd
- ii. Malaysia Sovereign Sukuk Berhad
- iii. Axiata SPV2 Berhad
- iv. Hong Kong Sukuk 2015 Limited

As for the Labuan International Financial Exchange ("LFX"), total market capitalisation continued to grow by 14% to USD27.3 billion in 2015 from USD23.9 billion a year ago. We also saw an increase in the value of the listing of both conventional and Shariah-compliant instruments, which grew 9% and 24% respectively.

### MOVING FORWARD

ICM has generated considerable growth momentum over the last few years, and it is our intention to leverage on this momentum to promote Islamic offerings as an alternative to conventional ones. Favouring this is the fact that Shariah indices have consistently outperformed the FBM KLCI and its conventional counterparts over the past five years, thereby making Islamic investment an attractive source of value for investors.

Moving forward, ICM will continue to look for opportunities to grow and play a leading role by facilitating cross-border financial activities that will support the growth of Islamic finance.

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

## UPHOLDING MARKET INTEGRITY

We would like to restate our commitment to ensuring a fair and orderly market given the present volatility of market conditions. Our efforts in this area are directed at protecting the rights of our market participants while ensuring the long-term sustainability of our marketplace. Bursa Malaysia operates on a foundation of trust, which is derived from the preservation of our market integrity. We have also further strengthened our microstructure to bring it in line with global best practices in order to better safeguard our market structure and market participants.

Additional details about our initiatives to develop our market structure can be found in our Marketplace Report: Fair and Orderly Markets on page 52.

## NAVIGATING GLOBAL EXCHANGE TRENDS

Bursa Malaysia is today a stock exchange with both regional and global access. As such, we are exposed to the dynamism of global commerce, which can change suddenly and with little notice. To maintain our position as a relevant exchange, we are compelled to identify and adapt to changes in order to capitalise on our opportunities and minimise risks that may emerge.

Our move to accelerate the development of our sustainability framework is one example of how we are anticipating the shifts in global investor demand. The following list includes some of the trends that we have identified to be relevant to us going forward.

### 1. Growing investor interest in ESG

The Assets Under Management ("AUM") of funds considering ESG criteria when making investment decisions have risen significantly over the years. According to figures from EuroSIF and the Global Sustainable Investment Review, the total AUM invested by funds with ESG criteria grew from just USD7 trillion in 2008 to USD21 trillion in 2014. While dedicated ESG funds make up only 1%-2% of total global assets, the sheer size of funds making investing decisions based on ESG criteria has presented a huge opportunity to exchanges and issuers.

Similarly, a World Federation of Exchanges ("WFE") survey published in July 2015 indicated that investors are increasingly examining the sustainability practices and policies of companies as a factor in their investment decisions. According to the survey, 39% of respondents to the global exchanges survey (22 out of 56) stated they had received ESG-related queries from investors, of which 10 said that such inquiries are on the increase. Such findings and figures indicate that ESG concerns are growing among global capital market participants.

We have demonstrated our commitment to sustainability through our initiatives in 2015, and we plan to leverage on them to make our case as the regional market of choice for ESG investments going forward.

### 2. New business and revenue diversification

While securities trading has traditionally been the core focus of stock exchanges in the past, a key development throughout the industry is the diversification of revenue streams and the growth of non-trading revenue. Securities trading and related activities currently remain the major contributor to Bursa Malaysia's revenue, but significant emphasis has been placed in recent years on expanding and growing the contributions from our Derivatives and Islamic Capital Markets.

Recent developments in the industry have also seen exchanges place significant emphasis on developing their market data and information services business. We expect to see stock exchanges becoming more competitive in this new area of business, and expand their services to add value to their customers. We have seen positive signs of growth in Bursa Malaysia's efforts to provide these services, and they have become an important growth area for us.

Moving forward, Bursa Malaysia will continue to expand the contributions from the Derivatives and Islamic Capital Markets while exploring new opportunities and enhancing our market data services.

### 3. Globalisation of trading and investment

The increasing globalisation of trading and investment was put into focus again this year when the Shanghai-Hong Kong Stock Connect, which provides offshore investors with direct access to the Shanghai Stock Exchange, received significant investor response. 2015 also saw a flurry of activities and discussions on other trading links across Asia such as the proposed trading link between the Taiwan Stock Exchange and the Singapore Exchange.

In this respect, Bursa Malaysia has continued to support the ASEAN Exchanges initiative and to promote ASEAN as an asset class to global investors. Throughout 2015, Bursa Malaysia highlighted the potential of the region through events such as the first ASEAN CAP10 Summit, which brought together top ASEAN CEOs from across the region to discuss the opportunities presented by ASEAN economic integration. The Exchange has also engaged directly with institutional and retail investors in ASEAN countries including Thailand and Singapore to highlight the opportunities available in the Malaysian markets.

## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

### RISKS AND OPPORTUNITIES

The biggest risk in the immediate term to our financial performance is the ongoing volatility in the global markets. While we are confident that this will not have a substantial impact on the achievement of our long-term goals, prolonged weakness in commodity prices and the Ringgit may further weaken investor and trading sentiments, which may in turn have an impact on our revenue stream. Weaker revenue contributions from our markets may also impinge on our ability to create shareholder value over the short term.

We believe that the Malaysian economy is sufficiently robust with strong foundations to withstand external impacts. Further strengthening our economy is the presence of strong domestic institutions that play important roles in supporting the market. The economy has continued to diversify beyond its traditional dependence on commodities and has steadily climbed up the value chain. Gross national income has been on a rising trend, which is a positive development for us as this translates into a larger pool of potential investors.

Meanwhile, we have continued our efforts to identify and isolate risk items related to our regulatory, supervisory and market infrastructures. Bursa Malaysia continues to invest in technology and in talent to ensure that we have the resources and capitals required to sustain operations in the foreseeable future.

#### ASEAN: THE NEXT STEP FORWARD

The official launch of the ASEAN Economic Community in October 2015 is a timely reminder that we can no longer look solely within our borders for opportunities. We have stamped our ambition to become ASEAN's Multinational Marketplace and have embarked on significant regional and global campaigns to realise this vision.

As highlighted in our strategic intents, the value-creating platforms that will form the leverage points for us have been established over the last several years, and we have continued to improve both the microstructure and macrostructure of our marketplace. We have already started extracting value from these levers, and have made our initial forays into improving regional access for our investors, e.g. by enhancing global access via the CFTC's approval and in our participation in the ASEAN Trading Link.

ASEAN remains as exciting a story as ever and we are making headway in positioning ourselves as its regional leader and Multinational Marketplace. To achieve this ambition, we must remain focused on our role as a market operator and regulator and remain relevant to the requirements of domestic,

regional and global investors. 2016 will see us continue to seek out new investors and market participants interested in using Bursa Malaysia as a gateway into the rest of ASEAN.

#### ENGAGING THE DIGITAL GENERATION

With more than 65% of Malaysians connected to the internet, the digitisation of our marketplace is a must if we are to further grow market participation. Digitisation will also facilitate greater access into our market as investors will be able to make use of our services and facilities from anywhere in the world.

BursaMKTPLC, which was launched in 2014, has received a warm reception since going online, and will continue to form the backbone of our digital offerings going forward. Traditional engagement channels, such as the Bursa Young Investor Club, also provide an alternative channel for us to educate and promote the value of investing to the next generation.

Finally, our digital strategy also includes attracting greater participation from millennials, who will be a core demographic group for us going forward. We plan to make greater use of social media and other creative means as we did with our CELEB.TRADR programme to reach out to this age group.

### MOVING FORWARD

We expect the challenging operating environment to continue through 2016. These developments are reinforcing the need for a sustainable core at the heart of our operations, and we believe that we have taken the right steps to ensure our long-term sustainability. Meanwhile, safeguarding market integrity remains our foremost priority.

In 2016, our priority is to sustain our financial performance within this more challenging environment while at the same time executing the final phase of our 2014-2016 Strategic Blueprint to further build our presence as ASEAN's Multinational Marketplace. Our fundamentals remain strong and we have seen evidence of reduced reliance on securities trading contributions. We must also remain prudent and diligent in managing our costs during this volatile period.

In comparison against our regional peers, we believe that Bursa Malaysia has demonstrated a level of resilience which will attract regional investors seeking safer shores should conditions further worsen. Our continued development of Bursa Malaysia's CG framework, coupled with our strength in investor protection and emphasis on sustainability, should shore up confidence in the integrity of our markets.

## CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

We also believe that the Malaysian market has a number of features attractive to investors. For instance, Bursa Malaysia is a high dividend-yielding market and is a largely low-Beta, defensive market supported by domestic institutions that invest based on fundamentals. These features make Bursa Malaysia particularly attractive during this time of volatility, as does our excellent corporate governance track record.

Our immediate plans will also see us undertaking a number of initiatives to enhance market participation, particularly from both domestic and foreign funds. We aim to promote and profile selected sectors, industries and SMEs to local funds through tailored seminars as well as to ethical investments in line with our sustainability agenda to create a dynamic ecosystem for SRI funds and investors. We will also conduct engagements with investors in both traditional and non-traditional foreign markets to promote our PLCs.

We will also continue to improve our engagements with various SME bodies while building on the various public and private platforms that support local SMEs and the National Key Economic Areas ("NKEA") agenda.

The Exchange also intends to follow through on its initiatives in the past years to further strengthen sustainability in our marketplace. With the initial framework in place, our next step is to seek greater participation from the PLCs and we will conduct advocacy sessions for our PLCs' Board of Directors, CEOs and key management to provide greater guidance to them.

### PROTECTING SHAREHOLDER VALUE

We would like to reiterate our commitment to protecting shareholder value even during these times of adversity. The challenges confronting our markets are not unassailable, and the infrastructures we have put in place over the last few years will ensure that we continue to reward our shareholders appropriately.

The journey that we have set for ourselves is a transformation over the long term and we are thus far on track. While we concede that we may have to make adjustments in confronting immediate risks, we are still well on our way to becoming an HPO, complete with a diverse and resilient marketplace with sustainability at its core.

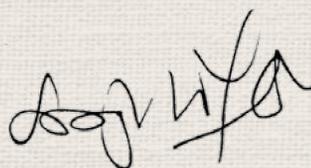
### APPRECIATION

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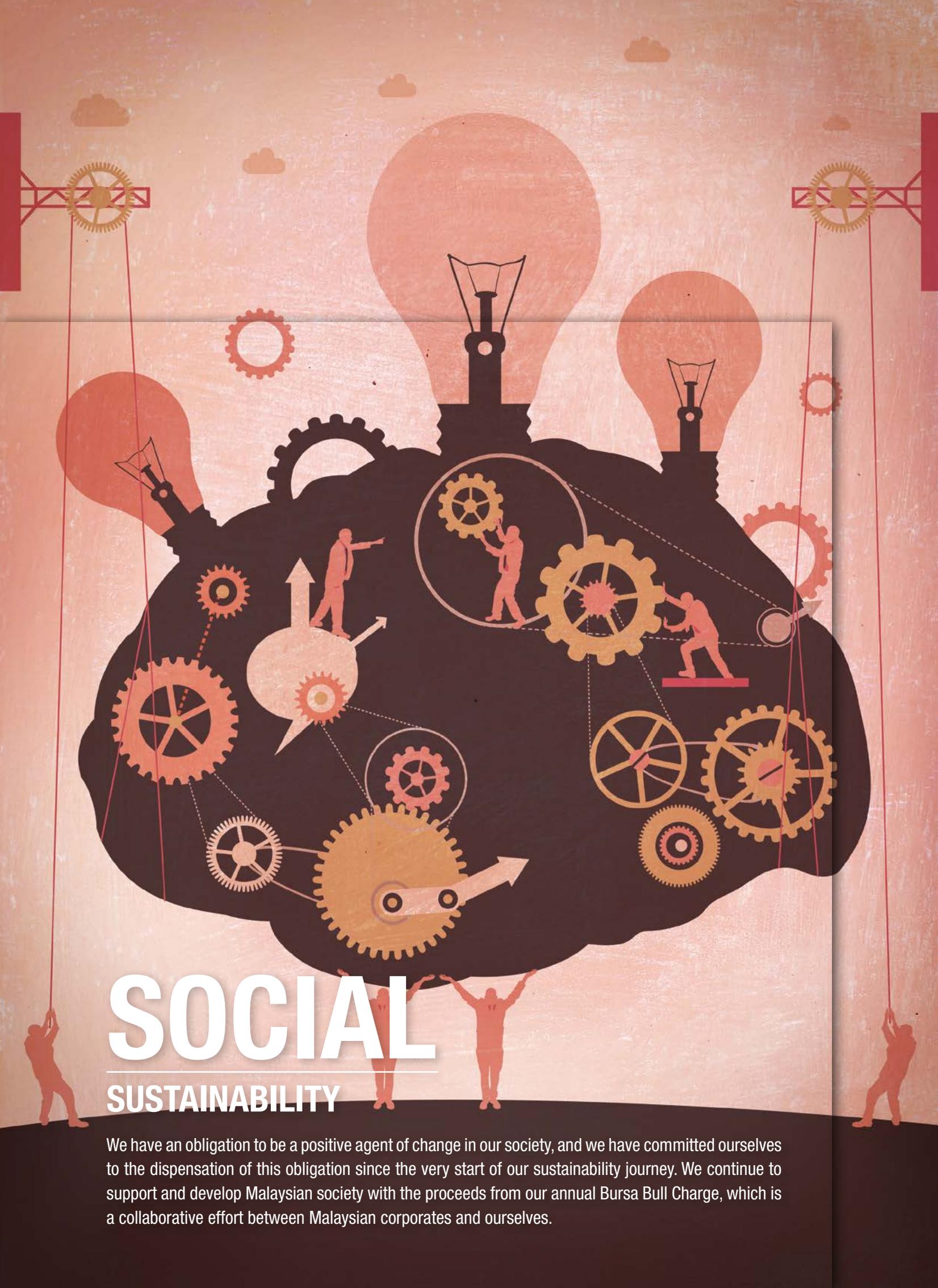
Bursa Malaysia is today among the leading stock exchanges in the region and we continue to lead the pack in key areas including Islamic finance and on matters of sustainability. We must build on the momentum that we have created for ourselves and leverage on our early successes to make us a relevant source of value for all our stakeholders, both domestic and foreign.

On behalf of Bursa Malaysia's Management, I would like to thank our stakeholders who have supported and collaborated with us to help make Bursa Malaysia what it is today. We would like to thank our staff who have worked tirelessly and with complete dedication to realise the vision that we have set for ourselves, and I would like to take this opportunity to remind them that we are very close to reaching our goals.

Yet we must remain vigilant as the volatility of market conditions in the early part of 2016 has shown us that economic conditions can change at any time, and our strategy to further expand our presence will expose us to greater risk scenarios. However, I believe that together, we will find no challenge insurmountable and I hope that we will continue to receive the support of our stakeholders as we embark on the final leg of our transformation into becoming ASEAN's Multinational Marketplace.



**Datuk Seri Tajuddin Atan**  
*Chief Executive Officer*



# SOCIAL

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## SUSTAINABILITY

We have an obligation to be a positive agent of change in our society, and we have committed ourselves to the dispensation of this obligation since the very start of our sustainability journey. We continue to support and develop Malaysian society with the proceeds from our annual Bursa Bull Charge, which is a collaborative effort between Malaysian corporates and ourselves.

# CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

We also believe that the Malaysian market has a number of features attractive to investors. For instance, Bursa Malaysia is a high dividend-yielding market and is a largely low-Beta, defensive market supported by

The journey that we have set for ourselves is a transformation over the long term and we are thus far on track. While we concede that we may have to make adjustments in confronting immediate risks, we are still well

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## THE DAY THE MARKETPLACE #run4others

**THE ANNUAL BURSA BULL CHARGE AIMS TO HELP THOSE IN THE COMMUNITIES IN WHICH WE OPERATE TO BUILD FOR THEIR FUTURE**



The annual Bursa Bull Charge capital market charity run aims to help those in the communities in which we operate to build for their future. This is by way of financial support which can change lives and empower people to be more productive members of society. In addition, the Bursa Bull Charge is an occasion for Malaysian organisations to come together and collectively promote the values of inclusiveness and sustainability among the people in our community.

overall sustainability goals which seek to make us a positive force in the communities who need it most.

We held our second Bursa Bull Charge on 20 August 2015 which raised RM1.8 million after drawing more than 1,800 runners from 179 organisations comprising Public Listed Companies, investment banks, brokers, SMEs, government-related agencies, ministries and regulators, who ran alongside celebrities, young executives, students and members of the media. Our contribution is part and parcel of our

Total contributions and number of participants in the second Bursa Bull Charge exceeded our expectations, and we hope that this increasing trend will continue.



For more information about the Bursa Bull Charge, please visit our website at <http://bursamarketplace.com/bullcharge>

# THE BURSA BULL CHARGE



Bursa Bull Charge held on

2015: **20 August**

2014: **21 October**



Total funds raised

**RM1.80 mil**

2015

+RM0.43mil

**RM1.37 mil**

2014



Total Runners

**1,800**

2015

+500  
runners

**1,300**

2014



Participating Companies

**179**

2015

+49  
companies

**130**

2014

## RUN CATEGORIES

**A** **1.5km**  
CEO's Run

**B** **5km**  
Corporate Challenge &  
Youth / Young Executive

**C** **2.5km**  
Corporate & Youth /  
Young Executive Relay



Main recipients of the proceeds from the Bursa Bull Charge 2015:

- Koperasi Ibu Tunggal Pantai Halt Kuala Lumpur Berhad
- Persatuan Kebajikan An-Najjah Malaysia
- My Performing Arts Agency
- Kelab Belia Kalsom
- Persatuan Rumah Amal Sabah (Sabah Cheshire Home)
- Persatuan Warga Kerja Jabatan Tenaga Kerja Negeri Perak
- Pusat Inkubator Jahitan Orang Asli Gerik
- Centre for the Advancement of Social Entrepreneurship (CASE)
- Persatuan C.H.I.L.D. Sabah
- Pertubuhan OKU Negeri Perlis

# 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**

*Director, Regulation*

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



**3. CHUA KONG KHAI**

*Director, Market Operations*

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



**4. ROSIDAH BAHAROM**

*Director, Corporate Services*

- Finance
- Investor Relations
- Procurement & Administration
- Community Investment
- Corporate Legal
- Security Services



**5. ONG LI LEE**

*Director, Securities Market*

- Market Development
- Issuer Development
- Investor Development
- Information Services
- Customer Care and Complaints Bureau



## MANAGEMENT COMMITTEE/ SENIOR MANAGEMENT



6

**6. SREE KUMAR C.K. NAYAR**  
*Acting Chief Executive Officer*  
Bursa Malaysia Derivatives Berhad  
Leads derivatives subsidiaries



7

**7. LEONG CHAI KIN**  
*Director, Technology and Systems*

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



8

**8. DATIN AZALINA ADHAM**  
*Director, Strategy and Transformation*

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



9

**9. TINA CHOO WUN HOOI**  
*Acting Director, Group Human Resources*

- Organisation Design & HR Projects
- Talent Management
- Performance Management & Rewards
- Human Resource Services
- Learning & Development
- Employee Relations



10

**10. JAMALUDDIN NOR MOHAMAD**  
*Director, Islamic Capital Market*

- Shari'ah and Governance
- Market Development
- Bursa Suq Al-Sila' (Dealing)
- Operations
- Treasury



11

**11. MAZLIANA MOHAMAD**  
*Senior Executive Vice President, Group Internal Audit*

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



12

**12. YONG HAZADURAH MD HASHIM**  
*Executive Vice President, Corporate Secretarial and Compliance / Group Company Secretary*

- Governance and Corporate Secretarial
- Corporate Compliance
- Regulatory Secretarial



13

**13. SITI ZALEHA SULAIMAN**  
*Executive Vice President, Corporate Risk Management*

- Business Continuity Management
- Enterprise Risk Management

# CORPORATE SUSTAINABILITY STATEMENT

**Bursa Malaysia is a market operator and a regulator, responsible for ensuring the sustainability of the Malaysian capital markets. We are committed to maintaining the highest standards of corporate governance (“CG”) while operating in an economically, environmentally and socially sustainable manner, balancing business opportunities and risks.**

Our sustainability leadership is led by our Board of Directors (“Board”), which oversees and ensures that Bursa Malaysia pursues its regulatory and commercial objectives, and remains a responsible and sustainable organisation. Information on the Board, Board Charter, Governance Model, Board Committees and their Terms of Reference is available on our corporate website.

Our Chief Executive Officer (“CEO”) fortifies Bursa Malaysia’s sustainability practices across the management and operational fronts with a separate Group Management Governance Framework. The CEO who leads the Sustainability Committee reports to the Board of Bursa Malaysia on regular basis, providing updates as well as relevant proposals on the Group’s sustainability strategy and performance for the Board’s review and approval.

We interact with a large number of different stakeholder groups. We empower all our business and functional units to regularly engage with their respective stakeholders on their chosen platforms to ensure that key issues impacting our stakeholders are addressed in our practices and business strategies.

**We have previously reported our sustainability initiatives, categorised into three priority areas namely:**

- **Responsible and Ethical Practices;**
- **Reaching out to Community; and**
- **Managing our impact on the Environment.**

## OUR SUSTAINABILITY FRAMEWORK



We are in the process of reviewing our sustainability approach and disclosing our sustainability practices and performances based on Economic, Environmental and Social (“EES”) considerations, transitioning from reporting based on the four Corporate Social Responsibility dimensions namely Marketplace, Workplace, Environment and Community.

Our stakeholders should read this Statement together with our standalone Sustainability Report (“SR”) as the latter provides a more comprehensive coverage of our approach in managing our material EES risks and opportunities. We first issued our standalone SR in 2011 and have continued to do so annually. Our SRs have made reference to Global Reporting Initiative™ (“GRI”) G3 and subsequently, to G4 Sustainability Reporting Guidelines.

# CORPORATE SUSTAINABILITY STATEMENT



## ECONOMIC

Bursa Malaysia is an exchange holding company established in 1973 and listed in 2005. Today, it is one of the largest bourses in ASEAN, hosting more than 900 companies across 60 economic activities. It operates a fully integrated exchange, offering a comprehensive range of exchange-related facilities including listing, trading, clearing, settlement and depository services. It also has a diverse range of offerings covering equities, derivatives and Islamic products and bonds as well as an offshore financial exchange.

One of the key Entry Point Projects (“EPP”) identified to drive the Financial Services National Key Economic Area under the Economic Transformation Programme is Revitalising Malaysia’s Equity Markets, aiming at increasing Bursa Malaysia’s market capitalisation to RM3.9 trillion by 2020 from RM1.0 trillion in 2010, creating 8,598 jobs by 2020 and improving trading velocity from 31% of total market capitalisation to 60% in line with regional averages.

That being said, we are committed to assisting the development of the Malaysian capital markets, providing the infrastructure needed to create a globally competitive and vibrant marketplace. Our economic values generated, distributed and retained are described in detail in the Financial Statements of this Annual Report 2015 (“AR2015”) where information on grants received and their usage can also be found. Stakeholders can read more about various opportunities and risks in the “From the Board of Directors and Senior Management” section of this Report.

We rely heavily on our 596 employees for our operation. They enjoy various employee benefits such as retirement benefits and share grant plan (“SGP”) as detailed in the Financial Statements of this AR2015. We also rely on our 147 active vendors supplying various needs such as telecommunication services, utilities and office supplies. We practise ethical procurement and vendor management and selection of vendors is governed by the Purchasing Manual.

During the year:

To further facilitate CG and sustainability best practice:

- We launched Bursa Malaysia’s new Sustainability Framework, comprising amendments to the Listing Requirements and the issuance of a Sustainability Reporting Guide and Sustainability Toolkits.
- We became a Partner Exchange to the United Nation’s Sustainable Stock Exchanges (“UN SSE”) Initiative.
- We hosted the Global Sustainability and Impact Investing Forum, organised the Sustainability Symposium 2015 and conducted seminars and workshops for Public Listed Companies (“PLCs”) directors and practitioners.
- We supported industry initiatives such as NACRA Awards and ACCA MASRA Awards.



## ECONOMIC

Bursa Malaysia is an exchange holding company established in 1973 and listed in 2005.

More than

**900**  
Listed  
Companies

across 60 economic  
activities

**Partner  
Exchange**

to UN SSE Initiative

## CORPORATE SUSTAINABILITY STATEMENT



### ENVIRONMENTAL

**Greenhouse Gases (“GHG”) emission reduction target is one of the Key Performance Indicators (“KPIs”) in our Balanced Scorecard.**

**Electricity consumption makes up**

**96%  
GHG emissions**

**GHG emissions reduction target of**

**0.5%  
year-on-year**

**We reduced our GHG emissions from electricity usage and paper consumption by**

**0.4%  
year-on-year**

To improve the market ecosystem and strengthen our own sustainability practices:

- We amended the Main Market and ACE Market Listing Requirements to liberalise related party transactions, enhance regularisation plans for financially distressed listed issuers and provide better clarity on the admission criteria and post-listing obligations of the ACE Market, among others. We issued guidance on rebates on commission for equity brokers and introduced the Bursa Malaysia Derivatives (“BMD”) Clearing Disclosure Framework.
- We launched a new Listing Information Network System (“Bursa LINK”) and an online listing enquiry service dubbed AskListing@Bursa.
- Our BMD was granted registration as a Foreign Board of Trade by the U.S. Commodity Futures Trading Commission (“CFTC”), which enables BMD’s identified members and other participants located in the U.S. to enter trades directly into its electronic trading platform on Chicago Mercantile Exchange (“CME”) Globex to trade BMD products.
- We co-hosted the ASEAN Capital Market CEO Summit 2015 to heighten interest in the ASEAN Exchanges Collaboration Project as well as build an informed investment community and promoted our offerings through initiatives such as Invest Malaysia, Palm and Lauric Oils Conference & Exhibition (“POC”) 2015, 2<sup>nd</sup> Gold & Precious Metals Price Outlook Conference, the inaugural Financial Markets Price Outlook Conference, CBRS Research Scheme, Workshop@Bursa, Evening with Bursa, Investment Talks, CPE Accredited Product-Centric Workshops, Structured Warrants Masterclass, Minggu Saham Amanah Malaysia and Derivatives Day. We also supported our partners in their efforts to promote the capital markets, such as Malaysian Biotechnology Corporation Sdn Bhd in educating its BioNexus status and Bio-economy group of companies on their journey to listing on Bursa Malaysia.
- We enhanced our Securities Transaction Policy, revised our Purchasing Manual and reported our sustainability practices in our standalone Sustainability Report.

### ENVIRONMENTAL

We have taken steps to manage our environmental impact in 2015. However our plan in the future is to review our sustainability approach and disclosure and further identify environmental matters that may be material to our business. While we complied with all relevant legislation and received no environmental management complaints last year, we strived to reduce or avoid any impact of our operations on the environment, setting a Greenhouse Gases (“GHG”) emission reduction target as one of the Key Performance Indicators (“KPIs”).

Electricity consumption makes up 96% of our GHG emissions with paper consumption and business air travel making up the rest. We set an internal quantified GHG emission reduction target of 0.5% year-on-year to ensure that we continue to find ways to avoid any impact on the environment. Our detailed five years’ energy consumption and operations GHG emissions data with all the methodologies, assumptions and conversion factors used can be found in our SR2015, in which our water usage and waste data is also reported.

We promote responsible environmental protection among our employees and stakeholders. We support the Government’s efforts in formulating appropriate climate change policies for the country such as the National Corporate GHG Reporting Programme for Malaysia (“MyCarbon”).

We reduced our GHG emissions from electricity usage and paper consumption by 0.4% year-on-year.

### SOCIAL

We are committed to being an employer that employs good labour and human rights practices for our 596 employees of diverse background. Our Talent Council reviews and approves Talent Management framework, direction and strategy, development programmes and interventions for our talent pool. We offer competitive benefits and compensation to attract and retain the best talents for the sustainability of our company and marketplace. We engage with and invest in our employees, supporting their personal and professional development, inculcating work-life balance and ensuring their health and safety.

# CORPORATE SUSTAINABILITY STATEMENT



Our employees embrace our dynamic, driven and dependable (“3D”) values and uphold the highest ethical standards and business conduct when performing their duties and dealing with our stakeholders, as guided by our Codes of Ethics. We respect and support the right to freedom of association and collective bargaining. A total of 96 or 16% of our employees are members of the National Union of Commercial Workers.

We also interact and collaborate with our stakeholders in making a positive impact on our communities. We have a three-pronged approach in our community investment. First, we invest in community initiatives that enhance capital market awareness and are linked to our business strategy such as our BursaMKTPLC, which is a free retail online platform to reach out to 538 million people in the six ASEAN nations of Thailand, Indonesia, Singapore, The Philippines, Brunei and Malaysia. Second, we invest in initiatives that are aimed at improving lives and creating a meaningful impact such as our Scholarship Programme and The Bursa Bull Charge (“TBBC”) annual charity run, which we channel through our foundation, Yayasan Bursa Malaysia. Lastly, we encourage and financially support our employees in volunteering to help the underprivileged and the deserving in our community.

During the year:

- We invested RM2.0 million in employee development, which includes functional and technical training as well as managerial and leadership skills training. The average learning days per employee was five days. We also educated our employees on the Capital Market via our Capital Market Intelligence Report (“eCMIR”) and inculcated a culture of knowledge among employees as well as the public with Knowledge Centre@Bursa.
- We launched an enhanced Individual Development Plan (“IDP”) and conducted Training Needs Analysis (“TNA”), mid and year-end Performance Reviews and an Employee Engagement Survey to identify further improvement opportunities.
- We improved our Human Capital Management System and revamped our employee portal “My1818” to increase efficiency and make it more interactive as the portal is packed with information on policies, forms, events, activities and e-learning, among others.
- We engaged with our employees through activities such as CEO Conversations, the Staff Annual Dinner, Hari Raya Open Day, Bursa Raya Durian Fiesta, Bursa Treasure Hunt 2015, National Labour Day Celebration and the Employee Engagement Series of articles.



## SOCIAL

We are reaching out to our various stakeholders and we committed to being an employer that implements good labour and human rights practices with regard to our 596 employees.

BursaMKTPLC to reach out to

**538 million**

people in the six ASEAN nations

We invested

**RM2 million**

for employee development

## CORPORATE SUSTAINABILITY STATEMENT

We educated youth on our marketplace

**3,275**  
students

visited the Exchange

Trained

**21**  
young graduates

in our Skim Latihan 1 Malaysia (“SL1M”) training and internship programme

Our employees registered a total of

**3,462**  
volunteer hours



- We engaged the community through Buka Puasa functions with orphans and Tahfiz students, and the National Labour Day Celebration.
- We supported work-life balance through flexi working hours and promoted health and wellness through activities and programmes such as Wellness Campaigns, Awareness and Author’s Talks, the Ministry of Finance Sports Fiesta, Cycling Awareness Week and Bursa Bowling Tournament. We also issued internal communications on health issues such as typhoid outbreaks, the Middle East Respiratory Syndrome (“MERS-CoV”), smoke and haze.
- We educated youth on our marketplace, which included 3,275 students who visited the Exchange, 1,823 students from fifteen universities who joined our Bursa Young Investor Club (“BYIC”), and 637 university students who participated in our Bursa University Day. Also, 50% of 1,514 participants who attended our Bursa Investor Education Workshop (“BIEW”) were students.
- We continued to offer scholarships to students from challenging backgrounds to help them obtain undergraduate degrees from local universities. In 2015, we offered scholarships to five students. We also trained 21 young graduates in our Skim Latihan 1 Malaysia (“SL1M”) training and internship programme.
- We leveraged on our position to bring together 179 corporations and raised RM1.8 million for charity organisations through our fund raising charity run, TBBC 2015. We also held “Beneficiaries’ Day” to enable the TBBC beneficiaries to raise additional funds.
- Our employees volunteered for TBBC and activities at various charity homes such as Rumah Kids, Rumah Charis, Rumah Bakti Nur Shaheera, Al Nasuha Orphanage, Rumah Kasih Pertiwi, Khidmat Baitul Mahabah and Shepherd’s Centre, registering a total of 3,462 volunteer hours.

**CORPORATE SUSTAINABILITY  
STATEMENT**

**NUMBER OF EMPLOYEES**



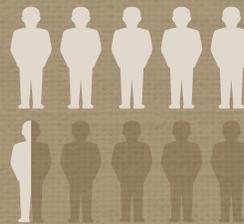
**596**

**AVERAGE LENGTH  
OF SERVICE**

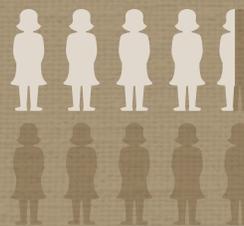


**13**  
years

**GENDER DIVERSITY**



**54%**  
male



**46%**  
female

**AVERAGE  
TRAINING DAYS  
PER EMPLOYEE**



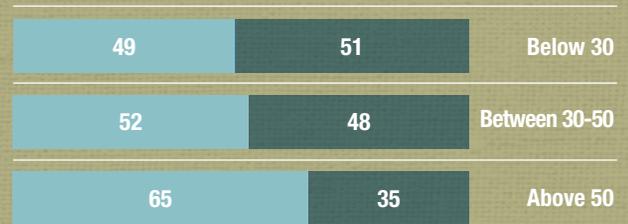
**5**  
days

**ATTRITION  
RATE**



**AGE DIVERSITY**

■ Male ■ Female



# MARKETPLACE REPORT: FAIR AND ORDERLY MARKET

**Bursa Malaysia has an obligation to ensure that our markets operate in a fair and orderly manner at all times. These are built on strong fundamentals, backed by robust regulatory frameworks and approaches, and supported by cutting-edge technology to ensure effective and efficient operation. Our listed issuers and intermediaries have shown high level of adherence to our rules, with the latter also being sufficiently capitalised and adhering to high standards of business conduct and prudential standards, providing adequate levels of investor protection. The Exchange has also put in place various market safeguards to protect the integrity and stability of the marketplace. These market features are designed in line with best international practices.**

Our markets continue to display high levels of transparency to facilitate informed investments. We have not observed any unusual activities/trends that threaten market integrity for the year under review.

## DEVELOPMENT OF THE RULES FRAMEWORK

We continued to enhance our rules framework to build a market of quality, strengthen investor protection and ensure that our rules remained current and effective. In 2015, we issued several rule changes governing the listed issuers and our intermediaries. The key changes included:

- a. Changes to enhance business efficacy and efficiency for listed issuers as well as to enhance the attractiveness of the ACE Market as a listing destination.
- b. Changes to promote sustainability practices and reporting among our listed issuers.
- c. Changes to promote certainty in trading and minimise disruptions (i.e. changes to give effect to Bursa Malaysia's error trade policy).
- d. Changes to achieve compliance or consistency with changes to the law and Securities Commission guidelines that came into effect or were amended during the year (e.g. the changes in relation to the Financial Services Act 2013 and changes consequential to the new Goods and Services Tax Act 2014).

We continued to apply a robust process in developing our rules framework to ensure our rule changes achieved the intended purposes. In this respect, we adopted a consultative, well-considered and balanced approach in arriving at final rule changes. Major rule changes, in particular, underwent a comprehensive consultation process to obtain feedback from the relevant industry participants, key stakeholders and the public before being finalised and issued. In 2015, we issued two public consultation papers on proposed changes to the Listing Requirements ("LR") to seek feedback on sustainability reporting, as well as disclosure and corporate governance requirements and post-listing disclosure obligations for mineral, oil and gas listed issuers.

## EFFICIENT CAPITAL RAISING FRAMEWORK

Our time-to-market for secondary capital raising remained efficient and comparable to other regional markets. To facilitate further growth and innovation in our market, we continued to provide a conducive environment for listed issuers to have access to and raise capital efficiently. Capital raising through the secondary issuance of securities remained active in 2015, with total funds raised remaining relatively high at RM17.1 billion (2014: RM18.4 billion) despite the volatility and challenges in the capital market.

## MARKETPLACE REPORT: FAIR AND ORDERLY MARKET

Our focus in the area of capital raising is to further enhance the effectiveness of our capital raising framework by, among others, improving the efficiency and cost-effectiveness of our processes. Arising from the review of the ACE Market framework in 2014, the ACE Market LR were amended with effect from 13 July 2015. These amendments included among others, the liberalisation of the sponsorship framework and moratorium requirements, enhanced clarity on admission criteria and putting in place an avenue for guidance to be provided to prospective applicants through the requirements for pre-Initial Public Offering (“IPO”) consultation. Response to the amendments has been positive, with increased requests from Sponsors and potential applicants for pre-IPO consultations as well as an increase in the number of new ACE listings. We believe the aforesaid changes to the ACE Framework have enhanced its attractiveness and competitiveness.

### SURVEILLANCE OF THE MARKET AND OF LISTED ISSUERS

Our main focus in the area of market surveillance is to detect and deter abusive trading practices and facilitate price discovery, which are key to building and maintaining market confidence. Trading in both the equities and derivatives markets on the whole have been fair and orderly. We vigilantly monitored the trading activities and where trading concerns arose, we undertook appropriate regulatory measures to address the trading concerns.

For the purpose of maintaining orderly trading, regulatory measures undertaken include the issuance of queries to intermediaries on suspicious trading activities, issuance of Unusual Market Activity queries to listed issuers for disclosure, issuance of Market Alerts for investors to exercise caution and make informed investment decisions and referral of cases for investigation. We also provided guidance to intermediaries on strengthening their internal trade monitoring and supervision systems to ensure any form of disruptive trading practices are detected and acted upon promptly to safeguard the integrity and orderliness of trading.

In undertaking corporate surveillance, our primary focus is to detect and, where possible, pre-empt corporate irregularities or transgressions which may give rise to, among others, breaches of the LR. To this end, we continued to improve our detection capabilities and conducted thematic studies to identify areas of concern and addressed them as necessary. In 2015, we monitored the financial condition and corporate developments of listed issuers, and concerns noted were addressed through effective regulatory actions. Arising from our detections, we undertook pre-emptive actions where possible, as well as made referral of breaches of the LR for investigation whilst breaches of the law were referred to the relevant authorities.

### QUALITY AND TIMELY DISCLOSURES

Whilst our efforts to enhance the quality of disclosure have improved the standard of disclosures in our market, the dynamic nature of the market and the increasing sophistication of investors who expect more transparency and better quality of information require us to remain committed to continue improving the quality of disclosures among our listed issuers. Accordingly, our regulatory efforts in this area were focused on enhancing and developing our disclosure framework, ensuring effectiveness of our supervisory approach and inculcating a strong culture of disclosure among listed issuers through education and advocacy programmes.

In 2015, in tandem with our enhanced supervisory approach in dealing with advisers and grading of circulars submitted for our review, we conducted a series of one-on-one sessions with advisers to highlight our enhanced regulatory approach and common disclosure areas which could be further improved. This approach is to ensure that advisers are effective in discharging their roles and responsibilities in providing quality disclosures in circulars for informed decision-making by shareholders.

We are cognisant of the growing importance of non-financial disclosures, in particular information which provides an overview of the performance of a business in the prior year as well as insights into its future prospects to investors. We believe that the need for such information can be addressed through disclosure of Management Discussion and Analysis (“MD&A”). Given the importance of MD&A, we have proposed to mandate the disclosure of a statement containing the MD&A of the listed issuers’ businesses, operations and financial performance in their annual reports vide our public consultation paper dated 16 October 2015.

We also continue with our regulatory approach of inculcating a stronger disclosure culture through advocacy programmes for identified stakeholders. As we intend to mandate the requirements for MD&A in listed issuers’ annual reports, we conducted Advocacy Sessions on MD&A for Chief Executive Officers (“CEOs”) and Chief Financial Officers (“CFOs”) of listed issuers in 2015 to enhance awareness and promote high quality MD&A disclosure as part of our efforts to prepare listed issuers for the proposed mandatory disclosures going forward.

## MARKETPLACE REPORT: FAIR AND ORDERLY MARKET

During the year under review, we undertook the following programmes which were attended by 501 directors and senior management of listed issuers, and 924 company secretaries:

- |     |  |
|-----|--|
| i.  | <b>SEVEN TECHNICAL BRIEFINGS FOR COMPANY SECRETARIES</b>                     |
| ii. | <b>SIX ADVOCACY SESSIONS ON MD&amp;A FOR CEOs AND CFOs OF LISTED ISSUERS</b> |

To enhance understanding of the disclosure obligations and the application of the LR, we continued leveraging on the Listing Advisory Desk which comprises a dedicated team to respond to enquiries on interpretation of the LR. Through our online enquiry portal initiative ("Portal"), listed issuers and their advisors may submit their enquiries online. In 2015, we incorporated a new feature to the Portal, the "InterActive LR" whereby relevant provisions of the LR are hyperlinked to published Frequently Asked Questions ("FAQs") for ease of reference. The Portal was also re-branded as AskListing@Bursa. The turnaround times in responding to queries were swift and the Portal recorded 2,592 enquiries in 2015.

As a result of these efforts, we continued to see improvement in the quality of disclosures. The queries issued on announcements also remained low at around 0.1% of total general announcements. The adherence to the timeliness for submission of periodic financial information also remained strong in 2015 at 99.4%, as compared to 99.5% in 2014.

### CORPORATE GOVERNANCE STANDARDS AND SUSTAINABILITY PRACTICES

Bursa Malaysia is focused 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 grow as indicated by the scores obtained from the ASEAN CG Scorecard 2015 which shows overall improvement in disclosures by our listed issuers.

In 2015, in an effort to strengthen the exercise of shareholders' rights, we proposed mandatory poll voting. As this involves changes to the LR, the proposed amendments have been submitted to the Securities Commission ("SC") for approval. In addition to strengthening our rules framework, we also undertook engagements and advocacy covering a wide range of areas

to continuously build higher standards of CG practices and disclosure. Approximately 1,900 directors and practitioners attended our advocacy programmes covering topics in relation to board quality, risk management and internal control, and CG disclosure throughout 2015.

Annually, we assess the CG statements of listed issuers with the objective of providing feedback for improvement. In 2015, we undertook an assessment of 450 annual reports to evaluate the quality and standard of CG disclosures and findings were published. In addition, we provided detailed results to the listed issuers to help them improve their disclosures. The review showed that there is a high level of compliance with the LR and strong adherence to the best practices in the Malaysian Code of Corporate Governance 2012.

We take an inclusive approach in building a strong CG culture and in that respect, engage and work with relevant industry gatekeepers such as the Minority Shareholder Watchdog Group, and the Institute of Internal Auditors, Institute of Chartered Accountants in England and Wales, Malaysian Institute of Chartered Secretaries and Administrators and international institutions such as the Global Reporting Initiative, United Nations Principles for Responsible Investing and Sustainable Stock Exchanges to promote good CG culture and create more awareness on sustainability. We also engaged the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants Joint Working Group to conduct two advocacy sessions for directors and senior management on new auditor reporting requirements and the new section on key audit matters.

### MEASURES TO PROMOTE SUSTAINABILITY

We began our journey towards building sustainability practices and reporting in 2006 and in 2010 we launched a sustainability portal as well as a guide entitled 'Powering Business Sustainability: A Guide for Directors'. Our listed issuers have been disclosing their Corporate Social Responsibility ("CSR") practices since 2006 and a small number have been issuing sustainability statements as standalone reports for several years.

Sustainability issues, for instance competition for resources (e.g. renewable energy, water, land), and social issues (e.g. talent development, diversity, human rights) are increasingly affecting how businesses are run today. Research indicates that businesses which embrace sustainability have

## MARKETPLACE REPORT: FAIR AND ORDERLY MARKET

better financial performance and brand image. International and local institutional investors have begun to demand for more information on sustainability performance from their investee companies. In light of these developments as well as our recognition of the need to ensure that all listed issuers are able to truly benefit from those developments, Bursa Malaysia has placed sustainability as an important agenda and undertook various initiatives in 2015 which includes the development of a new Sustainability Framework for listed issuers.

As part of our efforts to consistently build market quality, we developed a new framework for sustainability reporting by amending the LR to require our listed issuers to issue a Sustainability Statement in their annual reports to replace the CSR statement. In order to aid companies in the making of the Sustainability Statement, we also launched a Sustainability Reporting Guide and six Toolkits, which can be accessed at <http://www.bursamalaysia.com/market/sustainability/sustainabilityreporting/sustainability-reporting-guide-and-toolkits/>. The Sustainability Reporting Guide provides the business case for listed issuers and suggestions on how to embed sustainability into their organisations. The Toolkits provide detailed guidance on salient steps to be taken by listed issuers to embed sustainability and make sustainability disclosures in their annual reports. We launched the Sustainability Reporting Guide and Toolkits at the Sustainability Symposium on 8 October 2015, with 600 participants attending.

### STANDARDS OF BUSINESS CONDUCT OF INTERMEDIARIES

Our intermediaries at present continue to maintain healthy capital adequacy ratios and leverage on strong prudential capital base, while at the same time continuing to uphold satisfactory levels of business conduct and adherence to the Business Rules.

As part of our ongoing efforts to mitigate systemic risks in the market, in 2015 we continued with our robust supervision of intermediaries through on-site and off-site monitoring of the financial health of intermediaries, client asset protection, business conduct and their compliance with the Business Rules to maintain their financial strength. All intermediaries were in compliance with the minimum financial requirements. There were also no material findings affecting the overall systemic risk of the industry and no industry-wide breaches in 2015.

Cyber security has been a major area of concern globally. In this respect, we continued to place adequate emphasis and vigilance in the area of cyber

security. Hence, we embarked on several initiatives to enhance awareness and the management of cyber threats, as follows:

- a. Issuance of industry communication to intermediaries to enhance their supervisory and monitoring measures to prevent cases of fraudsters perpetrating cybercrime by hacking into the emails of unsuspecting clients;
- b. Issuance of a directive on the requirement for intermediaries to conduct an internal audit review to assess the cyber security resilience of their business, operations and components of critical IT systems;
- c. Targeted inspections on intermediaries to assess and review safeguard measures against cybercrime and recommend adoption of best practices to mitigate the risk of cybercrime; and
- d. Continuous engagements and industry advocacy programmes to increase awareness of these matters.

Additionally, in order to facilitate ease of doing business and encourage market development and at the same time introduce practices which are in line with other markets, we embarked on an initiative to allow equity intermediaries to offer non-cash rewards and incentives to their clients, namely the Client Reward and Loyalty Programme Framework. This new framework will encourage fair market conduct by equity intermediaries in rewarding and retaining clients.

### ENFORCEMENT ACTIVITIES

We continued with vigilant monitoring of compliance with our rules. Material breaches detected undergo thorough investigation and enforcement proceedings. Defaulting parties are given the opportunity to explain their actions prior to determination of breach and appropriate sanctions. As part of our governance process, we also have the Listing Committee and Market Participants Committee which undertake deliberations on material breaches of the LR and Business Rules.

In 2015, enforcement actions were taken against 14 listed issuers and 37 directors (of 9 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.

## MARKETPLACE REPORT: FAIR AND ORDERLY MARKET

Enforcement actions were also taken against 13 intermediaries (i.e. Participating Organisations (“PO”), Trading Participants, etc.) and 24 Registered Persons for various breaches of the Business Rules, which included market offences or trading related breaches (for which enforcement actions were taken against 13 Dealer’s Representative (“DR”) and one PO and three Principal Officers for supervisory breaches arising from market offences by the DRs). In an effort to improve the conduct of errant DRs, we also issued directives for mandatory training requirements when 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 noted a declining trend in some of the breaches of our rules and in particular relating to financial reporting obligations by our PLCs.

### UTILISATION OF FINES AND TRANSFER FEES

In 2015, the functions of the Capital Market Education & Integrity Fund (“CMEIF”) Committee were subsumed under the Regulatory and Conflicts Committee (“RACC”). The CMEIF consists of all the fines imposed by Bursa Malaysia and its subsidiaries and transfer fees collected (on transfers of dealers representative from one PO to another), and does not form part of Bursa Malaysia’s revenue. The CMEIF may only be utilised for, among others, education/advocacy programmes with the aim of raising awareness of our rules/requirements, and matters relating to the capital markets, including investing knowledge for our investors and market participants.

In 2015, we conducted 64 advocacy programmes for Directors of listed issuers, CFOs, Chief Regulatory Officer, internal auditors, company secretaries and intermediaries. These programmes were well-received, registering 4,676 participants representing 856 Public Listed Companies (“PLCs”) and 48 intermediaries.

### PROTECTING MARKET INTEGRITY

Bursa Malaysia’s marketplace is equipped with a number of safeguards to protect market integrity and ensure a fair and orderly market. These safeguards provide continuous monitoring of price movements and takes predetermined steps to ensure that price fluctuations are managed and that all market participants have equal opportunity to assess market conditions.

### CIRCUIT BREAKER MECHANISM

Bursa Malaysia’s circuit breaker mechanism was introduced in 2002 in line with the tenets of the Capital Master Plan I to safeguard the integrity and stability of the marketplace. The circuit breaker effectively manages undue and irrational volatility that could adversely impact confidence in the marketplace.

The circuit breaker is triggered when specific thresholds are met, thereby introducing trading halts to give the marketplace time to evaluate market conditions.

### Bursa Malaysia Circuit Breaker Trigger Levels, Conditions and Trading Halt Durations

Trigger Level	FBM KLCI Decline	From 9:00 am – before 11:15 am	From 11:15 am to 12:30 pm	From 2:30 pm – before 3:30 pm	From 3:30 pm to 5:00 pm
		1	FBM KLCI falls by an aggregate of 10% or more but less than 15% of the previous market day’s closing index.	1 Hour	Rest of Trading Session
2	FBM KLCI falls by an aggregate of or to more than 15% but less than 20% of the previous market day’s closing index.	1 Hour	Rest of Trading Session	1 Hour	Rest of Trading Session
3	FBM KLCI falls by an aggregate of or to more than 20% of the previous market day’s closing index.	9.00 a.m. - 12.30 p.m.		2.30 p.m. - 5.00 p.m.	
		Rest of Trading Day		Rest of Trading Day	

## MARKETPLACE REPORT: FAIR AND ORDERLY MARKET

Since its inception, Bursa Malaysia's circuit breaker has only been triggered once in 2008. It is tested regularly as part of the Exchange's Business Continuity Test. The mechanism remains a relevant and effective control measure for market integrity in Bursa Malaysia and contributes to the resilience of our marketplace.

### PRICE LIMITS MECHANISM

Bursa Malaysia has always enforced Static Price Limits as the market safeguard. Static Price Limits prescribe the maximum fluctuation in price for a trading day of a stock.

#### Static Price Limits Range

Reference Price	Static Price Limits Range
BELOW RM1.00	+/- RM0.30 FROM THE REFERENCE PRICE
RM1.00 AND ABOVE	+/- 30% FROM THE REFERENCE PRICE

This safeguard ensures a fair and orderly marketplace for the investors.

In addition to the wider Static Price Limits, Dynamic Price Limits (at stock level) mechanism was introduced in 2013 as an additional market safeguard. This brings Bursa Malaysia in line with international best practice as it is also being practiced by other exchanges such as in Australia, UK and US.

The Dynamic Price Limits provide upper and lower thresholds in percentage or absolute terms that are actively updated in response to price changes. This mechanism increases the sensitivity of the market safeguard to respond to sudden price fluctuations, which may suggest disorderliness in the trading of the stock.

#### Dynamic Price Limits Range

Last Done Price	Dynamic Price Limits Range
BELOW RM1.00	+/- RM0.08 FROM THE LAST DONE PRICE
RM1.00 AND ABOVE	+/- 8% FROM THE LAST DONE PRICE

The mechanism is designed to address potentially disruptive orders without interrupting regular orders during trading. When an incoming order attempts to match an existing order at a price outside the Dynamic Price Limits range, the incoming order will be purged without disrupting the matching of other regular orders.

The Dynamic Price Limits of the stock can be revoked and suspended for 10 minutes upon request in the event that an investor wishes to have the orders matched at a price outside of the range. To ensure transparency, the marketplace will be duly informed prior to the revocation.

In recognising the importance of closing price, the Exchange instituted Last Price Limits in 2014. While Dynamic Price Limits are set to manage erratic volatility in price during continuous trading phase, Last Price Limits managed the closing price by regulating the theoretical closing price and order entry during the pre-closing phase.

#### Last Price Limits Range

Last Done Price	Last Price Limits Range
BELOW RM 1.00	+/- RM0.08 FROM THE LAST DONE PRICE
RM1.00 AND ABOVE	+/- 8% FROM THE LAST DONE PRICE

In the absence of a current last done price, a reference price will be used instead. All unmatched orders from the continuous trading phase will be carried forward to the pre-closing phase. Any new orders during the pre-closing phase is required to fall within the Last Price Limits range. This mechanism will ensure that the closing price is determined in a fair and orderly manner.

### IMPROVING EFFICIENCY WITH TECHNOLOGY

The technological requirements of our marketplace have grown in tandem with the expansion of our regional and global presence. Technology has become indispensable in enabling market access, facilitating efficient settlements and protecting the data and security of our market participants. We are proud to report that we maintained a 100% uptime for all three of our markets in 2015, while making upgrades that will ensure greater efficiency and protection. These changes include:

- **Replacing Bursa LINK**

We replaced our existing Bursa Link infrastructure to increase efficiency and provide enhanced functionalities to the listed issuers. The new system optimises business processes with enhanced functionalities for data submission through web browsers. The new system also facilitates online listing applications to help Bursa Malaysia better serve its clients. Arising from this, all paper based applications by listed issuers have been replaced with online applications.

## MARKETPLACE REPORT: FAIR AND ORDERLY MARKET

- **Enhancing our main Data Centre**

We upgraded our main Data Centre to cater to current and future demand for IT services. The enhancements introduced ensure greater availability of resources organised in a simplified scalable architecture that can operate around the clock. The enhancement upgrades our Data Centre from a Tier-2 to a Tier-3 centre, with the latter having the advantage of zero-downtimes owing to facilities maintenance.

- **Enhancing our data leakage prevention**

Security of Bursa Malaysia's proprietary and client data is of foremost priority for us in this age of digital disruption. Our data leakage prevention processes work around the clock to prevent data leakage to unauthorised parties through email, the internet and physical media. The enhancements introduced provide better control of the flow of information by filtering and preventing unauthorised dissemination of confidential information.

- **Enhancing our Advanced Persistent Threat ("APT") prevention**

In tandem with our data protection systems, we have also upgraded our system to defend itself against APT attacks. The system introduced can now detect and isolate APT threats, including "zero day" threats, before they compromise the network and our operations.

- **Receiving ISO certification for our cyber security measures**

Whereas only the Securities Trading Services was ISO 27001 certified previously, Bursa Malaysia received ISO 27001 certification for its Information Security Management System which covers the following areas:

- |      |   |
|------|---|
| i.   | SECURITIES TRADING SERVICES                 |
| ii.  | EQUITY CLEARING                             |
| iii. | SETTLEMENT SERVICES AND DEPOSITORY SERVICES |

### ADDED RISK PROTECTION FOR OUR MARKET PARTICIPANTS

Bursa Malaysia has in place three funds to protect the interests of our market participants, namely the Securities Market's Clearing Guarantee Fund ("CGF"), the Derivatives Market's Clearing Fund ("CF") and the Depository Compensation Fund ("DCF").

The CGF is a mechanism to settle claims arising from the defaults of payments or deliveries by our Trading Clearing Participants ("TCPs"). The fund guarantees us readily available financial resources to meet our obligation to complete the settlement of trades when a TCP defaults on its payment or delivery obligation, effectively giving our investors added protection. Bursa Malaysia contributes RM85 million to the fund while another RM15 million is contributed by TCPs.

The CF is a clearing fund established for the Derivatives Market. The fund serves as a final recourse to protect market participants against losses resulting from the failure of, or omission by, clearing participants. The fund comprises fixed contributions of RM1 million from each TCP and RM5 million from Bursa Malaysia. The value of the fund presently stands at RM26 million.

Finally, the DCF has the role to settle claims of investors against Bursa Malaysia Depository arising from negligence and other issues. Each claim is limited to RM100,000. Our policy is to maintain the balance in the fund at RM50 million, which is fully borne by us.

The three funds provide additional safeguard to further manage risks faced by our stakeholders while participating in our markets. The funds are structured in accordance with best international practice and stress-tested periodically to ensure they meet our market's needs.



# SUSTAINABILITY

Bursa Malaysia has instituted a new Sustainability Framework requiring PLCs to change the way they think about and manage their impact on the economy, environment and society. The new Framework encourages PLCs to seek input from all appropriate stakeholders and identify holistically the issues most relevant to them.

## MARKETPLACE REPORT: FAIR AND ORDERLY MARKET

- **Enhancing our main Data Centre**

We upgraded our main Data Centre to cater to current and future demand for IT services. The enhancements introduced ensure greater

- **ADDED RISK PROTECTION FOR OUR MARKET PARTICIPANTS**

Bursa Malaysia has in place three funds to protect the interests of our

# BURSA MALAYSIA'S SUSTAINABILITY FRAMEWORK

**THE EXCHANGE'S SUSTAINABILITY FRAMEWORK WAS IMPLEMENTED ON 8 OCTOBER 2015 TO BRING THE SUSTAINABILITY PRACTICES OF OUR PUBLIC LISTED COMPANIES ("PLCs") AND OUR MARKET TO THE NEXT LEVEL**



The framework aims to change the way our PLCs think about the impact of their organisations by encouraging them to think more holistically about their activities.

To facilitate this change, we amended our Listing Requirements ("LR") to require the disclosure of sustainability risks in our PLCs' annual

filings. We recognise that PLCs may be unfamiliar with sustainability reporting and hence we have taken a phased implementation approach. Moreover, we have prepared a Sustainability Reporting Guide and six reporting Toolkits that provide report preparers with comprehensive reporting instruction.

### THE PILLARS OF OUR SUSTAINABILITY FRAMEWORK



Our Sustainability Framework contains three main pillars—Economic, Environmental and Social ("EES"). The EES pillars represent the main considerations of all issuers, i.e. issuers, in addressing their sustainability risks and opportunities, must think in terms of their organisation's economic impact, environmental impact and social impact. The term EES is often used interchangeably with the term ESG, which stands for Environmental, Social and Governance.

For the purposes of sustainability reporting, PLCs are required to focus on EES as Governance is already covered extensively under Bursa Malaysia's existing Corporate Governance disclosure requirements (LR and in the Malaysian Code of Corporate Governance 2012). In doing so, PLCs will incorporate vital non-financial information in their annual reports to provide a more inclusive view of their business and their impact on stakeholders.

This will in turn help stakeholders form more complete opinions about the sustainability and viability of a company, as well as to assess whether a company's values are in line with their own.



# KEY FEATURES OF OUR SUSTAINABILITY FRAMEWORK



## Implementation

- PLCs are mandated to disclose their sustainability risks based on the amended LR
- Phased deadlines for PLCs to conform with the new Sustainability Framework depending on their market capitalisation and other considerations
- Comprehensive Sustainability Reporting Guide and Toolkits available to help in the preparation process
- Bursa Malaysia has started conducting active advocacy and engagement programmes with stakeholders to promote the new framework



## Scope

- Applicable to all listed issuers in all industries
- Sustainability report must take into consideration all relevant stakeholders



## General Disclosure

- PLCs are required to provide a narrative statement about their management of sustainability-related risks and opportunities



## Detailed Disclosure

- Issuers' sustainability statement must contain the following:
  - Disclosure of its Governance Structure related to Sustainability
  - Scope of the Sustainability Statement and the basis for the scope
  - Identification of material sustainability matters, e.g. the identification of matters, their importance and how they are being managed



## Themes & Indicators

- Sustainability Reporting Guide provides an overview of common sustainability themes and indicators to relevant industry issuers



# CORPORATE GOVERNANCE STATEMENT

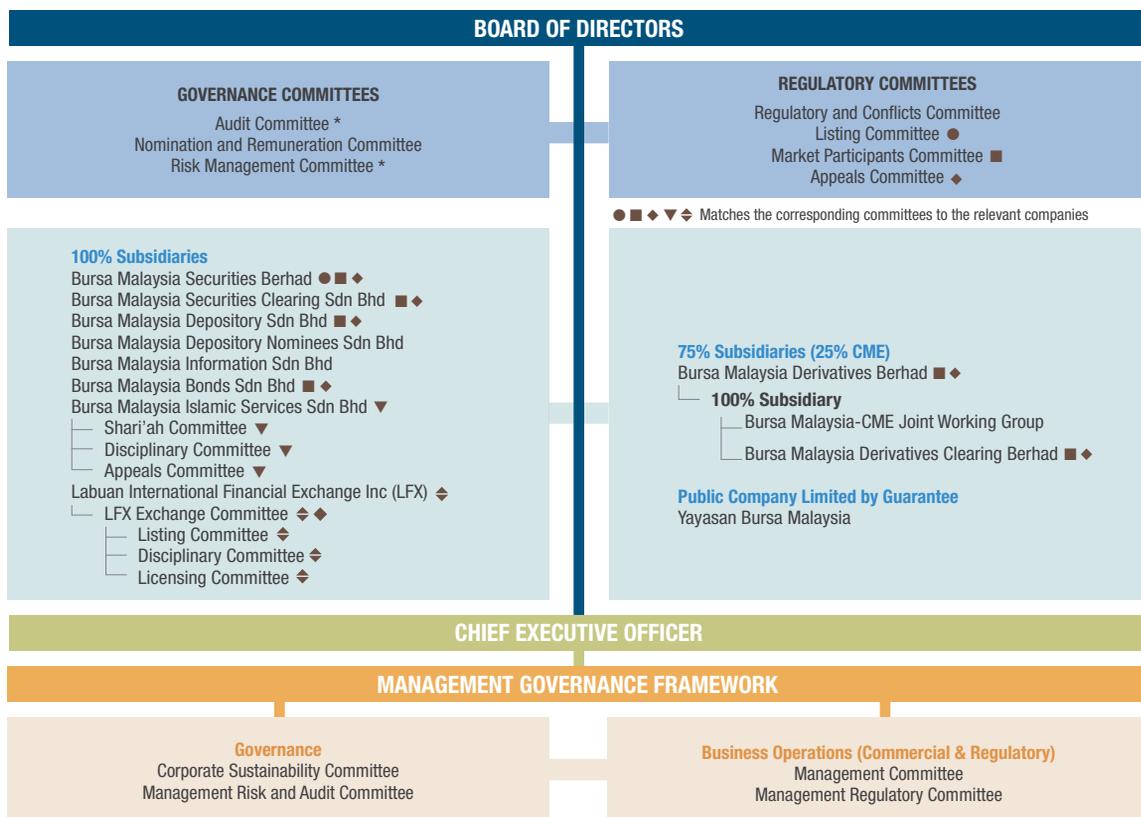
The Board of Directors of Bursa Malaysia (“Board”) presents this statement to provide an insight into the corporate governance (“CG”) practices of the Company under the leadership of the Board.

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 Committees<sup>1</sup> and the Chief Executive Officer (“CEO”), as depicted below.



Note:

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

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, disposals 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 Terms of Reference (“TOR”) of the Board Committees in the Governance Model document were amended during the year to reflect the necessary changes in the internal process, to ensure operational efficiency as well as for compliance with international standards. One of the enhancements introduced by the Board during the year was to transfer the oversight responsibilities of the compliance function from the Audit Committee (“AC”) to the Risk Management Committee (“RMC”).

The Board of Bursa Malaysia as a listed entity and an exchange holding company (“EHC”)<sup>2</sup> has entrusted its Board Committees with specific responsibilities to oversee the Group’s affairs in accordance with their respective TOR<sup>3</sup>. 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 Chairman of the Board Committee and the tabling of minutes of the Board Committee meetings at Board meetings.

In 2015, the Board took several steps to enhance its oversight role on the developments in the key functional areas of Bursa Malaysia as an EHC. With the view to provide direct line of sight with regard to the key functional areas of the Group, the Board decided to appoint its Directors to serve on the Boards of the subsidiary companies that operate the securities exchange, the derivatives exchange and the clearing houses of the exchanges. As such, during the year, two Directors were appointed to the Board of Bursa Malaysia Securities Berhad (“BMS”) and Bursa Malaysia Securities Clearing Sdn Bhd (“BMSC”), and another two Directors were appointed to the Board of Bursa Malaysia Derivatives (“BMD”) and Bursa Malaysia Derivatives Clearing (“BMDC”). The Board keeps itself abreast of the developmental issues in the key functional areas of the Group through the

reports of the Chairmen of the above subsidiary companies and the tabling of the minutes of the Board meetings of the subsidiary companies at the EHC Board meetings. In July 2015, the Board further decided to include at least one independent director with relevant industry experience on the Boards of BMS and BMSC as well as BMD and BMDC to strengthen the Board composition with the appropriate mix of skill sets and expertise, for meeting the future needs of both the exchanges and their respective clearing houses.

## 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. It has in place an annual strategy planning process, whereby Management presents to the Board its recommended strategy and proposed business and regulatory plans for the following year at a dedicated session. At this session, the Board reviews and deliberates upon both Management’s and its own perspectives, as well as challenges Management’s views and assumptions, to deliver the best outcomes. In furtherance of this, the Board then reviews and approves the annual budget for the ensuing year and sets the Key Performance Indicators (“KPIs”) under the Corporate Scorecard.

The strategy planning process for 2015 began at an off-site Board meeting held in June 2014, where the Management presented the proposed 2015 Action Plan for discussion with the Board based on the progress of the 2014 Business Plan. Subsequent to this, the Management prepared and presented its 2015 Business Plan and Budget for the Board’s review at the Board meeting in October 2014. The Director of Regulation also presented the 2015 Regulatory Plan and Budget for the Board’s review. Both the 2015 Business and Regulatory Plans, including the 2015 Key Action Plan, were approved by the Board at this meeting.

At an off-site meeting in June 2015, the Board conducted a mid-year review of the 2015 Business Plan and Budget as well as the financial performance, where the targets set by the Board were compared against the actual performance

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

<sup>3</sup> 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>

## CORPORATE GOVERNANCE STATEMENT

for the year to date, including the status of completion of key initiatives by markets and functional units. 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 off-site meeting, the Board gave its feedback and input to Management on the proposed initiatives, development of improvement measures and implementation of the product roadmap, some of which required further engagements with the relevant authorities. The Board also conducted a mid-year review of the 2015 Regulatory Plan based on the regulatory key indicators and operational outcomes.

In October 2015, the Management presented the proposed 2016 Business Plan which comprised the detailed action plans of the Securities, Derivatives and Islamic Capital Markets for the Board’s review. The Board also considered several business and enterprise initiatives, their approaches with potential benefits and challenges in implementation. The Director of Regulation also presented to the Regulatory and Conflicts Committee (“RACC”) an overview of the proposed 2016 Regulatory Plan which provides the regulatory roadmap and requirements to discharge Bursa Malaysia’s regulatory function, in conjunction with its efforts to develop the capital markets. The RACC is a Board Committee responsible for overseeing the regulatory functions of Bursa Malaysia. In its review of the proposed 2016 Regulatory Plan, the RACC also considered the corresponding regulatory issues and challenges expected during this period as well as the proposed regulatory budget and manpower requirements. The RACC then approved the proposed 2016 Regulatory Plan, and recommended the same to the Board for approval.

The 2016 Key Operating Targets of the Business Plan and the 2016 Regulatory Plan were subsequently approved by the Board in October 2015. In November 2015, the Board considered and approved the 2016 Group Budget which was prepared by the Management premised upon the earlier approved 2016 Business and Regulatory Plans.

### 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 the Management Committee<sup>4</sup> and other committees established under the Group’s Management Governance Framework<sup>5</sup>.

The Management’s performance under the leadership of the CEO is assessed by the Board through a status report which is tabled to the Board and 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 function 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 regular 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 Capital Markets and Services Act 2007 (“CMSA”) in the previous year. In March 2015, the Board reviewed the Annual Regulatory Report 2014 before it was submitted to the Securities Commission (“SC”) in compliance with Section 16 of the CMSA.

In September 2015, the Board reviewed the results of the 2014 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. The Group Human Resources (“GHR”) also presented to the Board its commitment to sustain the areas of strength and to continuously improve through the initiatives undertaken group-wide and at divisional levels which had brought about better employee engagement compared to the previous year.

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

<sup>5</sup> The Management Governance Framework 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>

## CORPORATE GOVERNANCE STATEMENT

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

Through the RMC, the Board oversees the risk management framework of the Group. The RMC advises the 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 the annual Corporate Risk Profile which specifies the key enterprise risks for approval by the Board. In November 2015, the RMC conducted a review of the risk management policy and guidelines to streamline the risk management framework, practices and processes of the Group to an internationally recognised benchmark, and to integrate them into key processes such as business case development and project implementation. The revisions to the Risk Management Principles & Framework and the Risk Management Process & Guidelines were approved by the Board as recommended by the RMC.

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 for ensuring that there is effective and orderly succession planning in Bursa Malaysia Group. The TOR of the NRC provides that it is responsible for formulating 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 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 for internal pipeline of talents 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 for reviewing candidates for key management positions and determining the remuneration for these appointments. In this respect, the NRC considers new appointments and renewal of service contracts of key management positions to ensure 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. However, in 2015, there were no new appointments of key management positions made by the NRC. The NRC had only considered the renewal of the service contracts of two key management personnel in January and September 2015 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 2015, the SC had been consulted on the renewal of the service contracts for the relevant Management Committee members.

The NRC undertakes annual evaluation of the performance of the key management personnel (except for the Head of Group Internal Audit ("GIA") and Director of Regulation) based on their scorecards<sup>6</sup> with KPI measurements as the quantitative performance criteria. The Head of GIA reports to the AC who evaluates her performance, while 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 and hence, the performance bonus for the year would be determined by the NRC based on their performance ratings. For this purpose, the 2015 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 2016.

<sup>6</sup> Which are aligned to the KPIs of the 2015 Corporate Scorecard as approved by the Board at its 8<sup>th</sup> meeting held on 6-7 December 2014

# CORPORATE GOVERNANCE STATEMENT

## 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 Shareholder Value Creation 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 Ethics

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 such as accepting gifts (exceeding certain value), bribes, dishonest behaviour and sexual harassment.

Moreover, 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 or wrongdoing within the company. 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 Malaysia<sup>7</sup>. The AC is responsible for overseeing the implementation of the WPP for the Group’s employees, while duties relating to the day-to-day administration of the WPP are performed by the Head of GIA. The SID is also responsible for receiving whistle-blower reports made by employees or external parties as prescribed under the WPP<sup>8</sup>.

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. Another internal document which is in place is the Guidance on Managing COI in Regulatory Decision Making (“the Guidance”) for the members of the Regulatory Committees of Bursa Malaysia, i.e. the Listing Committee (“LC”), Market Participants Committee (“MPC”) and Appeals Committee (“APC”), to enable Bursa Malaysia as an EHC to discharge its regulatory duties effectively. Essentially, the Guidance facilitates the Regulatory Committee members to identify situations that may place themselves in a position of conflict or may fairly be perceived to be biased. The Guidance provides that in such situations, a Committee member shall not participate in the hearing, deliberation and determination of the matter at stake at the Regulatory Committee meeting, so as to ensure the attainment of independence of judgement and observance of the principles of natural justice and due process.

### 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 these practices – which demonstrate Bursa Malaysia’s commitment to the evolving global environmental, social, governance and sustainability agenda – appears in the Corporate Sustainability Statement of this Annual Report. A more detailed account can be found in the Sustainability Report, which is available on the Bursa Malaysia 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

<sup>7</sup> 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>

<sup>8</sup> The whistle-blowing report form is available at [http://www.bursamalaysia.com/misc/contact\\_form\\_whistleblower.pdf](http://www.bursamalaysia.com/misc/contact_form_whistleblower.pdf)

# CORPORATE GOVERNANCE STATEMENT

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 or the Board, depending on the quantum of the fees involved.

## 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 139A of the Companies Act 1965 ("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 legislations. 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.

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 which correspond to 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 2015, the Board reviewed and approved certain revisions to the Board Charter<sup>9</sup>, which included delineating the roles of the Public Interest Directors ("PID"), Non-Executive Directors ("NEDs") and Independent NEDs in addition to the duties and responsibilities of the Board as well as updating various provisions to ensure the document remains relevant and consistent with the Board's approved policy and procedures.

The Board Charter also sets out the procedures to be undertaken upon expiry of the term of appointment of a PID, and in the case of election, re-election, appointment or re-appointment of Directors with reference to the relevant laws, the Malaysian Code on CG 2012 ("MCCG 2012") and the Protocol for Appointment of Directors and Members of Board Committees of Bursa Malaysia.

**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 NRC<sup>10</sup>. 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 Main Market Listing Requirements ("MMLR"), the Board is pleased to report on the NRC's activities in the discharge of its duties, which are mainly described in Sections 2 and 3 below, as it embraces Principles 2 and 3 of the MCCG 2012 in strengthening the Board composition and reinforcing independence.**

<sup>9</sup> The revised Board Charter as approved by the Board in November 2015 is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/board-charter>

<sup>10</sup> 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>

# CORPORATE GOVERNANCE STATEMENT

## 2. STRENGTHEN COMPOSITION

### 2.1 Nominating Committee

#### a. Composition and responsibilities of the NRC

The NRC comprises four NEDs of whom one is a PID and three are Independent NEDs. The NRC is chaired by an SID. Dato' Saiful Bahri Zainuddin was appointed as the Chairman of NRC with effect from 1 March 2015<sup>11</sup> until 31 December 2015, after the retirement of Tun Mohamed Dzaiddin Haji Abdullah as PID and Chairman of the Board of Bursa Malaysia on 28 February 2015.

Regarding nomination, selection and assessment of Directors, the specific responsibilities of the NRC include, among 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 on 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.

#### b. Appointment of SID

Dato' Saiful Bahri Zainuddin was appointed the SID for a term of two years for 2014 and 2015. Prior to the expiry of his term of appointment in December 2015, the NRC undertook the nomination process to recommend a new SID, who would carry out the responsibilities in accordance with the TOR of the SID<sup>12</sup> for the next term of two years commencing from 1 January 2016 to 31 December 2017.

In determining the Director to be appointed as SID of Bursa Malaysia, the NRC took into consideration several factors, including the fact that he was one of the longest serving Independent Directors on the Board and that he must possess strong leadership qualities to lead the Independent Directors of Bursa Malaysia.

In November 2015, the Board approved the appointment of Datuk Karownikaran @ Karunakaran a/l Ramasamy as the SID for 2016 and 2017. The appointed SID shall be the Chairman of the NRC with effect from 1 January 2016 in accordance with the TOR of the NRC.

### 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<sup>13</sup> in carrying out its responsibilities in respect of the nomination, selection and appointment process for Directors 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. The pool is refreshed from time to time, to ensure the list of potential candidates available for the NRC/Board's consideration remains relevant and offers the talents/skills required.

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 were also sourced from the relevant bodies and/or the regulator(s). 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.

<sup>11</sup> Based on the revised membership classification in the TOR of the NRC as approved by the Board in January 2015

<sup>12</sup> The TOR of the SID is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/terms-of-reference/senior-independent-non-executive-director>

<sup>13</sup> Updated to reflect the processes in developing the selection criteria having regard to the mix of skills, and in assessing the Directors' performance and contribution as well as their independence and objectivity

## CORPORATE GOVERNANCE STATEMENT

In March 2015, Tan Sri Ong Leong Huat who did not seek for re-election as an Independent NED, retired at the close of the 38<sup>th</sup> Annual General Meeting (“AGM”) in accordance with Section 129(2) of the CA. Since then, the Board size was reduced to 10. The search for potential candidate(s) with relevant experience/skill sets had been ongoing to complement the remaining Directors on the Board in meeting the current and future needs of the Company.

### a. Determination of selection criteria for recruitment of Directors<sup>14</sup>

The NRC had in April 2015 considered a benchmarking study on the Board compositions at comparable exchanges in relation to the Directors’ expertise/skills, experience and qualifications. Having regard to this internal study and the preliminary review by the NRC, the Board agreed on the need to develop a comprehensive Directors’ skills matrix with the view to identify possible gaps in the skill sets of the existing Board with reference to the benchmarking study as well as the strategic direction of Bursa Malaysia as an EHC and business entity. Hence, the selection criteria for the new recruitment of Directors of Bursa Malaysia would be determined based on the outcome of the Board composition review including the gap analysis. The NRC would then refresh the pool of potential candidates based on the identified selection criteria.

For the above purpose, in June 2015, the Board engaged an independent Consultant specialising in Board performance and recruitment, to conduct a review on the Board composition. In July 2015, the Consultant presented to the NRC its detailed report comprising amongst others, its benchmarking study on the Board compositions at comparable exchanges, the ideal Board matrix, the outcome of the gap analysis review, the selection criteria for new appointments of Directors based on the gap analysis as well as the Board training needs analysis. The Consultant’s report and the NRC’s recommendations on the same were presented to the Board in July 2015. In this respect, the Board approved the “must have” and “nice to have” criteria for the selection of new Directors for the Board of Bursa Malaysia as well as for the Boards of subsidiaries within the Group.

In August 2015, the NRC commenced the skill sets review of the refreshed pool of potential candidates based on the established selection criteria, taking into consideration the mix of skills, experience and strength in the qualities which would be relevant or necessary for the Board to discharge its responsibilities in an effective and competent manner. The potential candidates were shortlisted by the NRC based on the “must have” and “nice to have” criteria. The NRC was mindful of the need to achieve diversity in the aspects of ethnicity, age and gender in shortlisting the potential candidates.

The NRC also conducted a competency assessment of the shortlisted potential candidates by evaluating their experience based on their respective profiles, and also other areas such as interpersonal style, independence and integrity, collaboration and influencing skills based on feedback obtained from the Directors who had direct dealings with the shortlisted potential candidates.

The recruitment exercise by the NRC had been ongoing in view of expanding the pool of potential candidates based on the identified selection criteria.

In this respect, the NRC has also engaged a Consultant specialising in Board recruitment, to conduct independent competency assessment of shortlisted potential candidates which include online assessment and interview, to assess the candidates’ leadership competencies, traits and drivers. The NRC would then consider the assessment results from the Consultant in order to determine the final candidate(s) for recommendation to the Board. The NRC would also meet with the final shortlisted candidate(s) as part of the selection process to consider other factors, which include the candidate’s ability to commit sufficient time and energy to Bursa Malaysia’s matters, and ability to satisfy the test of independence taking into account the candidate’s character, integrity and professionalism. The proposed candidate will be required to confirm that he/she meets the criteria for 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.

<sup>14</sup> Paragraph 15.08A(3)(b) of the MMLR

## CORPORATE GOVERNANCE STATEMENT

### b. Annual assessment and its criteria in respect of the Board and Board Committees, Directors and Board Committee members<sup>15</sup>

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 September 2015, the NRC approved the approach for the conduct of BEE 2014/2015 to be facilitated by the Company Secretaries and reviewed the questionnaires for the BEE 2014/2015, 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.

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 Board engagement, as well as the effectiveness of the Chairman and the CEO. The Board, through the Governance and Regulatory Committee Effectiveness Assessment, examines the respective Governance and Regulatory Committees, including their respective Chairmen, to ascertain whether their functions and duties are effectively discharged in accordance with their respective TOR. The 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 approved the performance criteria for the assessment of individual Directors through 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.

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 process 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 Committees’ discussions.

The NRC also sought feedback from the members of senior management via the issuance of 360 Degree Assessment questionnaires in conjunction with the BEE 2014/2015 exercise. The Management’s feedback/observations on the Board’s role, and the extent/effectiveness of partnership/collaboration between the Board and Management in certain focus areas or support functions are useful for the Board’s consideration in enhancing its overall effectiveness.

The NRC had in October 2015 reviewed the outcome of the BEE 2014/2015, and considered each of the feedback/comments given by the Board/Board Committee members for the Board’s improvement. The NRC also considered the proposed action plans for areas which had been identified for improvement. In November 2015, the Board resolved to adopt the BEE 2014/2015 results and the action plans for enhancements by the Board and the respective Board Committees, as recommended by the NRC. The average rating of at least 3.50 and above on a 5-point scale in respect of the performance criteria indicated 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 December 2015, the Regulatory Committee members who are non-Directors of Bursa Malaysia were also provided with the results of the 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 one of the basis of the NRC’s recommendations to the Board for the re-election of Directors at the next AGM, and the re-appointment of Board Committee members for the ensuing term of two years from 1 July 2016.

<sup>15</sup> Paragraph 15.08A(3)(c) of the MMLR

## CORPORATE GOVERNANCE STATEMENT

### 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/re-appointment. This recommendation is based on formal reviews of the performance of the Directors, taking into account their BEE 2014/2015 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.

In November 2015, the Board approved the recommendation of the NRC that the three Directors who are due to retire by rotation at the 39<sup>th</sup> AGM – Datuk Karownikaran @ Karunikaran a/l Ramasamy, Mr. Pushpanathan a/l S.A. Kanagarayar and Datuk Seri Tajuddin Atan – be eligible to stand for re-election. All three Directors had expressed their intention to seek re-election at the 39<sup>th</sup> AGM.

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 November 2015, to seek its concurrence on the re-election of those Directors prior to seeking the shareholders’ approval at the 39<sup>th</sup> 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 a Director of an EHC. The SC had on 3 February 2016 provided its concurrence on the proposed re-election of the said three Directors.

Section 10(1)(a) of the CMSA provides that the appointment of a PID shall be made by the Minister of Finance in consultation with the SC. With reference to the Protocol, the relevant divisions of the Ministry of Finance and the SC which are involved in the process for appointment of the PID of Bursa Malaysia 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.

The TOR of the NRC were amended with effect from 6 December 2014, to reflect the NRC’s responsibility to make recommendations to the Board on any proposed extension of the term of appointment of a PID. Hence, the NRC had in October 2015 reviewed and assessed the PID, Datuk Dr. Md Tap Salleh’s performance, contribution and independence in view of the impending expiry of his term of appointment on 31 March 2016. In its assessment, the NRC considered various factors including the Director’s SPA results of the BEE 2014/2015 for decision-making. The Board had in November 2015 approved the NRC’s recommendation and subsequently, submitted its decision for the Minister of Finance’s consideration in relation to the extension of the term of appointment of Datuk Dr. Md Tap Salleh as PID pursuant to Section 10(1)(a) of the CMSA.

### 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. 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. The attendance at Board Committee meetings during the financial year ended 31 December 2015 is provided under Section 4.1 of this CG Statement.

In this respect, the appointment and removal processes for the independent individuals appointed to the LC, MPC and APC are embedded in the Guidelines for Appointment and Removal of Regulatory Committee Members, as approved by the Board in November 2015. The objective of these Guidelines is to ensure consistent and integrated nomination, selection and removal processes to facilitate appointment of eligible and suitable independent individuals to form a balanced and robust committee, with an aim to safeguard investor protection and market integrity.

## CORPORATE GOVERNANCE STATEMENT

### e. Boardroom diversity<sup>16</sup>

Based on the review of the Board composition in 2015, the Board concurred with the NRC's recommendation to maintain the optimum Board size at 12. The optimal size would enable effective oversight, delegation of responsibilities and productive discussions among 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 objective.

The Board strongly views that diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. In 2015, the NRC had been considering the appointment of an additional woman Independent NED in pursuit of its target of three women directors by 2016, taking into account the combination of skill, experience and strength in the qualities necessary to strengthen the composition of the Board. Pending this appointment in 2016, the Board shall retain its size at 10.

The diversity criteria reviewed by the NRC in 2015 include gender, ethnicity and age. The current diversity in the race/ethnicity and nationality of the existing Board is as follows:

	RACE/ETHNICITY				NATIONALITY	
	MALAY	CHINESE	INDIAN	OTHERS	MALAYSIAN	FOREIGN
Number of Directors	7	1	1	1	9	1

The NRC 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	2	4	1

In November 2015, the Board considered the overall Board Diversity Policy for Bursa Malaysia as recommended by the NRC, and subsequently approved the following:

### 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 Malaysia 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;
- Adhere to the recruitment protocol that seeks 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.

<sup>16</sup> Paragraph 15.08A(3)(a) of the MMLR

## CORPORATE GOVERNANCE STATEMENT

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.

The Board maintains the pursuit of its target of three women Directors by 2016, in line with the country's aspirational target of 30% representation of women on boards.

### 2.3 Remuneration policies

#### a. Employees of Bursa Malaysia Group

The NRC is responsible for reviewing the Group's compensation policy and ensuring alignment of compensation to corporate performance, and that compensation offered is in line with the market practice. The NRC is also responsible for approving 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 Share Grant Plan ("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 2015, the NRC reviewed the proposed 2014 performance bonus provision and utilisation of the 2015 provision for annual salary increment, to be in alignment with the financial services sector market forecasts respectively. 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 performance of the Corporate Scorecard, Divisional Scorecard and competencies. To ensure consistency in performance assessment, the final performance ratings as decided by the NRC would be used for the purpose of determining the performance bonus.

The CEO's performance bonus and share grant in respect of FY 2014 performance were reviewed by the NRC, after which they were put to the Board for decision in March and June 2015 respectively.

#### b. Remuneration policy for the members of the Board and Board Committees, and Nominee Directors on the functional Boards 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 NRC reviews the Board remuneration policy annually, and in the course of deliberating on the remuneration policy, considers various factors including the NEDs' fiduciary duties, time commitments expected of NEDs and Board Committee members and the Company's performance and market conditions. The NRC also takes into consideration remuneration of directors of other public listed companies ("PLCs"), particularly those in the financial sector, government-linked companies and other stock exchanges to ensure that the Board's remuneration policies are competitive in reflecting the prevalent market rate.

The remuneration policy for the NEDs comprises the following:

##### i. Directors' fees

The Directors' fees are at RM150,000 per annum for the Non-Executive Chairman and RM100,000 per annum for each NED of Bursa Malaysia in respect of FY 2014 (as approved by the shareholders at the 38<sup>th</sup> AGM on 31 March 2015).

Given that the Directors' fees were recently increased for FY 2014 upon the shareholders' approval at the 38<sup>th</sup> AGM, the Board at its meeting held in November 2015 approved the NRC's recommendation to maintain the same Directors' fees at RM150,000 per annum for Non-Executive Chairman and RM100,000 per annum for each of the NEDs in respect of FY 2015, and that the shareholders' approval will be sought accordingly at the forthcoming 39<sup>th</sup> AGM.

## CORPORATE GOVERNANCE STATEMENT

ii. Meeting allowance for each Board or Board Committee<sup>17</sup> meeting attended by a NED of Bursa Malaysia or individual Regulatory Committee member:

- Meeting allowances for Board and Board Committee meetings as approved by the Board in 2012 remain the same as follows:

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

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

- In October 2014, the Board approved the meeting allowance for the NEDs of Bursa Malaysia who sit on the functional Boards of subsidiaries of Bursa Malaysia, as part of Bursa Malaysia's Group Remuneration Policy.
- In addition, members of the Regulatory Committees who are not Directors of Bursa Malaysia have been 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 time commitment expected of them.

iii. Benefits-in-kind and emoluments

NEDs are not entitled to participate in the SGP of Bursa Malaysia or any incentive plan for employees of the Group. They are given other allowances, such as travelling and mobile phone allowances. The Board at its meeting held in October 2015 approved the NRC's recommendation to extend medical benefits to the NEDs up to a combined limit of RM75,000 per annum for both inpatient and outpatient expenses.

The Chairman is also entitled to medical benefits and is provided with a monthly fixed allowance of RM52,000, in view of his wide-ranging scope of responsibilities and the fact that he does not serve on the boards of any other PLC or market participant regulated by Bursa Malaysia so as to avoid any COI.

iv. 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 the 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, and approved by the Board. The award of Plan Shares to the CEO in 2015 had been announced via Bursa LINK on 31 March 2015 and 1 July 2015.

v. In addition to the above, the Directors have the benefit of Directors & Officers ("D&O") Insurance in respect of any liabilities arising from acts committed in their capacity as D&O of Bursa Malaysia. However, the said insurance policy does not indemnify a Director or principal officer if he/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 towards the premium of the said policy.

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

<sup>17</sup> Information on the composition, number of meetings held and attendance of meetings of the Board and all Board Committees is set out under Section 4.1 of this CG Statement

# CORPORATE GOVERNANCE STATEMENT

## 3. REINFORCE INDEPENDENCE

### 3.1 Annual assessment of independence

#### 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 had any family relationship with any Director and/or major shareholder of Bursa Malaysia, any COI with Bursa Malaysia or any convictions for offences within the past 10 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, among 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 November 2015, the Board approved the NRC's recommendation to formalise the process of determining the NEDs' independence by having each of them complete the Form of Declaration/Confirmation of Independence on an annual basis in the fourth quarter of each year.

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 2015. For this purpose, the assessment on "Independence and Objectivity" was included as one of the performance criteria for the Directors, where the Directors were 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 also 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 of 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 MCGG 2012, the NRC refers to the ratings of the three Independent NEDs in "Independence and Objectivity" and "Probity and Personal Integrity" as one of the factors in determining the NEDs' eligibility to stand for re-election/re-appointment at the forthcoming 39<sup>th</sup> AGM (as mentioned under Section 2.2.c of this CG Statement).

Based on the above assessment in 2015, 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 supported their proposed re-election in accordance with Article 69 of the AA, and the proposed extension of the PID's term of appointment.

### 3.2 Tenure of Independent Director

The Board has implemented a nine-year policy for Independent NEDs, in line with Recommendation 3.2 of the MCGG 2012. The Directors among the first batch of Independent NEDs of the demutualised Bursa Malaysia had already retired on a gradual basis at the 35<sup>th</sup> and 36<sup>th</sup> 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 where their tenures of service are set out in the Board of Directors' Profiles of this Annual Report.

## CORPORATE GOVERNANCE STATEMENT

### 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. Hence, no shareholders' approval will be sought for this purpose at the forthcoming 39<sup>th</sup> 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 PIDs and Independent NEDs, are independent of Management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. They constitute 90% of the Board. 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.

In October 2015, the Board also decided as a matter of policy that the Board of Bursa Malaysia as an EHC shall not comprise Nominee Directors, 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 fair and orderly 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 seven Board meetings, and attendance of 10 out of 11 Directors at the Board meetings held on 29 January 2015 and 25 February 2015 respectively. Their meeting attendance at Board and Board Committee meetings is evidenced by the attendance record set out in the table.


  
 ■ Chairman
   
 ■ Member
   
 □ Non-member

#### Notes:

- ^ served as NRC member until 28 February 2015 and NRC Chairman from 1 March 2015 to 31 December 2015
- \* appointed as NRC member on 22 April 2015
- ~ her term of appointment as MPC member expired on 30 June 2015
- + appointed as MPC member on 15 July 2015
- ∞ Six NED meetings were held in 2015, i.e. on 22 April 2015, 11 June 2015, 15 July 2015, 10 September 2015, 23 October 2015 and 19 November 2015
- \*\* Two meetings were held between the AC and the external auditors, Ernst & Young, i.e. on 26 January 2015 and 20 October 2015 respectively

# CORPORATE GOVERNANCE STATEMENT

Name	BOARD OF DIRECTORS	NED <sup>∞</sup>	GOVERNANCE COMMITTEES			REGULATORY COMMITTEES			
			AC**	RMC	NRC	RACC	LC	MPC	APC
<b>Non-Executive and Public Interest Directors</b>									
Tan Sri Amirsham A Aziz <sup>18</sup> (Chairman)	7/7	6/6				8/8			6/6
Tun Mohamed Dzaidin Haji Abdullah <sup>19</sup> (former Chairman)	2/2	-			2/2	2/2			1/1
Datuk Dr. Md Tap Salleh	9/9	6/6			16/16	10/10	11/11		
Dato' Zuraidah Atan	9/9	5/6				10/10			
Dato' Eshah Meor Suleiman	9/9	6/6	5/5			10/10		9/10	
<b>Independent Non-Executive Directors</b>									
Dato' Saiful Bahri Zainuddin	8/9	6/6		4/5	16/16 <sup>^</sup>				
Datuk Karownikaran @ Karunikaran a/l Ramasamy	9/9	6/6		5/5	16/16	9/10			5/7
Datuk Chay Wai Leong	9/9	6/6	5/5	5/5					
Ghazali Haji Darman	9/9	6/6	5/5	5/5				10/10	
Pushpanathan a/l S.A. Kanagarayar	9/9	6/6	5/5		11/12*		10/11		
Tan Sri Ong Leong Huat @ Wong Joo Hwa <sup>20</sup>	2/3	-			3/3				
<b>Non-Independent Executive Director</b>									
Datuk Seri Tajuddin Atan (CEO)	9/9	-							
<b>Independent individuals with significant and relevant industry experience</b>									
Dato' Thomas Lee Mun Lung									6/7
Dato' Mohammed Adnan Datuk Shuaib									7/7
Datuk Syed Zaid Syed Jaffar Albar									5/7
Cheah Tek Kuang									6/7
Kuok Wee Kiat									7/7
Ooi Giap Ch'ng									6/7
Wong Chong Wah							10/11		
Yon See Ting							10/11		
Salwah Abdul Shukor							11/11		
Dato' Sri Abdul Hamidy Abdul Hafiz							10/11		
Prof. Dr. Aiman @ Nariman Mohd Sulaiman							9/11		
Datuk Mohd Nasir Ahmad							6/11		
Dato' Feizal Mustapha							9/11		
Lee Kha Loon							10/11		
Khoo Guan Huat								8/10	
Dato' Abdul Shukor Ahmad								8/10	
Azura Azman								9/10	
Dato' Dr. Zaha Rina Zahari								9/10	
Azila Abdul Aziz								5/10	
Datuk Noripah Kamso								5/5 ~	
Dato' Wan Asmadi Wan Ahmad								10/10	
Dr. Chung Tin Fah								10/10	
Rashid Ismail								4/4+	
<b>Total number of meetings for 2015</b>	<b>9</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>16</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>7</b>

18 Appointed as Public Interest Director ("PID") and Chairman of the Board of Bursa Malaysia with effect from 1 March 2015, and took Chairmanship of the RACC and Appeals Committee ("APC") with effect from 1 March 2015

19 His term of appointment as PID and Chairman of the Board of Bursa Malaysia expired on 28 February 2015, and accordingly, he also ceased to be Chairman of the NRC, RACC and APC with effect from 1 March 2015

20 Retired as Independent Non-Executive Director at the close of the 38<sup>th</sup> AGM held on 31 March 2015

## CORPORATE GOVERNANCE STATEMENT

Since April 2015, the NEDs met six 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 commitment 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 PLCs<sup>21</sup>, 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 Directors<sup>22</sup>, the Board had delegated this responsibility to the NRC to ensure that orientation and education programmes 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 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. Training needs analysis and approval process

In line with the Board's policy that requires each Director of Bursa Malaysia to attend at least three training sessions relating to capital market developments in each year, the NRC had invited the Board members to provide feedback on their training requirements to assist the NRC in the Board training needs analysis. In July 2015, an external consultant was also engaged to facilitate the training needs analysis of the Board, as part of the Board review exercise.

In April 2015, the Board formalised the approval process for the individual Directors' training programmes in accordance with the prescribed approving authority, as recommended by the NRC, taking into consideration the area of training needs and training budget amount for individual Directors for the year. With reference to the current Board's training policy, and based on the outcome of the training needs analysis<sup>23</sup> of Directors, the NRC formalised the Directors' Training Programme which included among others, the following, so as to meet the varying needs of the Directors of Bursa Malaysia:

- i. In-house briefings for the Directors on specific topics relating to capital market development by guest speakers from other exchanges or market experts; and industry updates including global exchanges trends to be provided by Management on a quarterly basis;
- ii. Briefings by Management on a particular technical subject relating to the market/business operations, or on any new regulation/governance update affecting Bursa Malaysia Group; relevant updates to be provided by Management via email or uploaded on Boardpac;

<sup>21</sup> In compliance with Paragraph 15.06 of the MMLR

<sup>22</sup> Paragraph 15.08(2) of the MMLR

<sup>23</sup> Paragraph 15.08(3)(a) of the MMLR

## CORPORATE GOVERNANCE STATEMENT

- iii. Induction programme organised by the Company Secretaries for new Board/Committee member; and
- iv. Requests by Directors to attend conferences subject to the Board's training policy and availability of budget.

### b. Directors' training attendance

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 deliberations<sup>24</sup>. The Directors observe Recommendation 4.2 of the MCCG 2012 by attending conferences, briefings and workshops to update their knowledge and enhance their skills. All Directors of Bursa Malaysia attended at least six training programmes in 2015, of which at least three programmes focused on capital market developments.

- i. In 2015, the following in-house development programmes were organised by the Company Secretaries for Directors/Committee members:

- Induction programme (for newly appointed Chairman) on 4 March 2015, 11 March 2015 and 23 March 2015; and Induction programme (for newly appointed MPC members) on 18 August 2015

The Company Secretary and the relevant Management teams gave briefings at the induction programmes, to familiarise the new Chairman and another Committee member with the Group's governance process, business and operations, as well as the regulatory role of the Group. The induction programme also allowed them to get acquainted with senior management, so as to facilitate board interaction and independent access to Management.

- Palm Oil Products: Expanding the Current Bursa Malaysia Derivatives Portfolio on 31 July 2015

The Managing Director, Agricultural Products, of Chicago Mercantile Exchange Group Inc, Mr. Tim Andriesen, was invited by Bursa Malaysia Derivatives Berhad to share his knowledge on palm swaps market development.

- Internal Audit – one of the 4 Cornerstones of CG: Is it an effective gatekeeper to Audit Committee and Board Oversight? (for LC members) on 6 October 2015

The LC held its off-site development session on 6 October 2015 to deliberate on its enforcement policies and the impact with regard to key breaches, and related issues and challenges.

- The Cybersecurity Threat and Challenges (for MPC members) on 3 November 2015

The MPC held its off-site development session on 3 November 2015, to keep its members updated on Bursa Malaysia's supervision approach and observations, common areas of breach, proposed enforcement actions and policies, and related issues and challenges.

- ii. The Directors also attended the following conferences on capital markets organised by the Company:

- CAP10 ASEAN CEO Summit 2015 on 12 February 2015
- 26<sup>th</sup> Annual Palm & Lauric Oils Conference on 3 & 4 March 2015
- Invest Malaysia Kuala Lumpur on 23 & 24 April 2015
- Sustainability Symposium: "Responsible Business. Responsible Investing" on 8 October 2015

- iii. The Directors were also invited to attend a series of talks organised by Bursa Malaysia together with various professional associations and regulatory bodies. Some Directors attended conferences and seminars as guest speakers, panelists or moderators. Overall, the development programmes focused on CG (including audit, risk management and internal audit), leadership, legal and business management and financial and capital markets.

In addition, the Directors attended various external programmes including the following:

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

- Audit Committee Conference 2015: Rising to New Challenges, 24 March 2015 (attended by Datuk Karownikaran @ Karunakaran Ramasamy)

<sup>24</sup> Commentary under Recommendation 4.2 of the MCCG 2012

## CORPORATE GOVERNANCE STATEMENT

- Remuneration Reward Practices Seminar: Time to Raise the Bar, 8 April 2015 (attended by Datuk Dr. Md Tap Salleh, Dato' Saiful Bahri Zainuddin and Encik Ghazali Hj Darman)
- Knowing How to Detect, Prevent and Report, 15 April 2015 (attended by Dato' Zuraidah Atan)
- Financial Institution Directors' Education ("FIDE") Forum: Directors Remuneration Study Findings for Financial Institutions, 6 May 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Board Chairman Series Part 2: Leadership Excellence from the Chair, 28 July 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Audit, Internal Control and Fraud Detection Seminar for the Public and Private Sectors: Redefining and Optimising the New Roles of Internal Auditors, 29-30 July 2015 (attended by Dato' Eshah Meor Suleiman and Encik Ghazali Hj Darman)
- Malaysian Accounting Standards Board: Forum on Malaysian Financial Reporting Standard 9, 7 August 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Building an Effective Finance Function and Data Analytics, 10 August 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Enterprise Risk Management: The Next Generation, 17-18 August 2015 (attended by Dato' Eshah Meor Suleiman)
- The Interplay between CG, Non-Financial Information and Investment Decision, 19 August 2015 (attended by Dato' Zuraidah Atan)
- 16<sup>th</sup> International Anti-Corruption Conference 2015: Ending Impunity – People Integrity Action, 2-3 September 2015 (attended by Dato' Zuraidah Atan)
- Singapore Institute of Directors Conference 2015: Boards and Innovation, 16 September 2015 (attended by Tan Sri Amirsham A Aziz)
- Directors as Gatekeepers of Market Participants, 28 September 2015 and 19 October 2015 (attended by Dato' Zuraidah Atan and Datuk Chay Wai Leong respectively)
- Nominating Committee Programme Part 2: Effective Board Evaluations, 5 October 2015 (attended by Tan Sri Amirsham A Aziz)
- Risk Oversight and Compliance – Action Plan for Board of Directors, 8 October 2015 and 20 October 2015 (attended by Dato' Zuraidah Atan and Datuk Chay Wai Leong respectively)
- CG and Integrity in the Corporate Sector, 17 October 2015 (attended by Datuk Dr. Md Tap Salleh)
- Board Chairman Series: Tone from the Chair and Establishing Boundaries, 22 October 2015 (attended by Dato' Zuraidah Atan and Mr. Pushpanathan S.A. Kanagarayar)
- CG Breakfast Series: Future of Auditor Reporting – The Game Changer for Boardroom, 2 November 2015 (attended by Dato' Zuraidah Atan and Mr. Pushpanathan S.A. Kanagarayar)
- Asian CG Association 15<sup>th</sup> Annual Conference: CG Rising in Southeast Asia - Building Bridges between Stakeholders, 4 November 2015 (attended by Tan Sri Amirsham A Aziz)
- ASEAN CG Conference and Awards, 14 November 2015 (attended by Datuk Seri Tajuddin Atan)
- Briefing on the Environmental, Social & Governance Index and Governance Advocacy Session, 25 November 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)

### Information Technology

- Big Data Conference, 21 April 2015 (attended by Encik Ghazali Hj Darman)
- SAS Forum: Big Data Analytics, 18 August 2015 (attended by Encik Ghazali Hj Darman)
- Boston Consulting Group Asia Conference: Digital Disruption Growing in the Digital Age, 21 August 2015 (attended by Datuk Chay Wai Leong)
- The SMARTS Surveillance Conference 2015 (NASDAQ), 1-3 September 2015 (attended by Encik Ghazali Hj Darman)
- Digital News Asia: What's Next – The Business Impact of Disruptive Technology, 29 September 2015 (attended by Encik Ghazali Hj Darman)

### Leadership, Legal and Business Management

- Anti-Money Laundering and Anti-Terrorism Financing Act 2001 – A Client Centric (Know Your Customer) Focus, 7 February 2015 (attended by Dato' Saiful Bahri Zainuddin)
- The Analysis, Use and Abuse of Financial Statements – Analysing Corporate Performance, 8 February 2015 (attended by Dato' Saiful Bahri Zainuddin)
- Briefing on Anti-Money Laundering and Anti-Terrorism Financing Act 2001, Personal Data Protection Act 2010, Competition Act 2010 and Global Development of CG, 9 March 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)

## CORPORATE GOVERNANCE STATEMENT

- National University of Singapore: Building A World Class Stock Exchange, 30 March 2015 (attended by Datuk Chay Wai Leong)
- IMD Executive Development Business Forum: Digital Transformation – Roadmap for Business, 21 April, 2015 (attended by Datuk Chay Wai Leong)
- Chartered Bankers Master-Class: Induction, 3 April 2015 and Professionalism, Ethics and Regulations, 26 May 2015 (attended by Datuk Seri Tajuddin Atan)
- Lead the Change: Getting Women on Boards, 8 May 2015 (Attended by Dato' Zuraidah Atan, Dato' Eshah Meor Suleiman and Mr. Pushpanathan S.A. Kanagarayar)
- FIDE Forum: Board's Strategic Leadership – Innovation and Growth in Uncertain Times, 21 May 2015 (attended by Datuk Karownikaran @ Karunikaran a/l Ramasamy)
- Port Investments and Public Private Partnership, 24-26 June 2015 (attended by Dato' Zuraidah Atan)
- Asian Institute of Finance (“AIF”) International Symposium: Building Talent Gap, 5 August 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Integration of Scenario Planning into Risk Appetite, Capital Management and Business Planning, Risk Posturing and Proposed Risk Appetite for Financial Year 2016, 11 August 2015 (attended by Datuk Karownikaran @ Karunikaran Ramasamy)
- Anti-Money Laundering and Anti-Terrorism Financing Act 2001: The Law and Compliance, 1 September 2015 (attended by Datuk Karownikaran @ Karunikaran Ramasamy)
- Financial Freedom: Growing Dreams, 6 October 2015 (attended by Dato' Zuraidah Atan)
- Business Challenges and Regulatory Expectations, 7 October 2015 and 19 October 2015 (attended by Dato' Zuraidah Atan and Datuk Chay Wai Leong respectively)
- National Preparedness Month: Disaster Recovery Planning, 15-18 October 2015 (attended by Dato' Zuraidah Atan)
- The Network Management Conference (“NeMa Asia”) 2015, 10 November 2015 (attended by Datuk Seri Tajuddin Atan)
- INSEAD SIDC – Lifelong Learning for Leaders, 12 November 2015 (attended by Datuk Chay Wai Leong)
- The International Association of Traffic and Safety Sciences (“IATSS”) Forum: A World of Human Chemistry, 14 November 2015 (attended by Dato' Zuraidah Atan)
- Temasek Management Services Academy's Directors-in-Dialogue: Culture Eats Strategy for Breakfast – Are Boards paying enough attention to it? 16 November 2015 (attended by Tan Sri Amirsham A Aziz)
- Inclusive and Consultative Leadership Programme, 16 November 2015 (attended by Datuk Dr. Md Tap Salleh)
- AIF's Distinguished Speaker Series: Can ASEAN Reinvent Itself? 17 November 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Briefing on the Trans Pacific Partnership: Should Malaysia sign? 3 December 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)

### Financial and Capital Markets

- 33<sup>rd</sup> Asian and Oceanic Stock Exchanges Federation (“AOSEF”) General Assembly, 26-28 March 2015 (attended by Datuk Seri Tajuddin Atan)
- International Options Market Association (“IOMA”) Derivatives & Clearing Conference, 3-6 May 2015 (attended by Datuk Seri Tajuddin Atan)
- Global Sustainability & Impact Investing Forum, 23 July 2015 (attended by Datuk Dr. Md Tap Salleh, Dato' Eshah Meor Suleiman, Datuk Karownikaran @ Karunikaran Ramasamy, Datuk Chay Wai Leong and Datuk Seri Tajuddin Atan)
- World Capital Markets Symposium 2015: Markets and Technology - Driving Future Growth through Innovation, 3-4 September 2015 (attended by Dato' Zuraidah Atan, Dato' Eshah Meor Suleiman, Datuk Chay Wai Leong, Mr. Pushpanathan S.A. Kanagarayar and Datuk Seri Tajuddin Atan)
- Invest Malaysia New York, 30 September 2015 (attended by Tan Sri Amirsham A Aziz and Datuk Seri Tajuddin Atan)
- International Conference on Financial Crime & Terrorism Financing: The Changing Regulatory Landscape, 7 October 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Current and Emerging Regulatory Issues in the Capital Market, 9 October 2015 (attended by Dato' Zuraidah Atan)
- 55<sup>th</sup> General Assembly of the World Federation of Exchanges, 19-20 October 2015 (attended by Tan Sri Amirsham A Aziz and Datuk Seri Tajuddin Atan)
- Invest Malaysia Hong Kong, 27 October 2015 (attended by Datuk Seri Tajuddin Atan)
- National Tax Budget Briefing, 5 November 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Sense and Sensibility, Accounting & Accountability: A Practitioner's Perspective, 12 November 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- 10<sup>th</sup> China International Oils and Oilseeds Conference: Introduction to Financial Statement, 12 November 2015 (attended by Datuk Seri Tajuddin Atan)

# CORPORATE GOVERNANCE STATEMENT

## 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. Kanagarayar<sup>25</sup>, 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 Message, the CEO's Message, and the Management Discussion and Analysis of this Annual Report all 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 the 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 2015.

In addition, Bursa Malaysia has an in-house internal audit function within the Group, where the Head 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 2016 deliberated the outcome of the Request for Proposal evaluations, 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 timeline. The AC then decided to recommend for the Board's approval the appointment of Messrs. Ernst & Young ("EY") as external auditors of Bursa Malaysia for the FY ending 31 December 2016.

At the same time, the AC further undertook 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 non-audit services by EY to the Company for the FY 2015 did not in any way impair their objectivity and independence as external auditors of Bursa Malaysia.

Having regard to the outcome of the evaluations and the annual assessment of external auditors which supported the AC's recommendation, the Board had in February 2016 approved the AC's recommendation for the shareholders' approval to be sought at the 39<sup>th</sup> AGM on the appointment of EY as external auditors of the Company for the FY 2016.

<sup>25</sup> Mr. Pushpanathan a/l S.A. Kanagarayar's profile is set out in the Board of Directors' Profiles of this Annual Report.

# CORPORATE GOVERNANCE STATEMENT

## 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 Head 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)"<sup>26</sup>, 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.

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 the Bursa Malaysia website for the benefit of shareholders who were unable to attend 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.

<sup>26</sup> The name(s) and contact information are available at <http://www.bursamalaysia.com/contact>

## CORPORATE GOVERNANCE STATEMENT

At the 38<sup>th</sup> AGM held on 31 March 2015, 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 38<sup>th</sup> AGM dated 3 March 2015. This is in line with Paragraph 7.21(A)(2) of the MMLR for promoting participation of members through proxies.

Commencing with the 35<sup>th</sup> AGM held on 29 March 2012, Bursa Malaysia removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for multiple beneficial owners in one securities account 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 a member of the Company.

In line with Section 145A of the CA, the AA of the Company has been amended to allow for 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 38<sup>th</sup> AGM held on 31 March 2015 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 38<sup>th</sup> AGM as set out in the Notice of 38<sup>th</sup> AGM.

Voting slips for the 38<sup>th</sup> AGM were issued by the Share Registrar upon registration, and were pre-printed with details of shareholder's name, identity card number/company number and number of shares held. The polling process for the resolutions was conducted upon completion of deliberation of all items to be transacted at the 38<sup>th</sup> 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.

The 38<sup>th</sup> AGM was adjourned for the Poll Administrator, Tricor Investor Services Sdn Bhd to commence the poll vote count, where the votes as cast on the voting slips were input for computation using an electronic system. The results of the poll were verified by the Scrutineers, EY. The meeting resumed and the results of the poll for each resolution, including votes in favour and against, were announced by the Scrutineers, 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 38<sup>th</sup> AGM were also made available on Bursa Malaysia's website.

### 8.3 Effective communication and proactive engagements

At the 38<sup>th</sup> AGM, the 10 Directors, with the exception of Tan Sri Ong Leong Huat @ Wong Joo Hwa who retired at the 38<sup>th</sup> AGM, were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company. The proceedings of the 38<sup>th</sup> AGM included the CEO's presentation of the Company's operating and financial performance for 2014, 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 38<sup>th</sup> AGM so that these could be responded to in writing after the meeting. Officers of the Company were present to handle other face-to-face enquiries from shareholders.

### COMPLIANCE STATEMENT

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

The Board is satisfied that in 2015, the Company fully complied with the principles and recommendations of the MCCG 2012.

This Statement was approved by the Board on 2 February 2016.

# STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Bursa Malaysia is committed to maintaining a sound internal control and risk management system. Each business unit/functional group has implemented its own control processes under the leadership of the Chief Executive Officer (“CEO”), who is responsible for good business and regulatory governance. The following statement outlines the nature and scope of the Group’s internal control and risk management in 2015.

## 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 2015, 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 2015, 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 on and decide 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.

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

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

### 3. Planning, Monitoring and Reporting

- a. An annual planning and budgetary exercise is undertaken requiring all divisions to prepare business plans and budgets for the forthcoming year. These are deliberated on and approved by the Board before their 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 the financial performance of the Group and do not contain any material misstatement.

### 4. Policies and Procedures

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

### 5. Audits

- a. Audit engagements are carried out based on the annual audit plan that is developed taking into consideration several key factors that include corporate risk profiles, divisional risk profiles and emerging risks.

At the engagement level, the divisional risks, existing control design and its risk indicators' performance are taken into consideration during the risk profiling stage. After which, key engagement areas are identified for the audit scope. GIA assesses the internal controls and risk management practices of the areas under the audit scope in regards to compliance/conformance with the approved standard operating policies & procedures, recognised standards/guidelines, laws & regulations and/or best practices accordingly.

For any significant gaps identified in governance, risk management and control during the engagement, GIA provides recommendations to Management to improve their design and/or effectiveness where applicable.

- b. In addition, GIA assesses and reports on the adequacy and effectiveness of the Group's governance, internal control and risk management system using the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Internal Control - Integrated Framework.

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

The adequacy and effectiveness of the Group's governance, internal control and risk management system are assessed and reported according to the following five interrelated COSO components:



- c. In 2015, GIA had also carried out a review to assess the adequacy and effectiveness of Bursa Malaysia's risk management functions, as well as to assess the conformance between the existing risk management governance, framework and processes and the recognised standards and guidelines. The outcomes of the reviews highlighting areas of enhancement and corresponding recommendations were provided to Management.
- d. 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.
- e. 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.
- f. The Auditor Independence Policy requires the external audit engagement and quality reviewing partners to be subject to a five-year rotation with a five-year cooling-off period. An annual plan, comprising planned statutory audits, recurring non-audit services and other anticipated non-audit services by the External Auditors, requires prior approval by the AC. The AC's approval is also required for unplanned non-audit services obtained from the current External Auditors.
- g. The GIA team is required to conduct quarterly assessments of the internal control system pertaining to the processes of the relevant business units/functional groups which have a bearing on the financial information of Bursa Malaysia, to ensure the reliability and integrity of such information. The Senior Executive Vice President, 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. In addition to the annual audit, the External Auditors are engaged to conduct limited reviews on 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".

### 6. Risk Management

- a. The Group has in place an established risk management framework for managing risks affecting its business and operations. In order to ensure that our risk management framework and process remain sound and are in conformance with an internationally recognised standard, we have reviewed and enhanced our risk management framework and process this year by benchmarking against the ISO 31000:2009 Risk Management – Principles and Guidelines. One of the key features of our 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



- b. Senior Management, which includes Management Committee members and Divisional Heads, are the first line of defence and are accountable for all risks assumed under their respective areas of responsibility 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 ensures that risk management is embedded in all key processes and activities.
- c. The second line of defence is provided by the Corporate Risk Management team, with oversight by the RMC. The Corporate Risk Management team is responsible for monitoring the risk management activities of the Group and ensuring compliance with, as well as effective implementation of, the risk management framework and process. The TOR of the RMC were revised to enable the RMC to fulfil its primary purpose and various responsibilities in enhancing the effectiveness of the risk management framework for the Group.

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

- d. The third line of defence is provided by the GIA. The GIA reports directly to the AC and provides independent assurance of the adequacy and reliability of governance, internal control and risk management processes.
- e. Within the framework, we have an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the divisional and corporate levels. The analysis and evaluation of our risks are guided by approved risk criteria. The Group also has a risk management system with adequate features and functionalities to support the risk management process and reporting.
- f. Our level of risk tolerance is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to have “exceeded risk tolerance” and those which have not. We have clear risk treatment guidance on the actions to be taken for the relevant risks.
- g. The management of the significant risks identified for the financial year 2015 is outlined below:

SIGNIFICANT RISKS for the financial year 2015	
RISK 1	BUSINESS INTERRUPTION RISK
RISK 2	CYBER ATTACK RISK
RISK 3	TALENT MANAGEMENT RISK
RISK 4	INCREASING COMPETITION RISK
RISK 5	CENTRAL COUNTERPARTY CREDIT RISK
RISK 6	MARKET REGULATION RISK

i. Business Interruption Risk

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 also has a comprehensive Business Continuity Plan (“BCP”), including a Disaster Recovery Plan which is tested annually to ensure continuity of our business and technology operations.

We conducted two industry-wide BCP exercises in 2015, one for the Derivatives Market and the other for the Securities Market. The Islamic and Bond Markets were tested together with the Securities Market. This is to provide assurance that in the unlikely event that Bursa Malaysia encounters major business interruption, its alternate site and backup systems

can be successfully activated to resume its critical business operations. In 2015, Bursa Malaysia did not face any major business interruption.

A BCP exercise for the Derivatives Market was conducted on 25 April 2015 between Bursa Malaysia Derivatives Berhad’s (“BMD”) primary site and CME Group Inc’s (“CME”) disaster recovery (“DR”) site in New York City. BMD successfully resumed all its critical functions namely trading, clearing, surveillance and risk management within the target recovery time objectives. The critical success factor was for the market participants to successfully establish/switch the connectivity to BMD’s primary site for clearing operations and to CME’s DR site for trading operations.

A BCP exercise for the Securities, Islamic and Bond Markets as well as Bursa Malaysia’s other key supporting functions and systems was conducted on 12 September 2015 and all test objectives were met. We successfully simulated the intraday failure at the primary site and the recovery and resumption of all critical functions/systems namely trading, clearing, depository and surveillance within the target recovery time objectives from our DR site for these three markets.

In addition, Bursa Malaysia also facilitated two BCP exercises for the market participants, one on 23 May 2015 and the other on 8 August 2015. The primary objective was for the market participants to test and ensure that they could switch/connect to Bursa Malaysia, BMD and CME’s primary sites’ systems from their backup sites/systems.

Continuing from 2014’s initiative to align Bursa Malaysia’s business continuity practices with the requirements of ISO 22301:2012 Business Continuity Management Systems, the Business Continuity Management (“BCM”) team conducted further comprehensive reviews with key interested parties (i.e. all BCP recovery teams) and made the necessary changes to Bursa’s BCP Policy and Procedure Manual. The BCP Policy and Procedure Manual was renamed Bursa Malaysia’s Business Continuity Management System (“BCMS”), together with ISO 22301:2012 (BCMS Requirements) and ISO 22313:2012 (BCMS Guidance), and will serve as a comprehensive guide for the Group’s BCM related processes and activities.

The BCMS is all encompassing as it includes all necessary resources such as business continuity policy, BCP, business and technology infrastructure and facilities, people with defined responsibilities, and relevant business continuity management processes such as leadership, business planning, implementation, support, operation, performance monitoring, management review and continual improvement. The BCMS has been put into effect in 2015.

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

### ii. Cyber Attack Risk

In order to ensure that our systems are secured, Bursa Malaysia has invested in and set in place adequate IT security tools and mechanisms to detect, protect against and respond to cyber security threats that are constantly evolving and emerging globally. These tools and mechanisms include:

TOOLS AND MECHANISMS	
i.	FIREWALL AND INTRUSION PREVENTION SYSTEM
ii.	CLEAN PIPE SERVICES
iii.	APPLICATIONS AND SYSTEMS SEGMENTATION
iv.	ANTI-VIRUS AND ANTI-MALWARE
v.	ROUND-THE-CLOCK CYBER THREATS MONITORING

We will continue to review and enhance these tools and mechanisms to address new and increasingly sophisticated cyber threats.

### iii. Talent Management Risk

In 2015, we further strengthened our 2014 initiatives to focus on talent management, developmental growth for employees and diverse engagement programmes by:

- Refining our Succession Management Framework and development plan to accelerate the successors' readiness for critical positions.
- Focusing on several learning approaches to support employees' development interventions to ensure consistent progress in their Individual Development Plan.
- Implementing initiatives and programmes to sustain and improve levels of engagement at corporate and divisional levels as part of our talent retention strategy.

### iv. Increasing Competition Risk

Our Blueprint, established in 2012 together with the strategic intents, remains relevant in guiding Bursa Malaysia towards the desired end state of becoming Asia's Leading Marketplace. In the face of increasing competition, we have refined our 2014-2016 strategy to reflect the state of overall

progress and to enable greater focus and alignment to our aspirations to:

OUR ASPIRATIONS	
i.	BE A DYNAMIC NATIONAL EXCHANGE THAT PROPELS ECONOMIC GROWTH AND CAPITAL MARKET DEVELOPMENT
ii.	HAVE A CLEAR NICHE IN ISLAMIC CAPITAL MARKETS, SUSTAINABILITY AND COMMODITIES
iii.	HAVE A DEEPER AND WIDER ASEAN FOOTPRINT

### v. Central Counterparty Credit Risk

Bursa Malaysia has in place robust risk management processes and procedures to manage counterparty/settlement risks and prevent any systemic impact on the market. Bursa Malaysia Securities Clearing Sdn Bhd and Bursa Malaysia Derivatives Clearing Berhad 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 Principles for Financial Market Infrastructures ("PFMI") issued by the Committee on Payment and Settlement Systems ("CPSS"), Technical Committee of the International Organisation of Securities Commissions ("IOSCO"), which include the following:

- Daily mark-to-market positions, initial and variation margin requirements and collateral management;
- Monitoring Trading Clearing Participants' ("TCP") and Clearing Participants' ("CP") capital requirements and adequacy;
- Managing credit exposures via price, trading, single client, equity and position limits;
- Monitoring monthly the financial health of the clearing settlement banks via the risk weighted capital ratio ("RWCR") and credit ratings. The concentration risk is also monitored based on the TCP or CP total trade settlements with the relevant clearing settlement banks;
- Maintenance and stress-testing of the Clearing Guarantee Fund ("CGF") and the Clearing Fund for equities and derivatives trading, respectively to ensure that they are sufficient to protect the Clearing Houses under extreme but plausible market scenarios; and

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

- Conducting 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 2015, there were no settlement defaults by any TCP or CP and neither the CGF nor the Clearing Fund was called upon.

In order to further strengthen the Group's credit risk controls, in 2015 we enhanced our credit stress testing and risk monitoring functions to include reviewing the risk exposures and collateral policies according to the risk standards set by the IOSCO.

In line with international best practices, Bursa Malaysia Derivatives Clearing Berhad has published its Disclosure Framework (<http://www.bursamalaysia.com/market/derivatives/disclosure-framework/bmdc-disclosure-framework/>) in accordance with Principle 23 of the PFMI issued by the CPSS, IOSCO.

We will continue to review and enhance the above processes and procedures in accordance with best practices and standards to ensure that they are viable and robust.

### vi. Market Regulation Risk

The Group, as a securities and derivatives exchange in Malaysia, has a statutory duty to ensure an orderly and fair market and to ensure that we act in the public interest, having particular regard to the need for investor protection. In order to address any risks that could affect or emanate from our front-line regulator role, we have put in place adequate mechanisms and processes for monitoring, supervision and oversight of the trading activities in our markets, intermediaries of our markets and the listed issuers.

- Towards the end of 2015, we revisited all our existing significant risks together with any relevant inherent and emerging risks to assess their effect on the Group for the upcoming year and we recognised that the above significant risks will remain relevant for 2016.

## 7. Performance Measurement

- Key Performance Indicators ("KPIs"), which are based on the Corporate and Divisional Balanced Scorecards and Individual KPI and Behavioural Competencies, are used to track and measure employees' performance.

- Yearly employee engagements and customer satisfaction surveys are conducted to gain feedback on the effectiveness and efficiency of stakeholder engagements for continuous improvement.

## 8. Employees' Competency

Hiring and Termination Guidelines are in place, while training and development programmes are conducted to ensure that employees are kept up to date with the necessary competencies to carry out their respective duties in achieving the Group's objectives.

## 9. Conduct of Employees

- 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:

CORE VALUES
BUILDING RELATIONSHIPS
UNITED TO ACHIEVE
RESPONSIBILITY
SIMPLICITY
AGILITY

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

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

- 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. A Confidentiality Policy is established to manage, control and protect confidential information used by the Group to avoid leakage and its improper use.
- g. Management and employees at Grade E6 and above are required to declare annually 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 members of employees to reduce the scope for error and fraud.

### 10. 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 based on the current fixed asset register and the 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 Bursa Malaysia Securities Berhad MMLR, the External Auditors have reviewed this Statement for inclusion in the 2015 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 2 February 2016. GIA has 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 2015.

## COMPOSITION AND ATTENDANCE

The Audit Committee (“AC”) comprises four members, all of whom are Non-Executive Directors (“NEDs”): three are Independent NEDs and one is a Public Interest Director who also satisfies the test of independence under Bursa Malaysia Securities Berhad’s 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 and the Malaysian Institute of Certified Public Accountants. Accordingly, Bursa Malaysia complies with paragraph 15.09(1)(c)(i) of the 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, and supported the Board in ensuring the Group upholds appropriate CG standards.

## MEETINGS

The AC held five meetings in 2015 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 communications as well as to provide clarification on audit issues and the Group’s operations. The Senior Executive Vice President, 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 was invited to brief the AC on specific issues arising from the audit reports.

As part of the AC’s efforts to ensure the reliability of Bursa Malaysia’s quarterly financial statements and compliance with applicable Financial Reporting Standards, 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 2015, the AC Chairman presented to the Board the AC’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.

## SUMMARY OF ACTIVITIES

The AC’s activities in 2015 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 2014 and the annual audited financial statements of 2014 at its meeting on 26 January 2015.

The quarterly financial statements for the first, second and third quarters of 2015, which were prepared in compliance with the Malaysian Financial Reporting Standard (“MFRS”) 134 *Interim Financial Reporting*, International Accounting Standards 34 *Interim Financial Reporting* and paragraph 9.22, including Appendix 9B of the MMLR, were reviewed at the AC meetings on 16 April 2015, 14 July 2015 and 20 October 2015, respectively.

On 28 January 2016, the AC reviewed the quarterly financial statements for the fourth quarter of 2015 and the annual audited financial statements for 2015.

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 10 April 2015, 10 July 2015, 12 October 2015 and 20 January 2016, given assurance to the AC that:
  - i. Appropriate accounting policies had been adopted and applied consistently;

# AUDIT COMMITTEE REPORT

- 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 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 2015.
- c. On 26 January 2015, the CFO sought the AC's approval for the proposed audit and non-audit services to be provided by the External Auditors for 2015 ("Annual Plan 2015") in accordance with the Auditor Independence Policy.

## 2. External Audit

- a. With reference to the Auditor Independence Policy duly approved by the Board on 29 June 2006, which required that the lead and concurring audit partners who are responsible for the financial statements of Bursa Malaysia Group be subject to a five-year rotation with a five-year cooling-off period, Mr. Chan Hooi Lam was due for rotation as lead audit partner in 2015 and was replaced by Encik Megat Iskandar Shah bin Mohamad Nor who will be rotated in 2020. Mr. Abraham Verghese, who became the audit concurring partner on 1 October 2014 to replace Ms. Gloria Goh who retired as a partner of Messrs Ernst & Young ("EY") on 30 September 2014, will be due for rotation in 2019.

Hence, the lead audit engagement partner of the External Auditors, Mr. Chan Hooi Lam, attended the first AC meeting in 2015 to present the auditors' report on the annual audited financial statements for 2014. EY confirmed that they were and had been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

- b. The AC at its first meeting held on 26 January 2015 conducted an internal review of audit fees against the audit fees of financial institutions in Malaysia and other stock exchanges. The AC also undertook an annual assessment of the suitability and independence of the External Auditors in accordance with the Auditor Independence Policy, having regard to several factors including the adequacy of experience and resources of the firm and the professional staff assigned to the audit; and the level of non-audit services to be rendered by External Auditors to the Company for the financial year ("FY") 2015. Being satisfied with EY's performance, technical competency and audit independence as well as fulfilment of the criteria as set out in the Auditor Independence Policy, the AC recommended to the Board for approval of the appointment of EY as External Auditors for the FY 2015, with the rotation of audit engagement partner in 2015.

With the shareholders' approval of the appointment of EY as External Auditors for the FY 2015 on 31 March 2015, Encik Megat Iskandar Shah bin Mohamad Nor of EY, being the lead audit engagement partner for the first year in 2015, 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 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" at the quarterly AC meetings in 2015 and January 2016.

- c. The AC deliberated on the External Auditors' report at its meeting on 26 January 2015 with regard to the relevant disclosures in the annual audited financial statements for 2014.
- d. On 26 January 2015, the AC reviewed the list of services in the Annual Plan 2015 which comprised the audit services, non-recurring and recurring non-audit services that may be provided by the External Auditors. The non-recurring non-audit services that were expected to be utilised in 2015 were ad hoc accounting and tax advisory services including that on Goods and Services Tax ("GST") implementation as well as its post implementation review. The recurring non-audit services were in respect of tax compliance, services as scrutineers at Bursa Malaysia's AGM, the annual review of the Statement on Internal Control and Risk Management and limited reviews of quarterly financial statements. In considering the nature and scope of non-audit fees, the AC was satisfied that they were not likely to create any conflict of interest nor impair the independence and objectivity of the External Auditors.

## AUDIT COMMITTEE REPORT

e. The AC had two private meetings with the External Auditors in 2015 without the presence of the CEO, Management and Internal Auditors. At the first private meeting held in January 2015, the AC enquired about Management's cooperation 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. There were no areas of concern raised by EY that needed to be escalated to the Board. A couple of issues were raised by EY at the second private meeting held in October 2015. The AC Chairman immediately informed the Management of these pertinent issues for their further consideration and action. 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 Board.

f. On 20 October 2015, the AC reviewed the External Auditors' 2015 Audit Plan outlining their scope of work and proposed fees for the statutory audit, together with assurance-related fees for limited review of quarterly condensed consolidated financial statements, and review of the Statement of Internal Control and Risk Management. The AC recommended the proposed audit fees for the Board's approval and the same was duly approved by the Board on 23 October 2015.

The Board at its meeting held on 23 October 2015 then requested the Management to issue a Request for Proposal ("RFP") to facilitate an independent review by the AC of the external audit scope and fees. Submissions of proposals in response to the RFP were made by the participants in November 2015. Evaluations of the proposals took place in December 2015 based on the technical and financial evaluations criteria set by the Minor Tender Committee ("MTC"), to ensure that quality services are provided at competitive pricing.

g. The AC had on 14 January 2016 deliberated the outcome of the evaluations as presented by the MTC, 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 timeline. The AC then recommended to the Board for approval of the appointment of EY as external auditors of Bursa Malaysia for the FY ending 31 December 2016.

h. On 28 January 2016, the AC further 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 Group, 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 and EY 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, including 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 2015 and January 2016 respectively.

i. 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 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 2015 supports the AC's recommendation to the Board for approval of the appointment of EY as External Auditors for the FY ending 31 December 2016.

The Board at its meeting held on 2 February 2016 approved the AC's recommendation to appoint EY, subject to the shareholders' approval to be sought at the forthcoming 39<sup>th</sup> AGM on the appointment of EY as external auditors of the Company for the FY ending 31 December 2016.

# AUDIT COMMITTEE REPORT

- j. On 28 January 2016, the CFO reported that non-audit fees incurred in 2015 amounted to RM430,200, constituting approximately 49.9% of the total remuneration of RM862,000 to the External Auditors for the FY 2015. The non-recurring non-audit services rendered in 2015 included the GST implementation and its post-implementation review, as well as cyber security assessment (“CSA”), amounting to RM314,000, which constituted approximately 36.4% of the total remuneration.

The CSA was procured via a tender process in which evaluations were conducted based on technical and financial criteria. The AC’s approval for the engagement of EY to conduct the CSA as recommended by the Minor Tender Committee (“MTC”) in line with Bursa Malaysia’s Auditor Independence Policy as it was an unplanned non-audit service was sought at its third meeting held on 14 July 2015. The AC was satisfied in its review that the provision of this non-audit service in CSA by EY would not impair its audit independence as External Auditors of Bursa Malaysia, based on the rationale that CSA is a special project, not recurring in nature and unlikely to create a conflict of interest. The EY team conducting the CSA was separate from the external audit team and was neither involved in any form of system implementation at Bursa Malaysia nor involved in the statutory audit work of EY as External Auditors of Bursa Malaysia Group.

- k. The External Auditors provided written assurance on 28 January 2016 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 2015.

### 3. Internal Audit

- a. The GIA team conducted the audit activities as per the 2015 Risk-Based Audit Plan approved by the AC on 20 November 2014. 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 2015 Risk-Based Audit Plan was reviewed on a half-yearly basis or as required to reflect the changing risk landscape of the organisation and industry. A total of 55 audit engagements were completed in 2015.
- b. GIA’s scope of audit engagements was developed taking into consideration Bursa Malaysia’s Corporate Risk Profile 2015, Divisional Risk Profiles as well as its key strategic initiatives. The identified key audit areas or portfolios in 2015 were as follows:

#### THE IDENTIFIED KEY AUDIT AREAS/PORTFOLIOS IN 2015

i.	SECURITIES MARKET
ii.	BURSA MALAYSIA DERIVATIVES
iii.	ISLAMIC CAPITAL MARKET
iv.	REGULATION
v.	MARKET OPERATIONS
vi.	TECHNOLOGY & SYSTEMS
vii.	CORPORATE RISK MANAGEMENT
viii.	THEMATIC AREAS – SOCIAL MEDIA, CLEARING, CYBER ATTACK, GOVERNANCE
ix.	REVIEW OF CRITICAL SYSTEMS AND THEIR DISASTER RECOVERY PROCESS
x.	FUNCTIONAL GROUPS – HUMAN RESOURCES, CORPORATE SERVICES AND COMPLIANCE

- c. Co-sourcing arrangements were introduced with external service firms namely KPMG and EY to provide assurance in specialised and highly technical areas, particularly on clearing risk management and cyber security. It is part of GIA’s commitment to broaden its skills and coverage by leveraging on the knowledge of the subject matter experts.

As part of GIA’s advisory services, pilot implementation for Control Self Assessment was facilitated by GIA in collaboration with the strategic business units and functional units. Control Self Assessment is a process through which Management examines and assesses the adequacy and effectiveness of internal controls in mitigating related risks and thereby provides reasonable assurance that the business and/or operational objectives will be met.

- d. Further, in its advisory capacity, GIA reviewed the Group’s compliance and enterprise risk management functions via the benchmarking exercise with peer exchanges and best practices. In addition, GIA in collaboration with Group Human Resources (“GHR”) conducted a benchmark exercise on the Securities Transaction Policy (“STP”) to ensure that the Group’s practices were at par with other exchanges.
- e. As for the 2015 GIA’s Scorecard which was earlier approved at the fifth AC meeting held on 20 November 2014, the AC in January 2015 endorsed the revisions to the 2015 GIA’s Scorecard to adopt a five-point scale Key Performance Indicator (“KPI”) measurement in alignment with the 2015 Corporate Scorecard as approved by the Board of Directors in December 2014.

## AUDIT COMMITTEE REPORT

- f. In February 2015, the AC reviewed and approved the 2014 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.
- g. At the meeting on 16 April 2015, the AC reviewed the results of GIA's Customer Satisfaction Survey for 2014, 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 customers were generally satisfied with the performance of the IA function.
- h. During the same meeting, GIA presented to the AC the 2014 Control Risk Assessment report which provided the mapping of several key risks from the Corporate Risk Profile ("CRP") of Bursa Malaysia to the auditable areas or risk location covered in 2014. This was to assess the adequacy and effectiveness of the internal control systems to manage the key risks within the Group. Based on the engagements carried out in 2014, GIA reported that the overall internal control assessment for Bursa Malaysia was adequate with reference to the 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.
- i. The revised Project Assurance Framework ("PAF") was presented to the AC for approval on 16 April 2015. The main purpose of the PAF is to ensure the robustness of the project assurance framework in meeting the GIA mission to provide objective assurance and value added services from the project's perspective.
- j. On 14 July 2015, GIA presented to the AC the half-yearly updates on its activities comprising the progress of the 2015 Annual Audit Plan, ad hoc assignments and project assurance reviews, and GIA's key initiatives for 2015.
- k. At the meeting on 20 October 2015, the AC deliberated on and approved GIA's 2016 Business Plan which would be the final year of the 2014-2016 Strategic Plan. The key focus of the 2016 Business Plan is to enhance the alignment between the three lines of defence in Bursa Malaysia Group to optimise risk management across the organisation and to access a global network of relevant exchanges, regulators and standard setters which will enable GIA to deliver to the business, tangible benefits through comparisons, benchmarking and networking opportunities.
- l. At the same meeting, GHR presented the mid-year results of the 2015 GIA's Scorecard for the AC's notation.
- m. On 17 November 2015, the AC deliberated on and approved GIA's revision of the Audit Charter in line with the changes to the International Professional Practices Framework ("IPPF") for Internal Auditing by the Institute of Internal Auditors ("IIA"), Inc.
- n. At the same meeting, the AC reviewed and approved the GIA's Audit Plan for 2016, having regard to the adequacy of scope and coverage of all auditable areas in the final year of a three-year cycle, and the allocation of Internal Auditors' man-days to the respective audit categories.
- o. The AC on 17 November 2015 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 2015 for the 2015 RSP Grant based on their job grades and performance ratings for 2014;
  - ii. The vesting of Plan Shares for the 2012, 2013 and 2014 RSP Grants on 15 July 2015; and
  - iii. The award of Plan Shares to selected executives of the Group on 1 July 2015 for the 2015 PSP Grant based on performance targets for the period 2015 to 2017.

## AUDIT COMMITTEE REPORT

- p. The AC reviewed the Statement on Internal Control and Risk Management on 17 November 2015 and 28 January 2016, for publication in the 2015 Annual Report.
- q. On 28 January 2016, 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 IIA Inc. in carrying out their duties for the FY 2015.

### INTERNAL AUDIT FUNCTION

GIA's vision is to become a provider of leading internal audit, risk management and governance services as well as to be a strategic business partner to the organisation. Its mission is to enhance and protect the organisational value of Bursa Malaysia Group by providing risk-based and objective assurance, advice and insight. By creating value through its services, GIA can become a partner to business and actively facilitate transformational change.

The IA functions include providing the Board, through the AC, reasonable assurance of the effectiveness of the Group's risk management, control and governance processes. GIA, which reported functionally to the AC and administratively to the CEO during the FY 2015, was led by the Head of GIA. 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 activities were carried out based on a risk-based audit plan approved by the AC. The audit plan took into consideration the Corporate and Divisional Risk Profiles and input from the senior management and the AC members. Further, GIA also engaged some of the Heads of the Strategic Business Units/ Support Functional Units in the development of the 2015 risk-based audit plan. 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' ("BMD") 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.

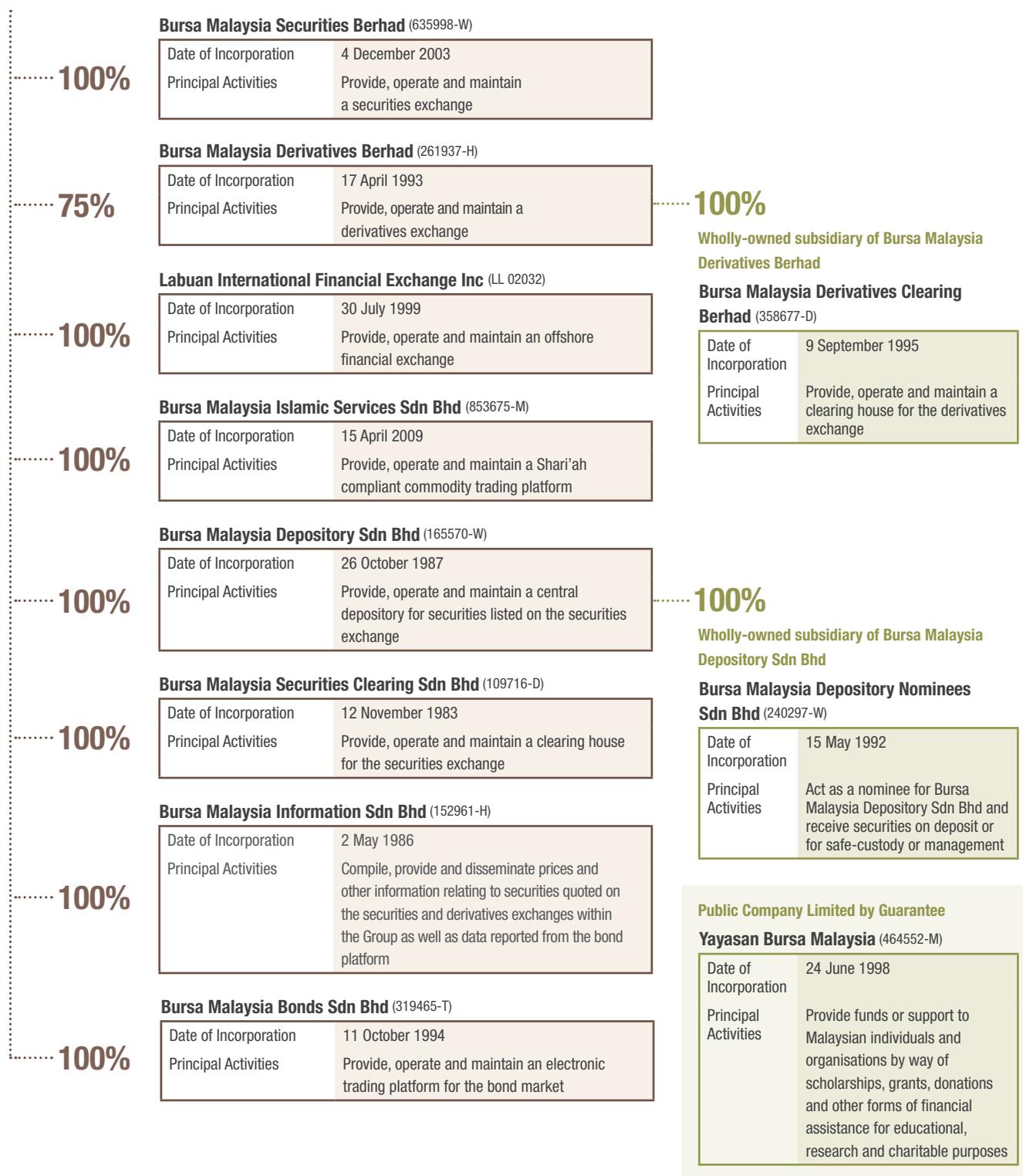
The total costs incurred by GIA in discharging its functions and responsibilities in 2015 amounted to RM3,778,102 compared to RM2,798,842 in 2014.

# CORPORATE INFORMATION

## GROUP CORPORATE STRUCTURE



### BURSA MALAYSIA BERHAD (30632-P)



# CORPORATE INFORMATION

## OTHER CORPORATE INFORMATION

### SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

#### **Datuk Karownikaran @ Karunakaran a/l Ramasamy**

Tel: 03-2093 6391

E-mail: karu.kr@gmail.com

### COMPANY SECRETARIES

#### **Yong Hazadurah Md. Hashim**

LS 006674

#### **Hong Soo Yong, Suzanne**

MAICSA 7026744

### REGISTERED OFFICE

15<sup>th</sup> 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  
3<sup>rd</sup> Floor, Exchange Square  
Bukit Kewangan, 50200 Kuala Lumpur  
Tel: 03-2026 5099  
Fax: 03-2026 4122  
E-mail: customerservice@bursamalaysia.com

### INVESTOR RELATIONS

Koay Lean Lee  
13<sup>th</sup> Floor, Exchange Square  
Bukit Kewangan, 50200 Kuala Lumpur  
Tel: 03-2034 7306  
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

### AUDITORS

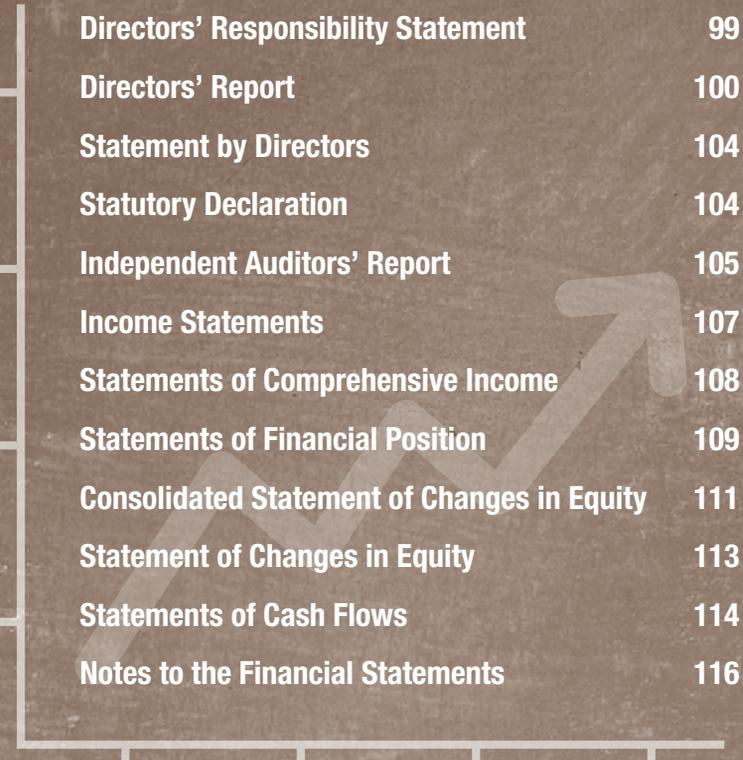
Ernst & Young (AF 0039)  
Chartered Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

### PRINCIPAL BANKERS

CIMB Bank Berhad (13491-P)  
5<sup>th</sup> 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 STATEMENTS



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# DIRECTORS' RESPONSIBILITY STATEMENT

## FOR THE AUDITED FINANCIAL STATEMENTS

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

# DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

## 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 RM'000	Company RM'000
Profit for the year	206,455	188,752
Profit attributable to:		
Owners of the Company	198,613	188,752
Non-controlling interest	7,842	-
	206,455	188,752

There were no material transfers to or from reserves or provisions during the financial year, other than those disclosed in 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 2014 were as follows:

	RM'000
In respect of the financial year ended 31 December 2014, as reported in the Directors' report of that year:	
Final dividend under the single-tier system of 18.0 sen per share, on 533,770,000 ordinary shares, approved on 31 March 2015 and paid on 16 April 2015	96,079
In respect of the financial year ended 31 December 2015:	
Interim dividend under the single-tier system of 16.5 sen per share, on 534,614,000 ordinary shares, declared on 15 July 2015 and paid on 12 August 2015	88,211
<b>Total dividends paid since 31 December 2014</b>	<b>184,290</b>

## DIRECTORS' REPORT

### Dividends (cont'd.)

At the forthcoming Annual General Meeting, a final dividend under the single-tier system in respect of the financial year ended 31 December 2015 of 18.0 sen per share on 534,614,000 ordinary shares, amounting to a dividend payable of approximately RM96,231,000 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 2016.

### 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	(appointed on 1 March 2015)
Datuk Seri Tajuddin bin Atan	
Datuk Dr. Md Tap bin Salleh	
Dato' Saiful Bahri bin Zainuddin	
Datuk Karownikaran @ 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	
Tun Mohamed Dzaidin bin Haji Abdullah	(retired on 1 March 2015)
Tan Sri Ong Leong Huat @ Wong Joo Hwa	(retired on 31 March 2015)

### 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' REPORT

## 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		
	1.1.2015 '000	Shares vested under the SGP '000	31.12.2015 '000
<b>Direct interests</b>			
Datuk Seri Tajuddin bin Atan	22	276	298

	Number of ordinary shares of RM0.50 each granted under the SGP				
	1.1.2015 '000	Granted '000	Vested '000	Forfeited '000	31.12.2015 '000
Datuk Seri Tajuddin bin Atan	241	312	(276)	(59)	218

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

## Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM266,760,000 to RM267,307,000 by way of the issuance of 1,094,000 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 1,369,000 shares under the RSP and 465,000 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 income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of 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.

## 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 2 February 2016.



**Tan Sri Amirsham bin A Aziz**



**Datuk Seri Tajuddin bin Atan**

# STATEMENT BY DIRECTORS

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

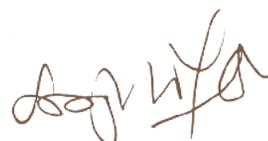
We, Tan Sri Amirsham bin A Aziz and Datuk Seri Tajuddin bin Atan, being two of the Directors of Bursa Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 107 to 196 are drawn up in accordance with Malaysian Financial Reporting 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 2015 and of their financial performance and cash flows for the year then ended.

The information set out in Note 41 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 2 February 2016.



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 107 to 197 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 2 February 2016.

Before me,




Rosidah binti Baharom

No. 50, Jalan Hang Lekiu,  
50100 Kuala Lumpur.

# INDEPENDENT AUDITORS' REPORT

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

## Report on the financial statements

We have audited the financial statements of Bursa Malaysia Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 107 to 196.

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

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## Report on other legal and regulatory requirements

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

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

## INDEPENDENT AUDITORS' REPORT

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

### Other reporting responsibilities

The supplementary information set out in Note 41 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other matters

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



**Ernst & Young**

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

2 February 2016



**Megat Iskandar Shah bin Mohamad Nor**

No. 3083/07/17(J)

Chartered Accountant

# INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Operating revenue	3	487,670	471,268	364,670	344,541
Other income	4	30,834	32,488	15,803	16,799
		<b>518,504</b>	503,756	<b>380,473</b>	361,340
Staff costs	5	(133,938)	(127,604)	(122,720)	(117,395)
Depreciation and amortisation	6	(23,739)	(25,287)	(21,646)	(20,627)
Other operating expenses	7	(82,051)	(79,106)	(51,748)	(52,845)
Profit before tax		<b>278,776</b>	271,759	<b>184,359</b>	170,473
Income tax expense	9	(72,321)	(67,737)	4,393	4,163
<b>Profit for the year</b>		<b>206,455</b>	204,022	<b>188,752</b>	174,636
<b>Profit attributable to:</b>					
Owners of the Company		<b>198,613</b>	198,226	<b>188,752</b>	174,636
Non-controlling interest		<b>7,842</b>	5,796	-	-
		<b>206,455</b>	204,022	<b>188,752</b>	174,636
<b>Earnings per share attributable to owners of the Company (sen per share):</b>					
Basic	10(a)	<b>37.2</b>	37.2		
Diluted	10(b)	<b>37.0</b>	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 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Profit for the year</b>		<b>206,455</b>	204,022	<b>188,752</b>	174,636
<b>Other comprehensive income:</b>					
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Foreign exchange translation		506	132	-	-
Net fair value changes in Available-For-Sale ("AFS") financial assets		30,141	19,954	30,144	20,033
Income tax relating to AFS financial assets	18	17	42	15	16
		<b>30,664</b>	20,128	<b>30,159</b>	20,049
<b>Items that will not be subsequently reclassified to profit or loss:</b>					
Actuarial (losses)/gains on defined benefit obligations	28(a)	(884)	1,806	(884)	1,806
Income tax relating to actuarial gains and losses on defined benefit obligations	18	168	(451)	168	(451)
		<b>(716)</b>	1,355	<b>(716)</b>	1,355
<b>Total other comprehensive income for the year, net of income tax</b>		<b>29,948</b>	21,483	<b>29,443</b>	21,404
<b>Total comprehensive income for the year</b>		<b>236,403</b>	225,505	<b>218,195</b>	196,040
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		228,561	219,709	218,195	196,040
Non-controlling interest		7,842	5,796	-	-
		<b>236,403</b>	225,505	<b>218,195</b>	196,040

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	191,214	197,264	190,572	196,061
Computer software	13	52,873	57,122	42,559	46,134
Goodwill	14	42,957	42,957	29,494	29,494
Investment in subsidiaries	15	-	-	152,142	152,142
Investment securities	16	203,401	188,449	148,667	118,631
Staff loans receivable	17	4,392	5,919	3,932	5,401
Deferred tax assets	18	2,307	3,673	-	-
		<b>497,144</b>	<b>495,384</b>	<b>567,366</b>	<b>547,863</b>
<b>Current assets</b>					
Trade receivables	19	48,674	41,289	1,760	938
Other receivables	20	23,042	17,412	18,256	13,517
Due from subsidiaries	21	-	-	35,771	32,847
Tax recoverable		3,327	2,721	2,760	2,746
Investment securities	16	30,048	41,916	-	31,928
Cash for trading margins, security deposits and eDividend distributions	22	1,087,526	717,133	-	-
Cash and bank balances of Clearing Funds	23	125,568	126,261	-	-
Cash and bank balances of the Group/Company	24	271,126	214,367	103,811	56,651
		<b>1,589,311</b>	<b>1,161,099</b>	<b>162,358</b>	<b>138,627</b>
<b>Total assets</b>		<b>2,086,455</b>	<b>1,656,483</b>	<b>729,724</b>	<b>686,490</b>

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	25	267,307	266,760	267,307	266,760
Share premium		107,443	100,064	107,443	100,064
Other reserves	26	109,875	76,658	74,226	41,514
Retained earnings	27	318,825	305,218	183,207	179,461
<b>Equity attributable to owners of the Company</b>		<b>803,450</b>	<b>748,700</b>	<b>632,183</b>	<b>587,799</b>
<b>Non-controlling interest</b>		<b>16,018</b>	<b>14,001</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>819,468</b>	<b>762,701</b>	<b>632,183</b>	<b>587,799</b>
<b>Non-current liabilities</b>					
Retirement benefit obligations	28(a)	26,112	26,605	26,112	26,605
Deferred grants	29	4,087	5,193	2,798	3,876
Deferred tax liabilities	18	3,333	8,149	967	5,261
		<b>33,532</b>	<b>39,947</b>	<b>29,877</b>	<b>35,742</b>
<b>Current liabilities</b>					
Trade payables	22	1,083,886	715,815	-	-
Participants' contribution to Clearing Funds	23	35,568	36,261	-	-
Other payables	30	107,297	93,532	67,664	62,949
Tax payable		6,704	8,227	-	-
		<b>1,233,455</b>	<b>853,835</b>	<b>67,664</b>	<b>62,949</b>
<b>Total liabilities</b>		<b>1,266,987</b>	<b>893,782</b>	<b>97,541</b>	<b>98,691</b>
<b>Total equity and liabilities</b>		<b>2,086,455</b>	<b>1,656,483</b>	<b>729,724</b>	<b>686,490</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Note	Attributable to owners of the Company								Total	Non-controlling interest	Total equity	
	Share capital	Share premium	Capital redemption reserve	Foreign currency translation reserve	Share grant reserve	Clearing fund reserves	AFS reserve	Retained earnings				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2015</b>	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	
<b>Transactions with owners of the Company:</b>												
Issuance of ordinary shares pursuant to Share Grant Plan ("SGP")	25	547	7,379	-	-	(7,926)	-	-	-	-	-	
SGP expense	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)	
<b>At 31 December 2015</b>		267,307	107,443	5,250	710	10,049	30,000	63,866	318,825	803,450	16,018	819,468

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Note	Attributable to owners of the Company												Total equity RM'000
	Non-distributable						Distributable						
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Foreign currency translation reserve RM'000	Share grant reserve RM'000	Clearing fund reserves RM'000	AFS reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000		
<b>At 1 January 2014</b>	266,306	94,167	14,100	5,250	72	4,582	30,000	13,712	382,962	811,151	16,330	827,481	
Profit for the year	-	-	-	-	-	-	-	-	198,226	198,226	5,796	204,022	
Other comprehensive income for the year	-	-	-	-	132	-	-	19,996	1,355	21,483	-	21,483	
Total comprehensive income for the year	-	-	-	-	132	-	-	19,996	199,581	219,709	5,796	225,505	
<b>Transactions with owners of the Company:</b>													
Issuance of ordinary shares pursuant to SGP 25	454	5,897	-	-	-	(6,351)	-	-	-	-	-	-	
Redemption of preference shares (Note a)	-	-	(14,100)	-	-	-	-	-	-	(14,100)	-	(14,100)	
SGP expense 5	-	-	-	-	-	9,265	-	-	-	9,265	-	9,265	
Dividends paid 11	-	-	-	-	-	-	-	-	(277,325)	(277,325)	-	(277,325)	
Dividends paid to non-controlling interest 15(b)	-	-	-	-	-	-	-	-	-	-	(8,125)	(8,125)	
Total transactions with owners of the Company	454	5,897	(14,100)	-	-	2,914	-	-	(277,325)	(282,160)	(8,125)	(290,285)	
<b>At 31 December 2014</b>	<b>266,760</b>	<b>100,064</b>	<b>-</b>	<b>5,250</b>	<b>204</b>	<b>7,496</b>	<b>30,000</b>	<b>33,708</b>	<b>305,218</b>	<b>748,700</b>	<b>14,001</b>	<b>762,701</b>	

## Note a

In the previous financial year, the revamp of Bursa Malaysia Derivatives' participant structure was completed and all preference shares were cancelled.

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 2015

Note	← Non-distributable →			Distributable		
	Share capital	Share premium	Share grant reserve	AFS reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2015</b>	<b>266,760</b>	<b>100,064</b>	<b>7,496</b>	<b>34,018</b>	<b>179,461</b>	<b>587,799</b>
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
<b>Transactions with owners of the Company:</b>						
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)
<b>At 31 December 2015</b>		<b>267,307</b>	<b>107,443</b>	<b>10,049</b>	<b>64,177</b>	<b>183,207</b>
<b>At 1 January 2014</b>		<b>266,306</b>	<b>94,167</b>	<b>4,582</b>	<b>13,969</b>	<b>280,795</b>
Profit for the year		-	-	-	-	174,636
Other comprehensive income for the year		-	-	-	20,049	1,355
Total comprehensive income for the year		-	-	-	20,049	175,991
<b>Transactions with owners of the Company:</b>						
Issuance of ordinary shares pursuant to SGP	25	454	5,897	(6,351)	-	-
SGP expense (Note a)		-	-	9,265	-	9,265
Dividends paid	11	-	-	-	(277,325)	(277,325)
Total transactions with owners of the Company		454	5,897	2,914	(277,325)	(268,060)
<b>At 31 December 2014</b>		<b>266,760</b>	<b>100,064</b>	<b>7,496</b>	<b>34,018</b>	<b>179,461</b>

## Note a

SGP expense comprises RM9,940,000 (2014: RM8,622,000) relating to shares granted to the employees of the Company (as disclosed in Note 5) and RM539,000 (2014: RM643,000) relating to shares granted to the employees of Bursa Malaysia Derivatives.

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		<b>278,776</b>	271,759	<b>184,359</b>	170,473
Adjustments for:					
Amortisation of premiums/(accretion of discounts), net	7	<b>61</b>	(259)	<b>17</b>	(298)
Depreciation and amortisation	6	<b>23,739</b>	25,287	<b>21,646</b>	20,627
Dividend income from investment securities	4	<b>(5,372)</b>	(3,523)	<b>(5,372)</b>	(3,523)
Grant income	4	<b>(1,281)</b>	(2,750)	<b>(1,253)</b>	(1,078)
Gross dividend income from subsidiaries	3	-	-	<b>(211,936)</b>	(195,134)
Interest income	4	<b>(18,174)</b>	(18,827)	<b>(3,171)</b>	(4,894)
Net (gain)/loss on disposal of investment securities	4	<b>(95)</b>	566	<b>(95)</b>	517
Net impairment loss/(reversal of impairment loss) on:					
Amount due from a subsidiary	7	-	-	<b>2</b>	4
Trade and other receivables	7	<b>135</b>	(673)	<b>(173)</b>	(27)
Loss/(gain) on disposal of motor vehicle	4	<b>345</b>	(200)	<b>345</b>	(200)
Property, plant and equipment and computer software written off	7	<b>42</b>	5	<b>42</b>	5
Retirement benefit obligations	5	<b>1,369</b>	1,414	<b>1,369</b>	1,414
(Reversal of)/provision for short-term accumulating compensated unutilised leave	5	<b>(206)</b>	261	<b>(213)</b>	260
SGP expense	5	<b>10,479</b>	9,265	<b>9,940</b>	8,622
Unrealised (gain)/loss on foreign exchange differences		<b>(735)</b>	115	<b>(537)</b>	(5)
Operating profit/(loss) before working capital changes		<b>289,083</b>	282,440	<b>(5,030)</b>	(3,237)
Increase in receivables		<b>(7,334)</b>	(11,140)	<b>(784)</b>	(2,460)
Increase/(decrease) in payables		<b>13,247</b>	4,802	<b>6,636</b>	(2,655)
Changes in subsidiaries' balances		-	-	<b>(2,387)</b>	(1,526)
Cash generated from/(used in) operations		<b>294,996</b>	276,102	<b>(1,565)</b>	(9,878)
Staff loans repaid, net of disbursements		<b>1,045</b>	1,466	<b>1,006</b>	1,357
Retirement benefits paid		<b>(2,368)</b>	(1,774)	<b>(2,368)</b>	(1,774)
Net tax (paid)/refund		<b>(77,717)</b>	(68,542)	<b>268</b>	3,467
<b>Net cash from/(used in) operating activities</b>		<b>215,956</b>	207,252	<b>(2,659)</b>	(6,828)

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from investing activities</b>					
Interest received		17,042	19,496	3,221	5,525
Dividends received		1,515	3,851	213,451	198,985
(Increase)/decrease in deposits not for short-term funding requirements		(7,068)	104,834	(12,886)	56,087
Proceeds from disposal of investment securities		58,554	97,986	43,553	53,312
Proceeds from disposal of motor vehicle		283	200	283	200
Purchases of investment securities		(31,463)	(94,026)	(11,439)	(49,205)
Purchases of property, plant and equipment and computer software		(15,534)	(12,796)	(14,960)	(12,772)
<b>Net cash from investing activities</b>		<b>23,329</b>	<b>119,545</b>	<b>221,223</b>	<b>252,132</b>
<b>Cash flows from financing activities</b>					
Additional cash resources to Clearing Funds	23	-	(60,000)	-	-
Dividends paid	11	(184,290)	(277,325)	(184,290)	(277,325)
Dividends paid by a subsidiary to non-controlling interest		(5,825)	(8,125)	-	-
Redemption of preference shares		-	(13,718)	-	-
<b>Net cash used in financing activities</b>		<b>(190,115)</b>	<b>(359,168)</b>	<b>(184,290)</b>	<b>(277,325)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>49,170</b>	<b>(32,371)</b>	<b>34,274</b>	<b>(32,021)</b>
Effect of exchange rate changes		521	130	-	-
Cash and cash equivalents at beginning of year		214,367	246,608	56,651	88,672
<b>Cash and cash equivalents at end of year</b>	24(ii)	<b>264,058</b>	<b>214,367</b>	<b>90,925</b>	<b>56,651</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 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 15<sup>th</sup> Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 2 February 2016.

## 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 carried at fair value in accordance with the 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 Adoption of Amendments to MFRSs and Annual Improvements

At the beginning of the financial year, the Group and the Company adopted the following Amendments to MFRSs and Annual Improvements which are mandatory for the financial periods beginning on or after 1 January 2015:

Amendments to MFRS 119 *Employee Benefits - Defined Benefit Plans: Employee Contributions*

Annual improvements to MFRSs 2010 - 2012 Cycle

Annual improvements to MFRSs 2011 - 2013 Cycle

The adoption of the above pronouncements did not have any impact on the financial statements of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

### 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 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

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* \*

#### Effective for financial periods beginning on or after 1 January 2018

MFRS 15 Revenue from Contracts with Customers

MFRS 9 Financial Instruments (IFRSs 9 Financial Instruments as issued by the International Accounting Standards Board in July 2014)

\* *The effective date of these Standards have been deferred, and yet to be announced by MASB.*

The Group and the Company will adopt the above pronouncements when they become effective in the financial year beginning 1 January 2016. The Group and the Company do not expect any material impact to the financial statements of the above pronouncements other than the two Standards described below, for which the effects of adoption are still being assessed:

#### (a) MFRS 15 Revenue from Contracts with Customers

MFRS 15 *Revenue from Contracts with Customers* was issued in September 2014 and established a five-step model that will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is 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 principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

#### (b) MFRS 9 Financial Instruments

In November 2014, the MASB issued the final version of MFRS 9 *Financial Instruments*, replacing MFRS 139. This Standard makes changes to the requirements for classification and measurement, impairment and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Group's and of the Company's financial assets, but no impact on the classification and measurement of the Group's and of the Company's financial liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

#### (b) MFRS 9 Financial Instruments (cont'd.)

MFRS 9 *Financial Instruments* also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 *Financial Instruments* aligns hedge accounting more closely with risk management, establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the previous model.

This Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory.

The Group and the Company expect to complete the assessment of the effect of these Standards and plan to adopt these Standards with effect from 1 January 2016.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

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

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

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

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

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

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

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

#### (b) Property, plant and equipment and depreciation (cont'd.)

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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

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

##### (ii) Computer software (cont'd.)

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

#### (e) Financial assets

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

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss ("FVTPL"), directly attributable transaction costs.

The Group and the Company determine the classification of financial assets upon initial recognition. The categories include financial assets at FVTPL, loans and receivables, Held-To-Maturity ("HTM") investments and AFS financial assets.

#### (i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for 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.

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

#### (ii) Loans and receivables

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

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

##### (iii) HTM investments

Financial assets with fixed or determinable payments and fixed 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.

##### (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 assess at each financial year end whether there is any objective evidence that a financial asset is impaired.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

#### (f) Impairment of financial assets (cont'd.)

##### (i) Loans and receivables and HTM investments (cont'd.)

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 loan receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable or staff loan receivable becomes uncollectible, it is written off against the allowance account.

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

##### (ii) AFS financial assets

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

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

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

##### (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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

#### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

#### (i) Fair value measurement (cont'd.)

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 where 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.

#### (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. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### (m) Revenue recognition

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

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

##### (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 derivative 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 fee, guarantee and tender fees. Collateral management services fee is recognised on an accrual basis. Guarantee fees are recognised on a daily basis on day end margin requirements for open contracts. Tender fees are recognised on per contract tendered.

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

Listing and issuer services revenue comprises:

###### (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 2015

## 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 the access to the required services are provided.

##### (b) Participants' fees

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

##### (c) Broker services

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

##### (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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 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 in which the benefits will be paid, and that have terms to maturity approximating to the terms of the pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Net interest is recognised in profit or loss. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

##### (iv) Share-based compensation

The Company's SGP (implemented on 18 April 2011), an equity-settled, share-based compensation plan, allows eligible employees of the Group to be entitled for ordinary shares of the Company. The total fair value of shares granted to employees are recognised as an employee cost with a corresponding increase in the share grant reserve within equity over the vesting period while taking into account the probability that the shares will vest. The fair value of shares are measured at grant date, taking into account, if any, the market vesting conditions upon which the shares were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions in respect of the number of shares that are expected to be granted on vesting date.

At each financial year end, the Group and the Company revise its estimate of the number of shares that are expected to be granted on vesting date. It recognises the impact of revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share grant reserve.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

#### (q) Income taxes (cont'd.)

##### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the financial year end between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for the deferred tax liability that arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, 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 ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

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

#### (r) Foreign currency (cont'd.)

##### (ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in foreign currencies are measured in the respective functional currencies at the exchange rates approximating those ruling at the transaction dates. At each financial year end, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial year end. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the dates when the fair value was determined.

Exchange differences arising from the settlement of monetary items, or on translating monetary items at the financial year end are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising 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 year ends.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

### 2.5 Significant accounting judgements and estimates

#### Key sources of estimation uncertainty

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are 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

The Group and the Company review its investment securities and assess at each financial year end whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the investment securities are subject to impairment review.

The impairment review comprises the following judgements made by management:

- (i) Determination whether its investment security is impaired following certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.
- (ii) Determination of the "significant" or "prolonged" criteria requires judgement and management evaluation on various factors, such as historical fair value movement and the significant reduction in fair value.

The carrying amount of investment securities as at the financial year end are disclosed in Note 16.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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

### 2.5 Significant accounting judgements and estimates (cont'd.)

#### Key sources of estimation uncertainty (cont'd.)

##### (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.

##### (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. In estimating the fair value of the share-based payment transactions, it requires the determination of the appropriate valuation model and the inputs (for example, expected volatility of the share price and/or dividend yield) to the valuation model. The key assumptions are disclosed in Note 28(b).

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 3. Operating revenue

	Group	
	2015 RM'000	2014 RM'000
Securities clearing fees <sup>1</sup>	185,616	193,693
Securities trade fees	24,489	25,250
Other securities revenue	22,944	20,173
<b>Total securities trading revenue</b>	<b>233,049</b>	239,116
Derivatives clearing fees	18,995	16,366
Derivatives trade fees	50,935	43,375
Other derivatives revenue	16,218	10,862
<b>Total derivatives trading revenue</b>	<b>86,148</b>	70,603
Bursa Suq Al-Sila trading revenue	16,787	9,962
Listing and issuer services	52,914	55,931
Depository services	38,415	35,368
Market data	33,667	31,300
Member services and connectivity	20,844	22,654
Other operating revenue	5,846	6,334
	<b>168,473</b>	161,549
<b>Total operating revenue</b>	<b>487,670</b>	471,268

<sup>1</sup> Securities clearing fees of the Group are stated net of the amount payable to the Securities Commission of RM48,952,000 (2014: RM51,794,000).

	Company	
	2015 RM'000	2014 RM'000
Broker services	7,460	6,906
Income from subsidiaries:		
Dividend	211,936	195,134
Management fees	127,911	125,855
Office space rental	4,607	4,607
Lease rental	12,756	11,880
Other operating revenue	-	159
<b>Total operating revenue</b>	<b>364,670</b>	344,541

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 4. Other income

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income from:				
Deposits with financial institutions	13,887	12,938	2,504	2,811
Investment securities	4,068	5,576	459	1,819
Others	219	313	208	264
Net gain/(loss) on disposal of investment securities	95	(566)	95	(517)
(Loss)/gain on disposal of motor vehicle	(345)	200	(345)	200
Rental	6,132	6,658	6,132	6,658
Dividend	5,372	3,523	5,372	3,523
Grant (Note 29)	1,281	2,750	1,253	1,078
Miscellaneous	125	1,096	125	963
	<b>30,834</b>	<b>32,488</b>	<b>15,803</b>	<b>16,799</b>

## 5. Staff costs

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages and salaries	75,968	74,344	68,883	67,730
Bonus	23,597	20,303	21,478	18,577
Social security contributions	361	355	340	335
Contributions to a defined contribution plan - EPF	14,713	14,116	13,770	13,277
(Reversal of)/provision for short-term accumulating compensated unutilised leave	(206)	261	(213)	260
Retirement benefit obligations (Note 28(a))	1,369	1,414	1,369	1,414
SGP expense	10,479	9,265	9,940	8,622
Other benefits	7,657	7,546	7,153	7,180
	<b>133,938</b>	<b>127,604</b>	<b>122,720</b>	<b>117,395</b>

Included in staff costs of the Group and of the Company is the Executive Director's remuneration of RM5,739,000 (2014: RM5,691,000), as further disclosed in Note 8.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 6. Depreciation and amortisation

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Depreciation of property, plant and equipment (Note 12)	12,128	12,928	11,567	11,628
Amortisation of computer software (Note 13)	11,611	12,359	10,079	8,999
	<b>23,739</b>	<b>25,287</b>	<b>21,646</b>	<b>20,627</b>

## 7. Other operating expenses

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Administrative expenses	5,867	5,507	5,578	5,253
Amortisation of premiums/(accretion of discounts), net	61	(259)	17	(298)
Auditors' remuneration:				
Statutory audit	366	295	82	68
Tax and assurance related services <sup>1</sup>	173	170	99	98
Other non-audit services <sup>2</sup>	314	112	314	112
Building management costs:				
Office rental	103	76	103	76
Upkeep and maintenance	11,102	11,116	11,102	11,116
Central Depository System ("CDS") consumables	3,478	3,762	3,478	3,762
Net impairment loss/(reversal of impairment loss) on:				
Amount due from a subsidiary	-	-	2	4
Trade and other receivables	135	(673)	(173)	(27)
Marketing and development expenses	9,312	10,750	4,535	5,262
Net (gain)/loss on foreign exchange differences	(262)	209	(580)	113
Operating lease payments (Note 32(a))	539	539	539	539
Professional fees	936	680	969	624
Property, plant and equipment and computer software written off	42	5	42	5
Rental of equipment	201	209	191	200
Technology charges:				
Information technology maintenance	18,046	18,848	15,753	16,256
Service fees	22,381	18,356	1,446	1,131
Others <sup>3</sup>	9,257	9,404	8,251	8,551
	<b>82,051</b>	<b>79,106</b>	<b>51,748</b>	<b>52,845</b>

<sup>1</sup> Tax and assurance related services provided by the auditors are in respect of tax compliance, quarterly limited reviews, annual review of the statement on internal control and risk management, and scrutineer fees for the Company's Annual General Meeting.

<sup>2</sup> Other non-audit services provided by the auditors are in respect of the review of Goods and Services Tax ("GST") implementation, GST review services, cyber security assessment and transfer pricing study.

<sup>3</sup> Others include Non-Executive Directors' remuneration as disclosed in Note 8.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 8. Directors' remuneration

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive Director's remuneration (Note 5):				
Salaries and other emoluments	5,350	5,273	5,350	5,273
Defined contribution plan - EPF	389	418	389	418
	<b>5,739</b>	5,691	<b>5,739</b>	5,691
Estimated monetary value of benefits-in-kind	35	35	35	35
	<b>5,774</b>	5,726	<b>5,774</b>	5,726
Non-executive Directors' remuneration:				
Fees	975	990	975	990
Other emoluments	1,755	1,526	1,719	1,526
	<b>2,730</b>	2,516	<b>2,694</b>	2,516
Estimated monetary value of benefits-in-kind	35	35	35	35
	<b>2,765</b>	2,551	<b>2,729</b>	2,551
<b>Total Directors' remuneration</b>	<b>8,539</b>	8,277	<b>8,503</b>	8,277
Total Directors' remuneration excluding benefits-in-kind	8,469	8,207	8,433	8,207
Estimated monetary value of benefits-in-kind	70	70	70	70
<b>Total Directors' remuneration including benefits-in-kind</b>	<b>8,539</b>	8,277	<b>8,503</b>	8,277

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 8. Directors' remuneration (cont'd.)

	2015		2014	
	Directors' fees RM'000	Other allowances <sup>1</sup> / salaries RM'000	Directors' fees RM'000	Other allowances <sup>1</sup> / salaries RM'000
<b>Group</b>				
Tan Sri Amirsham bin A Aziz	125	658	-	-
Datuk Seri Tajuddin bin Atan	-	5,774	-	5,726
Datuk Dr. Md Tap bin Salleh	100	142	100	117
Dato' Saiful Bahri bin Zainuddin	100	105	100	89
Datuk Karownikaran @ Karunikaran a/l Ramasamy	100	117	100	109
Datuk Chay Wai Leong	100	70	100	76
Ghazali bin Hj Darman	100	85	100	82
Dato' Zuraidah binti Atan	100	74	87	49
Pushpanathan a/l S.A. Kanagarayar	100	95	53	43
Dato' Eshah binti Meor Suleiman	100	96	17	14
Tun Mohamed Dzaidin bin Haji Abdullah	25	332	150	813
Tan Sri Ong Leong Huat @ Wong Joo Hwa	25	16	100	70
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	-	-	24	39
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	-	-	59	60
	<b>975</b>	<b>7,564</b>	<b>990</b>	<b>7,287</b>
<b>Company</b>				
Tan Sri Amirsham bin A Aziz	125	658	-	-
Datuk Seri Tajuddin bin Atan	-	5,774	-	5,726
Datuk Dr. Md Tap bin Salleh	100	118	100	117
Dato' Saiful Bahri bin Zainuddin	100	93	100	89
Datuk Karownikaran @ Karunikaran a/l Ramasamy	100	117	100	109
Datuk Chay Wai Leong	100	70	100	76
Ghazali bin Hj Darman	100	85	100	82
Dato' Zuraidah binti Atan	100	74	87	49
Pushpanathan a/l S.A. Kanagarayar	100	95	53	43
Dato' Eshah binti Meor Suleiman	100	96	17	14
Tun Mohamed Dzaidin bin Haji Abdullah	25	332	150	813
Tan Sri Ong Leong Huat @ Wong Joo Hwa	25	16	100	70
Tan Sri Datuk Dr. Abdul Samad bin Haji Alias	-	-	24	39
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	-	-	59	60
	<b>975</b>	<b>7,528</b>	<b>990</b>	<b>7,287</b>

<sup>1</sup> Other allowances comprise the Chairman's allowance and meeting allowances which vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended during the year.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 9. Income tax expense

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax:				
Current year provision	75,867	74,844	45	327
(Over)/under provision of tax in prior year	(281)	70	(327)	72
	<b>75,586</b>	<b>74,914</b>	<b>(282)</b>	<b>399</b>
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	(3,587)	(5,258)	(4,351)	(2,741)
Relating to reduction in Malaysian income tax rate	823	(918)	727	(820)
Over provision of tax in prior year	(501)	(1,001)	(487)	(1,001)
	<b>(3,265)</b>	<b>(7,177)</b>	<b>(4,111)</b>	<b>(4,562)</b>
Total income tax expense	<b>72,321</b>	<b>67,737</b>	<b>(4,393)</b>	<b>(4,163)</b>

The Malaysian statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016.

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 2015 and 31 December 2014 is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Accounting profit before tax	278,776	271,759	184,359	170,473
Taxation at Malaysian statutory tax rate of 25%	69,694	67,940	46,090	42,618
Deferred tax not recognised in respect of current year's tax losses	1	1	-	-
Effect of tax rate of 3% on profit before tax for subsidiary incorporated in Labuan	(61)	(55)	-	-
Effect of expenses not deductible for tax purposes	4,397	5,670	4,245	4,949
Effect of reduction in Malaysian income tax rate	823	(918)	727	(820)
Effect of income not subject to tax	(1,751)	(1,637)	(54,641)	(49,981)
Recognition of previously unrecognised deferred tax assets	-	(1,586)	-	-
Utilisation of previously unrecognised tax losses by a subsidiary	-	(747)	-	-
(Over)/under provision of income tax in prior year	(281)	70	(327)	72
Over provision of deferred tax in prior year	(501)	(1,001)	(487)	(1,001)
Income tax expense for the year	<b>72,321</b>	<b>67,737</b>	<b>(4,393)</b>	<b>(4,163)</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 9. Income tax expense (cont'd.)

Tax savings of the Group and of the Company are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Arising from utilisation of current year tax losses	762	-	762	-
Arising from utilisation of previously unrecognised tax losses	-	747	-	-
	<b>762</b>	<b>747</b>	<b>762</b>	<b>-</b>

## 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	
	2015	2014
Profit for the year, net of tax, attributable to owners of the Company (RM'000)	198,613	198,226
Weighted average number of ordinary shares in issue ('000)	534,105	533,114
Basic EPS (sen)	<b>37.2</b>	37.2

### (b) Diluted EPS

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of ordinary shares issued to employees under the SGP and potential ordinary shares which may arise from the SGP grants which have not been vested as at the end of the year.

	Group	
	2015	2014
Profit for the year, net of tax, attributable to owners of the Company (RM'000)	198,613	198,226
Weighted average number of ordinary shares in issue ('000)	534,105	533,114
Effect of dilution of share grants ('000)	2,588	2,209
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<b>536,693</b>	535,323
Diluted EPS (sen)	<b>37.0</b>	37.0

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 11. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Special dividend on ordinary shares</b>				
20.0 sen per share under the single-tier system, on 533,520,000 ordinary shares	-	-	-	106,704
<b>Interim dividend on ordinary shares</b>				
16.5 sen per share under the single-tier system, on 534,614,000 ordinary shares	88,211	-	88,211	-
16.0 sen per share under the single-tier system, on 533,520,000 ordinary shares	-	85,363	-	85,363
<b>Final dividend on ordinary shares</b>				
18.0 sen per share under the single-tier system, on 533,770,000 ordinary shares	-	96,079	96,079	-
16.0 sen per share under the single-tier system, on 532,862,000 ordinary shares	-	-	-	85,258
	<b>88,211</b>	181,442	<b>184,290</b>	277,325

At the forthcoming Annual General Meeting, a final dividend under the single-tier system in respect of the financial year ended 31 December 2015 of 18.0 sen per share on 534,614,000 ordinary shares, amounting to a dividend payable of approximately RM96,231,000 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 2016.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 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
<b>Cost</b>							
At 1 January 2015		320,841	32,177	49,353	2,188	430	404,989
Additions		4,547	550	1,031	580	-	6,708
Disposal		-	-	-	(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
<b>Accumulated depreciation</b>							
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
Disposal		-	-	-	(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
<b>Net carrying amount at 31 December 2015</b>							
		179,951	1,292	9,442	529	-	191,214
<b>Cost</b>							
At 1 January 2014		320,723	31,603	60,785	2,157	1,725	416,993
Additions		104	664	2,020	837	216	3,841
Disposal		-	-	-	(806)	-	(806)
Write-offs		-	(94)	(15,046)	-	-	(15,140)
Exchange differences		14	4	83	-	-	101
Reclassification		-	-	1,511	-	(1,511)	-
At 31 December 2014		320,841	32,177	49,353	2,188	430	404,989
<b>Accumulated depreciation</b>							
At 1 January 2014		132,712	30,346	45,974	1,605	-	210,637
Depreciation charge for the year	6	6,291	586	5,577	474	-	12,928
Disposal		-	-	-	(806)	-	(806)
Write-offs		-	(94)	(15,041)	-	-	(15,135)
Exchange differences		14	4	83	-	-	101
At 31 December 2014		139,017	30,842	36,593	1,273	-	207,725
<b>Net carrying amount at 31 December 2014</b>							
		181,824	1,335	12,760	915	430	197,264

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 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
<b>Cost</b>							
At 1 January 2015		320,564	31,727	48,568	2,010	429	403,298
Additions		4,547	550	1,031	580	-	6,708
Disposal		-	-	-	(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
<b>Accumulated depreciation</b>							
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
Disposal		-	-	-	(209)	-	(209)
Write-offs		-	(3)	(3,745)	-	-	(3,748)
At 31 December 2015		145,174	31,001	37,447	1,225	-	214,847
<b>Net carrying amount at 31 December 2015</b>							
		179,937	1,273	8,834	528	-	190,572
<b>Cost</b>							
At 1 January 2014		320,460	31,166	60,093	1,979	1,724	415,422
Additions		104	655	2,010	837	216	3,822
Disposal		-	-	-	(806)	-	(806)
Write-offs		-	(94)	(15,046)	-	-	(15,140)
Reclassification		-	-	1,511	-	(1,511)	-
At 31 December 2014		320,564	31,727	48,568	2,010	429	403,298
<b>Accumulated depreciation</b>							
At 1 January 2014		132,478	29,959	47,650	1,463	-	211,550
Depreciation charge for the year	6	6,282	562	4,345	439	-	11,628
Disposal		-	-	-	(806)	-	(806)
Write-offs		-	(94)	(15,041)	-	-	(15,135)
At 31 December 2014		138,760	30,427	36,954	1,096	-	207,237
<b>Net carrying amount at 31 December 2014</b>							
		181,804	1,300	11,614	914	429	196,061

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 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
<b>Cost</b>				
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
<b>Accumulated depreciation</b>				
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
<b>Net carrying amount at 31 December 2015</b>	<b>165,770</b>	<b>8,842</b>	<b>5,339</b>	<b>179,951</b>
<b>Cost</b>				
At 1 January 2014	285,960	19,862	14,901	320,723
Additions	-	-	104	104
Exchange differences	-	-	14	14
At 31 December 2014	285,960	19,862	15,019	320,841
<b>Accumulated depreciation</b>				
At 1 January 2014	109,706	10,456	12,550	132,712
Depreciation charge for the year	5,242	282	767	6,291
Exchange differences	-	-	14	14
At 31 December 2014	114,948	10,738	13,331	139,017
<b>Net carrying amount at 31 December 2014</b>	<b>171,012</b>	<b>9,124</b>	<b>1,688</b>	<b>181,824</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 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
<b>Cost</b>				
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
<b>Accumulated depreciation</b>				
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
<b>Net carrying amount at 31 December 2015</b>	<b>165,770</b>	<b>8,842</b>	<b>5,325</b>	<b>179,937</b>
<b>Cost</b>				
At 1 January 2014	285,960	19,862	14,638	320,460
Additions	-	-	104	104
At 31 December 2014	285,960	19,862	14,742	320,564
<b>Accumulated depreciation</b>				
At 1 January 2014	109,706	10,456	12,316	132,478
Depreciation charge for the year	5,242	282	758	6,282
At 31 December 2014	114,948	10,738	13,074	138,760
<b>Net carrying amount at 31 December 2014</b>	<b>171,012</b>	<b>9,124</b>	<b>1,668</b>	<b>181,804</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 13. Computer software

	Note	2015			2014		
		Implemented projects	Projects-in-progress	Total	Implemented projects	Projects-in-progress	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>							
<b>Cost</b>							
At 1 January		110,594	3,914	114,508	107,326	2,261	109,587
Additions		6,790	612	7,402	5,639	2,438	8,077
Write-offs		(818)	-	(818)	(3,156)	-	(3,156)
Reclassification		3,914	(3,914)	-	785	(785)	-
At 31 December		120,480	612	121,092	110,594	3,914	114,508
<b>Accumulated amortisation</b>							
At 1 January		57,386	-	57,386	48,183	-	48,183
Amortisation charge for the year	6	11,611	-	11,611	12,359	-	12,359
Write-offs		(778)	-	(778)	(3,156)	-	(3,156)
At 31 December		68,219	-	68,219	57,386	-	57,386
<b>Net carrying amount at 31 December</b>		<b>52,261</b>	<b>612</b>	<b>52,873</b>	<b>53,208</b>	<b>3,914</b>	<b>57,122</b>
<b>Company</b>							
<b>Cost</b>							
At 1 January		91,179	3,914	95,093	88,193	2,261	90,454
Additions		5,932	612	6,544	5,357	2,438	7,795
Write-offs		(818)	-	(818)	(3,156)	-	(3,156)
Reclassification		3,914	(3,914)	-	785	(785)	-
At 31 December		100,207	612	100,819	91,179	3,914	95,093
<b>Accumulated amortisation</b>							
At 1 January		48,959	-	48,959	43,116	-	43,116
Amortisation charge for the year	6	10,079	-	10,079	8,999	-	8,999
Write-offs		(778)	-	(778)	(3,156)	-	(3,156)
At 31 December		58,260	-	58,260	48,959	-	48,959
<b>Net carrying amount at 31 December</b>		<b>41,947</b>	<b>612</b>	<b>42,559</b>	<b>42,220</b>	<b>3,914</b>	<b>46,134</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. Goodwill

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 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 5% per annum (2014: 5% per annum), while expenses have been assumed to grow at an average of 5% per annum (2014: 4% to 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 14% (2014: 15%) and 10% (2014: 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% (2014: 11%) was applied in determining the recoverable amount of the respective CGU. The discount rate was based on the Group's weighted average cost of capital.

### Sensitivity to changes in assumptions

Management believes that no reasonable possible changes in any of the key assumptions above would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. Investments in subsidiaries

	Company	
	2015	2014
	RM'000	RM'000
Unquoted shares, at cost	174,183	174,183
Less: Accumulated impairment losses	(22,041)	(22,041)
	152,142	152,142

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Proportion of ownership interest		Ordinary paid-up capital as at	Principal activities
	2015	2014	31.12.2015	
	%	%	RM'000	
Bursa Malaysia Securities Berhad ("Bursa Malaysia Securities")	100	100	25,000	Provide, operate and maintain a securities exchange.
Bursa Malaysia Derivatives Berhad ("Bursa Malaysia Derivatives")	75	75	50,000	Provide, operate and maintain a derivatives exchange.
Labuan International Financial Exchange Inc. ("LFX") *	100	100	5,500 (in USD'000)	Provide, operate and maintain an offshore financial exchange.
Bursa Malaysia Securities Clearing Sdn. Bhd. ("Bursa Malaysia Securities Clearing")	100	100	50,000	Provide, operate and maintain a clearing house for the securities exchange.
Bursa Malaysia Depository Sdn. Bhd. ("Bursa Malaysia Depository")	100	100	25,000	Provide, operate and maintain a central depository for securities listed on the securities exchange.
Bursa Malaysia Information Sdn. Bhd. ("Bursa Malaysia Information")	100	100	250	Compile, provide and disseminate 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	Provide, operate and maintain an electronic trading platform for the bond market.
Bursa Malaysia Islamic Services Sdn. Bhd. ("Bursa Malaysia Islamic Services")	100	100	2,600	Provide, operate and maintain a Shari'ah compliant commodity trading platform.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 15. Investments in subsidiaries (cont'd.)

Name of subsidiaries	Proportion of ownership interest		Ordinary paid-up capital as at	Principal activities
	2015 %	2014 %	31.12.2015 RM'000	
<b>Subsidiary held through Bursa Malaysia Depository</b>				
Bursa Malaysia Depository Nominees Sdn. Bhd. ("Bursa Malaysia Depository Nominees")	100	100	~	Act as a nominee for Bursa Malaysia Depository and receive securities on deposit or for safe-custody or management.
<b>Subsidiary held through Bursa Malaysia Derivatives</b>				
Bursa Malaysia Derivatives Clearing Berhad ("Bursa Malaysia Derivatives Clearing")	75	75	20,000	Provide, operate and maintain a clearing house for the derivatives exchange.

\* Incorporated in the Federal Territory of Labuan, Malaysia.

~ Denotes RM2.

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

	2015 RM'000	2014 RM'000
<b>Assets</b>		
Non-current assets	15,964	17,142
Current assets	1,179,342	800,327
<b>Total assets</b>	<b>1,195,306</b>	<b>817,469</b>
<b>Equity attributable to owners of the Company</b>	<b>69,070</b>	<b>61,005</b>
<b>Liabilities</b>		
Non-current liabilities	3,628	4,165
Current liabilities	1,122,608	752,299
<b>Total liabilities</b>	<b>1,126,236</b>	<b>756,464</b>
<b>Total equity and liabilities</b>	<b>1,195,306</b>	<b>817,469</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 15. Investments in subsidiaries (cont'd.)

#### (b) Summarised consolidated income statement

	2015 RM'000	2014 RM'000
Revenue	102,176	89,664
Expenses	(60,154)	(58,400)
Profit for the year	<b>31,367</b>	23,183
Dividends paid to non-controlling interest	<b>5,825</b>	8,125

#### (c) Summarised consolidated statement of cash flows

	2015 RM'000	2014 RM'000
Net cash from operating activities	31,156	26,500
Net cash from investing activities	521	1,651
Net cash used in financing activities	(23,460)	(46,547)
Net increase/(decrease) in cash and cash equivalents	<b>8,217</b>	(18,396)
Cash and cash equivalents at the beginning of year	<b>53,776</b>	72,172
Cash and cash equivalents at the end of year	<b>61,993</b>	53,776

The summarised financial information represents the amount before inter-company eliminations between Bursa Malaysia Berhad Group and Bursa Malaysia Derivatives Berhad Group.

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. Investment securities

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Non-current</b>				
AFS financial assets				
- Shares (quoted outside Malaysia)	148,667	118,631	148,667	118,631
- Bonds (unquoted)	54,734	69,818	-	-
	203,401	188,449	148,667	118,631
<b>Current</b>				
AFS financial assets				
- Bonds (unquoted)	30,048	37,014	-	27,026
HTM investment				
- Commercial papers	-	4,902	-	4,902
	30,048	41,916	-	31,928
Total investment securities	233,449	230,365	148,667	150,559

## 17. Staff loans receivable

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Housing loans	4,915	6,555	4,377	5,964
Vehicle loans	43	57	43	57
Computer loans	68	59	66	57
	5,026	6,671	4,486	6,078
Less: Portion within 12 months, included in other receivables (Note 20)	(634)	(752)	(554)	(677)
	4,392	5,919	3,932	5,401

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 18. Deferred tax assets/(liabilities)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	(4,476)	(11,244)	(5,261)	(9,388)
Recognised in income statements (Note 9)	3,265	7,177	4,111	4,562
Recognised in other comprehensive income	185	(409)	183	(435)
At 31 December	<b>(1,026)</b>	<b>(4,476)</b>	<b>(967)</b>	<b>(5,261)</b>

Presented after appropriate offsetting as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets (before offsetting)	21,033	20,677	18,656	16,942
Offsetting	(18,726)	(17,004)	(18,656)	(16,942)
Deferred tax assets (after offsetting)	<b>2,307</b>	3,673	-	-
Deferred tax liabilities (before offsetting)	(22,059)	(25,153)	(19,623)	(22,203)
Offsetting	18,726	17,004	18,656	16,942
Deferred tax liabilities (after offsetting)	<b>(3,333)</b>	(8,149)	<b>(967)</b>	(5,261)
	<b>(1,026)</b>	<b>(4,476)</b>	<b>(967)</b>	<b>(5,261)</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 18. Deferred tax assets/(liabilities) (cont'd.)

### Deferred tax assets of the Group:

	Provision of retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment of receivables RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
At 1 January 2015	6,651	7,742	19	47	4,632	1,586	20,677
Recognised in income statements	(522)	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
At 1 January 2014	7,236	8,401	10	42	3,321	-	19,010
Recognised in income statements	(134)	(659)	9	5	1,311	1,586	2,118
Recognised in other comprehensive income	(451)	-	-	-	-	-	(451)
At 31 December 2014	6,651	7,742	19	47	4,632	1,586	20,677

### Deferred tax assets of the Company:

	Provision of retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment of receivables RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
At 1 January 2015	6,651	5,606	11	42	4,632	-	16,942
Recognised in income statements	(522)	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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 18. Deferred tax assets/(liabilities) (cont'd.)

#### Deferred tax assets of the Company: (cont'd.)

	Provision of retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment of receivables RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Total RM'000
At 1 January 2014	7,237	6,471	11	37	3,321	17,077
Recognised in income statements	(135)	(865)	-	5	1,311	316
Recognised in other comprehensive income	(451)	-	-	-	-	(451)
At 31 December 2014	6,651	5,606	11	42	4,632	16,942

#### Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000	AFS investments RM'000	Total RM'000
At 1 January 2015	(24,992)	(161)	(25,153)
Recognised in income statements	3,031	46	3,077
Recognised in other comprehensive income	-	17	17
At 31 December 2015	(21,961)	(98)	(22,059)
At 1 January 2014	(30,032)	(222)	(30,254)
Recognised in income statements	5,040	19	5,059
Recognised in other comprehensive income	-	42	42
At 31 December 2014	(24,992)	(161)	(25,153)

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 18. Deferred tax assets/(liabilities) (cont'd.)

### Deferred tax liabilities of the Company:

	Accelerated capital allowances RM'000	AFS investments RM'000	Total RM'000
At 1 January 2015	(22,145)	(58)	(22,203)
Recognised in income statements	2,522	43	2,565
Recognised in other comprehensive income	-	15	15
At 31 December 2015	(19,623)	-	(19,623)
At 1 January 2014	(26,378)	(87)	(26,465)
Recognised in income statements	4,233	13	4,246
Recognised in other comprehensive income	-	16	16
At 31 December 2014	(22,145)	(58)	(22,203)

As at the financial year end, the Group has unutilised tax losses of RM8,152,000 (2014: RM8,149,000), which is not recognised in the financial statements as it is not probable that there is sufficient taxable profits in the subsidiary in which the losses occur for these to be utilised. The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia is subject to no substantial changes in the shareholding of the respective subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

## 19. Trade receivables

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade receivables	49,406	41,677	2,018	1,196
Less: Allowance for impairment	(732)	(388)	(258)	(258)
	48,674	41,289	1,760	938

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 20. Other receivables

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits	738	735	616	613
Prepayments	7,746	7,472	7,620	7,048
Interest receivables	5,114	3,759	856	698
Staff loans receivable within 12 months (Note 17)	634	752	554	677
Sundry receivables	14,869	10,962	11,021	7,065
	<b>29,101</b>	<b>23,680</b>	<b>20,667</b>	<b>16,101</b>
Less: Allowance for impairment	(6,059)	(6,268)	(2,411)	(2,584)
	<b>23,042</b>	<b>17,412</b>	<b>18,256</b>	<b>13,517</b>

### 21. Related company balances

The amounts due from subsidiaries are unsecured, receivable within 30 days and bear late interest charges of two percentage points above the prevailing base lending rate.

### 22. Cash for trading margins, security deposits and eDividend distributions

	Group	
	2015 RM'000	2014 RM'000
Trading margins	1,050,155	700,012
Security deposits	33,731	15,803
Trade payables (Note c)	1,083,886	715,815
Cash received for eDividend distributions (included in other payables (Note 30))	3,640	1,318
Total cash for trading margins, security deposits, and eDividend distributions (Note a)	<b>1,087,526</b>	<b>717,133</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 22. Cash for trading margins, security deposits and eDividend distributions (cont'd.)

### 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. Details of the cash received are as follows:

	Group	
	2015	2014
	RM’000	RM’000
Cash on hand and at banks	286,709	125,418
Deposits with licensed financial institutions	800,817	591,715
	1,087,526	717,133

### Note b

The amount of non-cash collaterals for trading margins, security deposits and Securities Borrowing and Lending (“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	
	2015	2014
	RM’000	RM’000
Collaterals in the form of letters of credit	669,057	494,115
Collaterals in the form of shares	7,179	6,220
	676,236	500,335

### Note c

Trade payables comprise 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 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	12,911	-	12,911
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	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
Derivatives Clearing Fund ("DCF") contributions	22,657	5,000	27,657
<b>Total cash and bank balances of Clearing Funds as at 31 December 2015</b>	<b>35,568</b>	<b>90,000</b>	<b>125,568</b>
Contributions from:			
TCPs of Bursa Malaysia Securities Clearing	13,832	-	13,832
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	13,832	85,000	98,832
Contributions from:			
CPs of Bursa Malaysia Derivatives Clearing	22,429	-	22,429
Bursa Malaysia Derivatives Clearing	-	5,000	5,000
Derivatives Clearing Fund ("DCF") contributions	22,429	5,000	27,429
<b>Total cash and bank balances of Clearing Funds as at 31 December 2014</b>	<b>36,261</b>	<b>90,000</b>	<b>126,261</b>

(i) As at the financial year end, the total cash and non-cash components of the CGF are as follows:

	2015 RM'000	2014 RM'000
Cash and bank balances	97,911	98,832
Bank guarantees from TCPs of Bursa Malaysia Securities Clearing	4,547	4,496
<b>Total CGF</b>	<b>102,458</b>	<b>103,328</b>

(ii) There are no non-cash collaterals from CPs of Bursa Malaysia Derivatives Clearing for DCF held by the Group as at 31 December 2015 and 31 December 2014.

# NOTES TO THE FINANCIAL STATEMENTS

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## 24. Cash and bank balances

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash on hand and at banks	5,143	4,068	1,012	621
Deposits with:				
Licensed banks	252,010	190,571	95,372	53,121
Licensed investment banks	13,973	19,728	7,427	2,909
	265,983	210,299	102,799	56,030
<b>Total cash and bank balances</b>	<b>271,126</b>	<b>214,367</b>	<b>103,811</b>	<b>56,651</b>

- (i) Included in the Group's and the Company's cash and bank balances is an amount of RM182,000 (2014: RM1,668,000) set aside to meet or secure the claims of creditors and certain lease payments 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total cash and bank balances	271,126	214,367	103,811	56,651
Less: Deposits not for short-term funding requirements	(7,068)	-	(12,886)	-
	264,058	214,367	90,925	56,651

## 25. Share capital

	Number of ordinary shares of RM0.50 each		Amount	
	2015 '000	2014 '000	2015 RM'000	2014 RM'000
<b>Authorised</b>				
At 1 January/31 December	2,000,000	2,000,000	1,000,000	1,000,000
<b>Issued and fully paid</b>				
At 1 January	533,520	532,612	266,760	266,306
Issued during the year pursuant to SGP (Note 28(b))	1,094	908	547	454
At 31 December	534,614	533,520	267,307	266,760

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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 26. Other reserves

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital redemption reserve	(a)	5,250	5,250	-	-
Foreign currency translation reserve	(b)	710	204	-	-
Share grant reserve	(c)	10,049	7,496	10,049	7,496
Clearing fund reserves	(d)	30,000	30,000	-	-
AFS reserve	(e)	63,866	33,708	64,177	34,018
		<b>109,875</b>	<b>76,658</b>	<b>74,226</b>	<b>41,514</b>

### (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	
	2015 RM'000	2014 RM'000
Bursa Malaysia Depository	5,000	5,000
Bursa Malaysia Securities	250	250
	<b>5,250</b>	<b>5,250</b>

The capital redemption reserve is non-distributable in the form of dividends but may be applied in paying up unissued shares of the subsidiaries to be issued to the shareholder of the subsidiaries as fully paid bonus shares.

### (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	
		2015 RM'000	2014 RM'000
Amount set aside for:			
CGF, in accordance with Rules of Bursa Malaysia Securities Clearing	(i)	25,000	25,000
DCF, in accordance with Rules of Bursa Malaysia Derivatives Clearing	(ii)	5,000	5,000
		<b>30,000</b>	<b>30,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

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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) AFS reserve

AFS reserve represents the cumulative fair value changes, net of tax, of AFS financial assets 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:

	<b>Group and Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Present value of funded defined benefit obligations	<b>26,959</b>	27,943
Fair value of plan assets	<b>(847)</b>	(1,338)
<b>Net liability arising from defined benefit obligations</b>	<b>26,112</b>	<b>26,605</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 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 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
At 1 January 2014		30,440	(1,490)	28,950
Interest expense/(income)	5	1,488	(74)	1,414
		31,928	(1,564)	30,364
Remeasurements:				
Return on plan assets		-	57	57
Experience gain		(1,459)	-	(1,459)
Actuarial changes arising from changes in financial and demographic assumptions		(404)	-	(404)
		(1,863)	57	(1,806)
Contributions by employer		-	(1,774)	(1,774)
Payments from plan		(2,122)	1,943	(179)
At 31 December 2014		27,943	(1,338)	26,605

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 28. Employee benefits (cont'd.)

### (a) Retirement benefit obligations (cont'd.)

The plan assets comprise the following:

	Group and Company	
	2015	2014
	%	%
Malaysian Government Securities	95	47
Cash and fixed deposits	5	53

Principal actuarial assumptions used:

	Group and Company	
	2015	2014
	%	%
Discount rate	5.3	5.3
Expected rate of salary increase	5.0	5.0

The discount rate is determined based on the values of AA rated corporate bond yields with 3 to 15 years of maturity.

Significant actuarial assumptions for determination of the defined benefits obligation are discount rate and expected salary increase. The sensitivity analysis below has been determined based on changes to individual assumptions, with all other assumptions held constant:

	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
<b>At 31 December 2015</b>				
(Decrease)/increase in defined benefit obligations	(1,388)	1,508	1,417	(1,333)
<b>At 31 December 2014</b>				
(Decrease)/increase in defined benefit obligations	(1,547)	1,689	1,747	(1,631)

The sensitivity analysis presented above may not be representative of the actual change in defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 28. Employee benefits (cont'd.)

### (b) SGP

The SGP is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 14 April 2011. The SGP was implemented on 18 April 2011 and is in force for a maximum period of 10 years from the date of implementation.

The SGP comprises two types of performance-based awards, namely RSP and PSP.

The salient features and terms of the SGP are as follows:

- (i) The Committee (appointed by the Board of Directors to administer the SGP) may, 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 within the period stipulated.
- (ii) To facilitate the implementation of the SGP, a Trust to be administered in accordance to the Trust Deed by the Trustee appointed by the Company was established. The Trustee shall subscribe for new ordinary shares of RM0.50 each in the Company and transfer the shares to eligible employees and/or Executive Directors of the Group participating in the SGP. The Trustee will obtain financial funding from the Company and/or its subsidiaries and/or third parties for purposes of administering the Trust.
- (iii) The total number of shares to be issued under the SGP shall not exceed, in aggregate, 10% of the issued and paid-up share capital (excluding treasury shares) of the Company at any point of time during the tenure of the SGP and out of which not more than 50% of the 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 28. Employee benefits (cont'd.)

### (b) SGP (cont'd.)

The following table illustrates the movement of shares under the SGP during the financial year:

	← Movements during the year →				At 31 December '000
	At 1 January '000	Granted '000	Vested '000	Forfeited '000	
<b>2015</b>					
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
	<b>3,098</b>	<b>1,834</b>	<b>(1,094)</b>	<b>(408)</b>	<b>3,430</b>
<b>2014</b>					
2011 grant:					
RSP	140	-	(135)	(5)	-
2012 grants:					
RSP	331	-	(167)	(16)	148
PSP	224	-	-	(8)	216
2013 grants:					
RSP	1,096	-	(356)	(79)	661
PSP	475	-	-	(35)	440
2014 grants:					
RSP	-	1,478	(250)	(45)	1,183
PSP	-	450	-	-	450
	<b>2,266</b>	<b>1,928</b>	<b>(908)</b>	<b>(188)</b>	<b>3,098</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 28. Employee benefits (cont'd.)

### (b) SGP (cont'd.)

As disclosed in Note 25, share grants vested during the financial year resulted in the issuance of 1,094,000 (2014: 908,000) ordinary shares of RM0.50 each. The weighted average share price at the date of vesting for the financial year was RM7.24 (2014: RM7.87).

The outstanding share grants at the end of the financial year are to be vested on specific dates in the following periods:

- (i) The 2013 grant is to be vested within the next year.
- (ii) The 2014 grants are to be vested within the next 2 years.
- (iii) The 2015 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 RM8.27 (2014: RM7.76). An average expected dividend yield of 5.3% (2014: 5.5%) was used in measuring the fair values.
- (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:

	2015	2014
Share price	RM8.20	RM7.80
Expected dividend yield	4.9%	5.0%
Expected volatility	16.0%	18.0%
Risk free rate	3.3%	3.5%

## 29. Deferred grants

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	5,193	7,768	3,876	4,779
Grant income (Note 4)	(1,281)	(2,750)	(1,253)	(1,078)
Received during the year	175	175	175	175
At 31 December	4,087	5,193	2,798	3,876

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. Deferred grants (cont'd.)

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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Accruals	17,783	18,679	11,110	12,577
Amount due to Securities Commission	6,386	5,187	-	-
Capital Market Education and Integrity Fund (“CMEIF”)	21,871	20,424	21,722	20,424
Provision for employee benefits	27,940	24,377	25,425	22,171
Receipts in advance	7,889	3,743	541	676
Sundry payables	25,428	21,122	8,866	7,101
	<b>107,297</b>	<b>93,532</b>	<b>67,664</b>	<b>62,949</b>

Included in sundry payables of the Group is cash received for eDividend distributions amounting to RM3,640,000 (2014: RM1,318,000).

## 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:

	2015	2014
	RM'000	RM'000
Depository - CF	50,000	50,000

The assets of the fund are segregated from the financial statements of the Group and are accounted for separately.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 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	
	2015	2014
	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	38,640	39,179
	<b>41,334</b>	<b>41,873</b>

The lease rental for the current financial year is disclosed in Note 7.

### (b) The Group and Company as lessee of equipment

The Company has entered into an operating lease arrangement for the use of 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	
	2015	2014
	RM'000	RM'000
Not later than one year	152	152
Later than one year and not later than two years	126	278
	<b>278</b>	<b>430</b>

The lease rental for the current financial year is disclosed in Note 7.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 32. Operating lease arrangements (cont'd.)

### (c) The Group and Company as lessor of building

The Company has entered into operating lease agreements for the rental of office space in the building. The lease period is three years with renewal option of another three years included in the agreements. The leases have a fixed rental rate for the existing lease period with an upward revision to the rental rate for the renewed lease period.

The future aggregate minimum lease payments receivable under operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Group and Company	
	2015	2014
	RM'000	RM'000
Not later than one year	5,333	5,509
Later than one year and not later than two years	5,235	2,597
Later than two years and not later than five years	7,669	14
	<b>18,237</b>	<b>8,120</b>

The lease rental for the current financial year is disclosed in Note 4.

### (d) The Company as lessor of building

The Company has entered into an operating lease arrangement with its subsidiaries for the use of office space. The lease is for a period of three years and shall be automatically renewed for further periods of three years for each renewal unless terminated.

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Company	
	2015	2014
	RM'000	RM'000
Not later than one year	4,607	4,607
Later than one year and not later than two years	3,504	4,607
Later than two years but not later than five years	10,513	10,513
	<b>18,624</b>	<b>19,727</b>

The lease rental for the current financial year is disclosed in Notes 3 and 34(a).

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 32. Operating lease arrangements (cont'd.)

#### (e) The Company as lessor of equipment

The Company has entered into an operating lease arrangement with its subsidiaries for the use of computer equipment. The equipment is leased between three to seven years with no purchase option included in the contract.

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Company	
	2015 RM'000	2014 RM'000
Not later than one year	15,077	14,917
Later than one year and not later than five years	39,947	43,689
Later than five years	7,883	10,347
	62,907	68,953

The lease rental for the current financial year is disclosed in Notes 3 and 34(a).

### 33. Capital commitments

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Approved and contracted for</b>				
Computers and office automation	1,399	4,077	1,247	3,771
Renovations	1,152	220	1,152	220
Office equipment	78	16	78	16
	2,629	4,313	2,477	4,007
<b>Approved but not contracted for</b>				
Computers and office automation	3,934	2,626	3,934	2,626
Renovations	1,148	-	1,148	-
	5,082	2,626	5,082	2,626

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 34. Significant related party disclosures

### (a) Transactions with subsidiaries

Significant transactions between the Company and its subsidiaries are as follows:

	2015 RM'000	2014 RM'000
Management fees income from:		
Bursa Malaysia Securities	76,594	76,575
Bursa Malaysia Derivatives	10,126	10,410
Bursa Malaysia Securities Clearing	8,278	7,405
Bursa Malaysia Derivatives Clearing	3,206	2,964
Bursa Malaysia Depository	17,930	17,812
Bursa Malaysia Information	5,213	5,173
Bursa Malaysia Islamic Services	6,547	5,499
Bursa Malaysia Bonds	2	2
LFX	15	15
	<b>127,911</b>	<b>125,855</b>
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
	<b>4,607</b>	<b>4,607</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 34. Significant related party disclosures (cont'd.)

#### (a) Transactions with subsidiaries (cont'd.)

Significant transactions between the Company and its subsidiaries are as follows: (cont'd.)

	2015 RM'000	2014 RM'000
Lease rental income from:		
Bursa Malaysia Securities	8,376	7,518
Bursa Malaysia Derivatives	836	780
Bursa Malaysia Securities Clearing	1,251	1,024
Bursa Malaysia Derivatives Clearing	200	173
Bursa Malaysia Depository	966	1,037
Bursa Malaysia Information	146	153
Bursa Malaysia Islamic Services	981	1,195
	<b>12,756</b>	<b>11,880</b>
Dividend income from:		
Bursa Malaysia Securities	78,000	78,500
Bursa Malaysia Derivatives	17,636	24,634
Bursa Malaysia Securities Clearing	58,100	35,000
Bursa Malaysia Depository	41,900	43,200
Bursa Malaysia Information	16,300	13,800
	<b>211,936</b>	<b>195,134</b>

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 shareholdings of the 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.

# NOTES TO THE FINANCIAL STATEMENTS

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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	
	2015	2014
	RM'000	RM'000
Short term employee benefits	10,123	9,940
Contributions to defined contribution plan - EPF	1,170	1,106
SGP	3,459	2,954
	<b>14,752</b>	<b>14,000</b>

Included in total remuneration of key management personnel are:

	Group and Company	
	2015	2014
	RM'000	RM'000
Executive Director's remuneration (Note 8)	5,739	5,691
Benefits-in-kind (Note 8)	35	35
	<b>5,774</b>	<b>5,726</b>

The Executive Director of the Group and of the Company and other key management personnel have been granted the following number of shares under the SGP:

	Group and Company	
	2015	2014
	'000	'000
At 1 January	945	604
Granted	630	732
Vested	(360)	(326)
Forfeited	(240)	(65)
At 31 December	<b>975</b>	<b>945</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 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 of 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 in the quoted price, the potential future value to the Group and the sell down restrictions surrounding the equity holding.

An increase/decrease of 1% (2014: 1%) in the quoted price of the instrument would result in an increase/decrease in equity of RM1,487,000 (2014: RM1,186,000).

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 36. Financial risk management objectives and policies (cont'd.)

### (b) Market risk: Interest rate risk (cont'd.)

#### 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 (2014: 25 basis points) increase/decrease in interest rates with all other variables held constant:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Effects on profit after tax if:				
- Increase by 25 basis points	668	564	193	105
- Decrease by 25 basis points	(668)	(564)	(193)	(105)
Effects on equity if:				
- Increase by 25 basis points	(409)	(37)	(193)	(163)
- Decrease by 25 basis points	409	37	193	163

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.

#### Interest rate risk exposure

The following table analyses the Group's and the Company's interest rate risk exposure. The unquoted bonds, commercial papers and deposits with licensed financial institutions are categorised by maturity dates.

	Maturity			Total RM'000	Effective interest rate %
	Less than one year RM'000	One to five years RM'000	More than five years RM'000		
<b>Group</b>					
<b>At 31 December 2015</b>					
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

## NOTES TO THE FINANCIAL STATEMENTS

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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 (cont'd.)

	Maturity			Total RM'000	Effective interest rate %
	Less than one year RM'000	One to five years RM'000	More than five years RM'000		
<b>Group</b>					
<b>At 31 December 2014</b>					
Investment securities	14,908	75,055	21,771	111,734	4.58
Deposits with licensed financial institutions:					
- Cash set aside by the Group for Clearing Funds	90,000	-	-	90,000	3.88
- Cash and bank balances	210,299	-	-	210,299	3.77
<b>Company</b>					
<b>At 31 December 2015</b>					
Deposits with licensed financial institutions:					
- Cash and bank balances	<b>102,799</b>	-	-	<b>102,799</b>	<b>4.14</b>
<b>At 31 December 2014</b>					
Investment securities	4,920	10,222	16,786	31,928	5.08
Deposits with licensed financial institutions:					
- Cash and bank balances	56,030	-	-	56,030	3.84

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 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:

	2015		2014	
	USD RM'000	SGD RM'000	USD RM'000	SGD RM'000
<b>Group</b>				
<b>Financial assets</b>				
Investment securities - shares quoted outside Malaysia	148,667	-	118,631	-
Trade receivables	535	-	881	-
	<b>149,202</b>	<b>-</b>	<b>119,512</b>	<b>-</b>
<b>Financial liabilities</b>				
Other payables	4,973	-	5,067	64
<b>Company</b>				
<b>Financial assets</b>				
Investment securities - shares quoted outside Malaysia	148,667	-	118,631	-
<b>Financial liabilities</b>				
Other payables	173	-	-	64

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	JPY RM'000	Total RM'000
<b>At 31 December 2015</b>			
<b>Financial assets</b>			
Cash for trading margins and security deposits	275,218	5,705	280,923
<b>Financial liabilities</b>			
Trade payables	(275,218)	(5,705)	(280,923)
	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 36. Financial risk management objectives and policies (cont'd.)

#### (c) Market risk: Foreign currency risk (cont'd.)

Group	USD RM'000	SGD RM'000	JPY RM'000	Total RM'000
<b>At 31 December 2014</b>				
<b>Financial assets</b>				
Cash for trading margins and security deposits	165,937	892	4,643	171,472
<b>Financial liabilities</b>				
Trade payables	(165,937)	(892)	(4,643)	(171,472)
	-	-	-	-

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.

	Group		Company	
	Profit after tax RM'000	Equity RM'000	Profit after tax RM'000	Equity RM'000
<b>At 31 December 2015</b>				
USD - strengthens by 5% against RM	(166)	7,267	(6)	7,427
<b>At 31 December 2014</b>				
USD - strengthens by 5% against RM	(157)	5,775	-	5,932
EUR - strengthens by 5% against RM	(2)	(2)	(2)	(2)

An equivalent weakening of the foreign currencies as shown above would have resulted in an equivalent, but opposite, impact.

# NOTES TO THE FINANCIAL STATEMENTS

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## 36. Financial risk management objectives and policies (cont'd.)

### (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	
<b>Group</b>				
<b>At 31 December 2015</b>				
<b>Current liabilities</b>				
Other payables which are financial liabilities	14,839	16,549	426	31,814
<b>At 31 December 2014</b>				
<b>Current liabilities</b>				
Other payables which are financial liabilities	11,782	13,804	723	26,309
<b>Company</b>				
<b>At 31 December 2015</b>				
<b>Current liabilities</b>				
Other payables which are financial liabilities	3,446	4,993	427	8,866
<b>At 31 December 2014</b>				
<b>Current liabilities</b>				
Other payables which are financial liabilities	3,137	3,241	723	7,101

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 36. Financial risk management objectives and policies (cont'd.)

### (d) Liquidity risk (cont'd.)

#### (ii) Clearing and settlement related risk

The clearing house subsidiaries of the Group acts as a counterparty to eligible trades concluded on the securities and derivatives markets through the novation of obligations of the buyers and sellers. The Group mitigates this exposure by establishing financial criteria for admission as participants, monitoring participants' position limits and requiring that margins and collaterals on outstanding positions be placed with the clearing houses. CGF and DCF, as disclosed in Note 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	
		2015 RM'000	2014 RM'000
<b>Current assets</b>			
Cash for trading margins and security deposits	22	1,083,886	715,815
Cash and bank balances of Clearing Funds:			
- Participants' contribution	23	35,568	36,261
<b>Current liabilities</b>			
Trade payables		(1,083,886)	(715,815)
Participants' contribution to Clearing Funds		(35,568)	(36,261)
		-	-

### (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 ends, 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 are minimised.

# NOTES TO THE FINANCIAL STATEMENTS

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## 36. Financial risk management objectives and policies (cont'd.)

### (e) Credit risk (cont'd.)

#### Investment securities and cash and bank balances

The counterparty risk rating of the Group's and of the Company's investment securities and cash and bank balances with financial institutions at the financial year end are as follows:

	Counterparty risk ratings				Total RM'000
	P1 RM'000	AAA RM'000	AA RM'000	A RM'000	
<b>Group</b>					
<b>At 31 December 2015</b>					
AFS financial assets					
- Unquoted bonds	-	10,019	74,763	-	84,782
Cash and bank balances *	-	757,649	664,844	61,727	1,484,220
<b>At 31 December 2014</b>					
AFS financial assets					
- Unquoted bonds	-	9,976	96,856	-	106,832
HTM investment					
- Commercial papers	4,902	-	-	-	4,902
Cash and bank balances *	-	640,575	352,662	64,524	1,057,761
<b>Company</b>					
<b>At 31 December 2015</b>					
Cash and bank balances	-	29,846	63,676	10,289	103,811
<b>At 31 December 2014</b>					
AFS financial assets					
- Unquoted bonds	-	-	27,026	-	27,026
HTM investment					
- Commercial papers	4,902	-	-	-	4,902
Cash and bank balances	-	17,893	37,405	1,353	56,651

\* Cash and bank balances include cash for trading margins, security deposits and eDividend distributions, cash and bank balances of Clearing Funds, and the Group's and the Company's cash and bank balances.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 36. Financial risk management objectives and policies (cont'd.)

### (e) Credit risk (cont'd.)

#### Receivables

The ageing analysis of the Group's and the Company's receivables are as follows:

	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	
<b>Group</b>										
<b>At 31 December 2015</b>										
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	-	-	-	-	-	-
<b>At 31 December 2014</b>										
Staff loans receivable	17	6,671	-	6,671	-	-	-	-	-	-
Trade receivables	19	41,677	388	32,667	4,426	2,440	346	1,043	367	8,622
Other receivables which are financial assets *	20	15,456	6,268	9,188	-	-	-	-	-	-
<b>Company</b>										
<b>At 31 December 2015</b>										
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	47,628	11,857	35,771	-	-	-	-	-	-
<b>At 31 December 2014</b>										
Staff loans receivable	17	6,078	-	6,078	-	-	-	-	-	-
Trade receivables	19	1,196	258	354	270	83	84	102	45	584
Other receivables which are financial assets *	20	8,376	2,584	5,792	-	-	-	-	-	-
Due from subsidiaries	21	44,702	11,855	32,847	-	-	-	-	-	-

\* Other receivables which are financial assets include deposits, interest receivables and sundry receivables, net of allowance for impairment.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 36. Financial risk management objectives and policies (cont'd.)

### (e) Credit risk (cont'd.)

#### (i) Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and with the Company. The Group's and the Company's trade receivables credit term ranges from seven 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.

#### (ii) Receivables that are impaired

The Group's and the Company's receivables that are impaired at the financial year end and the movement of the allowance accounts used to record the impairment are as follows:

Group	Trade receivables		Other receivables	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At nominal amounts	732	388	6,059	6,268
Less: Allowance for impairment	(732)	(388)	(6,059)	(6,268)
	-	-	-	-
Movement in allowance accounts:				
At 1 January	388	501	6,268	7,004
Charge/(reversal) of impairment loss for the year	344	63	(209)	(736)
Written off	-	(176)	-	-
At 31 December	732	388	6,059	6,268

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 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	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At nominal amounts	258	258	2,411	2,584	11,857	11,855
Less: Allowance for impairment	(258)	(258)	(2,411)	(2,584)	(11,857)	(11,855)
	-	-	-	-	-	-
Movement in allowance accounts:						
At 1 January	258	194	2,584	2,675	11,855	11,851
Charge/(reversal) of impairment loss for the year	-	64	(173)	(91)	2	4
At 31 December	258	258	2,411	2,584	11,857	11,855

Receivables that are individually determined to be impaired at the financial year end relate to debtors that are in significant financial difficulties and have defaulted on payments.

Receivables are not secured by any collateral or credit enhancements other than as disclosed in Note 22.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 37. Classification of financial instruments (cont'd.)

Group	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>At 31 December 2015</b>					
<b>Assets</b>					
Investment securities					
- Shares (quoted equity)	148,667	-	-	-	148,667
- Bonds	84,782	-	-	-	84,782
	<b>233,449</b>	-	-	-	<b>233,449</b>
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 trading margins, security deposits 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
<b>Total financial assets</b>	<b>233,449</b>	-	<b>1,552,582</b>	-	<b>1,786,031</b>
<b>Liabilities</b>					
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
<b>Total financial liabilities</b>	-	-	-	<b>1,151,268</b>	<b>1,151,268</b>

\* 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 37. Classification of financial instruments (cont'd.)

Group	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>At 31 December 2014</b>					
<b>Assets</b>					
Investment securities					
- Shares (quoted equity)	118,631	-	-	-	118,631
- Bonds	106,832	-	-	-	106,832
- Commercial papers	-	4,902	-	-	4,902
	225,463	4,902	-	-	230,365
Staff loans receivable	-	-	6,671	-	6,671
Trade receivables	-	-	41,289	-	41,289
Other receivables which are financial assets *	-	-	9,188	-	9,188
Cash for trading margins, security deposits and eDividend distributions	-	-	717,133	-	717,133
Cash and bank balances of Clearing Funds	-	-	126,261	-	126,261
Cash and bank balances	-	-	214,367	-	214,367
<b>Total financial assets</b>	225,463	4,902	1,114,909	-	1,345,274
<b>Liabilities</b>					
Trade payables	-	-	-	715,815	715,815
Participants' contributions to Clearing Funds	-	-	-	36,261	36,261
Other payables which are financial liabilities **	-	-	-	26,309	26,309
<b>Total financial liabilities</b>	-	-	-	778,385	778,385

\* 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 37. Classification of financial instruments (cont'd.)

Company	AFS RM'000	HTM RM'000	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>At 31 December 2015</b>					
<b>Assets</b>					
Investment securities					
- Shares (quoted equity)	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
<b>Total financial assets</b>	<b>148,667</b>	<b>-</b>	<b>155,910</b>	<b>-</b>	<b>304,577</b>
<b>Liability</b>					
Other payables which are financial liabilities **	-	-	-	8,866	8,866
<b>At 31 December 2014</b>					
<b>Assets</b>					
Investment securities					
- Shares (quoted equity)	118,631	-	-	-	118,631
- Bonds	27,026	-	-	-	27,026
- Commercial papers	-	4,902	-	-	4,902
	145,657	4,902	-	-	150,559
Staff loans receivable	-	-	6,078	-	6,078
Trade receivables	-	-	938	-	938
Other receivables which are financial assets *	-	-	5,792	-	5,792
Due from subsidiaries	-	-	32,847	-	32,847
Cash and bank balances	-	-	56,651	-	56,651
<b>Total financial assets</b>	<b>145,657</b>	<b>4,902</b>	<b>102,306</b>	<b>-</b>	<b>252,865</b>
<b>Liability</b>					
Other payables which are financial liabilities **	-	-	-	7,101	7,101

\* 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 38. Fair value

### (a) Financial instruments that are carried at fair value

AFS financial assets 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

Quoted equity is measured at Level 1. The fair value of quoted equity 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 assets in Level 3 as at the current and previous financial years.

Group	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>At 31 December 2015</b>			
<b>Asset</b>			
AFS financial assets	148,667	84,782	233,449
<b>At 31 December 2014</b>			
<b>Asset</b>			
AFS financial assets	118,631	106,832	225,463

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 38. Fair value (cont'd.)

### (a) Financial instruments that are carried at fair value (cont'd.)

Company	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>At 31 December 2015</b>			
<b>Asset</b>			
AFS financial assets	148,667	-	148,667
<b>At 31 December 2014</b>			
<b>Asset</b>			
AFS financial assets	118,631	27,026	145,657

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 2015 and 31 December 2014.

### (b) Financial instruments that are not carried at fair value

Financial instruments classified as HTM investments, loans and receivables and financial liabilities are carried at amortised cost.

The carrying amount of these financial instruments, other than staff loans receivable, are reasonable approximation of their fair values due to their short-term nature:

	Note
HTM investment securities	16
Trade receivables	19
Other receivables which are financial assets (except staff loans receivable within 12 months)	20
Related company balances	21
Cash for trading margins, security deposits 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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 38. Fair value (cont'd.)

#### (b) Financial instruments that are not carried at fair value (cont'd.)

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
<b>At 31 December 2015</b>				
Staff loans receivable (Note 17)	5,026	4,830	4,486	4,309
<b>At 31 December 2014</b>				
Staff loans receivable (Note 17)	6,671	6,416	6,078	5,843

### 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 RM807,537,000 (2014: RM753,893,000) 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 40. Segment information (cont'd.)

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 40. Segment information (cont'd.)

### Market segments

	Securities market RM'000	Derivatives market RM'000	Exchange holding RM'000	Others RM'000	Consolidated RM'000
<b>At 31 December 2015</b>					
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)
<b>Profit before tax</b>					<b>278,776</b>
<b>Segment assets</b>					
Assets	377,269	114,625	333,227	42,606	867,727
Clearing Funds	97,911	27,657	-	-	125,568
Cash for trading margins, security deposits 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
<b>Total assets</b>					<b>2,086,455</b>
<b>Segment liabilities</b>					
Liabilities	30,554	13,874	58,246	31,182	133,856
Participants' contribution to Clearing Funds	12,911	22,657	-	-	35,568
Trading margins 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
<b>Total liabilities</b>					<b>1,266,987</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 40. Segment information (cont'd.)

#### Market segments (cont'd.)

	Securities market RM'000	Derivatives market RM'000	Exchange holding RM'000	Others RM'000	Consolidated RM'000
<b>At 31 December 2015</b>					
<b>Other information</b>					
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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

#### 40. Segment information (cont'd.)

##### Market segments (cont'd.)

	Securities market RM'000	Derivatives market RM'000	Exchange holding RM'000	Others RM'000	Consolidated RM'000
<b>At 31 December 2014</b>					
Operating revenue	368,080	85,769	6,905	10,514	471,268
Other income	12,731	3,633	15,990	134	32,488
Direct costs	(86,474)	(48,566)	(31,794)	(5,297)	(172,131)
Segment profit/(loss)	294,337	40,836	(8,899)	5,351	331,625
Overheads					(59,866)
<b>Profit before tax</b>					<b>271,759</b>
<b>Segment assets</b>					
Assets	382,468	105,950	284,890	33,387	806,695
Clearing Funds	98,832	27,429	-	-	126,261
Cash for trading margins, security deposits and eDividend distributions	1,318	715,815	-	-	717,133
Segment assets	482,618	849,194	284,890	33,387	1,650,089
Unallocated corporate assets					6,394
<b>Total assets</b>					<b>1,656,483</b>
<b>Segment liabilities</b>					
Liabilities	24,367	13,371	55,087	31,187	124,012
Participants' contribution to Clearing Funds	13,832	22,429	-	-	36,261
Trading margins and eDividend distributions	1,318	715,815	-	-	717,133
Segment liabilities	39,517	751,615	55,087	31,187	877,406
Unallocated corporate liabilities					16,376
<b>Total liabilities</b>					<b>893,782</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 40. Segment information (cont'd.)

### Market segments (cont'd.)

	Securities market RM'000	Derivatives market RM'000	Exchange holding RM'000	Others RM'000	Consolidated RM'000
<b>At 31 December 2014</b>					
<b>Other information</b>					
Depreciation and amortisation in:					
Segments	7,285	4,761	1,616	976	14,638
Overheads	-	-	-	-	10,649
Other significant non-cash expenses:					
Net reversal of impairment loss on trade and other receivables	(560)	(85)	(28)	-	(673)
Property, plant and equipment and computer software written off	-	-	5	-	5
Retirement benefit obligations	-	-	-	-	1,414
SGP expense in:					
Segments	3,710	964	2,788	259	7,721
Overheads	-	-	-	-	1,544

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

#### 41. 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings:				
Realised	<b>332,389</b>	315,853	<b>184,175</b>	184,710
Unrealised	<b>1,018</b>	(3,893)	<b>(968)</b>	(5,249)
	<b>333,407</b>	311,960	<b>183,207</b>	179,461
Consolidation adjustments	<b>(14,582)</b>	(6,742)	-	-
	<b>318,825</b>	305,218	<b>183,207</b>	179,461

# LIST OF PROPERTIES OWNED BY BURSA MALAYSIA GROUP

AS AT 31 DECEMBER 2015

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 2015 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 *	77 years (14 April 2092)	18 years	7,144 / 71,347	August 1997	123,340
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 *	80 years (28 February 2095)	17 years	9,314 / 38,609	March 1998	42,430
3.	Lot 5.0 to 8.0, No. Berdaftar Geran 17768/MI/4/5 to 8 Bangunan No. M1 Lot No. 51452, Mukim of Kuala Lumpur Daerah Wilayah Persekutuan	4 <sup>th</sup> Floor, Wisma Chase Perdana, Off Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur	Four office units on the 4 <sup>th</sup> Floor of a 12-storey office building	Office	Freehold	N/A	32 years	N/A / 3,355	May 1998	8,842

\* 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 29 JANUARY 2016

Authorised Share Capital	: RM1,000,000,000 divided into 2,000,000,000 ordinary shares of RM0.50 each
Issued and Paid-up Share Capital	: <b>RM267,307,150</b> comprising <b>534,614,300</b> ordinary shares of RM0.50 each
Class of Shares	: Ordinary shares of RM0.50 each
Voting Rights	: One vote per ordinary share

## Analysis by Size of Shareholdings

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
1 – 99	192	1	193	1.10	2,320	12	2,332	0.00
100 – 1,000	7,133	104	7,237	41.24	5,941,071	81,600	6,022,671	1.13
1,001 – 10,000	8,011	314	8,325	47.44	30,530,561	1,504,529	32,035,090	5.99
10,001 – 100,000	1,400	182	1,582	9.01	37,097,426	6,906,306	44,003,732	8.23
100,001 – less than 5% of issued shares	119	90	209	1.19	100,118,490	107,383,390	207,501,880	38.81
5% and above of issued shares	3	0	3	0.02	245,048,595	0	245,048,595	45.84
<b>Total</b>	<b>16,858</b>	<b>691</b>	<b>17,549</b>	<b>100.00</b>	<b>418,738,463</b>	<b>115,875,837</b>	<b>534,614,300</b>	<b>100.00</b>

## Analysis of Equity Structure

No. Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1. Individual	14,710	354	68,592,334	3,978,912	12.83	0.74
2. Body Corporate						
a. Banks/finance companies	20	0	151,511,425	0	28.34	0.00
b. Investment trusts/foundations/charities	6	0	320,600	0	0.06	0.00
c. Industrial and commercial companies	203	15	11,360,229	309,500	2.13	0.06
3. Government agencies/institutions	1	0	100,200,001	0	18.74	0.00
4. Nominees	1,917	322	86,743,874	111,587,425	16.23	20.87
5. Others	1	0	10,000	0	0.00	0.00
<b>Total</b>	<b>16,858</b>	<b>691</b>	<b>418,738,463</b>	<b>115,875,837</b>	<b>78.33</b>	<b>21.67</b>

## STATISTICS OF SHAREHOLDINGS

AS AT 29 JANUARY 2016

### Top 30 Securities Account Holders

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Kumpulan Wang Persaraan (Diperbadankan)	105,830,400	19.80
2.	Capital Market Development Fund	100,200,001	18.74
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	39,018,194	7.30
4.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	22,094,300	4.13
5.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	14,249,182	2.67
6.	Amanahraya Trustees Berhad Amanah Saham Malaysia	10,102,700	1.89
7.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 12)	9,831,100	1.84
8.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Resident USA-2)	6,308,300	1.18
9.	The Nomad Group Bhd	6,072,728	1.14
10.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 9)	6,020,300	1.13
11.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt AN for Eastspring Investments Berhad	5,840,700	1.09
12.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	5,622,100	1.05
13.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Taiwan)	4,776,400	0.89
14.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	3,725,000	0.70
15.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A.	3,710,600	0.69
16.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund JY63 for Russell Emerging Markets Equity Fund (RIC PLC)	3,668,400	0.69
17.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for the Bank of New York Mellon (Mellon Acct)	3,633,100	0.68
18.	HSBC Nominees (Asing) Sdn Bhd SMTBUSA for Asia Oceania Dividend Yield Stock Mother Fund	3,600,000	0.67
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 (Tempatan) Sdn Bhd Exempt AN for AIA Bhd.	3,535,500	0.66
21.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	3,531,800	0.66
22.	Amanahraya Trustees Berhad Public Dividend Select Fund	3,209,300	0.60

## STATISTICS OF SHAREHOLDINGS

AS AT 29 JANUARY 2016

### Top 30 Securities Account Holders (cont'd.)

No.	Name	No. of Issued Shares	% of Issued Shares
23.	Citigroup Nominees (Tempatan) Sdn Bhd Bank Negara Malaysia National Trust Fund (Hwang)	2,874,200	0.54
24.	Citigroup Nominees (Asing) Sdn Bhd UBS AG	2,637,717	0.49
25.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	2,606,400	0.49
26.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,518,100	0.47
27.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	2,416,300	0.45
28.	Pertubuhan Keselamatan Sosial	2,406,900	0.45
29.	DB (Malaysia) Nominee (Asing) Sdn Bhd State Street Australia Fund SGBV for Cathay Life Insurance Co Ltd	2,400,700	0.45
30.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	2,185,800	0.41
	<b>Total</b>	<b>388,220,222</b>	<b>72.62</b>

### 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 29 January 2016 including those of his/her spouse and child/children which are deemed interest of the Directors by reference to Section 134(12)(c) of the Companies Act 1965 ("CA") are maintained by the Company in the Register of Directors' Shareholdings pursuant to Section 134 of the CA, details of which are as follows:

Name of Directors	Direct Interest		Deemed Interest		
	No. of Issued Shares	% of Issued Shares	Spouse No. of Issued Shares	Child No. of Issued Shares	% of Issued Shares
Tan Sri Amirsham bin A Aziz	0	0.00	-	-	-
Datuk Dr. Md Tap bin Salleh	0	0.00	-	-	-
Dato' Zuraidah binti Atan	0	0.00	-	-	-
Dato' Eshah binti Meor Suleiman	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	297,700	0.056	-	-	Refer Note *
<b>Total</b>	<b>297,700</b>	<b>0.056</b>			

## STATISTICS OF SHAREHOLDINGS

AS AT 29 JANUARY 2016

### 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 of RM0.50 each granted under the Share Grant Plan ("SGP") of Bursa Malaysia ("Plan Shares") as follows:

- (1) The vesting of Plan Shares granted under the Restricted Share Plan ("RSP") of the SGP is subject to fulfilment of vesting conditions as at the vesting dates:

RSP Grant	Number of Plan Shares	Vesting Dates
2013 RSP Grant	9,600	15 July 2016
2014 RSP Grant	19,200	15 July 2016, 17 July 2017
2015 RSP Grant	19,200	15 July 2016, 17 July 2017, 16 July 2018

- (2) The vesting of Plan Shares granted under the Performance Share Plan ("PSP") of the SGP is contingent on achievements against various performance targets for Bursa Malaysia group, and is subject to fulfilment of vesting conditions as at the vesting dates:

PSP Grant	Number of Plan Shares	Vesting Dates
2013 PSP Grant	Up to 63,600	3 May 2016
2014 PSP Grant	Up to 63,600	3 May 2017
2015 PSP Grant	Up to 42,400	16 July 2018

### Substantial Shareholders according to the Register of Substantial Shareholders as at 29 January 2016

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Kumpulan Wang Persaraan (Diperbadankan)	105,830,400	19.80
2.	Capital Market Development Fund	100,200,001	18.74
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	39,018,194	7.30

## STATISTICS OF SHAREHOLDINGS

AS AT 29 JANUARY 2016

### Changes in Share Capital of the Company

The issued and paid-up share capital as at 29 January 2016 is RM267,307,150 comprising 534,614,300 ordinary shares of RM0.50 each. The changes in the issued and paid-up share capital are as set out in the table below:

Date of Allotment	Number of Shares Allotted	Consideration	Cumulative Number of Issued Shares	Cumulative Issued and Paid-up Share Capital (RM)
1 April 2015	250,000	Subscription by the Trustee at RM8.58 per share under the SGP	533,769,800	266,884,900
13 July 2015	145,700	Subscription by the Trustee at RM5.35 per share under the SGP	533,915,500	266,957,750
	322,000	Subscription by the Trustee at RM6.85 per share under the SGP	534,237,500	267,118,750
	376,800	Subscription by the Trustee at RM7.42 per share under the SGP	534,614,300	267,307,150

### Share Grant Plan ("SGP")

Under the SGP which is the only share issuance scheme of Bursa Malaysia in the financial year ("FY") 2015, a maximum of 10% of the issued and paid-up share capital of Bursa Malaysia (excluding treasury shares) comprising ordinary shares of RM0.50 each of the Company ("Plan Shares") are available at any point in time during the tenure of the SGP (Maximum Plan Shares Available). Further information on the SGP is set out in the Directors' Report and Note 28(b) of the Annual Audited Financial Statements for FY 2015 in this Annual Report.

Brief details on the number of Plan Shares granted, vested and outstanding since the commencement of the SGP on 18 April 2011 and during the FY 2011, FY 2012, FY 2013, FY 2014 and FY 2015 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

## STATISTICS OF SHAREHOLDINGS

AS AT 29 JANUARY 2016

### Share Grant Plan ("SGP") (cont'd.)

For the period from 1 January 2012 to 31 December 2012	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2012 RSP Grant	829,200	270,200	29,200	529,800
	2012 PSP Grant	397,400	59,400	146,000	192,000
	<b>Total</b>	<b>1,226,600</b>	<b>329,600</b>	<b>175,200</b>	<b>721,800</b>
Number of Plan Shares vested	2011 RSP Grant	(174,700)	-	(6,600)	(168,100)
	2012 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(424,700)</b>	<b>(250,000)</b>	<b>(6,600)</b>	<b>(168,100)</b>
Number of Plan Shares forfeited	2011 RSP Grant *	(59,400)	-	(1,700)	(57,700)
	2012 RSP Grant *	(30,500)	-	-	(30,500)
	2012 PSP Grant *	(17,800)	-	(17,800)	-
	<b>Total</b>	<b>(107,700)</b>	<b>-</b>	<b>(19,500)</b>	<b>(88,200)</b>
Number of Plan Shares outstanding as at 31 December 2012	2011 RSP Grant	307,000	-	12,400	294,600
	2012 RSP Grant	548,700	20,200	29,200	499,300
	2012 PSP Grant	379,600	59,400	128,200	192,000
	<b>Total</b>	<b>1,235,300</b>	<b>79,600</b>	<b>169,800</b>	<b>985,900</b>

## STATISTICS OF SHAREHOLDINGS

AS AT 29 JANUARY 2016

### Share Grant Plan (“SGP”) (cont’d.)

For the period from 1 January 2013 to 31 December 2013	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2013 RSP Grant	1,374,700	278,800	100,300	995,600
	2013 PSP Grant	475,000	63,600	200,600	210,800
	<b>Total</b>	<b>1,849,700</b>	<b>342,400</b>	<b>300,900</b>	<b>1,206,400</b>
Number of Plan Shares vested	2011 RSP Grant	(154,500)	-	(6,200)	(148,300)
	2012 RSP Grant	(183,500)	(6,800)	(10,000)	(166,700)
	2013 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(588,000)</b>	<b>(256,800)</b>	<b>(16,200)</b>	<b>(315,000)</b>
Number of Plan Shares forfeited	2011 RSP Grant *	(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)
	<b>Total</b>	<b>(230,800)</b>	<b>-</b>	<b>(63,400)</b>	<b>(167,400)</b>
Number of Plan Shares outstanding as at 31 December 2013	2011 RSP Grant	139,900	-	6,200	133,700
	2012 RSP Grant	331,300	13,400	19,200	298,700
	2012 PSP Grant	223,800	59,400	64,800	99,600
	2013 RSP Grant	1,096,200	28,800	100,300	967,100
	2013 PSP Grant	475,000	63,600	200,600	210,800
	<b>Total</b>	<b>2,266,200</b>	<b>165,200</b>	<b>391,100</b>	<b>1,709,900</b>

Note: ∞ A portion of 2012 PSP Grant was forfeited, as the performance targets in respect of performance period from 2011 to 2013 were not achieved

## STATISTICS OF SHAREHOLDINGS

AS AT 29 JANUARY 2016

### Share Grant Plan (“SGP”) (cont’d.)

For the period from 1 January 2014 to 31 December 2014	Type of Grant	Total	Executive Director/CEO	Senior Management	Other 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
	<b>Total</b>	<b>1,927,600</b>	<b>342,400</b>	<b>300,900</b>	<b>1,284,300</b>
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)	-	-
	<b>Total</b>	<b>(908,000)</b>	<b>(266,300)</b>	<b>(40,800)</b>	<b>(600,900)</b>
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)
	<b>Total</b>	<b>(188,200)</b>	<b>-</b>	<b>(65,400)</b>	<b>(122,800)</b>
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
	<b>Total</b>	<b>3,097,600</b>	<b>241,300</b>	<b>585,800</b>	<b>2,270,500</b>

## STATISTICS OF SHAREHOLDINGS

AS AT 29 JANUARY 2016

### Share Grant Plan ("SGP") (cont'd.)

For the period from 1 January 2015  
to 31 December 2015

Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
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
<b>Total</b>	<b>1,833,800</b>	<b>311,600</b>	<b>318,600</b>	<b>1,203,600</b>
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)	-	-
<b>Total</b>	<b>(1,094,500)</b>	<b>(275,900)</b>	<b>(69,200)</b>	<b>(749,400)</b>
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)	-
<b>Total</b>	<b>(406,400)</b>	<b>(59,400)</b>	<b>(150,800)</b>	<b>(196,200)</b>
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
<b>Total</b>	<b>3,430,500</b>	<b>217,600</b>	<b>684,400</b>	<b>2,528,500</b>

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).  
◊ 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.

With regard to the Plan Shares granted to the Executive Director/CEO and Senior Management during FY 2015 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 2015 was 32.25% of the total number of Plan Shares granted.

The Non-Executive Directors are not eligible to participate in the SGP.

# ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

**1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS**

There were no proceeds raised from corporate proposals during the financial year.

**2. SHARE BUY-BACK**

There was no share buy-back by the Company during the financial year.

**3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

The Company did not issue any options, warrants or convertible securities during the financial year.

**4. AMERICAN DEPOSITORY RECEIPT (ADR)/GLOBAL DEPOSITORY RECEIPT (GDR)**

The Company did not sponsor any ADR/GDR Programme during the financial year.

**5. SANCTIONS AND/OR PENALTIES**

There were no sanctions and/or penalties imposed on the Company, its subsidiaries, Directors or management by the relevant regulatory bodies for the financial year.

**6. VARIATION IN RESULTS**

There was no variation between the financial results in the audited financial statements 2015 and the audited financial results for the financial year ended 31 December 2015 announced by the Company on 2 February 2016.

**7. PROFIT GUARANTEE**

There was no profit guarantee for the financial year.

**8. 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 2015 or entered into since the end of the previous financial year.

# NOTICE OF 39<sup>TH</sup> ANNUAL GENERAL MEETING

**BURSA MALAYSIA BERHAD** (30632-P)  
(Incorporated in Malaysia under the Companies Act, 1965)

**NOTICE IS HEREBY GIVEN THAT** the 39<sup>th</sup> Annual General Meeting (“AGM”) of Bursa Malaysia Berhad (“the Company”) will be held at Ballroom 1, 1<sup>st</sup> Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 31 March 2016 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 2015 and the Reports of the Directors and Auditors thereon.
2. To approve the payment of final dividend of 18 sen per share under the single-tier system in respect of the financial year ended 31 December 2015. **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 Karownikaran @ Karunikaran a/l Ramasamy **Resolution 2**
  - (2) Encik Pushpanathan a/l S.A. Kanagarayar **Resolution 3**
  - (3) Datuk Seri Tajuddin bin Atan **Resolution 4**
4. 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 2015. **Resolution 5**
5. To appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2016 and to authorise the Board of Directors to determine their remuneration. **Resolution 6**
6. To transact any other business of which due notice shall have been given in accordance with the Companies Act 1965 and the Company’s Articles of Association.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 39<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 49A(2) of the Company’s Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 24 March 2016. Only a depositor whose name appears on the Record of Depositors as at 24 March 2016 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 18 sen per share under the single-tier system in respect of the financial year ended 31 December 2015 (“Dividend”) under **Resolution 1** at the 39<sup>th</sup> AGM of the Company, the Dividend will be paid to the shareholders on 18 April 2016. The entitlement date for the Dividend shall be 5 April 2016.

Shareholders of the Company will only be entitled to the Dividend in respect of:

- (a) securities transferred into their securities account before 4.00 p.m. on 5 April 2016 for transfers; and
- (b) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

## BY ORDER OF THE BOARD

Yong Hazadurah binti Md. Hashim, LS 006674  
Hong Soo Yong, MAICSA 7026744  
Company Secretaries

Kuala Lumpur  
3 March 2016

# NOTICE OF 39<sup>TH</sup> ANNUAL GENERAL MEETING

**BURSA MALAYSIA BERHAD** (30632-P)  
(Incorporated in Malaysia under the Companies Act, 1965)

## Notes:

### Proxy

1. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies, and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
2. In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
3. A member shall not, subject to Paragraphs (4) and (5) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
4. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
6. Any alteration to the instrument appointing a proxy must be 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 not less than 48 hours before the time appointed for holding the meeting.

### Audited Financial Statements for financial year ended 31 December 2015

7. The audited financial statements are for discussion only under Agenda 1, as they do not require shareholders' approval under the provisions of Section 169(1) and (3) of the Companies Act 1965. Hence, they will not be put for voting.

### Re-election of Directors who retire in accordance with Article 69 of the Company's Articles of Association ("AA")

8. 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 10, three (3) 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 39<sup>th</sup> AGM, the Nomination and Remuneration Committee ("NRC") has considered the following:

- (1) The performance and contribution of each of the Directors based on their Self and Peer Assessment ("SPA") results of the Board Effectiveness Evaluation ("BEE") 2014/2015;
- (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 2012, the Board has conducted an assessment of independence of the NEDs, and also other criteria, i.e. character, integrity, competence, experience and time 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 annual declaration/confirmation of independence in the fourth quarter of 2015.

# NOTICE OF 39<sup>TH</sup> ANNUAL GENERAL MEETING

**BURSA MALAYSIA BERHAD** (30632-P)  
(Incorporated in Malaysia under the Companies Act, 1965)

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 NRC and Board meetings, where applicable.

Section 10(1)(b) of the Capital Markets and Services Act 2007 ("CMSA") provides that the appointment, re-appointment, election or re-election of a Director of the Company is subject to concurrence by the Securities Commission ("SC"). In this respect, the SC has provided its concurrence on 3 February 2016 in respect of the proposed re-election of the Directors of the Company pursuant to Section 10(1)(b) of the CMSA.

## Non-Executive Directors' ("NEDs") fees

9. As the fees for the NEDs had just been increased for the financial year ("FY") 2014, the Board approved the NRC's recommendation for the Directors' fees to remain unchanged in respect of the FY 2015, 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 & Proposed for 2015 (Approval sought at 39 <sup>th</sup> 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

## Appointment of Auditors

10. The Audit Committee ("AC") had in January 2016 deliberated the outcome of the Request for Proposal evaluations, 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 timeline. The AC then decided to recommend for the Board's approval the appointment of Messrs. Ernst & Young ("EY") as external auditors of Bursa Malaysia for the FY ending 31 December 2016.

At the same time, the AC further undertook 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 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 non-audit services by EY to the Company for the FY 2015 did not in any way impair their objectivity and independence as external auditors of Bursa Malaysia.

Having regard to the outcome of the evaluations and the annual assessment of external auditors which supported the AC's recommendation on the suitability and independence of the external auditors, the Board approved the AC's recommendation for the shareholders' approval to be sought at the 39<sup>th</sup> AGM on the appointment of EY as external auditors of the Company for the FY 2016, under **Resolution 6**.

## Abstention from Voting

11. Any Director referred to in **Resolutions 2, 3 and 4**, who is a shareholder of the Company will abstain from voting on the resolution in respect of his re-election at the 39<sup>th</sup> AGM. In this respect, only the Executive Director, Datuk Seri Tajuddin bin Atan, is a shareholder of Bursa Malaysia Berhad. He shall abstain from voting on **Resolution 4**.
12. Any NEDs of the Company who are shareholders of the Company will abstain from voting on **Resolution 5** concerning remuneration to the NEDs at the 39<sup>th</sup> AGM.

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# STATEMENT ACCOMPANYING NOTICE OF 39<sup>TH</sup> ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS)

- A. The profiles of the Directors who are standing for re-election as per Agenda 3 of the Notice of 39<sup>th</sup> AGM are stated on pages 20, 23 and 24 of this Annual Report.
- B. The details of the Directors' interests in the securities of the Company as at 29 January 2016 are stated on pages 201 and 202 of this Annual Report.

# FINANCIAL CALENDAR

2016

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**2 February**

**Announcement of the audited consolidated results for the 4<sup>th</sup> quarter and financial year ended 31<sup>st</sup> December 2015**

**31 March**

**25 April**

**Announcement of the consolidated results for the 1<sup>st</sup> quarter ending 31<sup>st</sup> March 2016**

**25 July**

**Announcement of the consolidated results for the 2<sup>nd</sup> quarter ending 30<sup>th</sup> June 2016**

**39<sup>th</sup>**

**Annual  
General Meeting**

**24 October**

**Announcement of the consolidated results for the 3<sup>rd</sup> quarter ending 30<sup>th</sup> September 2016**

2017

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**January/ February**

**Announcement of the audited consolidated results for the 4<sup>th</sup> quarter and financial year ended 31<sup>st</sup> December 2016**

\* Dates above are subject to changes.



[www.bursamalaysia.com](http://www.bursamalaysia.com)

Bursa Malaysia Berhad (30632-P)  
15<sup>th</sup> Floor, Exchange Square, Bukit Kewangan,  
50200 Kuala Lumpur, Malaysia.

T: +603 2034 7000

F: +603 2732 6437

E: [enquiries@bursamalaysia.com](mailto:enquiries@bursamalaysia.com)