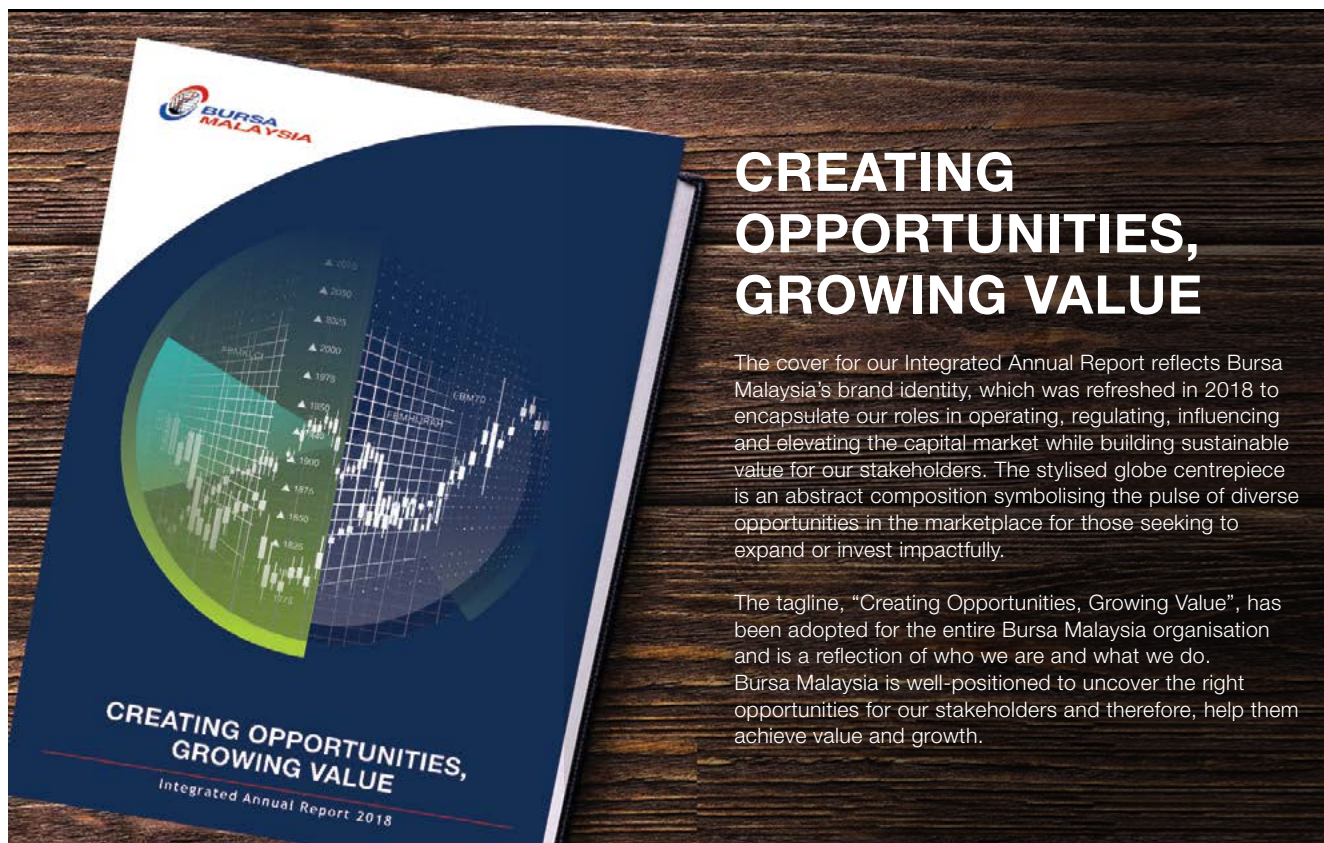




CREATING OPPORTUNITIES, GROWING VALUE

Integrated Annual Report 2018



CREATING OPPORTUNITIES, GROWING VALUE

The cover for our Integrated Annual Report reflects Bursa Malaysia's brand identity, which was refreshed in 2018 to encapsulate our roles in operating, regulating, influencing and elevating the capital market while building sustainable value for our stakeholders. The stylised globe centrepiece is an abstract composition symbolising the pulse of diverse opportunities in the marketplace for those seeking to expand or invest impactfully.

The tagline, "Creating Opportunities, Growing Value", has been adopted for the entire Bursa Malaysia organisation and is a reflection of who we are and what we do. Bursa Malaysia is well-positioned to uncover the right opportunities for our stakeholders and therefore, help them achieve value and growth.

VISION:

To be ASEAN's leading, responsible and globally-connected marketplace

MISSION:

- We provide easy access to diversified, impactful products and services for global market participants
- We are a High-Performance Organisation with a data-driven culture, fuelled by innovation and technology, and powered by strategic partnerships
- We foster sustainable development in the marketplace by promoting responsible growth, while facilitating fundraising, value and wealth creation for all

OUR CORE VALUES



Building relationships



United to achieve



Responsibility



Simplicity



Agility

OUR CORE VALUES DEFINE WHO WE ARE AND OUR APPROACH TO EVERYTHING THAT WE DO

We work together with partners in the industry and community to deliver mutually beneficial outcomes

We work hand-in-hand as a team to become a High-Performance Organisation focused on achieving our goals

We are accountable, as an organisation and individuals, for the outcomes of our conduct and actions

We simplify processes and structures and encourage innovation to deliver timely and transformative results

We adapt to evolving market and operating conditions to achieve our targets

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ABOUT THIS REPORT

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This Integrated Annual Report provides a comprehensive account of the way in which Bursa Malaysia creates value for our stakeholders. We compiled this report with information accurate and relevant as at the time of publication and which provides an overview of our performance for the financial year and our plans going forward. This report also contains information that describes our ability to manage material issues to enable value creation and remain sustainable over time.

While the adoption of integrated reporting is still at an early stage in Malaysia, we note that an increasing number of companies are getting ready to prepare or are already preparing their own integrated reports. This upward trend has also been seen globally, with an increasing number of companies publishing integrated reports annually due to the expectations and demands of investors, customers, business partners, non-governmental organisations (NGOs) and employees for ease of readability whilst facilitating clarity, coherence and connectivity of disclosure of information. It is hoped that other public listed companies (PLCs) in Malaysia will similarly adopt integrated reporting and enhance the standard of their public disclosures.

REPORTING PHILOSOPHY: CONTINUING OUR INTEGRATED REPORTING JOURNEY

In 2016, Bursa Malaysia embarked on an integrated reporting journey with the aim of providing a clearer and more comprehensive narrative about our Group, our businesses, our strategies and the way we create and share value with our stakeholders. In adopting this philosophy, we have established a platform that enables comparison and evaluation with global peer exchanges.

We recognise that integrated reporting is a continuing journey and the issuance of our 2018 report is a restatement of our commitment to sustainable and long-term value creation. This report enhances our disclosure of the relationship between our resources, actions and the value we create as well as draws closer links between our financial and non-financial risks and opportunities.

SCOPE & BOUNDARY

The report extends beyond financial reporting and includes non-financial performance, risks, opportunities and outcomes attributable to or associated with our key stakeholders, which have a significant influence on our ability to create value. Our 2018 integrated report covers the period from 1 January to 31 December 2018 and builds on our previous publications. It covers the primary activities of the Group, namely our overall performance for the year under review and the delivery of our initiatives towards our strategic goals.

REPORTING PRINCIPLES & FRAMEWORKS

Our report complies with prevailing regulations and has been prepared in line with the International Integrated Reporting <IR> Framework issued by the International Integrated Reporting Council. We have applied the amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements related to corporate governance disclosures announced on 29 November 2017 pursuant to the implementation of the Companies Act 2016 and the launch of the new Malaysian Code on Corporate Governance by the Securities Commission Malaysia on 26 April 2017.

ABOUT THIS REPORT

Additionally, the financial statements of Bursa Malaysia have been prepared in accordance with the Malaysian Financial Reporting Standards, the International Financial Reporting Standards and the requirements of the Companies Act, 2016 for the financial year ended 31 December 2018.

Our non-financial information is reported in accordance with the Global Reporting Initiative (GRI) Standards: Core option. A complete discussion of our sustainability performance can be found in our Sustainability Report 2018. This is also the second year where we have incorporated the United Nations' Sustainable Development Goals (SDGs) in our approach to sustainability.

MATERIAL FACTORS & FORWARD-LOOKING STATEMENT

MATERIAL FACTORS

We conducted an assessment on material issues in 2018 to ensure that they remained relevant to our changing operating environment. These materials issues are then grouped into five broad categories of material factors. Material factors are defined as factors that affect or are affected by value creation activities. Under the <IR> Framework, value creation is described within the context of the six forms of capital where value is created through the consumption of one or more of our capital inputs.

➡ For more information on Our Material Factors, please turn to Page 39.

 FINANCIAL CAPITAL Our Financial Capital comprises our share capital and operating revenue that is deployed in our value creation activities	 HUMAN CAPITAL Our Human Capital comprises highly competent professionals with the skill-sets and capabilities necessary to operate and grow the market	 INTELLECTUAL CAPITAL Our Intellectual Capital comprises the institutionalised forms of knowledge, systems that we have developed, information and other intellectual capabilities derived from years of experience as the capital market operator and regulator	 MANUFACTURED CAPITAL Our Manufactured Capital comprises the technology that we use as an enabler across our trading platforms and market operations to ensure reliability and efficiency of our market infrastructure	 SOCIAL CAPITAL Our Social Capital comprises the relationships that we have built with our stakeholders, including our investors, PLCs, regulators, intermediaries and communities	 NATURAL CAPITAL Our Natural Capital comprises the renewable and non-renewable natural resources that we use to support our day-to-day operations
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➡ For more information on Our Capitals, please turn to Page 10

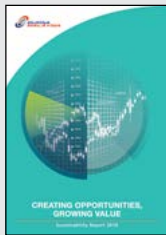
FORWARD-LOOKING STATEMENT AND DISCLAIMER

This Integrated Annual Report contains some forward-looking statements that are subject to risks and uncertainties, and there are important factors that could cause some variance between the actual results and the expectations communicated by our forward-looking statements. These forward-looking statements should not be construed as guarantees or predictions of Bursa Malaysia's future performance. Given this uncertainty, readers of this report are advised not to place undue reliance on our forward-looking statements.

ABOUT THIS REPORT

REPORTING STRUCTURE & NAVIGATION

Bursa Malaysia's 2018 Annual Report Suite provides a comprehensive and accurate account of our value creation activities. This Integrated Annual Report is a key document in the suite, but it should be read in conjunction with the other reports. The suite comprises:

Our Reports	 INTEGRATED ANNUAL REPORT 2018	 GOVERNANCE AND FINANCIAL REPORTS 2018	 SUSTAINABILITY REPORT 2018
Disclosure	• Management Discussion and Analysis • Financial Review • Sustainability Approach	• Corporate Governance Overview Statement • Audit Committee Report • Statement on Internal Control and Risk Management • Directors' Report • Independent Auditor's Report • Financial Statements	• Governance • Reporting Scope and Boundaries • Assessment of Material Matters and Stakeholder Engagement • Management Approach of Material Sustainability Risks and Opportunities
Reporting Framework	• Malaysian Code on Corporate Governance • Bursa Malaysia Securities Berhad Main Market Listing Requirements • International <IR> Framework • Companies Act 2016	• Malaysian Code on Corporate Governance • Bursa Malaysia Securities Berhad Main Market Listing Requirements • Malaysian Financial Reporting Standards and International Financial Reporting Standards • Companies Act 2016	• Bursa Malaysia Securities Berhad Main Market Listing Requirements • Global Reporting Initiative (GRI) Standards • ESG Rating measurement criteria



ONLINE

These reports are available online at: https://bursa.listedcompany.com/iar_2018.html



APPROVAL BY THE BOARD

The Board has applied its collective mind to present Bursa Malaysia's integrated report, as guided by the International <IR> Framework issued by the International Integrated Reporting Council. The Board acknowledges its responsibility in ensuring the integrity of this report, through good governance practices and internal reporting procedures.



TAN SRI AMIRSHAM A AZIZ
Chairman
BURSA MALAYSIA BERHAD



DATUK SRI TAJUDDIN ATAN
Chief Executive Officer
BURSA MALAYSIA BERHAD

NOTES 2022

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WHO WE ARE

Bursa Malaysia (the Exchange) is an exchange holding company incorporated in 1976 and publicly listed in 2005. We operate one of the leading exchanges in ASEAN with 915 public listed companies (PLCs) as at 31 December 2018, listed on the Main Market, the ACE Market or the LEAP Market.

As a fully-integrated exchange, Bursa Malaysia offers a comprehensive range of products including Equities, Derivatives and Shariah-compliant products. In addition, we also offer a comprehensive suite of exchange-related services such as listing, trading, clearing, settlement, depository, offshore listings of Bonds and Sukuk, and the provision of market data. We also provide end-to-end Shariah securities investing as well as facilitating Shariah-compliant liquidity management through our commodity Murabahah trading platform or Bursa Suq Al-Sila'. The Exchange also offers investment alternatives including collective investment schemes (such as Exchange Traded Funds and Real Estate Investment Trusts), Exchange Traded Bonds and Sukuk as well as Business Trusts.

Bursa Malaysia also facilitates capital raising and price discovery for the Malaysian capital market and is the global leader for the Islamic capital market and palm oil futures, offering new innovations that have received worldwide recognition.

OUR ROLES

Bursa Malaysia plays a number of different roles in relation to our various stakeholders. The following are the Exchange's key roles:

1

MARKET OPERATOR:

We facilitate secure and easy access to investments and fundraising by providing reliable and resilient market infrastructure and ensuring accessibility to our products and services.

2

FRONTLINE MARKET REGULATOR:

We ensure that our listed issuers and intermediaries meet their regulatory obligations to uphold investor protection, market integrity and stability.

3

INFLUENCER:

We are a standard setter in the areas of governance and sustainability, with the responsibility of leading Malaysia's sustainability agenda and serving as an exemplary model of sound corporate governance for other Malaysian PLCs and intermediaries.

4

SHAREHOLDER VALUE CREATOR:

We build sustainable value for our shareholders through capital preservation and appreciation.

OUR FORMS OF CAPITAL

We create value for our stakeholders by transforming our capital inputs into tangible and intangible outcomes in line with our strategic vision. In accordance with the <IR> Framework, we have classified our capital inputs into six forms of capital:



**FINANCIAL
CAPITAL**



**HUMAN
CAPITAL**



**INTELLECTUAL
CAPITAL**



**MANUFACTURED
CAPITAL**



**SOCIAL
CAPITAL**



**NATURAL
CAPITAL**

WHO WE ARE

OUR PRODUCTS AND SERVICES

Bursa Malaysia is a multi-asset class integrated exchange, providing investors with diversified opportunities for capital preservation and appreciation and issuers with an avenue for fundraising.

The Exchange comprises:

- Main Market for established companies
- ACE Market for companies with growth potential
- LEAP Market for emerging companies
- A futures and options exchange
- Shariah-compliant products and services through Bursa Malaysia-*i*
- A Shariah-compliant commodity Murabahah trading platform
- LFX offshore exchange

As an end-to-end facilitator of trading, we also provide:

- Post-trade services
- Technology infrastructure and services to support our market operations
- Information services, including market data and indices, to uplift the visibility of our listed issuers and assist investors in the decision-making process
- BursaMKTPLC, an online platform that provides investors and traders with the information they need to conduct analysis, investing and trading
- BursaSUSTAIN, our one-stop repository of information for corporate governance and sustainability-related information

At the same time, our risk management structures provide an effective safeguard against systemic risks typically present in the capital markets.

OUR MARKETS

As at 31 December 2018



SECURITIES

We operate the securities market in Malaysia where investors can participate in the buying and selling of shares on the following markets:

Main Market	ACE Market	LEAP Market
783 PLCs	119 PLCs	13 PLCs

Together these markets comprise 20 sectors that cover 49 economic activities. Our products include:

618	Structured Warrants
263	Warrants
18	REITs
10	Foreign Listings
10	ETFs
2	SPACs
4	ETBS
1	Stapled Securities
1	Closed-End Fund

Market Capitalisation: RM1.7 trillion



DERIVATIVES

We offer 15 derivatives products from the commodity, equity and financial categories.

Our products include:

7	Commodity derivatives
4	Financial derivatives
4	Equity derivatives



ISLAMIC

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

Our Shariah-compliant offerings include:

689	<i>i</i> -Stocks	4	<i>i</i> -REITs
6	<i>i</i> -ETFs	4	ETBS



-LFX-

We operate the Labuan International Financial Exchange.

USD 24.3 billion	Market Capitalisation
19	Bond listings
11	Sukuk listings

AT A GLANCE

2018 KEY HIGHLIGHTS



FINANCIAL CAPITAL

OPERATING REVENUE

RM523.3

million

2017: RM522.1 million

SHARE CAPITAL

RM424.1

million

2017: RM402.2 million



HUMAN CAPITAL

NUMBER OF EMPLOYEES

589

2017: 571

GENDER DIVERSITY

MALE: 52%
FEMALE: 48%

2017: MALE: 54%
FEMALE: 46%



INTELLECTUAL CAPITAL

DERIVATIVES PRODUCTS

15

products

2017: 14 products

INDICES AVAILABLE

Bursa Sector Index: 13
FTSE Bursa Malaysia
Index Series: 16

2017:
Bursa Sector Index: 11
FTSE Bursa Malaysia Index Series: 16

BURSA SUQ AL-SILA'

173
participants

2017: 141 participants



MANUFACTURED CAPITAL

COMPLIANCE TO THE PFMI-IOSCO RTO GUIDELINE FOR POST-TRADE SYSTEMS

100%

2017: 100%

CRITICAL SYSTEM AVAILABILITY AND RELIABILITY

100%

2017: 99.97%
System availability above average SLA threshold of 99.8%



SOCIAL CAPITAL

PUBLIC LISTED COMPANIES

915

2017: 905

INVESTORS ACTIVE CDS ACCOUNTS

1.4

million

2017: 1.4 million

COMMUNITY AMOUNT RAISED BY THE BURSA BULL CHARGE

RM2.1

million

2017: RM2.3 million



NATURAL CAPITAL

TOTAL ELECTRICITY CONSUMPTION

8,558_{MWh}

2017: 10,200MWh

ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS

6,341.6_{mtCDE}

2017: 7,362.3mtCDE

OUR PERFORMANCE

FIVE-YEAR HIGHLIGHTS	2014	2015	2016	2017	2018
KEY OPERATING RESULTS (RM million)					
Operating Revenue	471.3	487.7	472.7	522.1	523.3
Operating Expenses	232.0	239.8	236.2	250.4	241.3
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	264.6	271.7	260.7	295.5	304.0
Profit After Tax and Minority Interest (PATAMI)	198.2	198.6	193.6	223.0	224.0
OTHER KEY DATA (RM million)					
Total Assets	1,656.5	2,086.5	2,436.4	2,224.9	2,434.6
Total Liabilities	893.8	1,267.0	1,549.1	1,362.4	1,547.1
Shareholders' Equity	748.7	803.4	868.9	850.0	875.2
Capital Expenditure	11.9	14.1	10.5	13.5	13.5
FINANCIAL RATIOS (%)					
Operating Revenue Growth	7.1	3.5	(3.1)	10.4	0.2
Cost to Income Ratio	46.1	46.2	46.6	45.1	44.0
Net Profit Margin	40.5	39.8	40.0	41.3	41.9
PATAMI Growth	14.5	0.2	(2.5)	15.2	0.4
Return on Equity (ROE)	25.4	25.6	23.2	26.0	26.0
SHARE INFORMATION					
Earning per Share (EPS) (sen)	24.8*	24.8*	24.1*	27.7*	27.8
Net Dividends per Share (sen)	36.0*	23.0*	22.6*	35.7*	33.6
Dividend Yield (%)	6.7	4.1	3.8	5.3	4.9
Payout Ratio (%)	91.5	92.9	94.2	92.8	92.3
Net Assets per Share (RM)	0.94*	1.00*	1.08*	1.05*	1.08
Share Price - High (RM)	5.55*	6.00*	6.17*	7.37*	8.19
Share Price - Low (RM)	4.93*	4.99*	5.45*	5.82*	6.73
Share Price as at 31 December (RM)	5.40*	5.57*	5.90*	6.75*	6.84
Price Earnings Ratio (times)	22	22	24	24	25
Company Market Capitalisation (RM billion)	4.3	4.5	4.7	5.4	5.5

Note:

* The figures have been adjusted to reflect the bonus issue exercise completed on 13 April 2018 for comparative purpose.

HOW WE CREATE VALUE

OUR CAPITAL INPUTS



FINANCIAL CAPITAL



Bursa Malaysia's financial capital consists of revenue generated from operations and its share capital generated from its public listing and derived from other sources prior to listing.

OUR VALUE CREATION ACTIVITIES

Our financial capital is deployed in a variety of ways, including paying for our operational and capital expenses required to operate the business effectively and efficiently. It is a key enabler of all our value creation roles. We distribute value to shareholders after taking into consideration the need to retain capital for future reinvestment.



HUMAN CAPITAL



Bursa Malaysia considers its people among its valuable resource and employs talented and qualified individuals at all levels of the organisation.

Our human capital is a key enabler of all our value creation roles. They enable the Exchange to function on a day-to-day basis by performing business-critical functions. They are also deployed in the execution of our development plans to achieve our strategic vision.



INTELLECTUAL CAPITAL



Bursa Malaysia, being the only exchange in Malaysia, has over the years developed its own intellectual capital such as rules, processes, procedures, products and services to facilitate the operation of a secure, stable, reliable and trusted marketplace. This also includes proprietary systems that have been developed such as Bursa Suq Al-Sila.

Our intellectual capital is mainly deployed to facilitate trading on our markets and to provide services which lead to the generation of revenue. It helps our trading participants and investors make informed trading decisions. Intellectual capital such as our indices are also used to facilitate the creation of new products in our market.



MANUFACTURED CAPITAL



Bursa Malaysia's main manufactured capital consists of exchange services, namely trading, clearing, settlement and depository services. It also consists of various systems, data centre and cyber security infrastructure.

Our manufactured capital is an essential input in our value creation activities including enabling the day-to-day operation of the Exchange and facilitating trading and post-trading (i.e. clearing and settlement) on our market. It also includes our cyber security infrastructure which protects us from cyberattacks.



SOCIAL CAPITAL



Bursa Malaysia's main social capital consists of its relationships of trust built with key stakeholders including investors, PLCs, regulators, intermediaries and communities.

Our social capital effectively gives us the licence to operate as a stock exchange. The relationships of trust draw participants, which comprises listed companies, intermediaries and investors to our market. These relationships of trust also reassure our regulators and communities that we create value which is shared by all.



NATURAL CAPITAL



Bursa Malaysia's main natural capital consumed in its value creation activities is the energy used to power its infrastructure and systems.

Our natural capital is a key enabler of the day-to-day functionality of the Exchange. We also depend on other natural resources such as clean water and clear air, which form part of our overall commitment to environmental conservation.

HOW WE CREATE VALUE

WHO WE CREATE THE VALUE FOR

Financial capital is a key component of all our value creation activities, hence the value we create is for all our stakeholder groups.



A list of our stakeholder groups is available on Page 38 of this report.

Human capital is a key component of all our value creation activities, hence the value we create is for all our stakeholder groups.

- Investors
- Intermediaries
- Regulators
- Our Shareholders
- Analysts

Our manufactured capital is a necessary component of all our value creation activities, and the value we create is for all our stakeholder groups.

- Investors
- Intermediaries
- Regulators and the Malaysian Government
- Our Shareholders
- Analysts
- Communities

Our natural capital is essential for the day-to-day functioning of the Exchange, and the value created through the consumption of this capital is aimed at all our stakeholder groups.

HOW WE SUSTAIN THE CAPITAL

We sustain our financial capital through the efficient allocation and effective deployment of our available capital into business activities and initiatives to ensure sustainable growth of our operating revenue. In addition, we are committed to the optimal use of our resources to maximise our returns.



Please see Page 13 for a breakdown of our operating revenue sources.

We sustain our human capital by making informed recruitment decisions and by actively developing our hires in line with our aim of becoming a High-Performance Organisation (HPO). We actively support their professional development through targeted developmental and educational programmes and ensure that they are given the necessary support they need to realise their professional ambition with us.

We sustain our intellectual capital through constant research and innovation to ensure accuracy and that it meets the needs of our stakeholders. We make regular investments in technology to ensure that we are able to provide products and services effectively and efficiently. Additionally, we continue to develop new products, services and indices to meet investor demand and to enhance our market ecosystem.

We sustain our manufactured capital through our regular investments into trade and post-trade technology infrastructure. Regular audits and assessments are conducted on our manufactured capital to ensure that it meets stipulated performance thresholds and that service levels are maintained.

We sustain our social capital by influencing, regulating and interacting with a broad range of stakeholder groups to ensure that we remain a trusted partner in our shared value creation activities. We build greater relationships of trust through our regular engagements with our stakeholders, by fulfilling our mandate as a fair and effective market operator, and through our collaborations with our regulators. We also invest in the communities around us through our corporate social responsibility programmes.

We sustain our natural capital by making energy conservation a key priority in all our activities. To this end, we implement internal policies and initiatives such as investing in energy saving technology. We also regularly measure our energy consumption and emission levels to ensure that our policies have the desired outcomes.

HOW WE SUSTAIN VALUE

TOTAL FINANCIAL VALUE CREATED IN 2018: RM550.0 MILLION

ADVANCING OUR BUSINESS

We reinvested

RM 105.9
million
(2017: RM112.6 million) **-6.0%**

in our business to achieve continued growth and ensure the creation of long-term value.

INVESTING IN OUR TALENT POOL

We invested

RM 135.3
million
(2017: RM137.5 million) **-1.6%**

in our employees. Their remuneration includes salaries, performance-based bonuses, incentives via share grant plans and benefits. Our talent investment also takes into account our spend on training and talent development.

CONTRIBUTING TO SOCIETY

We contributed

RM 78.2
million
(2017: RM76.5 million) **+2.2%**

to the continued enrichment of our society's well-being through taxes, scholarships, donations and financial aid through Yayasan Bursa Malaysia.

REWARDING OUR SHAREHOLDERS

We distributed total dividends of

RM 206.7
million
(2017: RM206.9 million) **-0.1%**

to our shareholders. Since our listing in 2005, we have returned more than 90% of our profits through dividends.

SUSTAINING LONG-TERM VALUE

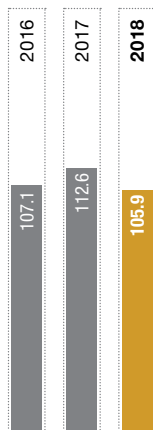
We retained

RM 23.9
million
(2017: RM23.3 million) **+2.7%**

for our future investment needs in order to create long-term sustainable value for our stakeholders.

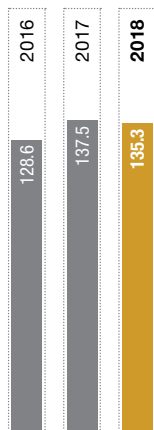
REINVESTED

(RM million)



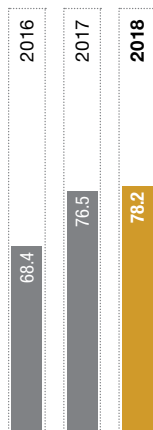
VALUE FOR EMPLOYEES

(RM million)



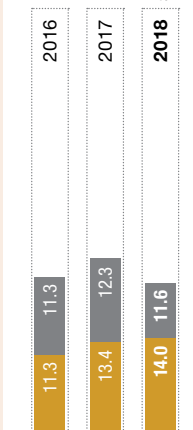
CONTRIBUTIONS TO THE COMMUNITY

(RM million)



DIVIDEND PER SHARE* (excluding special dividend)

(sen)



RETAINED

(RM million)



* Dividends for 2016 and 2017 have been adjusted to reflect the bonus issue exercise completed on 13 April 2018.

NON-FINANCIAL VALUE

ENHANCING THE CUSTOMER EXPERIENCE

Creating a more facilitative trading environment for investors, providing efficiencies such as e-services, and ensuring sound investor protection and governance

➡ Page 57, Sustainability Report

Offering a wide range of investment options and serving as the leading ASEAN destination for fundraising and Islamic capital market activities

➡ Page 23, Sustainability Report

INVESTING IN OUR COMMUNITY

Committed to being a responsible corporate citizen by contributing our time and knowledge to our community through volunteering at charitable organisations as well as delivering educational initiatives to the youth

➡ Page 77, Sustainability Report

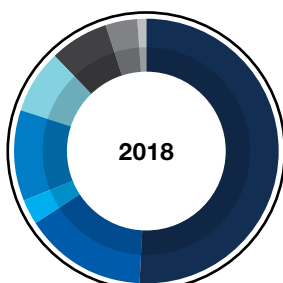
ENSURING THE WELL-BEING OF OUR EMPLOYEES

Recognising, rewarding and retaining talent by providing them with clear career pathways and accelerate development plans designed to develop bench strength and a competent talent pool of future leaders

➡ Page 63, Sustainability Report

HOW WE SUSTAIN VALUE

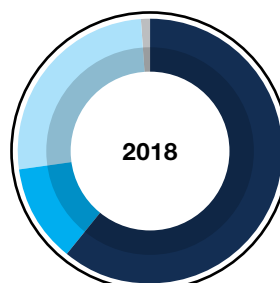
OPERATING REVENUE



	RM million
Securities Trading	265.8
Derivatives Trading	76.7
BSAS Trading	14.9
Listing and Issuer Services	60.1
Depository Services	42.2
Market Data	36.2
Member Services and Connectivity	21.9
Conference and Exhibition Related	5.5

Total operating revenue for 2018 was RM523.3 million.

SHAREHOLDER MIX

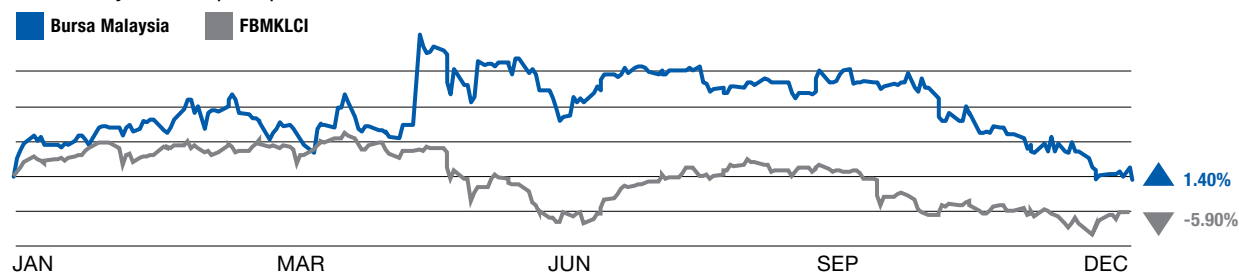


	%
Domestic Institution	61
Domestic Retail	12
Foreign Institution	26
Foreign Retail	1

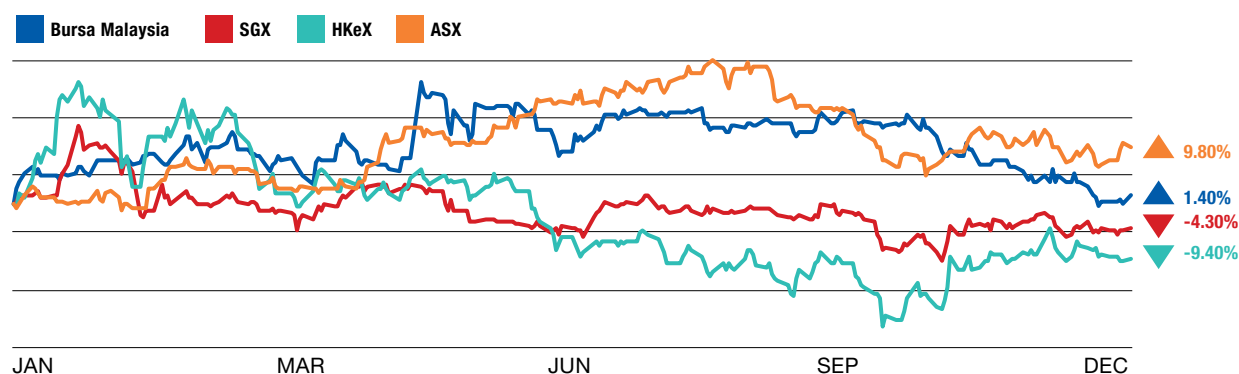
Our public shareholding of 81.17% represents a fair free float of Bursa Malaysia's shares and a healthy level of liquidity. As at the end of 2018, we had a total of 18,605 shareholders.

SHARE PRICE PERFORMANCE

Bursa Malaysia share price performance vs. FBMKLCI



Bursa Malaysia share price performance vs. listed Asian peers

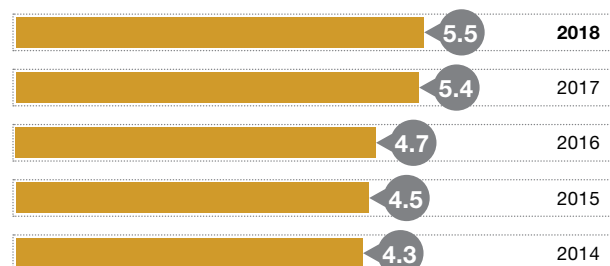


Bursa Malaysia's share price increased by 1.40% in 2018. Starting the year at RM6.75, Bursa Malaysia's share price traded at its highest at RM8.19 on 14 May 2018. The share price closed at RM6.84 on 31 December 2018. The share prices prior to 13 April 2018 have been adjusted to take into account the bonus issue exercised on that date.

MARKET CAPITALISATION

(RM billion)

As at 31 December



FIVE-YEAR DIVIDEND PAYOUT TO SHAREHOLDERS*

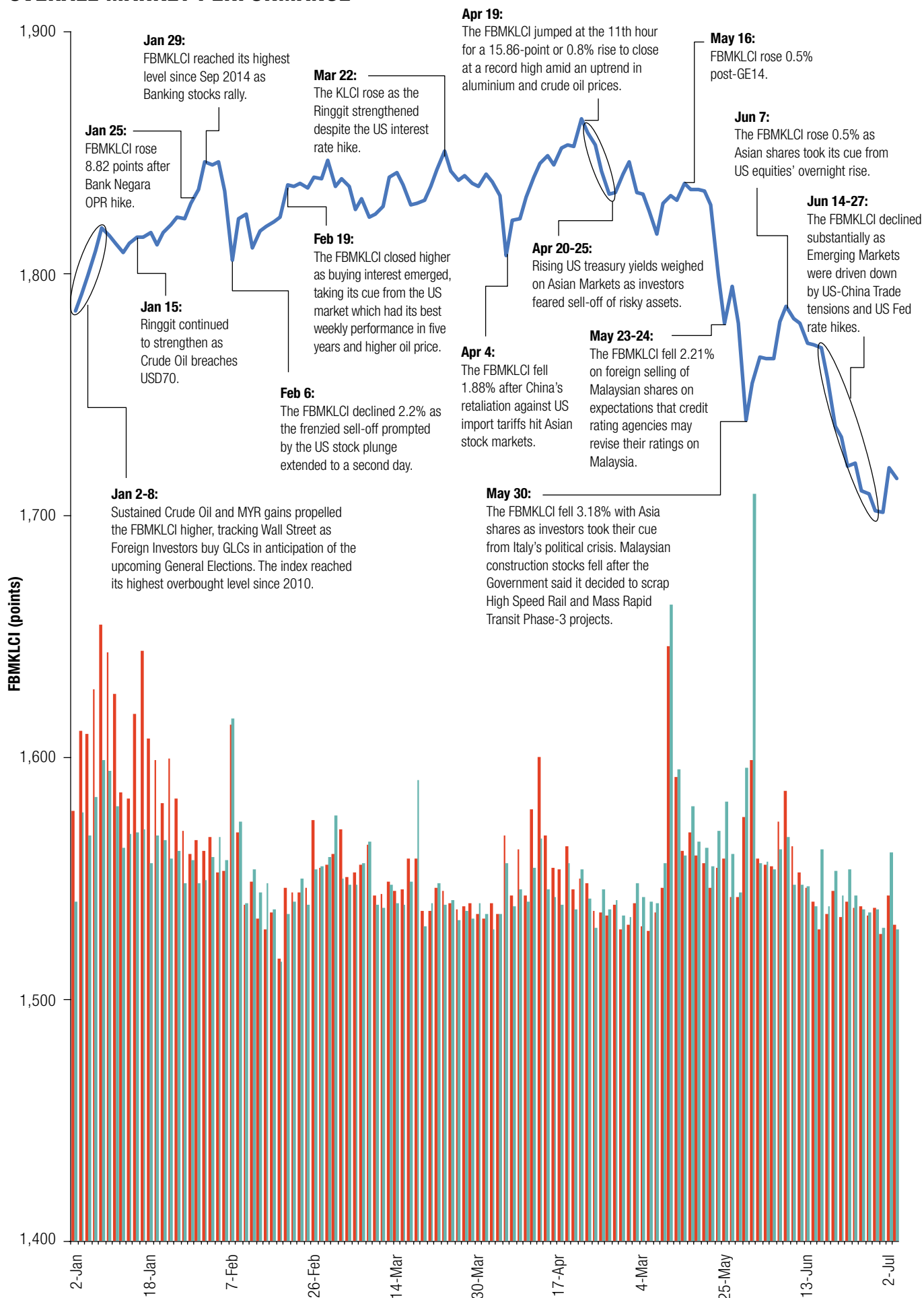
Legend: 1st Interim Dividend (sen) (Yellow), 2nd Interim Dividend (sen) (Grey), Special Dividend (sen) (Light Grey)

— Dividend payout as a percentage of PATAMI, not including special dividend

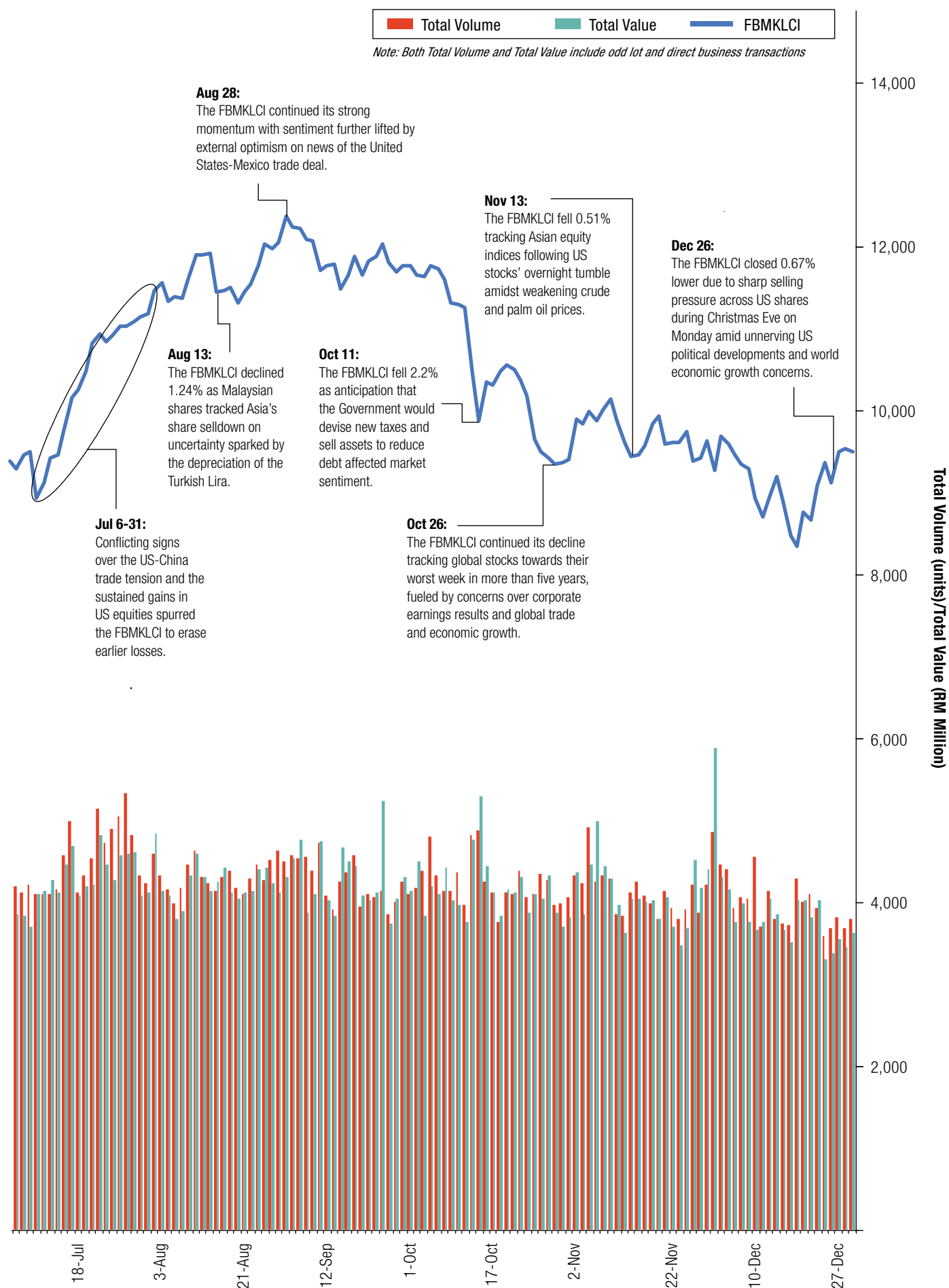


* Comparative figures have been adjusted to reflect the bonus issue exercise completed on 13 April 2018.

OVERALL MARKET PERFORMANCE



OVERALL MARKET PERFORMANCE



MARKET HIGHLIGHTS

	2014	2015	2016	2017	2018
Securities Market					
FBMKLCI	1,761.25	1,692.51	1,641.73	1,796.81	1,690.58
Total Market Capitalisation (RM billion)	1,651	1,695	1,667	1,907	1,700
Velocity (%)	29	30	27	32	32
Average Daily Trading Volume - OMT & DBT (million shares)	2,157	2,038	1,763	2,639	2,647
Average Daily Trading Volume - OMT (million shares)	2,072	1,966	1,666	2,540	2,549
Average Daily Trading Value - OMT & DBT (RM million)	2,162	2,082	1,968	2,530	2,574
Average Daily Trading Value - OMT (RM million)	2,053	1,991	1,812	2,314	2,392
Total Trading Volume - OMT & DBT (billion shares)	531	501	434	641	643
Total Trading Value - OMT & DBT (RM billion)	532	512	484	615	625
Total Funds Raised (RM billion)	24.3	21.2	12.8	21.9	9.2
No. of PLCs	906	903	904	905	915
– No. of New Listings	14	10	11	14	22
– No. of Delistings	20	14	10	13	12
No. of Listed REITS	16	17	17	18	18
– No. of New Listings	-	1	-	1	-
– No. of Delistings	1	-	-	-	-
No. of Listed ETFs	6	8	8	9	10
– No. of New Listings	1	2	-	1	1
No. of Listed Structured Warrants	527	503	516	606	618
– No. of New Listings	546	644	731	911	1,034
No. of Rights and Bonus Issue	89	73	63	72	68
No. of New CDS Accounts Opened (Yearly)	136,303	153,140	112,572	141,993	146,590
Total CDS Accounts (million)*	2.5	2.5	2.5	2.5	2.5
No. of Trading Days	246	246	246	243	243
No. of Participating Organisations of Bursa Malaysia Securities	30	30	30	30	30
Derivatives Market					
Open Interest as at 31 December	196,413	230,376	237,232	294,856	245,143
• Crude Palm Oil Futures (FCPO)	166,625	188,888	198,648	245,123	213,519
• FBMKLCI Futures (FKLI)	25,476	37,750	27,829	23,190	19,779
• Others	4,312	3,738	10,755	26,543	11,845
No. of Contracts traded					
• FCPO (million)	10.2	11.0	11.4	11.9	10.5
• FKLI (million)	2.2	3.0	2.8	2.0	2.5
• Options on FCPO	714	2,300	40,120	38,916	66,066
• Options on FKLI	4,188	4,702	10,171	20,285	10,486
• Mini FTSE Bursa Malaysia Mid 70 Index Futures (FM70)	-	-	-	-	173,132
• USD RBD Palm Olein Futures (FPOL)	656	60	-	-	507,394
• Other Products (FGLD, FKB3, FMG5 and FTIN)	124,994	44,945	9,037	2,551	619
Average Daily No. of Contracts Traded	50,654	57,157	57,829	57,677	56,488
Total Contracts Traded (million)	12.5	14.1	14.2	14.0	13.7
No. of Trading Days	246	246	246	243	243
No. of Trading Participants of Bursa Malaysia Derivatives	19	18	18	18	18
Islamic Capital Market					
% of Shariah-compliant PLCs	74	74	74	76	76
% of Shariah-compliant (by Market Capitalisation)					
• PLCs	63	66	64	62	63
• ETFs	31	21	22	24	28
• REITs	42	43	42	41	42
No. of ETBS	3	3	3	4	4
No. of Sukuk Listings on Bursa Malaysia Securities	20	22	24	25	24
Value of Sukuk Listings (USD billion)	34.2	34.6	53.5	56.0	53.5
Bursa Suq Al-Sila'					
• Average Daily Value Commodity Traded (RM billion)	6.9	15.2	16.3	19.6	24.3
• Total Commodity Trading Value (RM billion)	1,687.9	3,727.7	3,997.7	4,755.5	5,915.02
• Total No. of Matched Contracts	316,534	350,801	218,087	221,584	254,294
• No. of Trading Days	246	246	246	243	243
• No. of BSAS Registered Participants:					
Total	93	109	124	141	173
– Domestic	73	87	98	107	130
– Foreign	20	22	26	34	43

MARKET HIGHLIGHTS

Funds raised from new listings and the secondary market in 2018



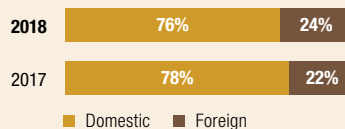
SECURITIES MARKET

MARKET CAPITALISATION

RM1.7
trillion

(2017: RM1.9 trillion)

SHARE OWNERSHIP (%)

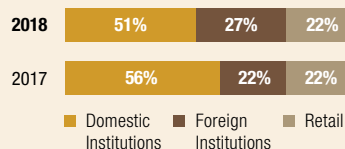


TOTAL TRADING VALUE - OMT

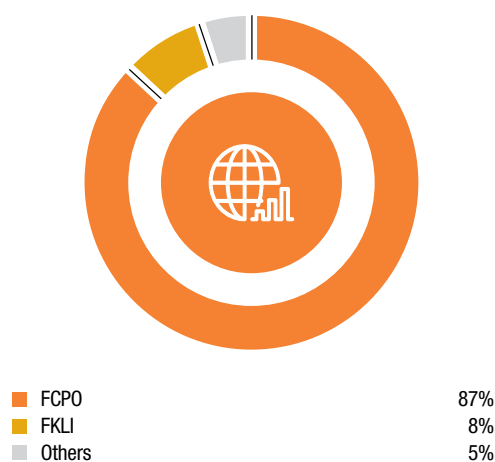
RM581
billion

(2017: RM562 billion)

MARKET DEMOGRAPHICS (%)



Open interest as at 31 December 2018



DERIVATIVES MARKET

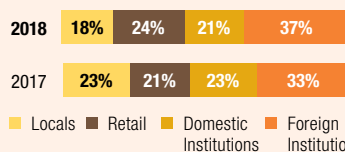
FCPO

NO. OF CONTRACTS TRADED

10.5
million

(2017: 11.9 million)

MARKET DEMOGRAPHICS (%)



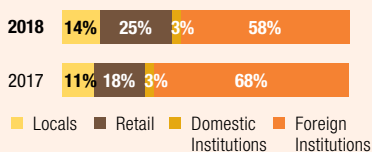
FKLI

NO. OF CONTRACTS TRADED

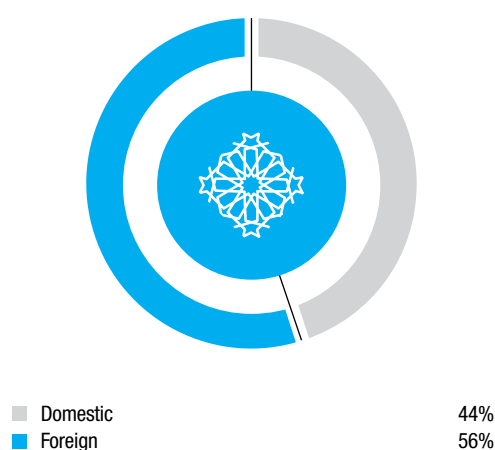
2.5
million

(2017: 2.0 million)

MARKET DEMOGRAPHICS (%)



Value of Sukuk Listing



ISLAMIC CAPITAL MARKET

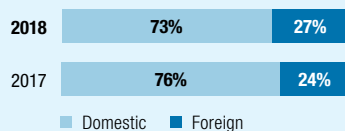
BSAS

TOTAL COMMODITY TRADE VALUE

RM5.9
trillion

(2017: RM4.8 trillion)

MARKET DEMOGRAPHICS (%)



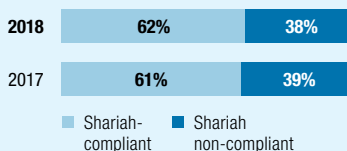
BURSA MALAYSIA-I

NO. OF SHARIAH-COMPLIANT STOCKS

689

(2017: 688)

MARKET CAPITALISATION (%)



CORPORATE MILESTONES

2018

JANUARY

21

Pilot Release of CDS e-Services

23-24

Held the 14th Invest Malaysia Kuala Lumpur in collaboration with Maybank Investment Bank Berhad

1

FEBRUARY

8

Bursa Malaysia Securities Clearing integration with Real-time Electronic Transfer of Funds and Securities System (RENTAS)

26

Launched the Revamped Crude Palm Oil Futures (FCPO) Contract

28

Listing of Dow Jones US Titans 50 Exchange Traded Fund (ETF), Bursa Malaysia's first Shariah-compliant non-Ringgit denominated listing

2

MARCH

1

Introduced Volume Based Incentive Programme to provide rebates on clearing fees incurred on trades executed by eligible investors

5-7

Held the Palm and Lauric Oils Price Outlook Conference and Exhibition 2018

29

BursaMKTPLC website revamp

Held Bursa Malaysia Excellence Awards 2017

3

APRIL

2

Bursa Malaysia became the approving authority for the issue of new securities by listed collective investment schemes and business trusts

16

Introduced Intraday Short Selling for all investors

24

Launched BURSASUSTAIN

4

MAY

24

Re-launched the USD RBD Palm Olein Futures (FPOL) Contract

5

JUNE

18

FTSE4Good Bursa Malaysia Index constituents increased from 44 to 55

21-22

Held Invest Malaysia London

6

JULY

4

Bursa Suq Al-Sila' system went 24/7

21-22

Hosted the 2nd Shariah Investing Fair 2018 at Kuala Lumpur Convention Centre themed "Jom Labur BM-i"

21

Launched enhanced BursaMKTPLC mobile app

24-25

Held Invest Malaysia Tokyo

7

AUGUST

1

Launched Google Universal App Campaign to promote BursaMKTPLC

27

Launched Mini FTSE Bursa Malaysia Mid 70 Index Futures (FM70)

8

CORPORATE MILESTONES

2018

SEPTEMBER

1

Launched “Easy as 1,2,3” Campaign

12

Received at the Alpha Southeast Asia’s Corporate Institutional Investor Awards 2018 (Malaysia):

- Most Organised Investor Relations 2018
- Strongest Adherence to Corporate Governance 2018
- Best Strategic Corporate Social Responsibility 2018

20

Bursa Malaysia became the first public listed company (PLC) in Malaysia to officially support the Taskforce on Climate-Related Financial Disclosures (TCFD) Recommendations

24

Launched Bursa Malaysia Sectoral Index Series

27

Organised the 5th Bursa Bull Charge annual charity run anchored on Sustainable Development Goals

9

OCTOBER

20

Bursa Uni Day and Investment Debate Challenge

31

Received “Best Stock Exchange for Islamic Listings” in the 13th IFN Service Providers Poll 2018. Bursa Malaysia is the inaugural winner for this category, which was introduced in 2018

Bursa Suq Al-Sila’ named as the first runner-up for “Best Interbroker for Islamic Transactions” category in the 13th IFN Service Providers Poll 2018

10

NOVEMBER

2, 9 & 16

Launched Sustainable Fridays Campaign activities such as Eco-Carnival, No-Straw Fridays and Sustainability Day as well as enactment of a Sustainable Development Goals Mural in the Annexe Building of Bursa Malaysia

21

Prize giving ceremony for the 2017/2018 FTSE Bursa Malaysia KLCI Options (OKLI) Trading Competition

22

Received at the 2nd ASEAN Corporate Governance Awards Ceremony 2018:

- Top 3 PLCs in Malaysia
- Top 50 ASEAN PLCs
- Top 5 ASEAN PLCs

11

DECEMBER

6

Inaugural seminar organised by Bursa Malaysia and Ministry of Entrepreneur Development to promote listing among Malaysian SMEs

13

Launched the 2nd edition of Bursa Malaysia’s Sustainability Reporting Guide & Toolkits

16

BSAS Message-Based straight-through processing went live

17

Launched New Order Types and Validity to provide greater trading flexibility

24

FTSE4Good Bursa Malaysia Index constituents increased from 55 to 56

Launched a new market surveillance system with enhanced functionalities

12

PEER COMPARISON

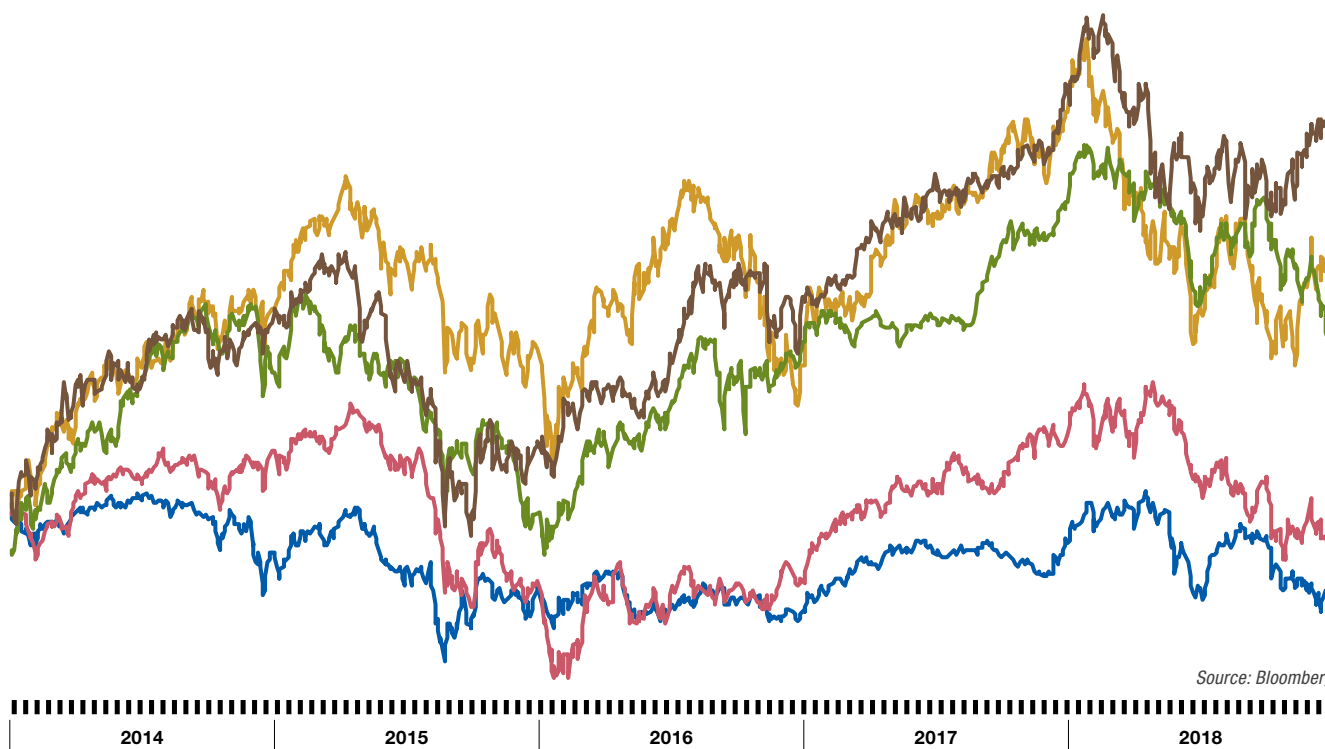
BENCHMARK INDEX PERFORMANCE (as at 31 December 2018)

 FBMKLCI Bursa Malaysia	 STI Singapore Exchange	 SET The Stock Exchange of Thailand	 JCI Indonesia Stock Exchange	 PCOMP The Philippine Stock Exchange
1,690.58	3,068.76	1,563.88	6,194.50	7,466.02
⬆ 5.9% from 2017	⬆ 9.8% from 2017	⬆ 10.8% from 2017	⬆ 2.5% from 2017	⬆ 12.8% from 2017

Source: Bloomberg

ASEAN EXCHANGES' FIVE-YEAR INDEX GROWTH FROM 2014-2018

FBMKLCI -9.5%	STI -3.1%	SET 20.4%	JCI 44.9%	PCOMP 26.8%
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Source: Bloomberg

INDEX DIVIDEND YIELD (%)

 FBMKLCI Bursa Malaysia	 STI Singapore Exchange	 SET The Stock Exchange of Thailand	 JCI Indonesia Stock Exchange	 PCOMP The Philippine Stock Exchange
3.37%	4.37%	3.35%	2.23%	1.67%

Source: Bloomberg

PEER COMPARISON

WE WELCOME THE NEW LISTINGS IN 2018

1	BINASAT COMMUNICATIONS BERHAD	ACE MARKET
2	JM EDUCATION GROUP BERHAD	LEAP MARKET
3	METRO HEALTHCARE BERHAD	LEAP MARKET
4	WEGMANS HOLDINGS BERHAD	ACE MARKET
5	QES GROUP BERHAD	ACE MARKET
6	NOVA PHARMA SOLUTIONS BERHAD	LEAP MARKET
7	GDB HOLDINGS BERHAD	ACE MARKET
8	POLYMER LINK HOLDINGS BERHAD	LEAP MARKET
9	TRI-MODE SYSTEM (M) BERHAD	ACE MARKET
10	SL INFORMATION BERHAD	LEAP MARKET
11	MI EQUIPMENT HOLDINGS BERHAD	MAIN MARKET
12	SEERS BERHAD	LEAP MARKET
13	REVENUE GROUP BERHAD	ACE MARKET
14	NOVA WELLNESS GROUP BERHAD	ACE MARKET
15	RADIANT GLOBALTECH BERHAD	ACE MARKET
16	AMLEX HOLDINGS BERHAD	LEAP MARKET
17	MYKRIS INTERNATIONAL BERHAD	LEAP MARKET
18	SECUREMETRIC BERHAD	ACE MARKET
19	TOPVISION EYE SPECIALIST BERHAD	LEAP MARKET
20	CRG INCORPORATED BERHAD	LEAP MARKET
21	TECHBOND GROUP BERHAD	MAIN MARKET
22	MANFORCE GROUP BERHAD	LEAP MARKET

■ MAIN MARKET
 ■ ACE MARKET
 ■ LEAP MARKET

TOTAL FUNDS RAISED FROM PRIMARY AND SECONDARY MARKETS (in USD Million)

BURSA MALAYSIA

2,269 -56%

5,134 in 2017

THE STOCK EXCHANGE OF THAILAND

4,527 -21%

5,717 in 2017

SINGAPORE EXCHANGE

2,547 -67%

7,707 in 2017

INDONESIA STOCK EXCHANGE

9,283 12%

8,323 in 2017

THE PHILIPPINE STOCK EXCHANGE

3,587 15%

3,120 in 2017

Source: World Federation of Exchanges

FINANCIAL CALENDAR

30 JANUARY 2019		FINANCIAL YEAR 2018	Announcement of the audited consolidated results for the financial year ended 31 December 2018
28 MARCH 2019		42ND	ANNUAL GENERAL MEETING
29 APRIL 2019		1ST QUARTER	Announcement of the consolidated results for the 1 st quarter ending 31 March 2019
30 JULY 2019		2ND QUARTER	Announcement of the consolidated results for the 2 nd quarter ending 30 June 2019
24 OCTOBER 2019		3RD QUARTER	Announcement of the consolidated results for the 3 rd quarter ending 30 September 2019
JANUARY/ FEBRUARY 2020		FINANCIAL YEAR 2019	Announcement of the audited consolidated results for the financial year ending 31 December 2019

NOTES SECTION 03



OUR PERFORMANCE AND OUTLOOK

Chairman's Statement	24
Chief Executive Officer's Review	28

CHAIRMAN'S STATEMENT

SECURITIES MARKET CAPITALISATION

RM1.7

trillion

2017: RM1.9 trillion

PROFIT AFTER TAX AND MINORITY INTEREST

RM224.0

million

2017: RM223.0 million

TOTAL DIVIDEND

33.6

sen per share

2017: 35.7 sen per share



TAN SRI AMIRSHAM A AZIZ

Chairman, **BURSA MALAYSIA BERHAD**

Dear Shareholders,

Bursa Malaysia put in a resilient performance amidst a challenging operating environment, due to strategic initiatives implemented in previous years which mitigated the impact of volatile market conditions. Greater retail investor participation and the positive reception for new products added vibrancy to the market, while new trading incentives and initiatives helped improve liquidity.

DELIVERING VALUE IN CHALLENGING CONDITIONS

2018 was marked by a strong start to the year, continuing the momentum established in 2017. Investor sentiment was generally positive in the first half of 2018 underlined by robust trading on the securities market. Sentiment became more muted in the second half as market conditions grew more uncertain owing to a number of external developments. Following the more challenging second half of the year, the benchmark FBMKLCI fell 5.9% to 1,690.58 points while market capitalisation declined by 10.8% to RM1.7 trillion for the year.

Notwithstanding the challenges, the Exchange continued to deliver on its commitment of creating value for our stakeholders, due in part to our efforts in previous years to build greater resilience and vibrancy in our market. For the year under review, Bursa Malaysia posted a Profit After Tax and Minority Interest (PATAMI) of RM224.0 million, representing an increase of 0.4% from our previous record PATAMI registered a year ago. In view of these results, the Board of Directors is pleased to declare a second interim dividend of 11.6 sen per share, bringing total dividend for 2018, inclusive of the special dividend of 8.0 sen, to 33.6 sen per share.

CHAIRMAN'S STATEMENT

ENHANCING THE MARKET ECOSYSTEM

The continued development of our market ecosystem is a top priority for Bursa Malaysia as it is the key to unlocking the sustainable long-term value of our marketplace and transforming us into a developed market. Our initiatives to enhance our market ecosystem are focused on several crucial areas including expanding our range of products and services, deepening market liquidity and growing our investor base to inject greater resilience and dynamism into our market. These initiatives are presented in greater detail in another section of this report and I invite you to refer to the relevant section for additional information.



A detailed list of our market enhancement initiatives is available in our Operational Review from Pages 52 to 69.

One notable development worth mentioning here is the positive growth seen in retail participation for 2018, buoyed by the retail investor initiatives and incentives we have introduced. The number of new retail CDS accounts activated during the year was higher than expected while retail investors closed the year as net buyers—the first time in over a decade. Additionally, retail investors bucked a historical trend when total Retail ADV totalled RM430 million for the year despite the decline in the FBMKLCI. We will be leveraging this momentum and continuing our retail investor efforts via our flagship “Invest Bursa, Invest in You” campaign throughout 2019, which we have designated as Retail Invest Year.



Our initiatives to boost retail participation in our capital market can be found on Page 56 of this report.

STRENGTHENING CORPORATE GOVERNANCE

Bursa Malaysia is committed to the practice and advocacy of good corporate governance (CG) to raise the quality of our own organisation as well as our PLCs. CG is essential to the long-term sustainability of our market and also in elevating the profile of the Malaysian market on the global stage. To this end, we focus on deliverables aimed at promoting good CG practices while ensuring that our own organisation leads the market by example.

GOOD CORPORATE GOVERNANCE IS BEST SERVED BY ENSURING TRANSPARENCY IN THE DISCLOSURE OF CORPORATE ACTIVITY, AND WE HAVE MADE SUBSTANTIAL EFFORTS IN REFINING THE QUALITY OF OUR OWN DISCLOSURES

We believe that good corporate governance is best served by ensuring transparency in the disclosure of corporate activity, and we have made substantial efforts in refining the quality of our own disclosures. Our 2018 report takes another step forward in our Integrated Reporting journey that began with the publication of our 2016 annual report. The preparation of this report challenged us as an organisation to think deeply about our roles, our culture and the actions we take in delivering our commitments to all our stakeholders, and also the way in which we present this information to them.

Improving Corporate Governance in our PLCs

While Bursa Malaysia has in place specific standards regarding the CG standards of our PLCs, we recognise that PLCs must acknowledge and accept the inherent value of practicing good CG to voluntarily embed the principles of good CG in their organisations. Effective self-regulation in line with the principles of good CG is therefore an important cornerstone of our advocacy work, and we provide tools and incentives such as our Green Lane Policy to encourage PLCs in that direction.



Please turn to Page 41 of our Sustainability Report for additional information on the Green Lane Policy.

We are also proud to report that at the 2nd ASEAN Corporate Governance Awards by the ASEAN Capital Markets Forum in November, not only was Bursa Malaysia named among the Top 3 PLCs in Malaysia and Top 5 ASEAN PLCs, but 13 other Malaysian PLCs also made the Top 50 ASEAN PLCs list, reflecting Bursa Malaysia's prominence at the forefront of the region as a responsible Exchange and exemplary PLC as well as the rising standard of corporate governance among Malaysian PLCs.



CHAIRMAN'S STATEMENT

WE ARE PLEASED TO NOTE THAT THE MARKETPLACE HAS RESPONDED POSITIVELY TO OUR EFFORTS TO MOVE THE SUSTAINABILITY NEEDLE, AND THIS IS REFLECTED IN SUSTAINABLE PRACTICES BECOMING MORE DEEPLY INGRAINED IN OUR PLCs' OPERATIONS.

BUILDING A SUSTAINABLE MARKETPLACE

Setting the Sustainability Tone

The sustainability agenda remains a key priority for Bursa Malaysia as we recognise it as essential to the long-term growth and development of our organisation and our market. To this end, we embed a strong sustainability mission within our own organisation, aligned with the five Sustainability Principles issued by the World Federation of Exchanges. Bursa Malaysia also takes guidance from the Sustainable Stock Exchanges (SSE) Initiative and became the first Malaysian PLC to officially support the Taskforce on Climate-Related Financial Disclosures (TCFD). In addition, we released our Sustainability Roadmap in 2018 to guide the development of our sustainability initiatives moving forward.



Please turn to Page 55 of our Sustainability Report for additional information on our support of the TCFD.

Bursa Malaysia is a strong advocate of gender diversity in our PLCs, and this is reflected in the appointment of Ms Chong Chye Neo as our new independent, non-executive director on 21 December 2018. With her appointment, the Exchange meets its commitment of having at least 30% of our Board positions filled by women directors. Ms Chong's leadership experience in the field of information technology will be an invaluable input in Board discussions as Bursa Malaysia will be introducing a number of technology-focused development projects moving forward.

Embedding Sustainability in the Corporate Community

As the market regulator, we are committed to ensuring sustainability for the overall capital market by steering our PLCs towards the adoption of sustainable practices. We support the sustainability efforts of our PLCs through our annual review of their Sustainability Statements and by providing them with the necessary guidance, i.e. through our updated Sustainability Reporting Guide and Toolkit and online BURSASUSTAIN web portal.



Please turn to Page 53 of our Sustainability Report for additional information on the BURSASUSTAIN web portal.



Please turn to Page 52 of our Sustainability Report for additional information on the Sustainability Toolkit.



The theme of sustainability was also an important feature in the 2018 Bursa Bull Charge (BBC), our annual run which brings together all our stakeholders. Tagged as "The Day the Marketplace Runs for Others", BBC is one way in which Bursa Malaysia leads the market and directs the collective effort of our market participants to heighten awareness of development goals while raising money for targeted charities. Held on 27 September 2018, the run raised RM2.1 million for 22 beneficiaries and was held as a carbon-neutral, inclusive event.

We are pleased to note that the marketplace has responded positively to our efforts to move the sustainability needle, and this is reflected in sustainable practices becoming more deeply ingrained in our PLCs' operations.

CHAIRMAN'S STATEMENT

CREATING FUTURE VALUE AND OPPORTUNITIES

The next two years are critical as we near the end of our strategic 10-year business plan in 2020. In order for us to achieve our desired outcomes, we will continue working on key aspects of the Exchange including further enhancing the market ecosystem, strengthening corporate governance and sustainability, and also building up Bursa Malaysia's capabilities. We will also better align our capital market with global standards while continuing to develop features unique to Bursa Malaysia that give us a competitive edge over our peers.

To these ends, we will step up our collaboration with regulators and industry players, including the Malaysian Government, the Securities Commission Malaysia and Bank Negara Malaysia to develop policies and guidelines that are facilitative to new investors and issuers, while strengthening the resilience and vibrancy of our capital markets. As capital market development is crucial to the national economic agenda, we have made deliberate efforts to engage with key decision-makers and align our positions on the development of the capital market with national goals.

In regard to our capabilities, Bursa Malaysia will capitalise on innovation and technology to modernise the core systems that form the backbone of our business over the next few years. On the organisational side, we continue to drive the development of an enterprise-wide data-driven culture. The latter contributes directly to our goal of building a High-Performance Organisation which will include a talent base that has the necessary skills and capabilities to meet mission-critical objectives and step into key leadership roles where and when called upon.

We must also continue to further ingrain sustainability in our PLCs such that we cement the Malaysian market as the leading destination for sustainable investing with a reputation for impeccable corporate governance.

ACKNOWLEDGEMENTS

On behalf of Bursa Malaysia's Board of Directors, I would like to extend my sincere and utmost appreciation to Datuk Seri Tajuddin Atan who leaves us after eight years at the helm of Bursa Malaysia as CEO. He has played an instrumental part in transforming our marketplace and setting us on the path towards becoming a developed market. We wish him all the best in his future endeavours.

My special note of gratitude also goes out to Encik Ghazali bin Haji Darman, who will be retiring as Independent Non-Executive Director on 28 March 2019.

Furthermore, I would like to express the Board's gratitude to our valued shareholders for their continued support, and to the Management and staff of the Exchange for their continued dedication to our cause. We also extend our thanks to our regulators and policymakers who have played a vital part in laying the foundation for our market infrastructure, and for enabling us to achieve our goal of becoming ASEAN's market leader.

On a personal note, I would like to extend a warm welcome to the new Bursa Malaysia chairman, Datuk Shireen Ann Zaharah Muhiudeen who takes on the chairmanship following my stepping down on 28 February 2019. Likewise, a warm welcome to Datuk Muhamad Umar Swift who joins us as Bursa Malaysia's CEO on 11 February 2019. I wish the both of them all the best, and I am confident that Datuk Shireen and Datuk Umar will help the Exchange scale even greater heights.

I would like to acknowledge and express thanks for the contributions of my colleagues on the Board for their help these past four years. It has been my special privilege to have served with you on the Board during this time and I hope that you will continue to support the new chairman and CEO with the same enthusiasm as you have shown me.



TAN SRI AMIRSHAM A AZIZ
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

I AM CONFIDENT THAT AT THE END OF OUR 10-YEAR DEVELOPMENT JOURNEY IN 2020, WE WILL BE IN A MUCH STRONGER POSITION TOWARDS REALISING OUR VISION OF BECOMING ASEAN'S LEADING, RESPONSIBLE AND GLOBALLY CONNECTED MARKETPLACE.



DATUK SERI TAJUDDIN ATAN

Chief Executive Officer, **BURSA MALAYSIA BERHAD**

Dear Shareholders,

Bursa Malaysia is now in the final leg of our 10-year development journey, which began in 2011 with a business plan to unlock the vast potential of our marketplace through strategic measures that bring us closer to our aspiration to become a developed market. I am confident that at the end of this development journey in 2020, we will also be in a much stronger position towards realising our vision of becoming ASEAN's leading, responsible and globally connected marketplace, with the mission to:

- I** Provide easy access to diversified, impactful products and services for global market participants.
- II** Build a high-performance organisation with a data-driven culture, fuelled by innovation and technology, and powered by strategic partnerships.
- III** Foster sustainable development in the marketplace by promoting responsible growth, while facilitating fundraising, value and wealth creation for all.

Over the years, we have worked on strengthening our core market fundamentals, enhancing our ecosystem and transforming ourselves into a High-Performance Organisation (HPO). Our initiatives have built greater market vibrancy and fostered a more diverse investor base, as well as developed our capacities in the niche areas of Islamic capital markets and sustainability. In addition, we have expanded our ASEAN footprint and made regional thinking a central part of our corporate culture.

CHIEF EXECUTIVE OFFICER'S REVIEW

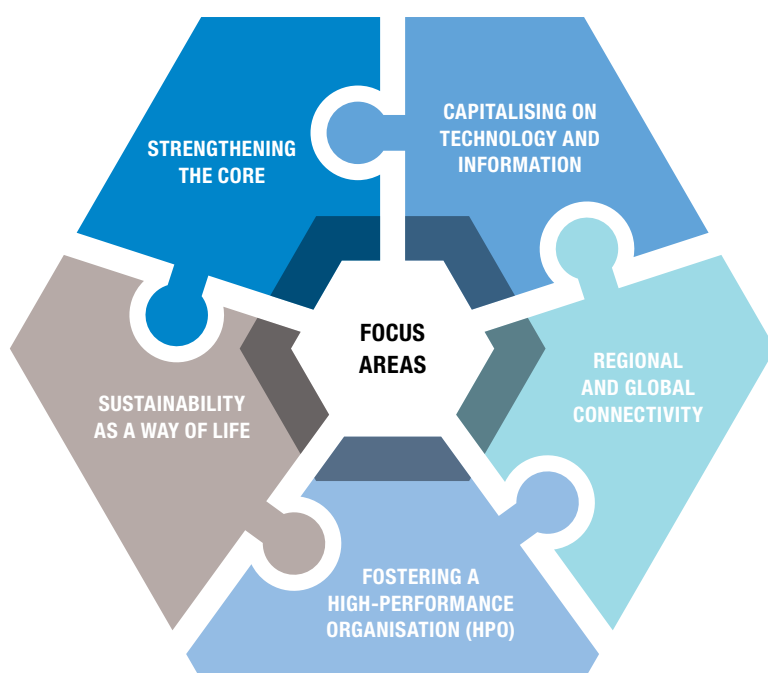
To further reinforce this sense of purpose in our organisation, we conducted a brand sharpening exercise in 2018 that clearly and distinctly articulated the Bursa Malaysia brand and the aspirations that we have set for ourselves. Through this exercise, our people are reminded of what it means to be part of Bursa Malaysia and of our commitments to our stakeholders.

A new tagline has been developed for the Exchange following this exercise: "Creating Opportunities, Growing Value". This tagline reinforces the essence of who we are and what we do, and of our commitment to lead, create opportunities for market participants, and grow and achieve the value that they seek. It also captures our commitment to deliver value to our shareholders in the form of capital appreciation and dividends, and our promise of sustainable development for our business, market and community.

Towards this end, we are actively engaging the policy and decision makers of the new Malaysian Government and working with them to develop our capital market. A key driver of economic growth, the capital market plays a unique role as a fundraising platform for our companies and also attracts foreign investment which can then be channelled towards development. It is therefore in the national interest that we move forward together to steer capital market development in a direction that is aligned with national goals.

EXECUTING OUR STRATEGY

Our initiatives are guided by our strategy, which anchors our five Focus Areas. These Focus Areas represent key loci of development where targeted initiatives will take the Exchange to the next level. These five Focus Areas are:



WITH GREATER MARKET RESILIENCE IN 2018, WE DELIVERED A PERFORMANCE THAT MATCHED THE PERFORMANCE OF OUR PREVIOUS RECORD YEAR IN 2017 DESPITE A MORE CHALLENGING OPERATING ENVIRONMENT.

STRENGTHENING THE CORE

Initiatives under this Focus Area strengthen the core by creating a more efficient and facilitative market framework, and by injecting greater dynamism and vibrancy into our capital market. These in turn foster greater market participation, market liquidity and depth, thereby making our market more resilient to changes in the operating environment.

We have already seen evidence of our greater market resilience in 2018 where we delivered a performance that matched the performance of our previous record year in 2017 despite the presence of a more challenging operating environment. This is further borne out by our status as second-best performing market in ASEAN based on benchmark indices, and by the performance of FBMKLCI benchmarked against the MSCI Emerging Markets Index and FTSE Emerging Index (FBMKLCI: -5.9% vs MSCI EM: -16.6% vs FTSE Emerging Index: -15.5%).

A complete list of our core-strengthening initiatives is available in other sections of this report, but there is one initiative that is particularly meaningful to us, namely the Leading Entrepreneur Accelerator Platform (LEAP) Market which was launched for SMEs in July 2017. The LEAP Market is a milestone achievement for Bursa Malaysia not only because it is the first of its kind in ASEAN, but because it also recognises and forwards a crucial component of the national economy, namely the SMEs.



A detailed discussion of our initiatives implemented under each operating segment is available from Pages 52 to 72.

CHIEF EXECUTIVE OFFICER'S REVIEW

SINCE LAUNCHING THE LEAP MARKET IN JULY 2017, A TOTAL OF 13 COMPANIES HAVE BEEN LISTED ON THE PLATFORM AS AT END 2018, WHICH IS A POSITIVE SHOWING FOR A NEW PLATFORM, AND FURTHER EVIDENCE OF SMEs' AND INVESTORS' DEMAND.

The LEAP Market, which accelerates the development of SMEs' by providing an alternative platform for fundraising to accelerate growth, is unique in that it fulfils both our commitment to enrich our marketplace and the national agenda to spur SME growth. Since launching the LEAP Market in July 2017, a total of 13 companies have been listed on the platform as at end 2018, which is a positive showing for a new platform, and further evidence of SMEs' and investors' demand.

In our engagements with SMEs during our LEAP Market awareness and advocacy roadshows in 2018, we were made aware of several areas of the LEAP Market that could be further refined, and these will be addressed in 2019. In the meantime, we expect to see growing interest in the LEAP Market from both issuers and potential investors alike, and are presently collaborating with, among others, the Ministry of Entrepreneur Development to further promote and market the platform to potential SME issuers.

CAPITALISING ON TECHNOLOGY AND INFORMATION

In recent years, we have seen technology evolve quickly to disrupt business models, threaten the security of information and create additional competitive pressure on companies. Our investment in technology keeps us on top of these developments, and ensures that Bursa Malaysia remains competitive, operates at peak efficiency and is protected from unauthorised access or cyberattacks.

As cyberattacks are expected to intensify globally moving forward, we have invested substantial resources to protect the integrity of our digital infrastructure. In addition to these cyber security measures, we have introduced a number of technological upgrades that make our market more accessible, efficient and facilitative for our market participants. Some of these features introduced in 2018 include:

Enhancing the Securities Market BTS2 trading platform in November 2018, enabling market participants to improve order execution through the application of different trading strategies

Enhancing the Bursa Suq Al-Sila' (BSAS) systems to allow for straight-through processing of orders from market participants to reduce the processing time

Implementing Bursa Malaysia's New Market Surveillance System (MSS) on 24 December 2018 to facilitate market surveillance, monitoring and control, and data analytics

Driving our investment in technology further is our objective of building a data-driven culture at Bursa Malaysia. In this age of Big Data, efficient and accurate analytics is crucial to help us remain agile and respond strategically to emerging patterns and trends.

REGIONAL AND GLOBAL CONNECTIVITY

Our regional and global connectivity initiatives aim to position Bursa Malaysia as ASEAN's market leader with global connectivity. These initiatives seek to establish strategic alliances with key markets while raising the profile of our capital markets and PLCs with foreign investors.

We aggressively marketed and promoted the Bursa Suq Al-Sila' (BSAS) Islamic commodities platform and the Bursa Malaysia-i (BM-i) securities trading platform to grow awareness and interest in these platforms. To this end, we have engaged with investors and brokers in key countries within ASEAN (Brunei, Thailand, Singapore, Indonesia), the Gulf states (Saudi Arabia, Bahrain, Kuwait, Jordan, Palestine, the United Arab Emirates, Qatar) and Africa (Kenya, Tanzania, Mauritania), as well as major economic powerhouses including China and the United Kingdom.

Meanwhile, our flagship 'Invest Malaysia' programme held in January attracted over 2,000 delegates, including more than 1,000 local and regional fund managers from Taiwan, Thailand, Singapore, Hong Kong, the United States of America, and the United Kingdom with Assets Under Management totalling USD18.3 trillion. Also held in London and Tokyo in June and July respectively, Invest Malaysia is an important tool to promote Malaysian PLCs and showcase the unique value proposition that Bursa Malaysia offers to the global trading fraternity.

Attracting foreign investors not only improves our market vibrancy, but also contributes to the national growth agenda by drawing higher levels of foreign investment onto Malaysian shores.

CHIEF EXECUTIVE OFFICER'S REVIEW

FOSTERING A HIGH-PERFORMANCE ORGANISATION

Building a High-Performance Organisation (HPO) is critical in supporting our efforts of becoming ASEAN's leading marketplace. As our market grows increasingly sophisticated and caters to a wider investor base, different capabilities and talents will be called upon to support our business activities and play mission-critical roles. We will also need a stable succession of leaders who are capable and who fully subscribe to the vision that we have outlined for the Exchange.

Towards this end, we have started building a talent base with the depth and experience necessary to support our business activities at the present time and also in the future. There are five thrusts to our talent development programme:

BUILDING
LEADERSHIP
BENCH STRENGTH

We are grooming and assembling a stable of qualified and capable leaders who are ready to step into leadership roles as and when called upon by the Exchange. This secures a succession of leaders who share the same vision and have the experience necessary to achieve our strategic goals which stretch over the long-term.

DEVELOPING
CAPACITY

Bursa Malaysia's value creation role will change as we evolve into a developed market. While some core functions may remain the same, we recognise that there will be a need for new competencies as we develop our global linkages and deploy new technological innovations. We therefore develop our staffing capacities to support our core functions and in anticipation of future needs, particularly with respect to our strategic aim of leveraging new technology to improve performance and expand our capabilities.

ENHANCING
REWARDS

Bursa Malaysia operates in a globalised economy where demand greatly outstrips the supply of talent. With businesses vying to build a talented workforce, Bursa Malaysia is enhancing its rewards system to attract employees who will support the achievement of business goals and to provide fair and equitable pay for all employees in our organisation.

ENHANCING
PRODUCTIVITY

Technological advances, especially automation, coupled with rising stakeholder expectations and competitiveness in the face of globalisation, have greatly increased the need for better productivity. In achieving a more objective assessment of our people's efficiency and effectiveness in their roles, baseline metrics are being established to enable greater comparability of employee performance, and identify areas of the workforce that can be improved.

TRANSFORMING
CULTURE

We are inculcating a transformation towards a data-driven, high-performance mindset and culture from the very top levels of leadership cascaded down to all levels of the organisation. By leveraging data and analytics to realise our full business intelligence potential, we will be able to unlock latent efficiencies and increase our agility in identifying challenges, grasping opportunities, making strategic business decisions and adapting to change.

EMBRACING SUSTAINABILITY AS
A WAY OF LIFE

At Bursa Malaysia, sustainability is an integral part of business and key to building a resilient marketplace. In addition to ensuring that our own sustainability practice adheres to global best practices, we have made championing sustainability as one of our strategic missions and as a defining feature that reinforces our position as a leading, responsible marketplace in the region.

Over the last few years, we have taken a number of steps to accelerate the development of sustainability in our marketplace. This includes making sustainability reporting mandatory for our PLCs

as well as launching the FTSE4Good Bursa Malaysia Index - an index comprising PLCs with strong corporate governance track records and robust sustainable practices. Our PLCs have responded positively to this clarion call to improve their sustainability practices, leading to an increase in the number of FTSE4Good constituents to 56 companies in 2018 from 24 when the index was first launched in 2014.

Supporting our efforts to elevate sustainability in the marketplace is our BURSASUSTAIN web portal which was launched in April 2018. Designed to be a one-stop repository for all matters related to sustainability and corporate governance, BURSASUSTAIN,

which is among the first to be launched by an exchange, provides Malaysian PLCs the information they need to bring their disclosures up to international standards. BURSASUSTAIN is a reflection of our commitment to sustainability and is the latest addition to our roster of sustainability-related initiatives.

As the national stock exchange, Bursa Malaysia is committed to leading by example in practising the highest levels of corporate governance and sustainability. To this end, we incorporate best international practice in our reporting standards, in assessing the material impact of our activities, and in encouraging sustainability-focused thinking in our people.

CHIEF EXECUTIVE OFFICER'S REVIEW

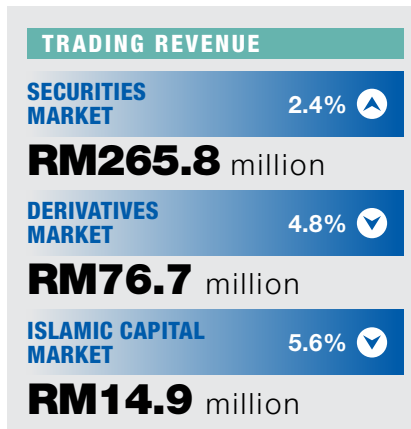
OPERATIONAL REVIEW

Bursa Malaysia put in a commendable performance for the financial year ended 31 December 2018 within a challenging operating climate marked by growing market volatility and challenging external developments. Our Profit After Tax and Minority Interest (PATAMI) increased 0.4% to RM224.0 million from RM223.0 million registered a year ago, testifying to the growing resilience of our marketplace and the efficacy of our previous initiatives.

While investor sentiment became increasingly muted in the second half of the year, we saw robust trading activity in the Securities Market where trading revenue rose 2.4% to RM265.8 million from RM259.6 million in 2017. Within this context, the average daily value traded (ADV) for the Securities Market's On-Market Trades (OMT) grew 3.4% to RM2.4 billion from RM2.3 billion while non-trading revenue fell a marginal 0.1% to RM165.9 million from RM166.1 million. Higher market data revenue, up 4.9% to RM36.2 million from RM34.5 million, partially offset the fall in non-trading revenue.

The Derivatives Market, meanwhile, was affected mainly by the weakening of crude palm oil (CPO) prices and the strengthening of the Ringgit against the currencies of importing countries. As a result, the Average Daily Contracts (ADC) decreased 2.1% from 57,677 contracts a year ago causing a decline in trading revenue of 4.8% to RM76.7 million from RM80.6 million. A total of 13.7 million contracts were traded in 2018 compared to 14.0 million contracts in 2017.

On the Islamic Capital Market, we saw positive signs of growth with trade volume on the Bursa Suq Al-Sila' (BSAS) platform rising substantially during the year. ADV grew 24.4% to RM24.3 billion on the Islamic commodity platform due to higher participation from both domestic and foreign participants. Trading revenue, however, decreased 5.6% to RM14.9 million because more trades were conducted under our volume-based pricing scheme, which has lower margins.



MOVING FORWARD

Bursa Malaysia is staying on its strategic course in the coming year to keep pace with our agenda in building a developed and sustainable market. Top on our priority list for 2019 will be people development, a robust data strategy and systems refresh to support the growth of our capital market.

These initiatives will not only keep us on track with our development schedule, but will also help us address the greater competitive pressure arising from peer exchanges, from the development of new technologies such as blockchain and artificial intelligence, and from the emergence of non-traditional fundraising platforms such as equity crowdfunding and peer-to-peer lending.

These developments were not unforeseen and we have already prepared for them with our initiatives to strengthen our market ecosystem and deploy technological innovations of our own. We will further fortify our position by developing our niche capabilities in Islamic capital markets and sustainability, which will create value propositions that will take Bursa Malaysia up to the next level. These features of our market will draw new classes of investors, particularly those with a socially responsible investment (SRI) mandate, and will position our market alongside other global champions of sustainability.

Finally, it must be noted that 2018 showed that we are operating in a volatile environment where market

conditions and investor sentiment can change suddenly and with little warning. We cannot predict with absolute accuracy when and how the market will react, but what we can do is build up our marketplace to ensure it remains vibrant, and have sufficient liquidity and good quality companies that can weather uncertainties. 2018 is evidence that such a strategy works, and the Exchange will be doing more to further build up resilience in our marketplace.

ACKNOWLEDGEMENTS

On behalf of Bursa Malaysia's Management, I would like to extend our appreciation to our stakeholders and regulators for their support and cooperation which have helped us come this far. I would also like to thank employees for their tireless efforts and commitment to the achievement of our goals and mission. Finally, I would like to express my gratitude to the Board of Directors for their counsel.

I would like to conclude by noting that despite our achievements thus far, there remains work to be done. The evidence suggests that our marketplace is now far more resilient than in the past, and we have shown ourselves to be a sustainable creator of value and an exemplary PLC that others can emulate. Although we have made significant ground in transforming Bursa Malaysia into ASEAN's leading, responsible and globally connected marketplace, we must press on to ensure that the work we have done so far achieves the desired outcomes.

It is my sincere hope that Bursa Malaysia will continue to grow from strength to strength in these next two critical years and beyond.

DATUK SERI TAJUDDIN ATAN
Chief Executive Officer

SECTION 04

OUR STRATEGY

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STRATEGIC FOCUS

OUR ROLES

OPERATE

We invest relevant capital to build and operate our markets for our market participants

We ensure that our marketplace is secure and facilitative of trading, and meets the fundraising needs of our listed issuers

We foster the creation of a diverse investor base, a deep pool of liquidity and a wide range of products and services catering to different trading strategies

REGULATE

We regulate the market to create an environment of trust for our market participants

We issue guidance and rules to safeguard investor interest and maintain market integrity

We enhance the corporate governance culture of Malaysian PLCs by issuing guidance and rules encouraging and/or requiring the adoption of certain governance practices and disclosures

INFLUENCE

We lead by example and observe best practices in the governance and sustainability activities of our organisation

We support our PLCs' efforts to improve their corporate governance and sustainability practices through regular engagement

We improve the level of financial and investor education through our advocacy, awareness and educational programmes held for all layers of society

ELEVATE

We create sustainable value for our stakeholders by pursuing operational excellence in all that we do

We create long-term shareholder value by paying regular dividends and preserving the value of their shareholding

We enrich the communities in which we operate and become a positive agent of change through our community programmes

Our strategic initiatives are arrayed into the Five Focus Areas below. The achievement of our deliverables in our Focus Areas strengthens our ability to create value for our stakeholders in accordance with our roles outlined above.

OUR FOCUS AREAS

STRENGTHENING THE CORE

For more information:



CAPITALISING ON TECHNOLOGY AND INFORMATION

For more information:



REGIONAL AND GLOBAL CONNECTIVITY

For more information:



FOSTERING A HIGH-PERFORMANCE ORGANISATION

For more information:



SUSTAINABILITY AS A WAY OF LIFE

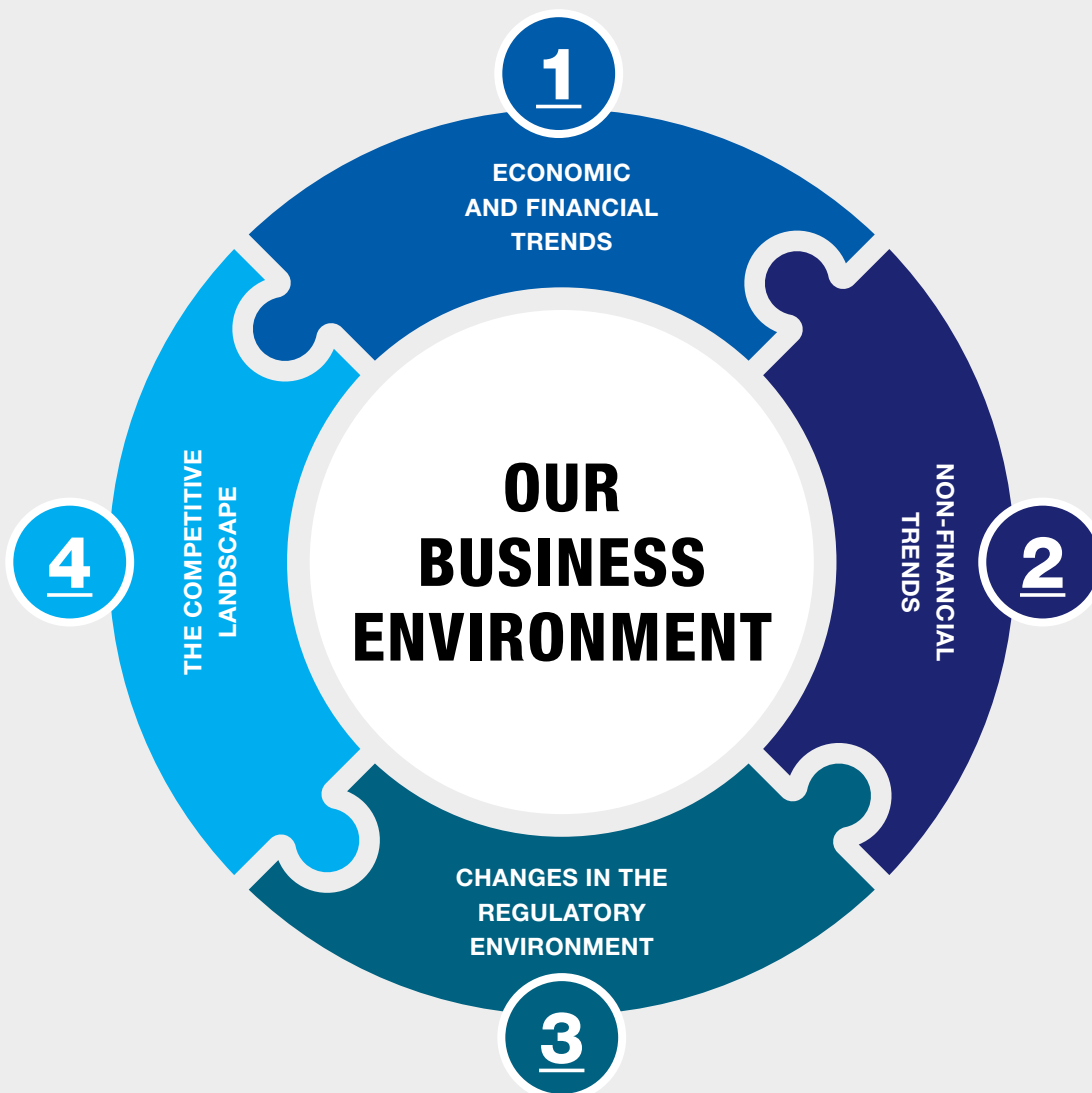
For more information:



OUR OPERATING CONTEXT

Bursa Malaysia is a stock exchange operating in one of the world's fastest-growing economic regions. Despite growing volatility in the global financial markets these last few years, ASEAN has retained its status as a key economic region for global investors. Similarly, Bursa Malaysia has continued to develop its ecosystem and capabilities towards becoming a developed market.

This section of the report describes Bursa Malaysia's operating context and explains the various factors affecting our business including macroeconomic conditions, the regulatory environment and the competitive landscape. Specific risks and opportunities and the way they might affect our financial and non-financial performance in reference to our material factors are discussed in a subsequent section (see Page 40).



OUR OPERATING CONTEXT

1

ECONOMIC
AND FINANCIAL
TRENDS

Financial markets have been operating in a period of prolonged volatility over the last decade. We have seen substantial swings in investor sentiment during this period as market participants have become more reactive to market developments. In addition, the greater adoption of financial technology (fintech) by market participants, changing demographics and greater global connectivity are adding new dimensions of complexity to existing financial markets. We expect these trends to continue in the foreseeable future barring any substantial changes to the status quo.

Global financial growth started to decelerate in 2018, particularly in the fourth quarter, as interest rates started to rise and liquidity tightened owing to changes in global monetary policy. Growing trade tensions also contributed to uncertain global growth as well as to the downward revisions of regional growth forecasts. A corresponding increase

in global market volatility simultaneously resulted in a fall in global equity prices. According to the MSCI World Index, global stocks fell 8.2% in 2018 as at 31 December 2018.

The slowdown in global growth was reflected in the domestic Malaysian economy where GDP expanded by 4.7% in 2018, according to Bank Negara Malaysia, as compared to 5.9% in 2017. A combination of factors including the US-China trade tension, rising global interest rate, the weaker Ringgit against major currencies and outflow of foreign funds affected investor sentiment and impacted the performance of our market. Our benchmark FBMKLCI index fell 5.9% in 2018 year-on-year.

2

NON-FINANCIAL
TRENDS

Bursa Malaysia operates in a dynamic environment where changes in non-financial trends may directly or indirectly affect our deliverables. Changes in demographics, trade tensions and consumer behaviour are examples of non-financial trends that could affect our operations.

We have seen in recent years changes in stakeholder expectations including rising investor demand for sustainable business practices and more transparent reporting. In response to these changing expectations, we have changed the way we discharge our role as a market regulator, and the way we behave as a market operator and a listed company.

In addition, global developments such as the issuance of the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) in June 2017 and the five Sustainability Principles by the World Federation of Exchanges for member exchanges in 2018 have accelerated our efforts to embed greater sustainability in our organisation.

These developments have also encouraged us to step up our contributions towards sustainable development and enhance the

quality and attractiveness of our market, in particular for investors holding sustainable and responsible investment (SRI) mandates. Towards these ends, we have taken extensive measures in the form of rules, guidance, advocacy, disclosure review and engagement to enhance the quality of sustainability practices and reporting among our PLCs and make our market ecosystem more facilitative of sustainable practices.

We are also responding to these developments by continuing to improve our internal performance on various sustainability markers such as human capital management and environmental management. In so doing, we aim to establish ourselves as an exemplary model for other PLCs while delivering on our commitments as a responsible corporate citizen to our stakeholders and shareholders.

Since we adopted sustainability as a key priority for the Exchange, we have increased our visibility among investors with SRI mandates. We are confident that this move towards greater sustainability will manifest itself over the longer term and contribute to our long-term value creation activities.

OUR OPERATING CONTEXT

3

CHANGES
IN THE
REGULATORY
ENVIRONMENT

Bursa Malaysia operates in a regulated environment overseen by regulators and government institutions including the Securities Commission Malaysia (SC), Bank Negara Malaysia and the Ministry of Finance.

We are the frontline regulator of our capital market and issue rules that are designed to safeguard market participants and that the market retains its integrity at all times. Through the collective regulatory efforts of other regulators and ourselves, we have created a stable, trusted and reliable environment that boosts investor confidence in our market.

One important regulatory change that will contribute positively to us is related to the listing of Exchange Traded Funds (ETFs) on our market. In November 2018, the SC revised its guidelines to allow issuances of a more diversified range of ETFs in Malaysia. These include futures-based ETFs (such as the leveraged and inverse ETFs), synthetic ETFs, physical commodity ETFs and smart beta ETFs.

In response to these changes, we amended our rules to facilitate the listing of these new ETFs. The new rules are effective as of 2 January 2019, and is expected to result in a more diverse class of ETFs listed on our market, moving forward.

4

THE
COMPETITIVE
LANDSCAPE

Bursa Malaysia faces increasing competition from both regional and international exchanges as capital markets continue to evolve and become more sophisticated. The emergence of new technologies and greater interconnectivity in the global financial markets have further intensified the competitive pressure we face, but have also amplified the opportunities available to us.

During the year under review, we continued to see competition emerging from the new launches of products and services by peer exchanges, strategic alliances via partnerships among exchanges to promote cross-border product offerings and the introduction of more facilitative rules and regulations by exchanges to attract new issuances. We note that competition has also intensified with growing attention being placed on new technologies, e.g. blockchain and artificial intelligence, that have increased pressure on exchanges to innovate in order to drive operational efficiencies and expand product and service offerings.

The rise of new technology, coupled with a more facilitative regulatory environment that allows the entrance of new players and products, is making competition increasingly borderless. Competition is now emerging from both direct competitors, e.g. peer exchanges, as well as non-traditional competitors whereby we see the emergence of alternative capital-raising platforms such as equity crowdfunding, peer-to-peer lending, alternative trading systems, and wealth management platforms that challenge the traditional exchange business.

The issuance of the revised Guidelines on Recognized Markets by the SC to introduce new requirements for electronic platforms that facilitate the trading of digital assets in January 2019, could pave the way for further innovation in the capital market.

OUR STAKEHOLDERS

Bursa Malaysia has a number of interdependencies with our key stakeholders and we are aware of the importance of meeting their needs and expectations. We engage our stakeholders regularly to seek feedback on our performance and to better understand the material factors that affect their operations and the markets. Our stakeholders are found at various levels of society and their relationships with us are determined by the nature of their interactions with us.

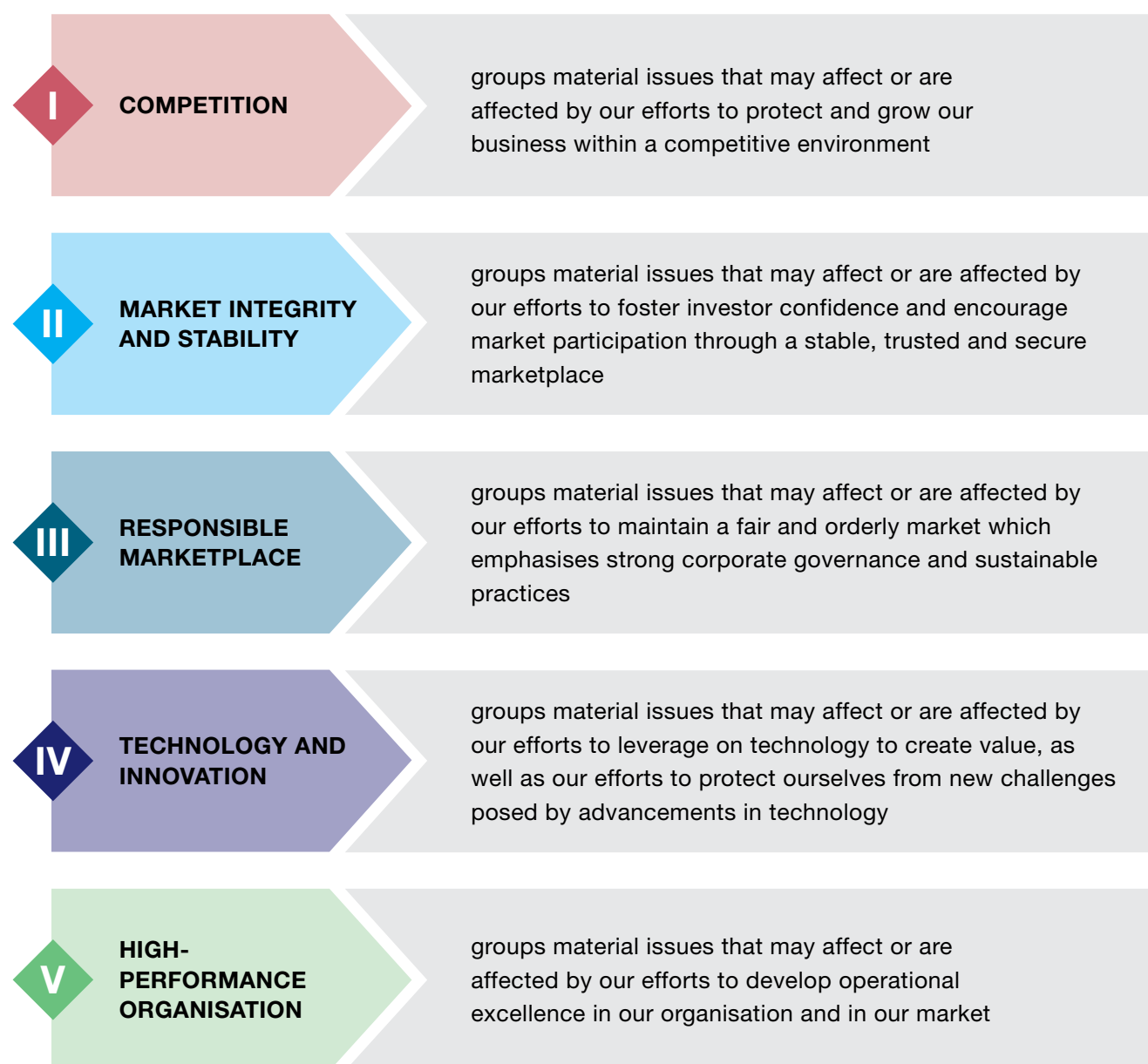
These stakeholders play an important role in helping us develop and tailor our products and services to better serve the investing community and in directing our business strategy, going forward.

For more information about how we engage with our stakeholders, please turn to page 16 of our Sustainability Report.

OUR STAKEHOLDER GROUPS	OUR APPROACH TO STAKEHOLDER ENGAGEMENT	WHAT WE ENGAGE THEM ABOUT
• Public listed companies (PLCs) • Potential PLCs • Advisers • Secretarial Firms	• Meetings, seminars, roadshows and workshops • Formal and informal communications, and consultations • Focus group sessions and dialogues • Bursa Malaysia's websites, BursaLINK	• Market development initiatives, regulatory policies and proposed changes to the Listing Requirements • Initial Listing Applications and secondary fundraising • Clarification of obligations • Corporate governance, sustainability practices and reporting • Education, training and advocacy
• Investors	• Meetings, seminars, roadshows and workshops • Formal and informal communications and consultations • Focus group sessions and dialogues • Bursa Malaysia's websites, BursaMKTPLC and BURSASUSTAIN	• Bursa Malaysia's products and services • Profile of Bursa Malaysia's PLCs • Bursa Malaysia's regulatory policies and rule changes • Financial literacy and investor education
• Intermediaries	• Meetings, seminars, roadshows and workshops • Formal and informal communications and consultations • Focus group sessions and dialogues • Technical working groups • Bursa Malaysia's websites	• Market development initiatives, regulatory policies and proposed changes to the Listing Requirements (LR) • Bursa Malaysia's product development and offerings • Clarification of obligations • Operational matters or concerns relating to participant conduct, trading, supervision and market surveillance • Education, training and advocacy
• Regulators and the Malaysian Government	• Meetings • Briefings, engagements and consultative sessions • Jointly organised events • Reports on capital market developments or on compliance with statutory obligations	• Economic and investment landscape, and policies in Malaysia • Market development initiatives, products, services and regulatory framework governing the Malaysian capital market • Status updates on supervision and surveillance of capital market trading activities and conduct of PLCs • Bursa Malaysia's compliance with its statutory duties and obligations • Interpretation of laws, legislations and guidelines
• Employees	• Meetings, feedback sessions and coaching • Trainings, talks and campaigns • Employee Portal (MY1818) and Staff Zone • Other employee engagement activities	• Bursa Malaysia's performance and growth strategies • Training and development • Performance evaluation and management • Staff remuneration and benefits • Employee well-being • Bursa Malaysia's Code of Ethics
• Our shareholders • Analysts	• Annual Reports and Annual General Meeting • Senior management meetings with investors and analysts • Circulars to shareholders • Bursa Malaysia's websites	• Financial performance • Strategies for growth • Operating landscape • Costs • Dividend policy • Share schemes • Corporate sustainability efforts
• Industry associations • Professional bodies • Industry experts	• Meetings • Public consultations • Focus group sessions and dialogues • Formal and informal communications, and consultations • Joint committees and taskforce with the industry	• Feasibility of Bursa Malaysia's proposed market initiatives and products • Bursa Malaysia's regulatory policies and rule changes • Developmental initiatives (such as Bursa Malaysia's post-trade initiatives) and market issues • PLCs' corporate governance and sustainability practices and reporting
• Community	Our engagements with our community stakeholders are published in detail in our Sustainability Report on Page 20.	

OUR MATERIAL FACTORS

We conducted an assessment of material issues in 2018 to ensure that they remained relevant to us in view of our changing operating environment and our evolution as a stock exchange. Following a comprehensive assessment process that involved conducting a thorough environmental scan, focus groups, one-on-one interviews and online surveys, a total of 17 material sustainability issues were identified. From these material sustainability issues, five broad categories of material factors were derived after a review by our management. Our list of material factors¹ for 2018 are as follows:



This list of material factors differs from 2017 where we had previously included Talent, which is now grouped under High-Performance Organisation. The two new material factors which were introduced following the more granular and in-depth assessment conducted in 2018 are Responsible Marketplace and High-Performance Organisation.

¹ Our assessment of material sustainability matters is disclosed in full detail in our Sustainability Report. Please refer to Page 10 of our Sustainability Report for more information about our methodology and findings.

KEY RISKS & OPPORTUNITIES

Pursuant to existing regulatory requirements and standards, Bursa Malaysia (the Exchange) performs an annual corporate risk assessment to review material risks. The assessment is undertaken by the Risk and Compliance Division which reports its findings to the Management Committee and the Risk Management Committee. A corporate risk profile is subsequently developed from the findings of the two committees, and elevated to the Board of Directors for review and endorsement.

Our corporate risk profile comprises principal or enterprise risks that may

- threaten the Exchange's competitive position,
- severely damage the Exchange's reputation, or
- have a systemic impact on the capital market.

These risks have been classified into four categories to facilitate the Risk Management Committee's oversight:

Operational Risk

Financial Risk

Strategic Risk

Legal and Regulatory Risk

Further discussion of the management of these risks are disclosed in our Statement on Internal Control and Risk Management on Page 21 to 23 of our Governance and Financial Reports 2018.

OPERATIONAL RISK

AFFECTED MATERIAL FACTORS

Competition

Market Integrity and Stability

Responsible Marketplace

Technology and Innovation

High-Performance Organisation

AFFECTED CAPITAL

Financial Capital

Human Capital

Intellectual Capital

Manufactured Capital

Social Capital

Natural Capital

OPPORTUNITIES

The emphasis on developing Bursa Malaysia's operational capabilities is in line with our strategic vision to become ASEAN's leading, responsible and globally-connected marketplace. Building our operational capabilities, trading capabilities and efficiency, and sustainability agenda is necessary in achieving our vision and also directly mitigates the operational risks that we face.

Operational Risk covers potential deficiencies in our information systems, internal processes, human errors or external disruptions as guided by Principle 17 of the Principles for Financial Market Infrastructures issued by the International Organization of Securities Commissions. Any one of these factors could negatively affect the way we deliver our products and services, and may have far-reaching consequences in destabilising the integrity and stability of our markets. For this reason, the risks of operational failure affect all our material factors in a worst-case scenario.

Factors contributing to an increase in operational risks include:

- Failures in our internal control and risk management;
- Failures in our technological infrastructure; and
- Malicious attacks from external sources such as data hackers.

These risks have the potential to affect our ability to generate earnings, damage our brand and reputation, and in a worst-case scenario, take our markets offline.

Bursa Malaysia has identified four risks classified as operational risk:

RISK ITEM	DESCRIPTION	MITIGATION ACTION
Cyber Security Breaches	Risks associated with cyber/ computer crime/ hacking/viruses/ malicious codes affecting Bursa Malaysia's mission-critical computer systems.	- ISO 27001 Information Security Management System (ISMS) re-certification for core services - Exchange-wide network firewall refresh - Securities Commission Malaysia Capital Market Cyber Drill Simulation - Independent Cyber Security assessment by third party
Business Interruption	Events or factors that may cause disruption to Bursa Malaysia's critical functions	- Simulated business disruption scenarios - Establish crisis management and emergency response plan In 2018, Bursa Malaysia experienced three events of Risk Severity 2 cases that were rectified in less than three hours with no disruption to the trading systems. Risk Severity 2 cases are defined as issues which impact the performance of critical functions.

KEY RISKS & OPPORTUNITIES

RISK ITEM	DESCRIPTION	MITIGATION ACTION
Breaches in Physical Security	Risk of physical security breaches that could affect Bursa Malaysia's facilities, human resources, business and operations	i. Plans to address multiple physical security breach scenarios including: a. Terrorist attack b. Bomb threat c. Arson d. Theft – physical, information, data e. Unauthorised access f. Sabotage ii. Security enhancements including: a. Additional CCTV cameras at the basement car park b. Installation of panic/emergency buttons c. Installation of Patrol Access Card Readers
Deficiencies in Policies and Procedures	Risks associated with the effective and efficient application of frameworks, policies, processes and procedures to ensure effective operation of Bursa Malaysia's business	i. Annual review of key frameworks, policies and procedures including: a. IT Security Policy, Information Management Policy b. Business Rules, Trading & Clearing procedures, ISMS Manual c. Enterprise Risk Management (ERM) Framework, Compliance Framework, Business Continuity Management (BCM) Framework d. Code of Ethics, Employee Handbook, Group Disciplinary Policy e. Finance Policies & Procedures, Corporate Authority Manual, Contract Management Guidelines ii. Regular review by internal and external parties iii. Periodic review of the Risk Control Self-Assessment

At present, the following risks monitored under the Operational Risk are classified separately:

- i. Cyber Security Breaches;
- ii. Business Interruption;
- iii. Breaches in Physical Security; and
- iv. Deficiencies in Policies and Procedures.

Moving forward, Bursa Malaysia will consolidate our operational risks to provide a holistic and integrated view of our risk exposure. The consolidated approach will also incorporate Talent Management as a risk item. Owing to the high risk posed by cyber-attackers, the cyber security risk will be managed and monitored separately.

This consolidated approach addresses the concern that monitoring each item independently may not establish the all-inclusive effect of emerging trends on operational risk as new trends may not demonstrate a significant impact on individual components of operations. There are vulnerabilities in monitoring each risk individually that might understate the severity of the trend while a more holistic paradigm would reveal the actual level of risk.

Key risk indicators (KRIs) corresponding to each individual risk item will be identified and monitored at the Management Committee level under the consolidated model. These KRIs will contribute to the overall level of operational risk, which will be assessed in view of emerging trends.

KEY RISKS & OPPORTUNITIES

FINANCIAL RISK

AFFECTED MATERIAL FACTORS

Competition

Market Integrity and Stability

Responsible Marketplace

Technology and Innovation

High-Performance Organisation

AFFECTED CAPITAL

Financial Capital

Human Capital

Intellectual Capital

Manufactured Capital

Social Capital

OPPORTUNITIES

The financial strength of our clearing houses is an important backbone of all our operations and key to unlocking the opportunities before us. Achieving our goal to become ASEAN's leading, responsible and globally-connected marketplace requires a significant financial outlay for us to maintain the financial integrity of the Exchange.

Financial Risk refers to risks arising from internal and external sources that may affect the Exchange's ability to meet its financial obligations. This may in turn affect our ability to conduct our day-to-day operations or to achieve the deliverables specified in our strategic plan. Financial risk therefore poses a significant threat to Bursa Malaysia's status as a going concern.

The discussion of this risk item is focused on the Clearing and Central Counterparty Risk borne by Bursa Malaysia, which is unique to its role as a central counterparty for the clearing and settlement of trades or contracts. The mitigation of this risk is given in the table below.

RISK ITEM	DESCRIPTION	MITIGATION ACTION
Clearing/Central Counterparty Risk	Risks emanating from Bursa Malaysia's role as the central counterparty for the clearing and settlement of trades or contracts	Bursa Malaysia Securities Clearing and Bursa Malaysia Derivatives Clearing act as the central counterparties for all contracts executed on their respective markets. Through novation, they guarantee the performance of contracts and are exposed to the risk of a clearing participant defaulting on its obligation. Mitigation measures are in place to mitigate credit, liquidity, market, collateral, investment and custody risks and to minimise the impact of default by participants.



For further discussion on Financial Risk, please refer to Note 38 to the Financial Statements in the Governance and Financial Reports 2018.

KEY RISKS & OPPORTUNITIES

STRATEGIC RISK

AFFECTED MATERIAL FACTORS

Competition

Responsible Marketplace

Technology and Innovation

AFFECTED CAPITAL

Financial Capital

Human Capital

Manufactured Capital

OPPORTUNITIES

Our strategic objectives are vital in securing the long-term sustainable growth of the Exchange and are directly linked to our strategic vision to become ASEAN's leading, responsible and globally-connected marketplace. The achievement of this vision will be a positive value creator for the Exchange as well as for all our stakeholders.

Strategic Risk refers to events that may prevent Bursa Malaysia from achieving the strategic goals which support Bursa's Malaysia's aspiration to become ASEAN's leading, responsible and globally-connected marketplace by 2020. The achievement of this goal will function as the catalyst to transform Bursa Malaysia into a significant player not just within ASEAN, but also in Asia and progressively on the global stage in the coming years. This in turn allows Bursa Malaysia the opportunity to create sustainable value and returns for its stakeholders in the longer term.

Factors representing a strategic risk include, but are not limited to, the emergence of new technologies which may disrupt our business model and intensify competition from peer exchanges.

Bursa Malaysia has identified three risks classified as Strategic Risks:

RISK ITEM	DESCRIPTION	MITIGATION ACTION
Competition Risk	External factors that could either threaten or present opportunities to Bursa Malaysia's competitive position to be the leading ASEAN marketplace	i. Competition risk is taken into consideration in Bursa Malaysia's business plan ii. New developments from competitors and the market are assessed and deliberated by the Management Committee and the Risk Management Committee iii. The Committees ensure that strategies addressing developing issues are sufficiently robust to cope with the volatile market environment
High Impact Projects	Potential impact of missed targets and outcome quality of high impact projects on Bursa Malaysia's competitive position	Projects are monitored by the Project Oversight & Steering Committee to ensure deliverables meet project specifications and goals.
New Technologies	Failure to embrace new technologies will impact our ability to remain competitive	Constant monitoring of new technological trends that may have an impact on our business models.

KEY RISKS & OPPORTUNITIES

LEGAL AND REGULATORY RISK

AFFECTED MATERIAL FACTORS

Competition

Market Integrity and Stability

Responsible Marketplace

Technology and Innovation

High-Performance Organisation

AFFECTED CAPITAL

Financial Capital

Human Capital

Intellectual Capital

Manufactured Capital

Social Capital

OPPORTUNITIES

Ensuring full compliance to all legal and regulatory requirements will help safeguard the Exchange from liabilities which may disrupt our business and our ability to create value for our stakeholders. Additionally, full compliance will also raise the corporate governance standards of our marketplace in line with our strategic mission. New opportunities may also arise from the emergence of new regulations, and we remain vigilant to make full use of such opportunities should they arise.

Legal and Regulatory risk refers to the risk posed by changes in the regulatory landscape that may affect the day-to-day operations and business opportunities of the Exchange. Due to their uncertain nature, these risks are not easily foreseeable. In addition, the impact arising from this risk on our material factors can be unpredictable as the consequences may only be realised over the long-term.

For this reason, we monitor developments in the domestic and international regulatory environment that may impact our capital market as well as affect our market competitiveness. These developments are assessed against the current regulatory environment to identify if any changes to our existing rules and regulations are necessary to keep pace with market developments to enable us to meet our strategic objectives.

Additionally, new regulatory changes may also create new opportunities for Bursa Malaysia such as strengthening our current governance structure to boost investor confidence and facilitate greater investor participation in the capital market. We are aware that our aspiration to become ASEAN's leading marketplace must also take into consideration the ease of regulatory compliance in our market and developing a regulatory environment which promotes market vibrancy and active market participation.

RISK ITEM	DESCRIPTION	MITIGATION ACTION
Legal / Regulatory Trends and Compliance Risk	Compliance with regulatory requirements	i. Regular updates on the Legislation Compliance Register
	Legal cases resulting in cash outflows from Bursa Malaysia	ii. Annual Compliance confirmation/ attestation is obtained from Management Committee and Heads of Divisions
	Non-compliance resulting in breaches/ fines/ penalties to Bursa Malaysia	iii. Periodic review of the Risk Control Self Assessment
	Delay in meeting regulatory requirements	

SECTION 05

OUR RESULTS

Management Discussion and Analysis

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Bursa Malaysia (the Exchange) recorded a resilient performance for the financial year ended 31 December 2018 to post a Profit After Tax and Minority Interest (PATAMI) of RM224.0 million, representing an increase of 0.4% from the RM223.0 million reported a year ago.

Supported by outcomes from strategic initiatives implemented in previous years, Bursa Malaysia managed to improve on the Exchange's previous record financial performance registered in 2017 amidst bearish sentiments and challenging market conditions. We ended the year as second-best performing market in the ASEAN region based on the performance of the benchmark indices of each respective country and significantly outperformed the major emerging markets indices, namely MSCI Emerging Market Index and FTSE Emerging Index.

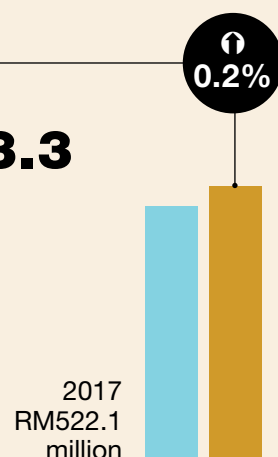
The strong performance was also reflected in our operating revenue which rose 0.2% to RM523.3 million from RM522.1 million a year ago. Meanwhile, operating expenses declined 3.6% to RM241.3 million from RM250.4 million in 2017 due to lower technology and staff costs, resulting in an improved cost-to-income ratio at 44.0% (2017: 45.1%). Additionally, our market participants received RM14.7 million (vs RM4.5 million in 2017) in the form of market incentives, rebates, and stipends that helps reduce their transaction cost. These incentives are also aimed at encouraging greater trading on our markets.

The Exchange spent a total of RM13.5 million in capital expenditure (capex), which is consistent with 2017. Our capex, as in previous years, was funded entirely by the year's cash from operating activities which remains at levels sufficient to cover both our operating expenses (opex) and capex. While we had initially earmarked a higher capex spend in 2018, half of the planned expenditure has been rescheduled for 2019 due to a reprioritisation of initiatives. We expect to double our capex spend in 2019 as we push forward with our infrastructure development plan, which includes the modernisation of our post-trade systems, e.g. upgrading our equities and derivatives clearing systems, and our central depository system.

In addition, we will continue to work on achieving key deliverables that leverage on technology to enhance customer experience and further develop our market ecosystem. These are aimed at further establishing our presence in the region and to further improve our market operations. There were no significant changes to our financial position within the year or events that had a material impact on our liquidity.

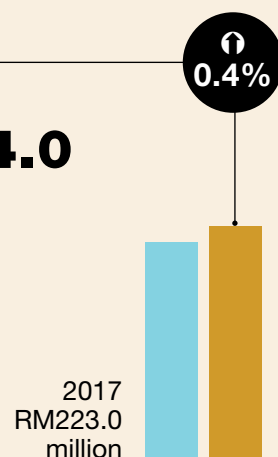
OPERATING REVENUE

2018
RM523.3
million



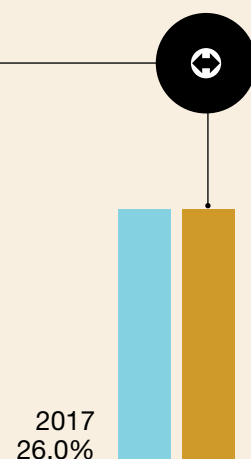
PATAMI

2018
RM224.0
million



RETURN ON EQUITY

2018
26.0%



MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 RM'000	2017 RM'000
Operating revenue	523,291	522,080
Other income	26,713	34,752
	550,004	556,832
Staff costs	(135,293)	(137,525)
Depreciation and amortisation	(21,970)	(23,800)
Other operating expenses	(84,032)	(89,089)
Profit from operations	308,709	306,418
Finance costs	(534)	(535)
Profit before tax	308,175	305,883
Taxation	(77,561)	(75,674)
Profit for the year	230,614	230,209
Profit attributable to:		
Owners of the Company	224,042	223,040
Non-controlling interest	6,572	7,169
	230,614	230,209

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	2018 RM'000	2017 RM'000
Assets		
Non-current assets		
Property, plant and equipment	171,424	179,298
Computer software	40,347	40,841
Right-of-use assets	8,296	8,407
Goodwill	42,957	42,957
Investment securities	338,140	281,779
Staff loans receivable	2,287	2,918
Deferred tax assets	7,455	6,747
	610,906	562,947
Current assets		
Trade receivables	38,600	47,218
Other receivables	18,572	15,964
Tax recoverable	2,961	4,352
Investment securities	34,935	25,039
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	1,375,995	1,168,526
Cash and bank balances of Clearing Funds	129,806	129,628
Cash and bank balances of the Group	222,785	271,207
	1,823,654	1,661,934
Total assets	2,434,560	2,224,881

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONT'D.)

	2018 RM'000	2017 RM'000
Equity and liabilities		
Equity		
Share capital	424,142	402,169
Other reserves	251,311	179,938
Retained earnings	199,705	267,881
Equity attributable to owners of the Company	875,158	849,988
Non-controlling interest	12,291	12,469
Total equity	887,449	862,457
Non-current liabilities		
Retirement benefit obligations	18,082	21,860
Deferred grants	2,805	2,038
Lease liabilities	7,466	7,470
Deferred tax liabilities	1,388	1,729
	29,741	33,097
Current liabilities		
Trade payables	1,375,955	1,166,024
Participants' contribution to Clearing Funds	39,806	39,628
Other payables	97,498	115,989
Lease liabilities	505	505
Tax payable	3,606	7,181
	1,517,370	1,329,327
Total liabilities	1,547,111	1,362,424
Total equity and liabilities	2,434,560	2,224,881

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

The year under review was unusually eventful with domestic and global developments playing key roles in contributing to growing uncertainty in the global marketplace. These developments kept investors on the sideline and prompted an outflow of funds from the emerging markets. The developments dominating the financial headlines in 2018 included:

THE TRADE TENSION BETWEEN THE UNITED STATES AND CHINA

A trade dispute between the world's two largest economies affected the sentiments of international traders. The trade tension had an impact on local sentiment as both countries are important trading partners for Malaysia.

THE 14TH MALAYSIAN GENERAL ELECTION

Investors remained on the sidelines to obtain greater clarity on the policies of the new government.

GLOBAL MONETARY POLICY SHIFTS

A decision by the US Federal Reserve to hike interest rates saw foreign funds retreat from the emerging markets.

CHINA'S SLOWING GROWTH

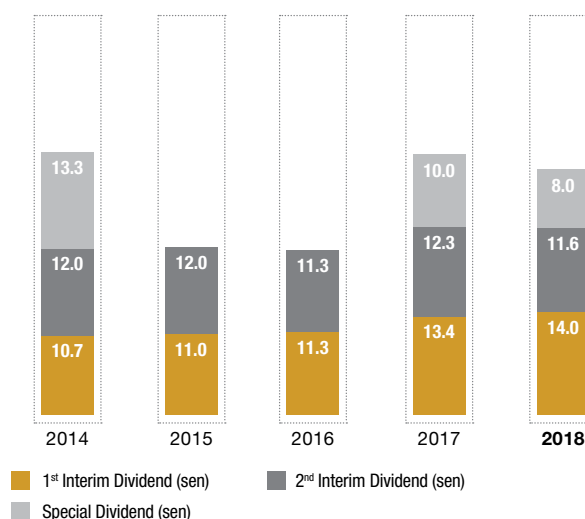
Investors were concerned that China's slowing economy would impact global growth. China's expansionary activities is expected to further reduce in 2019.

CREATING VALUE FOR OUR SHAREHOLDERS

The Board approved the payment of a second interim dividend of 11.6 sen per share for 2018. In addition to a first interim dividend of 14.0 sen per share and a special dividend of 8.0 sen per share, total dividend paid in 2018 amounted to 33.6 sen per share. Excluding the 8.0 sen special dividend, Bursa Malaysia's dividend payout of 25.6 sen per share represents 92% of PATAMI.

Our dividend payment in 2018 is in line with our policy of paying out no less than 75% of PATAMI, and meets our commitment to deliver sustainable value for our shareholders. To secure the long-term sustainability of Bursa Malaysia, our dividend payments take various factors into consideration including our level of cash and cash equivalents, return on equity, retained earnings and our projected levels of capex and other investment plans, including the development of the Malaysian capital market.

DIVIDEND



* Comparative figures have been adjusted to reflect the bonus issue exercise completed on 13 April 2018

MANAGEMENT DISCUSSION AND ANALYSIS

EXECUTING OUR STRATEGY

The resilience of our market in 2018 was due largely to the enhancements introduced into our capital market in previous years as formulated under our long-term strategic plan. Each of our strategic initiatives is aimed at discrete strategic objectives such as enhancing our market ecosystem, increasing our product offering, diversifying our investor base and expanding our presence across the region. These initiatives are in line with our overall corporate strategy, which is aimed at transforming Bursa Malaysia into ASEAN's leading, responsible and globally-connected marketplace, and are anchored by four Business Pillars, namely:

- a. **Increasing and improving securities and other product-related offerings:** Initiatives aimed at creating a marketplace with a full suite of products to cater to investors' diverse risk appetites and investment strategies;
- b. **Developing and growing a diverse investor base:** Initiatives aimed at attracting the participation of a diverse mix of institutional and retail, both local and foreign investors to enhance liquidity, by promoting easy access and reducing transaction costs for investors;
- c. **Improving and providing an enabling ecosystem:** Initiatives aimed at developing an ecosystem which facilitates the offering of new products and makes trading more attractive. The ecosystem is also benchmarked against developed markets; and
- d. **Regional expansion:** Initiatives aimed at facilitating easy access into our marketplace and establishing Bursa Malaysia as ASEAN's leading marketplace.

Additionally, we hold regular engagements with our regulators to discuss matters related to the development of our capital markets as part of our strategic execution. These wide-ranging discussions address various aspects of capital market development, from specific initiatives such as the introduction of new products and services into our markets to more strategic matters relating to capital market issues and development.

These discussions are important for Bursa Malaysia as they help align expectations and direction of the market and also identify new developmental areas which help bring our market closer towards becoming a developed market. One recent development that came out of these engagements was the liberalisation of Exchange Traded Funds (ETF) listings on Bursa Malaysia following the conclusion of the SC-led ETF Task Force.

PROMOTING EDUCATION

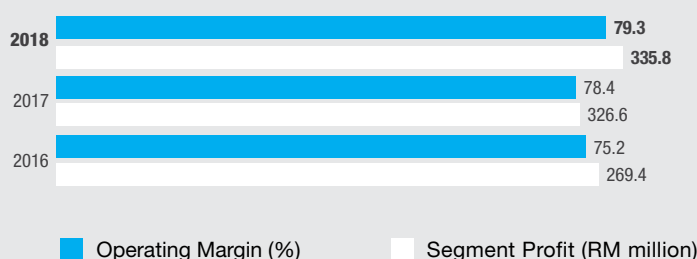
The Exchange plays an important role as an advocate of relevant educational and training programmes. We work singly and together with other institutions to educate and raise awareness of our stakeholders including our intermediaries through various programmes. These programmes are funded by the Capital Market Education and Integrity Fund (CMEIF) and by our internal funds. In 2018, we spent RM6.8 million, approximately the same as in 2017, to deliver educational and training programmes to our various stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

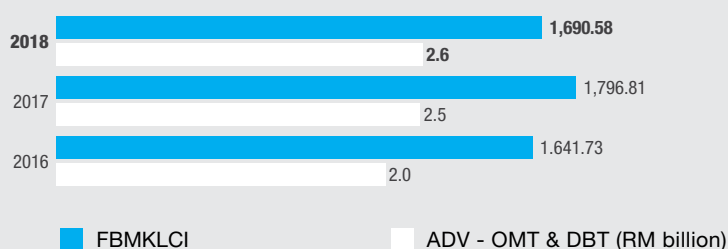
SECURITIES MARKET

The Securities Market, delivered a resilient performance in 2018 despite a challenging operating environment.

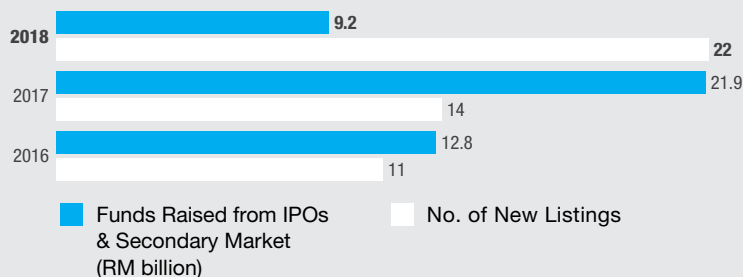
SEGMENT PROFIT AND OPERATING MARGIN



ADV - OMT & DBT AND FBMKLCI



NUMBER OF NEW LISTINGS AND FUNDS RAISED



SEGMENT REVENUE

The details are as follows:

	2017 RM million	2018 RM million	% change
Trading Revenue	259.6	265.8	△ 2.4%
Listing and Issuer Services	61.6	60.0	▽ 2.6%
Depository Services	42.4	42.2	▽ 0.5%
Market Data	26.1	27.6	△ 5.6%
Member Services and Connectivity	13.6	13.9	△ 2.5%
Total	403.3	409.5	△ 1.5%

2018 was a year of two halves for the Securities Market. The year started strong for the Securities Market, continuing the momentum from 2017. Trading remained robust for the first six months before volatility in the global financial markets affected the second half, driven by growing uncertainty in the market caused by both local and international developments. Despite a more adverse second half of the year, operating revenue for the year was higher as compared to 2017.

The Securities Market reported an operating revenue of RM409.5 million, up 1.5% from RM403.3 million in 2017. The increase was mainly contributed by trading revenue which increased by 2.4% to RM265.8 million from RM259.6 million a year ago. The better performance was driven by higher Securities Market's average daily trading value (ADV) for on-market trades (OMT), which grew by 3.4% to RM2.4 billion year-on-year (2017: RM2.3 billion) and represents the highest achieved in the Exchange's history.

Non-trading revenue remained mostly flat in 2018, which saw listing and issuer services revenue down 2.6% year-on-year attributed to the lower number of corporate exercises and circulars perused during the year, which was mitigated by higher market data revenue, up 5.6% to RM27.6 million from RM26.1 million in 2017.

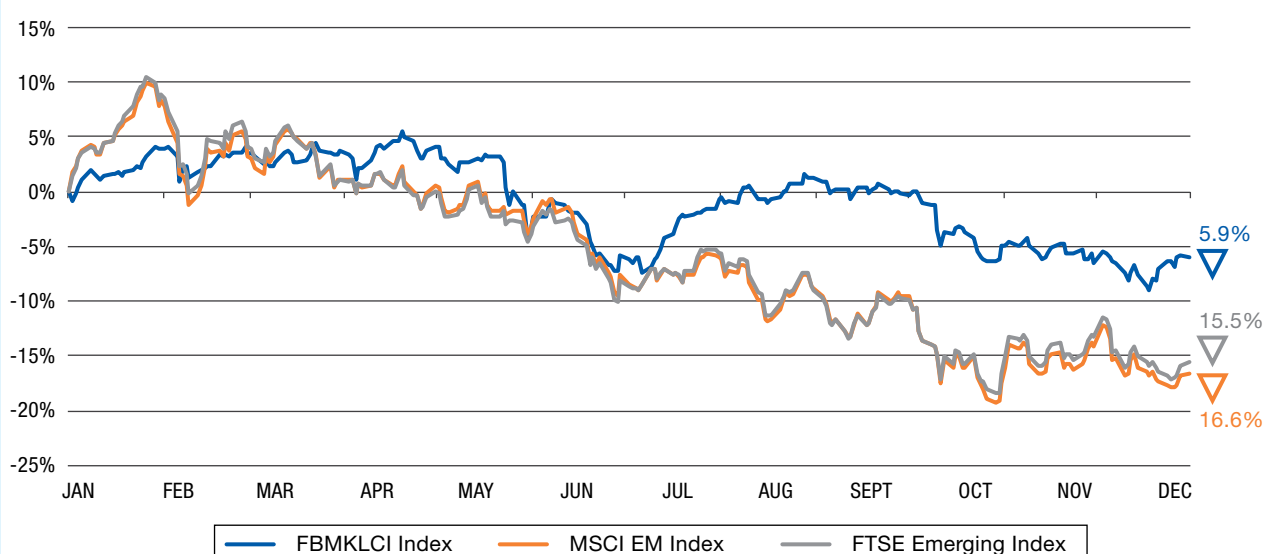
MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

The Securities Market started 2018 on a high note recording ADV of RM3.1 billion for the month of January. The benchmark FBMKLCI remained robust and stayed above the 1,800-point mark until May 2018 during which it peaked at an all-time high of 1,895.18 on 19 April. The optimism in the market was reflected by the buoyancy of the Ringgit, which appreciated to its highest level against the US Dollar since 2016 and traded within the RM3.86-RM3.94 range from January until March.

The second half of the year turned out to be more challenging for the Securities Market as liquidity contracted following the outflow of foreign funds from Emerging Markets:

The FBMKLCI outperformed major emerging market indices in 2018



In 2018, Bursa Malaysia was the second-most resilient exchange in ASEAN

	IDX	Bursa	HOSE	SGX	HNX	SET	PCOMP
2017	6,355.85	1,796.81	984.24	3,402.92	116.86	1,753.71	8,558.42
2018	6,194.50	1,690.58	892.54	3,068.76	104.23	1,563.88	7,466.02
YoY Growth	▽ 2.5%	▽ 5.9%	▽ 9.3%	▽ 9.8%	▽ 10.8%	▽ 10.8%	▽ 12.8%

Despite the headwinds in the second half of 2018, the Securities Market managed to notch record numbers on several fronts, testifying to the market's growing resilience and health of its fundamentals. We posted a record trade performance as measured by ADV (+1.7% year-on-year: RM2.57 billion vs RM2.53 billion) and we saw, for the first time in over a decade, retail investors closing out the year as net buyers rather than sellers (net buy value of RM3.99 billion vs net sell value of RM1.2 billion in 2017).

It is worth mentioning that historically, in a bearish market where the FBMKLCI recorded a negative growth, the Securities Market Retail Direct Account ADV would fall below the RM400 million mark. However, in 2018, Retail ADV held up relatively well at RM430 million despite the decline in the FBMKLCI. This is further supported by the higher-than-targeted activation rate of new CDS accounts of 41%.

Bursa Malaysia continued to work on achieving its strategic deliverables in 2018 in accordance with the four Business Pillars despite the uncertainty within the operating environment. Our emphasis for the Securities Market in 2018 was to further improve market liquidity, building a healthy IPO pipeline, improving the market ecosystem and diversifying the investor base.

MANAGEMENT DISCUSSION AND ANALYSIS

Pillar 1

Increasing Securities and Other Product-Related Offerings

Our Securities Market team continued to enhance and develop our current products and services offering to ensure our equity market remains attractive to both investors and corporate companies despite a challenging market environment in 2018. These initiatives are also imperative in ensuring our local equity market remains accessible in any market condition.

INITIAL PUBLIC OFFERING (IPO) MARKETING

The Securities Market continued to take proactive measures to build a robust IPO pipeline by holding targeted marketing efforts on its own and in collaboration with other industry players.

We met with a total of 140 potential listing candidates in 2018. At the same time, we participated in 20 events to promote and raise awareness of the benefits of listing on Bursa Malaysia.

Despite having built a healthy IPO pipeline in 2018, the relatively bearish market had prompted companies to postpone their plans for listing during the year. As at December 2018, 22 IPOs were recorded: two on the Main Market, nine on the ACE Market and 11 on the LEAP Market, raising a total of RM0.7 billion.

	2017	2018	Growth in 2018
Number of New Listings	14	22	△ 57%
Funds raised from IPOs	RM7.4 billion	RM0.7 billion	▽ 91%
Market capitalisation of IPOs	RM21.5 billion	RM2.5 billion	▽ 88%

RECLASSIFYING OUR SECTORS AND INDICES

We conducted a sector reclassification on 24 September 2018 to bring our sectors and sectoral indices to be comparable to those of global equity markets. The enhancement is aimed at helping asset owners, asset managers and investment research specialists to make fair comparisons by industry. The key outcome from the change was the introduction of five new sectoral indices:

Energy	Healthcare	Telecommunications & Media	Transport & Logistics	Utilities
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Pillar 2

Developing and Growing a Diverse Investor Base

We continued to work on our strategies to diversify our investor base which includes expanding beyond our traditional long-term investors by creating a marketplace that is facilitative of different trading strategies and investment horizons.

The Securities Market implemented a number of initiatives, both promotional and developmental, during the year. The success of our efforts so far can be seen by the presence of new investor segments, particularly that of short-term investors, who helped improve the market velocity by 5.5% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

LEAP Market

The launch of the LEAP Market in 2017 for SMEs was a milestone for Bursa Malaysia as it added an entirely new dimension to our Securities Market and helps to drive the national economic agenda, namely the acceleration of SME growth. LEAP Market is a platform designated specifically for SME issuers, and is aimed at creating an alternative channel for fundraising and thus drive growth.

SMEs are a key segment of the Malaysian economy. Designated as catalysts for the transformation of the Malaysian economy by the Malaysian Government, SMEs have grown significantly over the past decade regularly posting growth numbers surpassing the national GDP growth. Based on data from the Department of Statistics:

- SMEs posted average real GDP growth of 6.6% annually between 2004 and 2017 (vs average real GDP growth of 5.1% for the overall economy);
- SMEs contributed 37.1% to total GDP in 2017; and
- SMEs were responsible for 66% of the country's total employment.

In 2018, the Exchange carried out various initiatives to grow the number of listings on the LEAP Market. We conducted extensive roadshows and targeted programmes for potential SME issuers in 2018, including collaborating with the Ministry of Entrepreneur Development (MED) to host a special seminar in December 2018. The seminar, entitled 'Going Public: Unlocking the Potential of SMEs', is a follow-up to MED's National Entrepreneurship Framework and will be taken nationwide in 2019.

Following our engagement initiatives in 2018, an additional 11 SMEs were listed on the LEAP Market bringing the total number of LEAP Market listings to 13. Another three companies have been approved for listing as at 31 December 2018.

Our engagements with SMEs have also yielded invaluable feedback on this relatively new platform of ours. Specifically, we heard from SMEs as to the challenges they faced in considering public listing, namely:

- a. Lack of IPO readiness; and
- b. The cost of listing.

In response to these concerns and to address market impediments, our development team has developed a number of initiatives for implementation in 2019.

We are confident that the LEAP Market will make a significant difference in the SME segment of the Malaysian economy, and that our efforts to further enhance and grow awareness of the market will yield benefits in the years to come.

MANAGEMENT DISCUSSION AND ANALYSIS

INSTITUTIONAL ROADMAP

Initiatives guided by our Institutional Roadmap are designed to develop and expand our investor base beyond investors in our traditional markets. Our marketing and promotional initiatives were also targeted at increasing the number of ASEAN institutional investors in our market. Following our advocacy efforts, we saw higher ADV generated from ASEAN investors in 2018 (+11.6% year-on-year: RM101.3 million vs RM90.7 million).

Initiatives under our Institutional Roadmap were anchored by our flagship Invest Malaysia (IM) Kuala Lumpur programme, which is our annual conference designed to showcase our PLCs to investors both domestic and foreign. Our 14th IMKL conference in 2018 attracted 1,041 investors, including 53 foreign participants from 40 organisations with total AUM of USD18.6 trillion. We profiled 61 Listed Issuers at the conference and 3,123 meeting requests were fulfilled through 2,486 one-on-one and small group meetings.

In addition to our flagship IMKL event, we took Invest Malaysia overseas and organised the IM London event. We showcased six listed issuers at a conference of 82 fund managers from 47 organisations with total AUM of USD11.54 trillion. A total of 67 one-on-one and group meetings were organised during the two-day event. Further supporting our international outreach efforts were our 'Mini Corporate Days', which aimed to promote our small- and mid-cap PLCs to international audience. We held three of these events in 2018 in Singapore, Hong Kong and Bangkok.

The Securities Market also held thematic institutional seminars, which are aimed at promoting specific industry sectors to local fund managers and analysts.

The initiatives under the institutional roadmap collectively boosted institutional ADV by 5% to RM1,635.4 million from RM1,557.8 million a year ago. The growth of local and foreign institutional investors are reflected in the table below.

Table 1.21

Growth breakdown between local institutions and foreign institutions

ADV (RM million)	2017	2018	Growth in 2018
Local Institution	1,059.7	995.4	▽ 6.1%
Foreign Institution	498.1	640.0	△ 28.5%
Total	1,557.8	1,635.4	△ 5.0%

RETAIL ROADMAP

We aggressively grew retail participation in our marketplace through various on-ground and digital initiatives designed to educate and increase awareness on securities investment. Digital and social media marketing were extensively used in 2018 to increase our reach, while we also encouraged brokers to intensify their efforts in helping customers embark on their trading journey.

In 2018, the number of new retail accounts grew 5% accompanied by a new account activation rate of 41%, exceeding our full year activation rate target of 30%. Our flagship campaign in 2018 was our "What's Your Goal" programme, which aims at promoting share ownership among all Malaysians. We also held collaborations with brokers to organise nationwide roadshows aimed at acquiring new accounts as part of this campaign.

The campaign was also focused on activating new accounts to ensure that brokers helped new account holders execute their first trade and actively participate in the market. The programme was supported by a thematic advertising campaign, incentive rewards for brokers and their sales force, and subsidies for brokers setting up booths at high-traffic areas. We followed up the "What's Your Goal" campaign with the "Easy as 1,2,3" campaign, which continued to propagate the message of securities investing among the Malaysian retail public.

DRIVING RETAIL GROWTH THROUGH BURSAMKTPLC

We continued to position BursaMKTPLC as a one-stop-portal for the public to learn about share investments and the tools available to help them trade. It also hosts a virtual environment where visitors can apply their learning and strategies. As at December 2018, we have registered 48,051 new users representing a 52% year-on-year growth, the highest annual increase since the portal's launch in 2014. We saw a total of 539,295 portal visits, representing a year-on-year increase of 49%. The launch of the BursaMKTPLC enhanced app on 21 July 2018 was well received with the app downloaded 91,965 times by year end.

In addition, we continued to collaborate with participating organisations (POs), listed issuers and data service providers to host our regular offerings of workshops and seminars throughout Malaysia. The following table provides a summary of these workshop initiatives during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Initiatives	Objectives	Target Segments	No. of Initiatives	No. of Attendees
Workshops @ Bursa	Series of workshops held nationwide to promote interaction between POs and investors, sharing of investment ideas and economic outlook.	Potential and Existing Investors	40	4,315
Investment Talks with POs	For POs to engage their clients on the market outlook and stock picks with the objective to increase trades.	Existing and Potential Clients	13	1,134
Bursa Station Market Outlook Talks	Jointly organised by ShareInvestor and Bursa for Bursa Station subscribers on stock picks and economic outlook.	Bursa Station Subscribers	3	218
Market Awareness Talks with PLCs	Investment talks organised by Bursa to promote share investments to employees of PLCs.	Potential and Existing clients	2	135

INVESTOR EDUCATION

Investor education is a critical enabler in helping us develop a sustainable investor base. We segment our investor education efforts to target specific types of investors and ensure that the educational programmes are appropriate for their level of knowledge. We classify our retail investors into the following categories:

- i. **Future Investors:** These are undergraduate and secondary school students who do not currently participate in the market. Our objective is to instil them with education and awareness of the importance of investing as a part of basic financial literacy and planning. To this end, we hosted 56 visits to the Exchange with 2,289 attendees comprising undergraduates from local and foreign institutions of higher learning in 2018.

We also reach out to future investors via our Bursa Young Investor Club (BYIC) at our universities. To date, there are 21 BYICs nationwide comprising 5,170 student members. The clubs organised various investment seminars, workshops, conferences, investment games and other investment-related activities to help their members become more familiar with trading and investing. Bursa Malaysia also hosted the Bursa Malaysia National Investment Debate Challenge which encourages undergraduate students to sharpen their investment knowledge by participating in these investment-themed debates.

- ii. **Beginning Investors:** These are potential investors or investors who have just opened a CDS account at Bursa Malaysia. Our initiatives help to equip them with basic investment knowledge, and the products available on Bursa Malaysia that suit their investment appetite.

Some of our main outreach efforts aimed at Beginning Investors take the form of workshops and webinars. In 2018, we organised 15 workshops and 16 webinars for this segment of our investors, reaching out to 1,429 and 2,131 investors respectively.

To support new investors who signed up during our “What’s Your Goal?” campaign, we launched our complementary “Handhold Sessions” for new account holders. Beginners’ education sessions were conducted for these new investors to take them through the basics of investing. The initiative is aimed at ensuring a higher activation rate of new accounts and preventing them from turning into dormant accounts.

- iii. **Intermediate/Existing Investors:** We support the development of our intermediate or existing investors by boosting their market literacy levels through investor educational workshops and webinars. These programmes were first launched in 2015 and have received good responses from the investor base. In 2018, we conducted workshops in Kuala Lumpur, Penang and Kuching, reaching out to 1,020 investors.

MANAGEMENT DISCUSSION AND ANALYSIS

iv. Market Savvy Investors and Professionals:

For our market savvy investors and professionals, we held our Market Professional Enrichment (MPE) programme in 2018. The programme is a one-day CPE-accredited workshop approved by SIDC to educate market intermediaries with improved product knowledge and portfolio management. The goal of this workshop is to ensure that our market intermediaries are sufficiently educated to provide accurate and relevant advice to their clients. A total of 1,304 dealer representatives attended these workshops held in major cities nationwide.

Our investor education programmes are moving away from purely traditional forms of seminars and adopting more interactive approaches to better cater to the increasingly technological savvy public. Additionally, our approach is also focusing on product education, particularly on Exchange Traded Funds (ETFs) as ETFs are useful passive investments that can help minimise risk exposure through asset diversifications. Bursa Malaysia's product education offerings also cover Real Estate Investment Trusts (REITs) and Structured Warrants (SW), as well as our newly launched Intraday Short Selling (IDSS) framework.

MID AND SMALL CAP RESEARCH SCHEME (BURSA MidS)

We launched Bursa MidS in 2017 to improve the visibility and profile of PLCs participating in the scheme to investors. In 2018, we assembled a collection of 1,259 research reports covering the 94 participating PLCs and made them publicly available through the BursaMKTPLC website. These research reports play an important role in helping investors better understand the value of participating PLCs and thereby aid in their investing decisions.

In addition to research reports, the Bursa MidS programme undertakes a number of activities to market and promote participating PLCs. These activities are held in conjunction with other Securities Market events such as the Workshop@Bursa days, the Mini Corporate Days and the SC InvestSmart Fest held in collaboration with the Securities Commission Malaysia (SC).

Pillar 3

Improving and Providing an Enabling Ecosystem

Our investment in our market ecosystem is to create a more facilitative marketplace that will draw investor interest and thereby leading to increased breadth and depth. In 2018, our strategy under this pillar sees us developing new services and incentives framework for traders to boost volume and participation both in the general securities market and in specific product areas.

INTRADAY SHORT SELLING (IDSS)

Bursa Malaysia implemented its IDSS programme on 16 April 2018 as part of our strategy to boost market liquidity and give investors greater flexibility in carrying out their trading and risk management strategies. IDSS effectively adds a new dimension to our market and brings us into closer alignment with developed markets where the ability to short sell is viewed as an important feature of the market ecosystem and an enabler for certain investors to effectively implement their investment strategies. Since its launch, IDSS trading accounts for RM34.7 million of total ADV, representing 1.45% of all market trades. As at end December 2018, 15 participating organisations offered IDSS to their clients.

VOLUME BASED INCENTIVE PROGRAMME (VBIP) AND LIQUIDITY PROVIDERS PROGRAMME

VBIP was introduced in March 2018 to provide rebates on clearing fees incurred on trades executed by eligible investors comprising:

POs with own investment accounts	Non-PO Proprietary Trading Firms, i.e. Liquidity Providers	Individuals who meet certain criteria prescribed by the Exchange
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Under VBIP, rebates are payable when the eligible investors trade above a minimum threshold or meet other criteria specified by Bursa Malaysia.

We introduced VBIP as an incentive encouraging traders to transact at higher volumes as well as to encourage the entrance of new classes of traders such as foreign proprietary trading firms. The presence of new traders and higher volumes of trade are expected to bolster market vibrancy and also inject resilience into our marketplace.

Since the programme's inception, registered VBIP participants have contributed an average of 9% to total market ADV, and increased their total ADV by RM40 million in comparison to their trading figures in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

EXCHANGE-TRADED FUNDS (ETFs)

ETF was one of our key focus area in 2018 as it is expected to create greater liquidity to the market. We take a comprehensive approach in promoting ETFs and play an active role at all levels, from the regulatory stage to the active marketing of ETFs to investors. In 2018, we broke new ground when *i*-VCAP Management listed its MyETF Dow Jones U.S. Titans 50, which is the first Shariah-compliant and first US Dollar-denominated ETF listed on our Securities Market. This listing marks a new chapter on our ETF market and is expected to be the first of more foreign currency-denominated ETFs to come.

At the regulatory level, Bursa Malaysia took part in the SC-led ETF Task Force in 2017 that led to the issuance of the new ETF guidelines in December 2018. Some of the major changes stipulated by the guidelines include:

- **The introduction of new types of ETF:** Futures-based ETFs, synthetic ETFs, physical commodity ETFs and smart beta ETFs can be listed on Bursa Malaysia.
- **Changes to allow listing of inverse and leveraged ETFs:** ETFs are now permitted to not only track an underlying index, but also allowed leverage of up to two times of the underlying index. As a result, ETF issuers can issue an ETF that replicates the inverse of the daily return of an underlying index.

These changes are expected to see the entrance of new types of ETFs onto our market, which will have a knock-on effect of widening our range of products and appealing to different investors.

In addition, the trading of ETF is exempted from stamp duty for the period beginning 1 January 2018 to 31 December 2020 as per the National Budget 2018 tabled in October 2017.

We have also seen progress in the implementation of our proposals with the Capital Market Development Fund (CMDf) in 2017 to fund research, market making and Indicative Optimised Portfolio Value (IOPV) calculation costs for ETFs. In 2018:

- Three research companies, AmlInvestment Bank, Affin Hwang Investment Bank and Phillip Research, participated in the ETF Research Scheme, covering six ETFs listed on Bursa. The research reports are made available in BursaMKTPLC portal.
- All five registered ETF market makers are now eligible for the CMDf ETF market maker incentive since the implementation of the incentive in April 2018.
- Bursa Malaysia signed an agreement with a specialist to formalise real time asset value calculations on 9 October 2018. Work is underway to publish the indicative value calculations on the Exchange's website.

The ETF ecosystem is expected to further benefit from Bursa Malaysia's decision to waive the initial and annual listing fees for ETFs listed between 2 November 2018 and 31 December 2019. Our aim is to encourage greater ETF listings by creating a more cost-effective and facilitative environment for potential issuers.

STRUCTURED WARRANTS (SW)

SW have been identified as another growth catalyst for the Securities Market under our strategy. In enhancing the SW ecosystem, Bursa Malaysia extended an incentive scheme that waived or discounted the initial listing fees of SW until 31 December 2019. As at end December 2018, 1,034 new SW were listed on our market compared to 911 in 2017, representing an increase of 13.5%. The SW issued in 2018 included 140 index warrants issued by CIMB Investment Bank Berhad, Macquarie Capital Securities (Malaysia) Sdn Bhd and Maybank Investment Bank Berhad.

As with ETFs, the Government has agreed to exempt SW trading from stamp duty to help boost investor interest in the product. The exemption applies to the trading of SW from 1 January 2018 to 31 December 2020.

CHANNEL MANAGEMENT

The Securities Market started implementing channel management initiatives in 2017 in a bid to foster closer relationships with our broker partners. Through these initiatives, our aim is to work closely and more collaboratively with our partners to enhance market participation and develop the Malaysian market further. In 2018, we held 95 meetings with broker partners on various initiatives, including discussions via focus groups on market invigorating initiatives.

BURSA EXCELLENCE AWARDS

The Bursa Excellence Awards held annually since 2014 has established itself as a highlight of the corporate calendar. Designed to foster greater camaraderie amongst our market professionals and to recognise the top performers in our industry, the Bursa Excellence Awards serves as encouragement inspiring the broking community to achieve higher targets in helping us build the capital market. The event, held on 29 March 2018, was attended by more than 300 representatives from the industry comprising POs, trading participants and the SC.

MANAGEMENT DISCUSSION AND ANALYSIS

The Awards selection criteria have also been strengthened since 2017 to better reflect the achievement of the industry players. While trading performance remains a key component in the selection criteria, regulatory aspects and business growth of the brokers have also been given due consideration. The award selection process was verified by an independent external auditor, SJ Grant Thornton, who ensured that the award selection process was in line with the established selection criteria.

Pillar 4

Regional Expansion

Bursa Malaysia's corporate strategy is explicit in establishing Bursa Malaysia as a leading marketplace in ASEAN. This strategic aim drives our efforts to expand regionally. Our aim in expanding our presence is to not only generate greater trading activity on our market vis a vis greater exposure, but also to build and diversify our investor base through the inclusion of foreign regional participants. Our initiatives are therefore either initiated on our own or implemented in collaboration with other exchanges in ASEAN.

ASEAN ROADMAP

Under the ASEAN Roadmap, we implemented various initiatives aimed at promoting and enticing both Retail and Institutional ASEAN investors into our marketplace. To ensure our initiatives in ASEAN were impactful, each of them was tailor-made based on appetite and demographic of the investors in the country. All these events were held in collaboration with both regional and local intermediaries and supported by the presence of listed issuers showcasing their companies' current progress, strategy and future plans. Additionally, we adopted a push-and-pull strategy by incentivising our regional broker partners to assist in promoting and acquiring more ASEAN investors into our marketplace.

COLLABORATING WITH ASEAN EXCHANGES

Bursa Malaysia participated in the 27th & 28th ASEAN Exchanges CEO meeting in Manila (7-8 March) and Singapore (10-12 October) respectively. The CEOs at the meeting agreed on the following action plans and initiatives at the conclusion of both meetings:

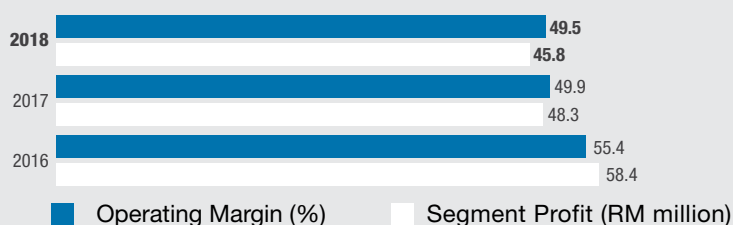
Enhancing the ASEAN Exchanges website to better promote ASEAN as an asset class	Prioritising promotional initiatives and the facilitation of a freer flow of information within ASEAN	Implementing the Invest ASEAN roadshow in Asia to showcase the growth opportunities of the ASEAN Asset Class	Fully supporting the ASEAN Capital Market Forum's initiatives in developing the ASEAN capital market.
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MANAGEMENT DISCUSSION AND ANALYSIS

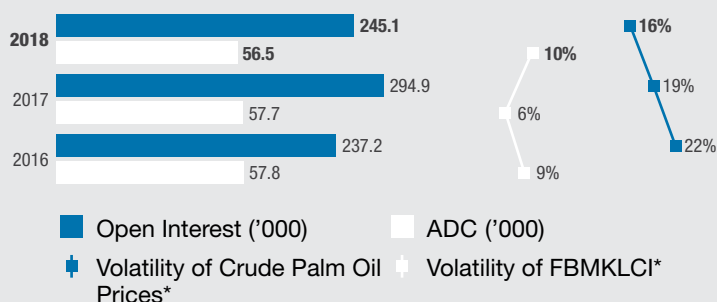
DERIVATIVES MARKET

The Derivatives Market provides an additional platform for investors seeking to include a further dimension to their value-creation activities.

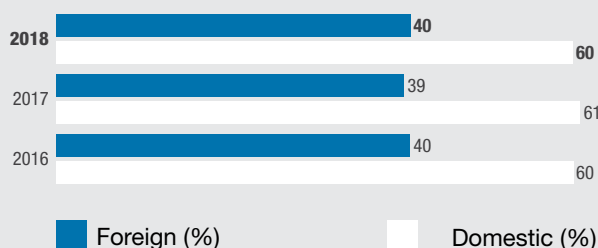
SEGMENT PROFIT AND OPERATING MARGIN



ADC, OPEN INTEREST AND VOLATILITY



FOREIGN AND DOMESTIC PARTICIPATION



*Source: Bloomberg

SEGMENT REVENUE

The details are as follows:

	2017 RM million	2018 RM million	% change
Trading Revenue	80.6	76.7	▼ 4.8%
Market Data	8.1	8.4	▲ 3.0%
Member Services and Connectivity	0.2	0.2	▲ 3.1%
Conference and Exhibition Related	6.0	5.5	▼ 7.9%
Total	94.9	90.8	▼ 4.3%

The Derivatives Market reported a segment operating revenue of RM90.8 million, a decrease of 4.3% from RM94.9 million in 2017. This was mainly contributed by lower trading revenue, which declined by 4.8% year-on-year to RM76.7 million from RM80.6 million, as a result of the lower number of contracts traded. The segment's non-trading revenue remained largely unchanged in 2018.

OPERATING ENVIRONMENT

The Exchange's Derivatives Market posted a slight decrease in total volume traded in 2018 (-2.1% year-on-year: 13.7 million contracts vs 14.0 million contracts) despite challenging operating conditions. Our market was affected adversely by a number of developments, which in turn translated into weaker investor sentiment. The main developments affecting the derivatives trade in 2018 included:

The strength of the Ringgit against the currencies of importing countries

India's higher edible oil import duties

Uncertainties arising from the China-US trade tension

The decline in the price of crude palm oil (CPO)

MANAGEMENT DISCUSSION AND ANALYSIS

Although greater volatility in the Securities Market boosted trading of our FTSE Bursa Malaysia KLCI Futures (FKLI) contracts (+22.8% year-on-year: 2.5 million contracts vs 2.0 million contracts), this was offset by the decline in CPO prices which affected the trading of CPO Futures (FCPO). Accordingly, the volume of FCPO contracts traded declined about 12.1% year-on-year.

As for our options contract on FCPO (OCPO), a total of 66,066 OCPO contracts were traded in 2018, representing a significant increase of 69.8% year-on-year. Open interest stood at 11,200 contracts in 2018 with traders using OCPO to hedge their underlying positions. In contrast to this increase, volume traded for our options contracts on FKLI (OKLI) declined 48.3%, to 10,486 following a decision by one of our OKLI Market Makers to terminate its contract.

In the meantime, our newly launched USD RBD Palm Olein Futures (FPOL) recorded a total volume of 507,394 contracts since its launch on 24 May 2018. This translates to a daily average of 3,428 contracts.

Despite the challenging year, we continued to execute our strategy towards our target of becoming one of the top 2 derivatives exchanges in ASEAN. Our initiatives were grouped under the four business pillars common to all of Bursa Malaysia's operating segments and are similarly reported here to facilitate ease of reference.

Pillar 1

Increasing Securities and Other Product-Related Offerings

Our initiatives under this pillar are designed to enhance the derivatives ecosystem by introducing new liquid products and improvements to existing products. By doing so, we address the liquidity challenge in our marketplace to draw greater investor interest. The improvements we introduce to existing products are meanwhile aimed at making them more supportive of trade and our sustainability commitments.

Mini FTSE Bursa Malaysia Mid 70 Index Futures (FM70)

Bursa Malaysia launched the FM70 futures contract tracking the FTSE Bursa Malaysia Mid 70 Index (FBM Mid 70). The contract provides investors exposure to all 70 index constituents and mainly targets retail investors. As a retail-focused product, FM70 has a lower initial investment cost and margin than the FKLI. The FM70 effectively makes trading in the derivatives market accessible to a wider retail investor base. In 2018, trading of FM70 recorded total volume of 173,132 contracts following its launch on 27 August 2018, translating to a daily average of 2,061 contracts.

Revamped Crude Palm Oil Futures (FCPO) and USD RBD Palm Olein Futures (FPOL)

We revised the contract specifications of FCPO Contract by lengthening the second trading session by half an hour, increased the tenure for the contract to 36 months and increased all position limits for the FCPO and OCPO contracts. The improvements, in addition to giving traders more time to execute their trades, also gives them greater flexibility to hedge their palm exposures over a longer period of time and affords them greater hedging and trading quantum.

In addition to these improvements, the FCPO Contract now also requires that all physically delivered CPO to be traceable to the oil palm mills. This move is part of Bursa Malaysia's efforts to incorporate sustainable palm oil certification in the contract as traceability will help buyers track the origins of CPO up to the mill thereby granting assurance that the oil meets sustainability requirements.

With regard to the FPOL Contract, we have revised the physical delivery procedure from the ex-tank delivery to free-on-board. This revision of the delivery procedure helps align the FPOL with the physical palm olein market thereby making it more facilitative of physical trade.

Pillar 2

Developing and Growing a Diverse Investor Base

Our initiatives under this pillar are designed to make our Derivatives Market more vibrant through the addition of new investors, both retail and institutional. Our focus is on promoting greater education and awareness of the value of derivatives products, and their importance in any diversified investment portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

GROWING OUR RETAIL SEGMENT

Our engagements and programmes for 2018 include webinars, briefings, seminars, coaching sessions, workshops and group tutorials. A total of 196 engagement sessions were held during the year for our retail segment, and the classes ranged from basic introductory briefings and intermediate trading strategies to advanced masterclass workshops. We reached out to a wide segment of the investing public including new and intermediate derivatives investors, existing securities investors as well as university students.

Our retail engagement sessions also include our Derivatives Day series which was held nationwide in collaboration with our trading partners. These engagement sessions are designed to create an avenue for the public to interact directly with our trading participants and for us to promote products and trading strategies. The products focused on were our FCPO and FKLII contracts, options and the recently launched FM70 contract.

Bursa Malaysia Derivatives also conducted 10 marketing webinars with a Securities Market vendor to tap into their existing securities customer base. These webinars leverage on the power of technology to reach out to a wider audience, and aim to develop product awareness as well as teach trading strategies. These webinars are conducted in English, Bahasa Malaysia and Chinese in order to reach out to as wide an audience as possible. A total of 870 investors participated in the 10 webinars.

Supporting our education and awareness programmes are our Bursa Malaysia Derivatives Workshops which combine investor education with a hands-on trading experience. The on-site one-day workshop programme comprises a half-day of theory and another half-day of trading simulation exercises which together serve to demystify some of the perceived “technical” aspects of derivatives trading. We held 16 of these workshops in 2018 in Johor Bahru, Kuala Lumpur and Penang.

A virtual trading platform is available on the BursaMKTPLC web portal where the public can put their learning into practice. Retailers created a total of 2,506 new Futures Trading Plans (FTP) and traded 26,215 virtual contracts on the platform, which is an encouraging number suggesting that the virtual environment is gaining traction with investors.

Further supporting the growing traction among the retail segment are the ADC numbers recorded for the year. Retail ADC grew 2.5% during the year despite the increasingly bearish environment. The Exchange also took a decision to extend the Retail Transaction Incentive Programme in 2018, which encouraged retail traders to increase their trading activities.

Customer segment	2017 Volume 12 months (243 trading days)	2017 ADC	2018 Volume 12 months (243 trading days)	2018 ADC
Foreign Retail	138,080	284	138,729	285
Domestic Retail	3,959,682*	8,147	4,062,066*	8,358
Total	4,097,762		4,200,795	2.5% increase

* Domestic Retail Volume excluding RTIP

MANAGEMENT DISCUSSION AND ANALYSIS

INSTITUTIONAL FOCUS

Our focus for the institutional segment is to maintain our position as the market leader for FCPO. In addition to the enhancements introduced to the contract in 2018, we aggressively implemented strategic outreach programmes engaging physical commodity traders to grow awareness and also obtain feedback on how we can better meet their needs.

We held our flagship Palm and Lauric Oils Conference and Exhibition in March 2018 which was attended by approximately 2,000 guests and visitors. The conference is a strategic platform connecting

industry professionals with potential clients. From the perspective of Bursa Malaysia, this is one way in which we are helping invigorate the palm oil-related commodities and futures market and to showcasing the newest developments on offer from us. The opportunity to discuss market trends, issues in the market and price forecasts is also invaluable in helping price the market.

Bursa Malaysia Derivatives also participates in external events to assert our presence in the industry and engage market professionals. We participate in these events as sponsors, exhibitors, delegates and speakers. In 2018, Bursa Malaysia Derivatives participated in the following:

Event	Date
Market Forum by Malaysia Palm Oil Council	16 April
Hedging Opportunities in Palm Oil Futures, Tawau	27 June
Hedging Opportunities in Palm Oil Futures, Sandakan	28 June
Palm Oil Trade Fair and Seminar 2018	28 August

Our outreach activities in 2018 also extended to corporate directors where we held a briefing for 62 directors from 44 companies on the subject of derivative products and their function in helping manage risk. The programme is fully funded by the Capital Market Education and Integrity Fund (CMEIF), and aims to raise the level of corporate interest in derivatives trading.

Pillar 3

Improving and Providing an Enabling Ecosystem

In developing our ecosystem in 2018, Bursa Malaysia Derivatives focused its efforts on enhancing existing rules and frameworks, and introducing trade incentives to boost market activity. Bursa Malaysia Derivatives is presently conducting a major review of its business rules in an effort to enhance operational and business efficiency. The result of the assessment will be released upon the completion of the exercise.

In the meantime, the initiatives implemented in the previous year were aimed at granting traders greater flexibility in registering trade participants and also to extend the trading rights to new classes of intermediaries. These improvements are expected to contribute significantly to derivatives trading over the long term.

MANAGEMENT DISCUSSION AND ANALYSIS

ENHANCING SALES DISTRIBUTION CHANNEL

One of the challenges faced by the Derivatives Market is the low number of active sales representatives. The lack of a sufficient number of these market intermediaries to act as promoters of our products has a detrimental effect on our market volume and we have taken a decisive action to liberalise the existing market framework for Marketing Representatives (MR) and Dual Licensing Fast Track Programme (DLFT).

On 1 August 2018, the framework for Marketing Representatives has been enhanced to allow remisiers to act as MR on behalf of trading participants in the Derivatives Market. Previously, remisiers had to surrender their Capital Markets Services Representative's License (CMSRL) in order to be a MR. As existing CMSRL holders, the remisiers are not required to attend the Familiarisation Programme or undertake the assessment.

Further, Bursa Malaysia has submitted a proposal to the SC on 8 June 2018 to further allow qualified remisiers in the Securities Market to be licensed to deal in derivatives as well as securities. The proposed liberalisation move will assist in promoting participation of qualified remisiers in the Derivatives Market and simultaneously enable them to value-add to their existing Securities Market clients in terms of portfolio diversification in derivatives products.

INSTITUTIONALISING LOCALS

Bursa Malaysia is supportive of the efforts by professional traders to set up their own proprietary trading firms under the current Associate Participant (AP) framework in order to maximise business opportunities. To help them with their efforts to institutionalise their trading practice, Bursa Malaysia reintroduced the participantship fee waiver and streamlined the application process in 2018.

We are encouraging Locals to institutionalise with the aim of increasing their activity on our Derivatives Market, and to cultivate greater mentorship in the marketplace.

Pillar 4

Regional Expansion

Bursa Malaysia Derivatives' regional expansion plan has two main objectives: to forward our strategic goal of establishing Bursa Malaysia as ASEAN's leading exchange and to enhance the vibrancy and resilience of the derivatives marketplace by attracting new and different classes of foreign investors. Our initiatives under this pillar are divided into initiatives aiming to set up formal alliances and initiatives that are focused on building awareness in specific industry areas.

COLLABORATION WITH DALIAN COMMODITY EXCHANGE (DCE): CHINA INTERNATIONAL OILS AND OILSEEDS CONFERENCE 2018

In 2018, Bursa Malaysia Derivatives worked closely with DCE to hold the annual China International Oils and Oilseeds Conference 2018 (CIOC) on 14 November 2018 in Guangzhou, China. The conference created a platform for industry corporates to meet and discuss trade possibilities while strengthening our working relationship with China's oils and oilseeds fraternity. A total of 835 delegates including oils and oilseeds industry players attended the event.

Meanwhile, Bursa Malaysia Derivatives participated in a number of international conferences in 2018 to enhance its market profile. These included the Globoil Mumbai (26-28 September), Indonesia Palm Oil Conference 2018 (1-3 November) and Futures Industry Association Asia (27-29 November).

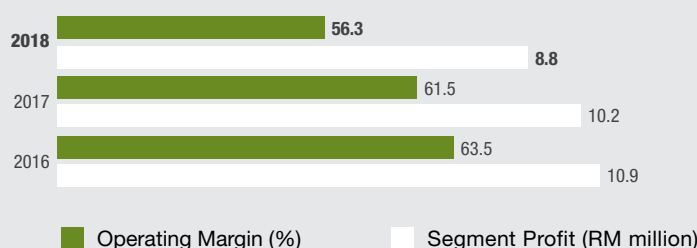
By the end of 2018, trading participation from Greater China increased to 5.21% of total ADC in 2018 compared to 3.43% in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

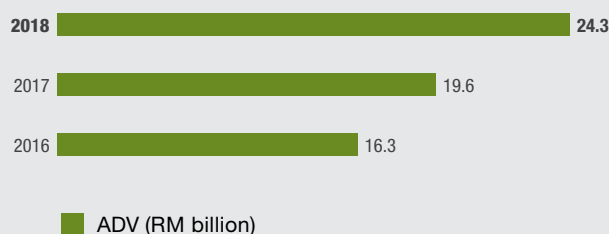
ISLAMIC CAPITAL MARKET

The Islamic Capital Market (ICM) is a key constituent of our capital market, serving as a sophisticated platform for Shariah-compliant products and services in the region.

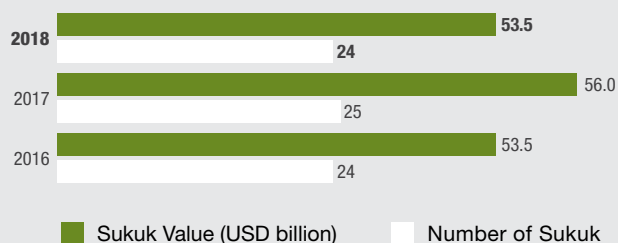
SEGMENT PROFIT AND OPERATING MARGIN



BSAS ADV



NUMBER OF SUKUK LISTINGS UNDER THE EXEMPT REGIME



SEGMENT REVENUE

The details are as follows:

	2017 RM million	2018 RM million	% change
BSAS Trading Revenue	15.8	14.9	▼ 5.6%
Other Income	0.5	0.5	▼ 13.7%
Total	16.3	15.4	▼ 5.9%

The Islamic Capital Market (ICM) is a key constituent of our capital market, serving as a sophisticated platform for Shariah-compliant products and services in the region. In line with Bursa Malaysia's strategic vision, ICM strives to become the leading global exchange for Islamic products, leveraging on Malaysia's comprehensive Islamic finance ecosystem.

Our global commodity Murabahah trading platform Bursa Suq Al-Sila' (BSAS) saw ADV grow a substantial 24.4% to RM24.3 billion from RM19.6 billion in 2017. Despite the greater trading volume, trading revenue decreased 5.6% to RM14.9 million from RM15.8 million during the same period as more trades were undertaken and qualified for the volume-based incentive schemes.

OPERATING ENVIRONMENT

The BSAS platform faced greater competition from the emergence of new commodity trading providers in 2018. Nevertheless, we continued to work on our strategic initiatives to create unique value propositions that kept us relevant and attractive to our participants, and helped deliver a resilient performance for the year. While we expect competition to further intensify going forward, we remain confident that the strategies we have in place will be adequate to protect our market share.

Domestic participants continued to account for the lion's share of trading, accounting for 74% of total BSAS ADV while foreign participation grew slightly to 26% from 23% in 2017. The number of trading participants also increased by 32 during the year to bring the total number of participants registered to 173.

The growing sense of uncertainty, however, impacted the performance of the BM-i securities trading platform as investors decided to wait for the return of greater stability to the market. Nonetheless, the integration of Shariah investing as well as sustainable and responsible investing (SRI) is a vital component to stimulate interest amongst the investors and drive huge growth potential, domestically and internationally.

MANAGEMENT DISCUSSION AND ANALYSIS

Pillar 1

Increasing Securities and Other Product-Related Offerings

BM-*i* completed its second full year of operations in 2018 as the world's first end-to-end Shariah-compliant investing platform. The platform incorporates the full range of Shariah-compliant exchange-related services including listing, trading, clearing, settlement and depository facilities. It also supports a wide range of Shariah-compliant securities including *i*-stocks, *i*-ETFs, *i*-REITs and ETBS, which allows investors to build a multi-asset Islamic portfolio that can be benchmarked against *i*-Indices.

The platform continues to retain substantial potential given the growing interest in Islamic securities as it leverages on the diverse pool of instruments already available on Bursa Malaysia's Main and ACE Markets. As at end 2018, RM1.1 trillion, or 62.1% of the total market capitalisation, and 76.4%, or 689 out of a total 902 companies, listed on the two markets were Shariah-compliant (2017: RM1.2 trillion and 688 out of 905 respectively).

The performance of our markets in 2018 was recognised internationally and chosen as the winner of the 'Best Stock Exchange for Islamic Listings' at the 13th IFN Service Providers Poll, which is a new award category introduced in 2018.

The last year saw BM-*i* gaining traction among trading participants with the number of registered participating organisations providing Islamic stockbroking services increase to 15 out of the 30 registered participating organisations from 14 out of 30 in 2017. Despite the greater number of participants, ADV on BM-*i* fell slightly to RM64.0 million from RM77.9 million a year ago mainly due to the weak market sentiment, particularly towards the end of the year. However, we remain confident that the steady rise in the demand for sustainable and responsible investments will drive growth for the platform moving forward.

On the BSAS platform, ICM saw the start of the Money Market Tender Murabahah - Tawarruq by BNM in October 2018. Although it was launched in Q4 of the year, the Islamic tender became the biggest contributor to overall BSAS ADV in 2018.

Pillar 2

Developing and Growing a Diverse Investor Base

BM-*i* securities trading platform is a relative newcomer to the capital market, and hence increasing investor education and awareness remain key priorities for ICM. We have identified several challenges that must be overcome in our outreach programmes in order for us to build a sustainable investor base for ICM going forward.

On that note, ICM had in 2018 conducted over 100 direct engagements with market participants, including fund managers, institutional investors and over 30,000 retail investors over the course of the year. We also took our engagement activities overseas to Singapore and Brunei to further promote Shariah investing and shared the value proposition offered by BM-*i*. These engagement efforts were supported by aggressive advertising and promotional efforts to increase BM-*i*'s profile on media channels including TV and radio commercials, print ads and social media advertising.

ICM also pursues an aggressive investor outreach programme that includes our annual flagship Shariah Investing Fair (SIF), which is targeted at retail investors. The fair was held as a carnival-like event aimed at making investing, in particular Shariah-compliant investing, more accessible to the public. The two-day event held in July 2018 featured investment talks and booths from a wide range of exhibitors ranging from financial institutions to brokers as well as government agencies to bring their services directly to the public. The event also included activities for children intended to spur their interest in financial literacy and encourage an early start to financial planning and wealth management. The fair was attended by over 11,000 visitors.

Our efforts to grow awareness of our Islamic platforms contributed to an increase in the number of Shariah trading accounts opened in 2018. As at December 2018, 18,130 Shariah trading accounts were opened representing an increase of 21.3% over the previous year which saw 14,944 new accounts opened.

MANAGEMENT DISCUSSION AND ANALYSIS

Pillar 3

Improving and Providing an Enabling Ecosystem

Following the launch of our Islamic Securities Selling and Buying Negotiated Transaction (ISSBNT) model in 2017, we approved our first supplier and user, Affin Hwang Investment Bank Bhd, in July 2018. The ISSBNT is the world's first Shariah-compliant alternative to conventional securities borrowing and lending (SBL) activities and is expected to cater to the capital market needs of participants with Shariah mandates.

ISSBNT aims to increase the market's liquidity and efficiency, facilitate hedging and reduce market risks while supporting the growth of products and facilitate trading activities and strategies. ISSBNT enables the clearing house to undertake transactions that deliver the equivalent outcome of conventional SBL transactions, but is structured based on Shariah principles.

In addition, we introduced a number of enhancements to our BSAS platform to make it more facilitative for trading. Some of the improvements implemented in 2018 included:

Extending its service hours to around the clock for all members, both local and foreign, effective July, 2018

Upgrading our platform systems from HP-UX to LINUX to better meet the system requirements of BSAS users

Launching the new BSAS Message-Based STP to enable better integration with the core banking systems of our trading participants in December 2018

Pillar 4

Regional Expansion

Regional expansion has been identified as critical to unlocking the value of BM-*i* and BSAS. The aim is to increase the number of foreign investors using our platforms as well as to improve regional market connectivity to boost trades on our platforms.

In 2018, we admitted banks from Iraq, Bahrain, Tanzania, Kenya, Dubai and Ajman in UAE as new members of our BSAS platform. In total, 32 new members were admitted in 2018 bringing the total number of BSAS members to 173 in 2018 from 141 in 2017. Our plan is to continue expanding our global reach in 2019, with particular focus placed on two key regions: Africa and the Commonwealth of Independent States (CIS).

Additionally, our end-to-end Shariah-compliant Bursa Malaysia-*i* platform saw growing regional interest in the last year. In 2018, BM-*i* saw trades from our regional peers, including Brunei, Singapore, Indonesia, Cambodia and Myanmar. This development marks the growing interest in responsible and sustainable investments within a Shariah-compliant marketplace.



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

MANAGEMENT DISCUSSION AND ANALYSIS

UPHOLDING COMPLIANCE WITH SHARIAH PRINCIPLES

Bursa Malaysia is committed to the comprehensive development of its Islamic capital market and invests its resources into the market ecosystem to develop the infrastructure and enablers necessary for its long-term sustainability. Islamic capital market is an important area of development of the national economy, and we have aligned our Islamic capital market priorities with this national goal. As such, we not only act singly as a stock exchange operator, but also in collaboration with key market players including government agencies, advisory firms and private organisations to move the Islamic capital market agenda forward.

As part of our efforts to enhance our Islamic capital market capabilities, we established our Shariah Committee in 2012 to enhance our Shariah advisory capacity, deliberate and advise on new developments and pronouncements, i.e. fatwas. The Committee also ensures that Bursa Malaysia's Shariah governance framework is aligned with Islamic principles at all times to preserve the Exchange's reputation as a key destination for Islamic capital market investors. Bursa Malaysia's Shariah Committee is recognised as one of the leading authorities on Islamic capital markets in both Malaysia and in ASEAN.

Over the years, the Committee has been party to several key Islamic capital market innovations. These include the development of our Bursa Suq Al-Sila' (BSAS) commodities trading platform and Bursa Malaysia-*i* (BM-*i*) securities trading platform, as well as the establishment of our first-of-its-kind Shariah-compliant securities borrowing and lending model, Islamic Securities Selling and Buying

– Negotiated Transaction (ISSBNT). In every case, the Committee played an important role as an adviser and in ensuring the products and services were Shariah-compliant.

In addition, the Committee also supports the Exchange's efforts to increase the breadth and depth of our Islamic capital market through the addition of new Shariah-compliant issuers. We therefore make it a priority to engage and educate issuers and potential issuers on the merits of seeking Shariah-compliant classification for their companies and ultimately be listed as a Shariah-compliant asset. Furthermore, Bursa Malaysia actively helps companies seeking Shariah-listing status understand and meet regulatory requirements to expedite the process.

Aside from ensuring the supply of Shariah-compliant assets, Bursa Malaysia plays an important role in building demand. In our role as an advocate of an Islamic capital market and Shariah-compliant investing, the Exchange takes active

part in investor forums and seminars to raise the overall awareness level of Shariah investing. Information aimed at retail investors is readily available on our BursaMKTPLC website, and Shariah investing is a regular feature at all our nationwide roadshows and promotional campaigns. Briefings are also held for institutional investors in order to update them on the progress and development of Shariah-compliant securities and services and to raise the profile of our market and products.

It is worthwhile to note that Bursa Malaysia has made leadership in Islamic capital market a main strategic aspiration, and the evidence suggests that we are on the right track to building a vibrant market for the future. While we are a recognised leader in the Islamic capital market, we note that we are facing greater competitive pressure from peer exchanges. We are committed to continuous innovation of our market going forward without sacrificing our commitment to maintaining Shariah-compliance.

MANAGEMENT DISCUSSION AND ANALYSIS

TOWARDS OPERATIONAL EXCELLENCE

Bursa Malaysia's operations are critical enablers and provide support to our business, and instrumental to the efficient and smooth-functioning of our activities.

We continue to focus our efforts on improving customer experience and to meaningfully expand our range of products and services as part of our ongoing Operational Transformation Programme. Our goal of achieving operational excellence is also part and parcel of our overall strategy of becoming ASEAN's leading marketplace with superior service levels to give us a competitive edge over our peers and help establish the Exchange as a facilitative marketplace.

ENHANCING OUR MARKET ECOSYSTEM

Our Operations Group continues to provide the necessary support such as ensuring system readiness, drawing up standard operating procedures and conducting familiarisation exercises with Trading and Clearing Participants to ensure the successful implementation of new products and services including:

The revamped FCPO launched on 26 February 2018

The FOB delivery process for the USD-denominated RBD FPOL launched on 24 May 2018

The FM70 contract implemented on 27 August 2018

As part of our commitment to improve our customers' interaction with our market, we drive the improvements and the widening of post trade services offerings. In January 2018, we launched the pilot release of our CDS e-Services initiative which leverages on technology to enhance customer experience. The e-Services infrastructure will be an 'Omni Channel' thereby allowing investors to conduct CDS transactions through multiple platforms, i.e. on web and mobile. The CDS e-Services will be launched in phases and is expected to be completed by 2020.

Additionally, we successfully implemented the settlement of payments through the Real-time Electronic Transfer of Funds and Securities System (RENTAS) to settle the obligations to and from our Clearing Participants. The initiative improves efficiency and level of service to our market participants and also reduces the settlement risk.

FORMALISED CYBER SECURITY RISK MANAGEMENT FRAMEWORK

We are also pleased to report that we have achieved a 100% system availability for critical systems surpassing the predefined Service Level Agreement (SLA). In addition, we are in compliance with the Recovery Time Objective (RTO) prescribed by the Principles for Financial Market Infrastructures (PFMI) issued by the Committee on Payments and Market Infrastructures (CPMI) and the International

Organization of Securities Commissions (IOSCO). The present system capacity is sufficient to cater for future growth and is scalable to meet future processing needs.

CYBER SECURITY

No cyber security incidents impacting the services of Bursa Malaysia occurred in 2018. The network defenses put in place detected and blocked all security threats. While we successfully preserve the integrity of our technology infrastructure, we continue to proactively enhance our cyber security preparedness and resilience, and conduct regular tests of our network perimeter defences. We also continued promoting cyber security awareness and education during the year and formed the Bursa Malaysia Computer Emergency Response Team to develop greater cyber resilience.

Formalised Cyber Security Risk Management Framework

The formalisation of the Cyber Security Risk Management Framework is a critical step towards ensuring we have a more holistic view to better manage the risk of cyber security threats.

Established BM-CERT

Bursa Malaysia Computer Emergency Response Team (BM-CERT) established in Q2 2018, is an Industry wide protocol to escalate and share cyber security incidences, elevate the operational improvement and instill a culture of Cyber Risk Awareness on incident responses to cyber threats and the broking community.

The BM-CERT will serve as a platform to enhance cyber security awareness amongst the industry by providing the advisory guidance and incidents assistance to the POs and TPs.

ENHANCING OUR TECHNOLOGY INFRASTRUCTURE

Technology plays an essential role in all our value creation activities, from supporting the delivery of our initiatives to enhance our market ecosystem, to helping us meet our Corporate Governance and sustainability commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2018, the Bursa Trade Securities 2 (BTS2) platform was enhanced to support key initiatives namely the launch of the Intraday Day Short Selling (IDSS) in April 2018, the reclassification of sectoral indices in September 2018 and the introduction of new order types and validity (OTV) in December 2018.

Similarly, the derivatives trading and clearing systems were enhanced for the revamp of the FCPO futures contract in February 2018 and the launch of the FM70 futures contract in August 2018.

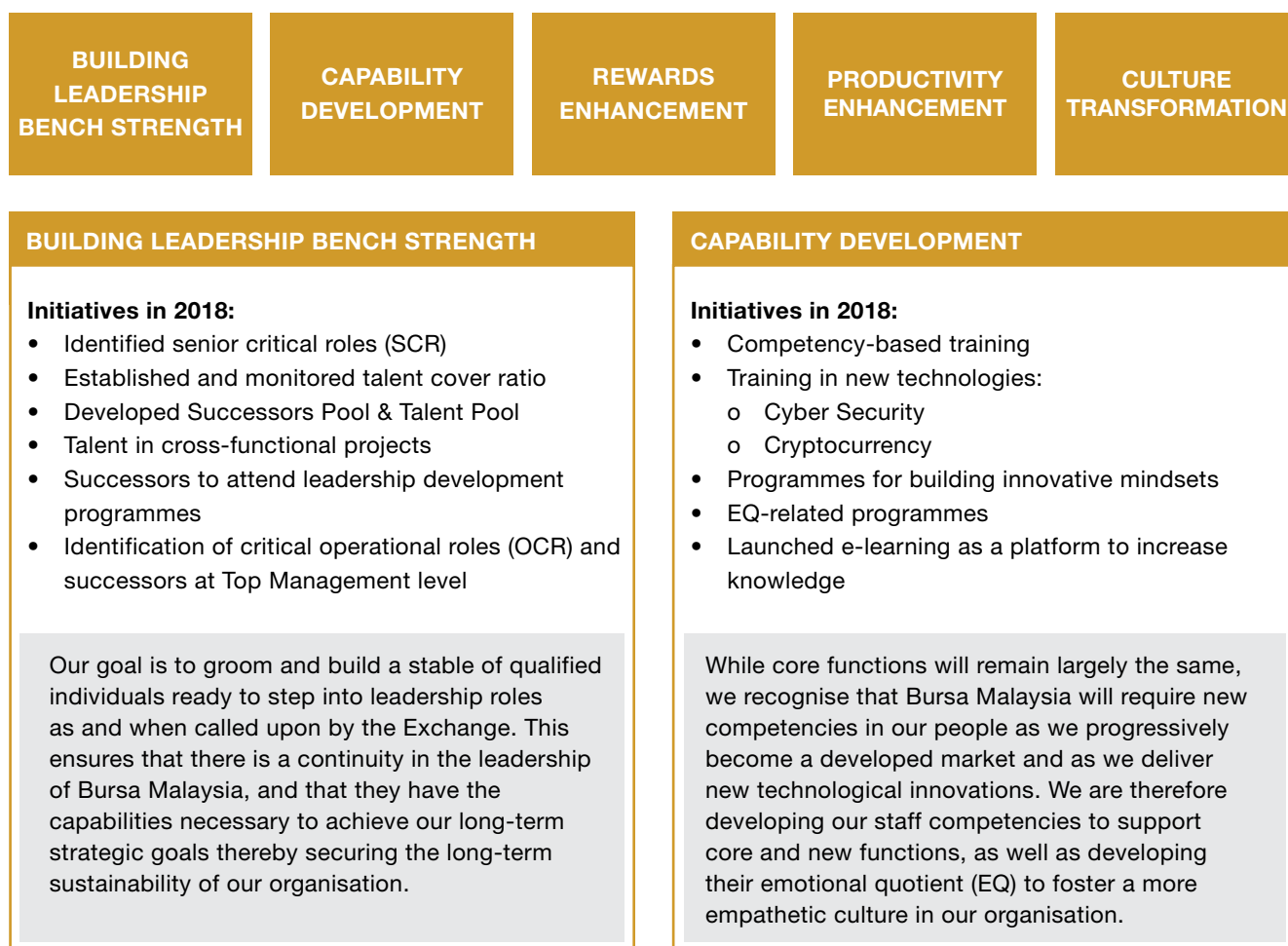
Finally, the Bursa LINK system was enhanced to fulfill the regulatory requirement specified by the new Malaysian Code on Corporate Governance (MCCG).

MOVING FORWARD

Bursa Malaysia will be migrating to a shorter settlement cycle of T+2, which has been targeted for implementation by first half of 2019. To ensure a seamless migration, the Exchange has sought comprehensive feedback by engaging both international and domestic intermediaries including Clearing Participants, the Association of Stockbroking Companies Malaysia (ASCM), the Malaysian Investment Banking Association (MIBA), global custodians, Asia Securities Industry & Financial Market Association (ASIFMA) and fund managers. A public consultation was also conducted to seek feedback from the market. Bursa Malaysia will conduct an industry-wide test prior to the actual launch to ensure a smooth migration to the T+2 settlement cycle. When implemented, T+2 will reduce the systemic risk level and will also align Bursa Malaysia to the best practices of leading global exchanges.

TOWARDS BUILDING A HIGH-PERFORMANCE ORGANISATION (HPO)

Our aim in building a HPO is to support our mission-critical activities as a developed market and to strengthen the overall sustainability of our value creation activities. To that end, our Human Resources (HR) has started implementing initiatives grouped under five broad categories to effect the transformation. The categories are:



MANAGEMENT DISCUSSION AND ANALYSIS

REWARDS ENHANCEMENT

Initiatives in 2018:

- Implemented the new salary structure, based on market adjustments
- Salary adjustments for performers
- Implemented the enhanced benefits including employee wellness

Bursa Malaysia is in direct competition with peer exchanges for limited resources, including qualified and capable talent. We have always prided ourselves on our fair and equitable remuneration for our employees, but we are now taking another step forward by assessing our long-term incentives and benefits for them. This is part of a continual assessment to ensure that we remain competitive in seeking new talent.

PRODUCTIVITY ENHANCEMENT

Initiatives in 2018:

- Determined current efficiency of workforce through a Resource Optimisation exercise
- Developed productivity metrics at organisation, division and individual level

Rising stakeholder expectations and competitiveness in the face of globalisation increased the need for greater productivity in our organisation. Our first step towards improving overall levels of productivity is to establish baseline metrics that will enable greater comparability of employee performance, and identify areas of the workforce that can be improved.

CULTURE TRANSFORMATION

Initiatives in 2018:

- Inculcated learning culture
- Initiated data-driven culture
- Cultivating a Risk Management Culture

We aim to build a data-driven, high-performance mindset and culture that permeates our entire organisation from the very top levels of leadership down to all levels of the organisation. Our efforts aim to develop a culture where our employees base their decisions on available data to achieve their goals, and one where there is a continuous hunger for learning and knowledge acquisition.

OUTLOOK

The International Monetary Fund (IMF) in its January 2019 report, projected a lower global economic growth of 3.5% for 2019, 0.2 percentage points lower than its October 2018 forecast due to, among others, the carry-over from softer momentum in the second half of 2018 and weakening financial market sentiment. For Malaysia, the IMF projected the economy to expand between 4.5% and 5.0% in 2019, which is in line with its earlier projection of 4.7%.

The World Bank in its January 2019 report, revised Malaysia's GDP to grow at 4.7% from its earlier estimate of 4.9%, citing effects of the Government's expenditure rationalisation measures and heightened uncertainty surrounding the global environment. Meanwhile, Bank Negara Malaysia forecasts Malaysia's economy to expand by 4.9% in 2019, supported by private sector consumption and investment.

OUR STRATEGIC PLANS MOVING FORWARD

Our efforts in 2018 have put us in good progress towards achieving our 2020 aspirations. The five Focus Areas continue to be germane in guiding and encapsulating our strategy moving forward. We have outlined key initiatives in the next couple of years within each area to ensure that we continue to strengthen our value propositions, enhance our market ecosystem, and build capabilities in both technology and our people towards sustainable growth.

In particular, we intend to continue driving growth in all three markets by diversifying our products and services, to serve and attract more market participants. This is in line with our overarching aim to create opportunities and grow value via the marketplace. We also remain steadfast in the belief that capitalising on technology and information, well-established as vital enablers of future growth in our industry, must be a core component of our strategic plans. In this regard, we will explore investing in technology that uncovers fresh opportunities from leveraging fintech and data, while enhancing our efficiency as a market operator. Last but not least, we are ready to begin implementing our Sustainability Roadmap, which has been crafted to guide the sustainability approach of the Exchange and our marketplace.

The aforementioned strategic plans are intended to drive both near-term results and impact, while ensuring our sustainable competitiveness over the longer term. We are certain that development and progress in the above areas will anchor our future sustainable growth. We will thus channel our efforts in a concerted manner on these focus areas.

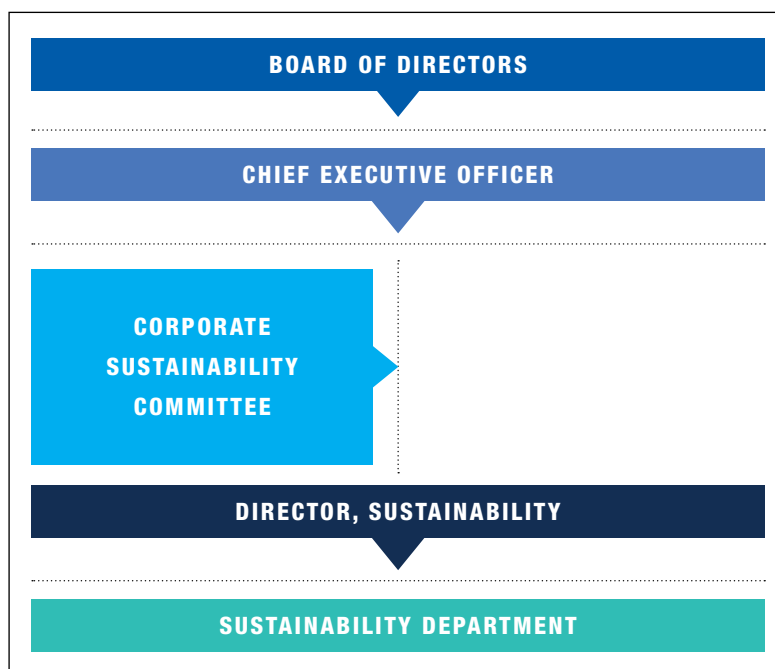
OUR APPROACH TO SUSTAINABILITY

Bursa Malaysia is a pioneer of the sustainability agenda in Malaysia, guiding our market participants towards embracing a culture focused on building long-term value in a sustainable manner. Our approach to sustainability extends beyond our role as a regulator, market operator and influencer, to also being an exemplary PLC leading the market by example.

Sustainability, we believe, must be embedded at the very top-most layers of leadership and cascaded down to the rest of the organisation. For that reason, we have established a strong governance structure that is overseen by our Board of Directors (BOD). The BOD is in turn supported by the Corporate Sustainability Committee (CSC), which is chaired by our CEO and comprises other members of senior management including our:

- Chief Commercial Officer;
- Chief Operating Officer;
- Chief Regulatory Officer;
- Chief Financial Officer;
- Director, Sustainability;
- Director, Corporate Strategy;
- Director, Risk and Compliance; and
- Director, Human Resources.

In addition to our strong sustainability governance structure, we have taken the additional step of embedding sustainability into our strategic vision. To that end, we are committed to making embracing sustainability a way of life for our entire organisation and will continue to encourage other PLCs in our marketplace to do the same.



2018 also saw us take decisive steps to comprehensively plot out the next stage of development, which has been defined by our aspiration to become ASEAN's leading exchange on sustainability. Bursa Malaysia Sustainability Roadmap 2019-2020 (Roadmap) was designed with this objective in mind and is aimed at preparing our business for future risks across the economic, environmental, social and governance landscape while enabling us to explore new revenue streams. Additional details on the Roadmap and our progress are available in our Sustainability Report 2018.

OUR APPROACH TO SUSTAINABILITY

The following highlights have been extracted from our Sustainability Report 2018. These highlights represent some of our key achievements during the year and reflect the ways in which we deliver on our commitment to strengthen our own sustainability framework and champion sustainability in our marketplace.

COMPETITION	FBMKLCI among the most resilient in the region	Raising the profile of mid- and small-cap PLCs through Bursa MidS
MARKET INTEGRITY AND STABILITY	Balanced regulatory framework which is benchmarked against international standards	Organised 67 programmes in 2018 for 4,965 market participants
RESPONSIBLE MARKETPLACE	4th place in the Asian Corporate Governance Association's Corporate Governance Watch	56 constituents in the FTSE4Good Bursa Malaysia index
TECHNOLOGY AND INNOVATION	Enhanced certification coverage for ISO 27001 Information Security Management System	Formalised Cyber Security Risk Management Framework
HIGH-PERFORMANCE ORGANISATION	Enhanced Anti-Fraud, Bribery and Corruption Policy	Pledged official support for the Taskforce on Climate-Related Financial Disclosures Recommendations to support climate action
COMMUNITY INVESTMENT	RM2.1 million raised and distributed to 22 beneficiaries in Bursa Bull Charge 2018	7,075 volunteer hours achieved by 567 employees

For more information about our sustainability initiatives, we invite you to peruse our Sustainability Report which is available online at https://bursa.listedcompany.com/iar_2018.html

SECTION 06



OUR LEADERSHIP

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WHO GOVERNS US



TAN SRI AMIRSHAM A AZIZ

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

Nationality/ Age/ Gender:
Malaysian/ 68/ Male

Date of Appointment:
1 March 2015

Length of Service
(as at 31 January 2019):
3 years 11 months

Board Meeting Attendance in 2018:
7/7

Board Committees Membership(s) ▲:
 • **Regulatory and Conflicts Committee (Chairman)**
 • **Appeals Committee (Chairman)**

Academic/Professional Qualification/Membership(s):

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

Present Directorship(s):

Listed entity:

- CapitaLand Limited, Singapore

Other public companies:

- Petroliaam Nasional Berhad
- RAM Holdings Berhad

Present Appointment(s):

- Chairman, Financial Services Talent Council
- Chairman, Themed Attractions Resorts & Hotels Sdn Bhd

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

- Chairman, Malaysian Investment Development Authority (MIDA) (2012-2018)
- Director, Samling Global Limited, Bermuda (2011-2018)
- Director, Lingui Development Berhad (2011-2014)
- Director, CapitaMall Limited, Singapore (2011-2014)
- Chairman, National Economic Advisory Council (2009-2011)
- Minister in the Prime Minister's Department (2008-2009)
- President & Chief Executive Officer, Malayan Banking Berhad (1994-2008)

* appointed by the Minister of Finance pursuant to Section 10(1)(a) of the Capital Markets and Services Act 2007 (CMSA) in consultation with the Securities Commission

WHO GOVERNS US

**DATUK SERI TAJUDDIN ATAN**

Chief Executive Officer,
Non-Independent Executive Director

Nationality/ Age/ Gender:
Malaysian/ 59/ Male

Date of Appointment:
1 April 2011

Length of Service
(as at 31 January 2019):
7 years 10 months

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

Date of Last Re-election:
29 March 2017

Board Meeting Attendance in 2018:
7/7

Board Committees Membership(s) ▲:
Nil

Academic/Professional Qualification/Membership(s):

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

Present Directorship(s):

Listed entity:
Nil

Other public companies:

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

Present Appointment(s):

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

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

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

**JOHARI ABDUL MUID**

Public Interest Director* and
Independent Non-Executive Director

Nationality/ Age/ Gender:
Malaysian/ 61/ Male

Date of Appointment:
1 April 2016

Length of Service
(as at 31 January 2019):
2 year 10 months

Board Meeting Attendance in 2018:
7/7

Board Committees Membership(s) ▲:
• Nomination and Remuneration Committee
• Regulatory and Conflicts Committee
• Market Participants Committee (Chairman)

Academic/Professional Qualification/Membership(s):

- Chartered Institute of Management Accountants (Fellow Member)

Present Directorship(s):

Listed entity:
Nil

Other public companies:

- Malaysia Debt Ventures Berhad
- Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
- Bursa Malaysia Securities Berhad and its clearing house (Bursa Malaysia Securities Clearing Sdn Bhd)

Present Appointment(s):

- Director, Nomura Asset Management Malaysia Sdn Bhd
- Director, Nomura Islamic Asset Management Malaysia Sdn Bhd
- Investment Panel Member, Kumpulan Wang Amanah Pencen

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

- Managing Director, RHB Bank Berhad (November 2011-November 2013)
- Director, RHB Bank Berhad (April 2005-July 2013)
- Director, RHB Capital Berhad (April 2005-November 2011)
- Director, RHB Islamic Bank Berhad (January 2008-November 2011)
- Director, RHB Investment Bank Berhad (April 2005-January 2008)
- Deputy Chief Executive Officer, Employees Provident Fund (2007-2011)
- Chief Investment Officer, Employees Provident Fund (2004-2006)
- Chief Investment Officer, ValueCap Sdn Bhd (2003-2004)
- Institutional Sales, CIMB Securities Sdn Bhd (1994-2002)
- Treasury Division, Commerce International Merchant Bankers Berhad (1983-1994)
- Money Market Dealer, Asian International Merchant Bankers Berhad (1981-1983)

* appointed by the Minister of Finance pursuant to Section 10(1)(a) of the CMSA in consultation with the Securities Commission

WHO GOVERNS US



DATIN MARIAM PRUDENCE YUSOF

Public Interest Director* and
Independent Non-Executive Director

Nationality/ Age/ Gender:
Malaysian/ 66/ Female

Date of Appointment:
19 February 2017

Length of Service
(as at 31 January 2019):
1 year 11 ½ months

Board Meeting Attendance in 2018:
7/7

Board Committees Membership(s) ▲:

- **Audit Committee**
- **Risk Management Committee**
- **Regulatory and Conflicts Committee**

Academic/Professional Qualification(s):

- BA (Hons) University of Malaya

Present Directorship(s):

Listed entity:

C.I. Holdings Berhad

Other public companies:

- Bursa Malaysia Derivatives Berhad
- Bursa Malaysia Derivatives Clearing Berhad

Present Appointment(s):

- Chairman, SISMA Group of Companies

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

- Executive Director, Equity Market of MIDF Amanah Investment Bank Bhd (formerly known as MIDF Sisma Securities Sdn Bhd) (1997-2007)
- Member, Kuala Lumpur Stock Exchange Committee (KLSE) (2002-2004)
- Director, Labuan International Financial Exchange Inc. (LFX) (2002-2004)
- Director, Securities Clearing Automated Network Services Sdn Bhd (SCANS) (2002-2004)
- Director, Research Institute & Investment Analyst Malaysia (RIAM) (2002-2004)
- Trustee, Bumiputera Training Fund of the Securities Commission (SC) (2002-2004)
- Chairman, Membership Committee of the KLSE (2002-2004)
- Chairman, Association of Stockbroking Companies of Malaysia (2002-2003)
- Director (Corporate Nominee), PB Securities Sdn Bhd (1990-1997)
- Dealer Representative, HA Securities Sdn Bhd (1984-1990)
- Human Resource & Organizational Development with multinational companies (1974-1984)

* appointed by the Minister of Finance pursuant to Section 10(1)(a) of the CMSA in consultation with the Securities Commission



DATUK KAROWNAKARAN @ KARUNAKARAN RAMASAMY

Senior Independent
Non-Executive Director

Nationality/ Age/ Gender:
Malaysian/ 68/ Male

Date of Appointment:
28 March 2013

Length of Service
(as at 31 January 2019):
5 years 10 months

Date of Last Re-election:
28 March 2018

Board Meeting Attendance in 2018:
7/7

Board Committees Membership(s) ▲:

- **Nomination and Remuneration Committee (Chairman)**
- **Regulatory and Conflicts Committee**
- **Appeals Committee**

Academic/Professional Qualification(s):

- Bachelor of Economics (Hons) in Accounting, University of Malaya

Present Directorship(s):

Listed entities:

- Malayan Banking Berhad
- IOI Corporation Berhad
- Chairman, Integrated Logistics Berhad

Other public companies:

- Chairman, Etiqa International Holdings Berhad
- Chairman, Maybank Ageas Holdings Berhad

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

- Chairman, Etiqa Life Insurance Berhad (January-December 2018)
- Chairman, Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) (March 2016-December 2018)
- Chairman, Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) (2016-2017)
- Director, Maybank (Cambodia) PLC (2012-2017)
- Director, Maybank Asset Management Group Berhad (2012-2016)
- Director, Chemical Company of Malaysia Berhad (2011-2014)
- Director, Maybank Investment Bank Berhad (2009-2014)
- Director-General, Malaysian Investment Development Authority (MIDA) (2004-2008)
- Deputy Director-General, MIDA (2001-2003)
- Director, Industrial Promotion Division overseeing 16 MIDA overseas offices (1996-2000)
- Director, MIDA in Singapore, Germany and London (1978-1995)

WHO GOVERNS US

**DATUK CHAY WAI LEONG**

Independent Non-Executive Director

Nationality/ Age/ Gender:
Singaporean/ 55/ Male
Permanent Resident of Malaysia

Date of Appointment:
28 March 2013

Length of Service
(as at 31 January 2019):
5 years 10 months

Date of Last Re-election:
29 March 2017

Board Meeting Attendance in 2018:
7/7

Board Committees Membership(s) ▲:
• **Audit Committee**
• **Risk Management Committee**
(Chairman)

Academic/Professional Qualification(s):

- Bachelor of Business Administration, National University of Singapore

Present Directorship(s):

Listed entity:
Nil

Other public companies:

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

Present Appointment(s):

- Group Managing Director, Kenanga Investment Bank Berhad

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

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

**GHAZALI HAJI DARMAN**

Independent Non-Executive Director

Nationality/ Age/ Gender:
Malaysian/ 54/ Male

Date of Appointment:
28 March 2013

Length of Service
(as at 31 January 2019):
5 years 10 months

Date of Last Re-election:
29 March 2017

Board Meeting Attendance in 2018:
7/7

Board Committees Membership(s) ▲:
• **Audit Committee**
• **Risk Management Committee**
• **Market Participants Committee**

Academic/Professional Qualification(s):

- Bachelor of Accounting, University of Canberra

Present Directorship(s):

Listed entity:
Nil

Other public companies:

- Bank Muamalat Malaysia Berhad

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

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

WHO GOVERNS US



PUSHPANATHAN S.A. KANAGARAYAR

Independent Non-Executive Director

Nationality/ Age/ Gender:
Malaysian/ 67/ Male

Date of Appointment:
23 June 2014

Length of Service
(as at 31 January 2019):
4 years 7 months

Date of Last Re-election:
28 March 2018

Board Meeting Attendance in 2018:
6/7

Board Committees Membership(s) ▲:

- **Audit Committee (Chairman)**
- **Nomination and Remuneration Committee**
- **Listing Committee (Chairman)**

Academic/Professional Qualification/Membership(s):

- Institute of Chartered Accountants of Scotland (Member)
- Malaysian Institute of Certified Public Accountants (MICPA) (Member)
- Malaysian Institute of Accountants (MIA) (Member)

Present Directorship(s):

Listed entities:

- IJM Corporation Berhad
- IJM Plantations Berhad

Other public companies:

- Asian Institute of Finance Berhad
- Sun Life Malaysia Assurance Berhad
- Sun Life Malaysia Takaful Berhad

Present Appointment(s):

- Council Member, MICPA
- Trustee, World Wildlife Fund Malaysia
- Director, Malaysian Community Education Foundation
- Project Chairman, the Insurance Standards Working Group of Malaysian Accounting Standards Board (MASB) on Malaysian Financial Reporting Standard 17

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

- Board Member, MASB (2009-2015)
- Honorary Secretary, Financial Reporting Foundation (2010-2015)
- President, MICPA (2012-2014)
- Council Member, MIA (2012-2014)
- Partner, Messrs Ernst & Young (1983-2009)
- Chairman, Adjudication and/or Organising Committees, National Annual Corporate Report Awards (2003-2009)
- Chairman, MICPA's Financial Statements Review Committee and Project Chairman, the Insurance Standards Working Group of MASB on Financial Reporting Standard 4 (2003-2007)
- Member, International Federation of Accountants' Developing Nations Permanent Taskforce (2004-2005)



DATIN GRACE YEOH CHENG GEOK

Independent Non-Executive Director

Nationality/ Age/ Gender:
Malaysian/ 57/ Female

Date of Appointment:
24 February 2017

Length of Service
(as at 31 January 2019):
1 year and 11 months

Date of Last Re-election:
28 March 2018

Board Meeting Attendance in 2018:
7/7

Board Committees Membership(s) ▲:

- **Risk Management Committee**
- **Nomination and Remuneration Committee**

Academic/Professional Qualification(s):

- Bachelor of Laws (Hons), London School of Economics and Political Science
- Master of Laws (LLM), University of London
- Barrister-at-Law, Middle Temple
- Advocate and Solicitor of the High Court of Malaya

Present Directorship(s):

Listed entity:

Nil

Other public companies:

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

Present Appointment(s):

- Head, Corporate and Commercial Law Practice Group, Shearn Delamore & Co.
- Head, Energy, Natural Resources & Green Technology Practice Group, Shearn Delamore & Co.
- Member, Corporate and Commercial Law Committee of the Malaysian Bar Council
- Member, Trade in Legal Services Committee of the Malaysian Bar Council
- Board Member, ICC Malaysia

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

- Managing Partner, Shearn Delamore & Co. (2016-2018)
- Member, Management Committee, Shearn Delamore & Co. (2002-2018)

WHO GOVERNS US

**CHONG CHYE NEO**

Independent Non-Executive Director

Nationality/ Age/ Gender:
Malaysian/ 56/ FemaleDate of Appointment:
21 December 2018Length of Service
(as at 31 January 2019):
1 monthBoard Meeting Attendance in 2018:
Nil
- No Board meetings during
21-31 December 2018Board Committees Membership(s) ▲:
Nil**Academic/Professional Qualification(s):**

- Bachelor of Science (Hons) in Computer Science, Universiti Sains Malaysia
- Executive Education, Harvard Business School

Present Directorship(s):**Listed entity:**

Hong Leong Bank Berhad

Other public companies:

Nil

Present Appointment(s):

- Honorary Member, American Malaysian Chamber of Commerce

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

- Managing Director/ Chief Executive Officer, IBM Malaysia Sdn Bhd (1 October 2015 - 31 December 2018)
- Director, Kenexa Technologies Sdn Bhd (15 September 2015 - 31 December 2018)
- Director, IBM Global Delivery Centre (Malaysia) Sdn Bhd (15 September 2015 - 31 December 2018)
- Client Director, Financial Services Sector, IBM Malaysia Sdn Bhd (2014-2015)
- Director, Intellectual Property – ASEAN, IBM Research (2011-2012)
- Director, Business Partners & Alliances, IBM ASEAN (2009-2010)
- Director, Mid Market, IBM ASEAN/ South Asia (2007-2008)
- General Manager, Storage Systems Group, IBM ASEAN/ South Asia (2005-2006)
- Regional Leader, Marketing, IBM ASEAN (2004)
- Country Head, Enterprise Systems Group, IBM Malaysia Sdn Bhd (2002-2003)
- Regional Marketing Manager, Enterprise Systems Group, IBM ASEAN (2001)
- Various roles in IBM (engineering, sales, marketing and operations in Malaysia). Asia Pacific sales roles covering Japan, Korea, Greater China Group, ASEAN/ South Asia, Australia/ New Zealand (1989-2001)
- Software Development Engineer, Hewlett Packard Malaysia (1986-1989)

Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of Bursa Malaysia, have no conflict of interest with Bursa Malaysia, have not been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

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.

- ▲ The Directors' meeting attendance record for 2018 is provided in the Corporate Governance Overview on page 6 of the Governance and Financial Reports 2018.

WHO LEADS US



< **DATUK SERI
TAJUDDIN ATAN**
*Chief Executive Officer,
Bursa Malaysia Berhad*
Leads Bursa Malaysia Berhad
Group of Companies



< **SELVARANY RASIAH**
Chief Commercial Officer

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



^ **DATIN AZALINA ADHAM**
Chief Operating Officer

- Corporate Legal
- Digital Innovation
- Market Operations
- Organisation & Methods
- Planning & Execution
- Technology & Information Management



< **YEW YEE TEE**
Chief Regulatory Officer

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



^ **ROSIDAH BAHAROM**
Chief Financial Officer

- Finance
- Corporate Planning & Investor Relations
- Procurement, Facility & Administration
- Security Services



^ **JAMALUDDIN NOR MOHAMAD**
*Chief Executive Officer
of Bursa Malaysia Derivatives Berhad*

- Investor Development
- Product & Market Development



^ **MAHDZIR OTHMAN**
Director, Securities Market

- Listing Development
- Marketing & Promotion
- Product & Market Development

Acting Director, Islamic Capital Market

- Bursa Suq Al-Sila' (Dealing)
- Product & Market Development
- Shariah & Governance

WHO LEADS US

TAY YU HUI

Acting Director, Market Operations

- Depository
- Governance & Participant Management
- Trading Operations & Market Control
- Clearing & Settlement
- Operations New Services

< **DENNIS FOONG YEW HAN****Acting Director,
Technology & Information Management**

- Information Technology Operations
- Core Solutions Delivery
- Information Technology Infrastructure & Security Services
- IT Governance & Standards

**DR. TAN WEI LIN****Director, Corporate Strategy**

- Strategic Planning & Innovation
- Strategic Intelligence & Alliances
- Strategic Execution
- Strategic Communications

TINA CHOO WUN HOOI

Acting Director, Human Resources

- HR Development
- HR Engagement & Governance
- Knowledge Centre

**MAZLIANA MOHAMAD****Director, Internal Audit**

- IT Audit
- Regulation & Support Audit
- Stakeholder Management & Planning
- Commercial & Operations Audit

**TEE YOKE HOONG, EMILIA****Director, Sustainability**

- Community Investment
- Sustainability Strategy & Implementation
- Bursa Academy

**INTAN RUHANIDA RAMLI****Director, Risk & Compliance**

- Enterprise Risk Management
- Business Continuity Management
- Compliance

**YONG HAZADURAH MD HASHIM****Group Company Secretary /
Senior Executive Vice President,
Corporate Governance & Secretarial**

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

KEY SENIOR MANAGEMENT

SELVARANY RASIAH Chief Commercial Officer Malaysian, Age 53, Female Date of Appointment: 15 February 2017 Academic/Professional Qualification(s): Bachelor of Laws, University of Malaya Advocate and Solicitor of the High Court of Malaya (Non-practising) Present Directorship(s): Listed entity: Nil Other public companies: Malaysian Investor Relations Association Berhad (MIRA) Working Experience: Joined Bursa Malaysia in December 1992 and has held various positions in Bursa Malaysia Group, the last being the Chief Regulatory Officer	DATIN AZALINA ADHAM Chief Operating Officer Malaysian, Age 50, Female Date of Appointment: 15 February 2017 Academic/Professional Qualification(s): BSc Finance, Purdue University, USA Present Directorship(s): Listed entity: Nil Other public companies: Nil Working Experience: Joined Bursa Malaysia in June 2001 and has held various positions in Bursa Malaysia Group, the last being Director, Strategy and Transformation	YEW YEE TEE Chief Regulatory Officer Malaysian, Age 49, Female Date of Appointment: 15 February 2017 Academic/Professional Qualification(s): Bachelor of Laws, University of Malaya Advocate and Solicitor of the High Court of Malaya (Non-practising) Present Directorship(s): Listed entity: Nil Other public companies: Nil Working Experience: Joined Bursa Malaysia in December 1999 and has held various positions in Bursa Malaysia Group, the last being Head of Enforcement
ROSIDAH BAHAROM Chief Financial Officer Malaysian, Age 50, Female Date of Appointment: 12 August 2014 Academic/Professional Qualification(s): Fellow Member of Association of Chartered Certified Accountants Bachelor of Science (Hons) Accountancy, University of East Anglia, UK Present Directorship(s): Listed entity: Nil Other public companies: Labuan International Financial Exchange Inc Working Experience: Joined Bursa Malaysia in August 1998 and has held various positions in Bursa Malaysia Group	JAMALUDDIN NOR MOHAMAD Chief Executive Officer, Bursa Malaysia Derivatives Berhad Malaysian, Age 59, Male Date of Appointment: 20 February 2017 Academic/Professional Qualification(s): Bachelor of Business Administration, Ohio University and UITM, Shah Alam Masters in Business Administration, University Putra Malaysia Present Directorship(s): Listed entity: Nil Other public companies: Nil Working Experience: Joined Bursa Malaysia in May 2012 and has held various positions in Bursa Malaysia Group, the last being Director, Islamic Capital Market	MAHDZIR OTHMAN Director, Securities Market Malaysian, Age 50, Male Date of Appointment: 14 August 2017 Academic/Professional Qualification(s): Bachelor of Science (Hons) in Finance, Northern Illinois University, US Present Directorship(s): Listed entity: Nil Other public companies: Malaysian Investor Relations Association Berhad (MIRA) Working Experience: Joined Bursa Malaysia in August 2017

Save as disclosed, the above Key Senior Management (KSM) members have no family relationship with any Director and/or major shareholder of Bursa Malaysia, have no conflict of interest with Bursa Malaysia, have not been convicted of any offences within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

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

In accordance with Practice 7.3 of the Malaysian Code on Corporate Governance, the disclosure on the detailed remuneration of the KSM is provided in the Financial Statements on page 126 of the Governance and Financial Reports 2018.

NOTICES SECTION 07



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NOTICE OF 42ND ANNUAL GENERAL MEETING

BURSA MALAYSIA BERHAD (30632-P)

(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT 2016)

NOTICE IS HEREBY GIVEN THAT the 42nd Annual General Meeting (AGM) of Bursa Malaysia Berhad (the Company) will be held at Ballroom 2, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 28 March 2019 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 2018 and the Reports of the Directors and Auditors thereon.

2. To re-elect the Director, Datuk Chay Wai Leong who retires by rotation in accordance with Article 18.4 of the Company's Constitution and who being eligible offers himself for re-election.

Resolution 1

Encik Ghazali bin Haji Darman who also retires by rotation in accordance with Article 18.4 of the Company's Constitution, has expressed his intention not to seek re-election. Hence, he will retain office until the close of the 42nd AGM.

3. To re-elect the following Directors who retire in accordance with Article 18.11 of the Company's Constitution and who being eligible offer themselves for re-election:

(1) Ms. Chong Chye Neo;

(2) Datuk Muhamad Umar Swift.

Resolution 2

Resolution 3

4. To approve the payment of Directors' fees amounting to RM300,000 per annum for the Non-Executive Chairman and RM200,000 per annum for each of the Non-Executive Directors in respect of the financial year ended 31 December 2018.

Resolution 4

5. To approve the payment of benefits payable to the Non-Executive Chairperson and Non-Executive Directors up to an amount of RM2,200,000 from 29 March 2019 until the next AGM of the Company.

Resolution 5

6. To appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to determine their remuneration.

Resolution 6

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 42nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 15.9 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 21 March 2019. Only a depositor whose name appears on the Record of Depositors as at 21 March 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

BY ORDER OF THE BOARD

Yong Hazadurah binti Md. Hashim, LS0006674

Hong Soo Yong, MAICSA 7026744

Company Secretaries

Kuala Lumpur

28 February 2019

NOTICE OF 42ND ANNUAL GENERAL MEETING**BURSA MALAYSIA BERHAD** (30632-P)

(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT 2016)

Notes:**1. Proxy**

- 1.1 Every Member including authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991 (SICDA), and Exempt Authorised Nominees which holds ordinary shares in the Company for multiple owners in one securities account (Omnibus Account), is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote instead of him at the AGM, and that such proxy need not be a Member.
- 1.2 Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- 1.3 The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing, or if the Member is a corporation, shall either be executed under its common seal or under the hand of two (2) authorised officers, one of who shall be a director, or its attorney duly authorised in writing. Any alteration to the instrument appointing a proxy must be initialled.
- 1.4 The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, no later than Wednesday, 27 March 2019 at 10.00 a.m.
- 1.5 Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 42nd AGM will be put to vote on a poll.

2. Audited Financial Statements for financial year ended 31 December 2018

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act (CA) 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

3. Ordinary Resolution 1: Re-election of Director who retires in accordance with Article 18.4 of the Company's Constitution

- 3.1 Article 18.4 of the Constitution provides that one-third (1/3) of the Directors of the Company excluding the Public Interest Directors (PIDs) for the time being or if their number is not a multiple of three (3), then the number nearest one-third (1/3) shall retire by rotation at an AGM of the Company and be eligible for re-election. Out of the current Board size of ten (10), three (3) are PIDs. Hence, two (2) out of seven (7) Directors of the Company are to retire in accordance with Article 18.4 of the Constitution.
 - (a) For the purpose of determining the eligibility of the Directors to stand for re-election at the 42nd AGM, the Nomination and Remuneration Committee (NRC) has assessed each of the retiring Directors, and considered the following:
 - (i) The Director's performance and contribution based on the Self and Peer Assessment (SPA) results of the Board Effectiveness Evaluation (BEE) 2017/2018;
 - (ii) The Director's level of contribution to the Board deliberations through his skills, experience and strength in qualities; and
 - (iii) The level of independence demonstrated by the Director, and his ability to act in the best interests of the Company in decision-making.

NOTICE OF 42ND ANNUAL GENERAL MEETING**BURSA MALAYSIA BERHAD** (30632-P)

(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT 2016)

- (b) In line with Practice 5.1 of the Malaysian Code on Corporate Governance, the Board has conducted an assessment of the Directors of the Company based on the relevant performance criteria which include the following:

- (i) Will and ability to critically challenge and ask the right questions;
- (ii) Character and integrity in dealing with potential conflict of interest situations;
- (iii) Commitment to serve the company, due diligence and integrity;
- (iv) Confidence to stand up for a point of view;
- (v) Fit and properness;
- (vi) Calibre and personality;
- (vii) Board dynamics and participation;
- (viii) Competency and capability;
- (ix) Independence and objectivity; and
- (x) Contribution and performance.

Based on the Directors' SPA results of the BEE 2017/2018, the individual Directors met the performance criteria required of an effective and a high performance Board. In addition, each of the Non-Executive Directors (NEDs) has also provided his/her annual declaration/confirmation of independence in the fourth quarter of 2018.

- (c) Based on the above, the Board approved the NRC's recommendation that the Directors who retire in accordance with Article 18.4 of the Constitution are eligible to stand for re-election. These two (2) retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board meeting.

Encik Ghazali bin Haji Darman did not seek re-election, after having served on the Board of Bursa Malaysia for almost six (6) years since his appointment as Director at the 36th AGM of the Company on 28 March 2013. Hence, he will retain office until the close of the 42nd AGM, and retires in accordance with Article 18.4 of the Company's Constitution.

- 3.2 Section 10(1)(b) of the Capital Markets and Services Act 2007 (CMSA) provides that the appointment, re-appointment, election or re-election as a Director of the Company is subject to concurrence by the Securities Commission Malaysia (SC). In this respect, the SC's concurrence had been obtained via its letter dated 17 December 2018 on the proposed re-election of the Director (under **Resolution 1**) pursuant to Section 10(1)(b) of the CMSA.

4. Ordinary Resolutions 2 and 3: Re-election of Directors who retire in accordance with Article 18.11 of the Company's Constitution

- 4.1 Article 18.11 of the Constitution provides that any Director so appointed shall hold office only until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

- (a) Ms. Chong Chye Neo was appointed as Independent Non-Executive Director of the Company on 21 December 2018. The SC had on 17 December 2018 provided its concurrence on her re-election as Director (under **Resolution 2**) pursuant to Section 10(1)(b) of the CMSA.
- (b) Datuk Muhamad Umar Swift was appointed the Chief Executive Director and Executive Director on 11 February 2019 pursuant to Article 24.3 of the Company's Constitution. The SC had on 18 December 2018 provided its concurrence on his re-election as Director (under **Resolution 3**) pursuant to Section 10(1)(b) of the CMSA.

- 4.2 Any Director referred to in **Resolutions 1 to 3**, who is a shareholder of the Company will abstain from voting on the resolution in respect of his/her re-election at the 42nd AGM.

NOTICE OF 42ND ANNUAL GENERAL MEETING**BURSA MALAYSIA BERHAD** (30632-P)

(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT 2016)

5. Directors' remuneration - fees and benefits payable to the NEDs

5.1 Section 230(1) of the CA 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 42nd AGM on the Directors' remuneration in two (2) separate resolutions as below:

- (a) **Resolution 4** on payment of Directors' fees in respect of the preceding year 2018; and
- (b) **Resolution 5** on payment of Directors' benefits from 29 March 2019 to the next AGM in 2020.

5.2 Ordinary Resolution 4: Directors' fees

Following an independent Board remuneration review conducted by an external consultant, Korn Ferry/Hay Group (KFHG) in 2017, the fees for the NEDs had been increased for the financial year (FY) 2017 to attract and retain individuals with strong credentials and high calibre to serve on the Board of the Company. Hence, a review of the Board remuneration policy was conducted internally by the NRC in November 2018, to ascertain the competitiveness of the Board remuneration having regard to various factors including the Board remuneration framework of comparable public listed financial services companies and dominant provider companies in Malaysia as well as other comparable exchanges.

The Board subsequently approved the NRC's recommendation for the Directors' fees in respect of the FY 2018 to remain unchanged i.e. same as the fees approved for the FY 2017, as they are still competitive and at par with the prevalent market rate.

The payment of the NEDs' fees in respect of the preceding FY 2018 will only be made if the proposed **Resolution 4** has been passed at the 42nd AGM pursuant to Article 19.1 of the Company's Constitution and Section 230(1)(b) of the CA 2016.

5.3 Ordinary Resolution 5: Benefits payable to the NEDs

The benefits payable to the NEDs comprise the allowances and other emoluments payable to the Chairman and members of the Board, Board of subsidiaries and Board Committees.

- (a) At the 41st AGM of the Company held on 28 March 2018, the benefits payable to the NEDs of the Company from 29 March 2018 until the 42nd AGM of the Company on 28 March 2019 was approved for an amount of up to RM2,400,000. The utilisation of this approved amount as at 31 December 2018 is RM1,500,336. Based on the schedule of meetings in the first quarter of 2019, an amount of RM546,765 is expected to be utilised for payment of meeting allowance and other benefits to the NEDs. Hence, the expected total utilised amount would be approximately 85% of the approved amount.

NOTICE OF 42ND ANNUAL GENERAL MEETING**BURSA MALAYSIA BERHAD** (30632-P)

(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT 2016)

- (b) Based on the Board Remuneration Review conducted by KFHG in 2017, the Directors' benefits were revised to commensurate with the Directors' responsibilities, commitment and contribution with reference to their statutory duties, the complexity of the Group's businesses and the increased expectations from various stakeholders, given the unique nature of Bursa Malaysia being a regulator and a listed entity. The current benefits payable to the NEDs are summarised in the table below:

Description	Chairperson	NEDs / Member
Meeting Allowance (per meeting)		
Board of Bursa Malaysia	RM3,000	RM3,000
Board of Functional Subsidiary	RM3,000	RM3,000
Board Committees	RM3,000	RM3,000
Fixed Allowance		
Board of Functional Subsidiary	RM20,000 per annum	RM12,000 per annum (RM1,000 per month)
Board Governance Committees	RM20,000 per annum	RM12,000 per annum (RM1,000 per month)
Board Regulatory Committees	RM20,000 per annum	RM12,000 per annum (RM1,000 per month)
Monthly Fixed Allowance [Note 1]	RM52,000	Not Applicable
Other Benefits	Club membership, medical coverage, travel and other claimable benefits	Medical coverage, travel and other claimable benefits

Note:

1. Monthly fixed allowance to the Chairperson of Bursa Malaysia being an Exchange Holding Company and listed entity is made, in recognition of the significant roles in leadership and oversight, and the wide-ranging scope of responsibilities expected of her, as well as the fact that she does not serve on the boards of any other listed companies or market participants regulated by Bursa Malaysia.
 2. The Chief Executive Officer/Executive Director does not receive any Directors' remuneration.
- (c) The total amount of benefits payable to the NEDs is estimated to be up to RM2,200,000 from 29 March 2019 to the next AGM in 2020 (Current Period), based on the current Board Remuneration Policy and taking into account various factors including the number of scheduled meetings for the Board, Board of subsidiaries and Board Committees as well as the number of NEDs involved in these meetings. This amount is lower than the approved amount at the 41st AGM which was up to RM2,400,000.

Payment of benefits to the NEDs will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred, if the proposed **Resolution 5** has been passed at the 42nd AGM. The Board is of the view that it is just and equitable for the NEDs to be paid the Directors' remuneration (excluding Directors' fees) on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the Current Period.

- 5.4 Any NEDs who are shareholders of the Company will abstain from voting on **Resolutions 4 and 5** concerning remuneration to the NEDs at the 42nd AGM.

NOTICE OF 42ND ANNUAL GENERAL MEETING**BURSA MALAYSIA BERHAD** (30632-P)

(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT 2016)

6. Ordinary Resolution 6: Appointment of Auditors

6.1 The Audit Committee (AC) at its meeting held on 28 January 2019 undertook an annual assessment of the suitability and independence of the external auditors, Ernst & Young (EY) in accordance with the revised Auditor Independence Policy of the Group which was approved by the Board in April 2016. In its assessment, the AC considered several factors which include the following:

- (a) Quality of EY's performance and their communications with the AC and Bursa Malaysia group, based on feedback obtained via assessment questionnaires from Bursa Malaysia personnel who had substantial contact with the external audit team and EY throughout the year;
- (b) Adequacy of experience and resources provided to the Group by EY, in terms of the firm and the professional staff assigned to the audit; and
- (c) Independence of EY and the level of non-audit services to be rendered by EY to the Company for the FY 2019.

The AC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at the private meetings, which demonstrated their independence, objectivity and professionalism.

6.2 The AC was satisfied with the suitability of EY based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied in its review that the provisions of non-audit services by EY to the Company for the FY 2018 did not in any way impair their objectivity and independence as external auditors of Bursa Malaysia.

6.3 The Board at its meeting held on 30 January 2019 approved the AC's recommendation for the shareholders' approval to be sought at the 42nd AGM on the appointment of EY as external auditors of the Company for the FY 2019, under **Resolution 6**.

STATEMENT ACCOMPANYING NOTICE OF 42ND ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

A. The profile of the Director who is standing for re-election as per Agenda 2 of the Notice of 42nd AGM is as follows:

	Resolution 1
	Datuk Chay Wai Leong Independent Non-Executive Director
Nationality/Age/Gender:	Singaporean/55/Male Permanent Resident of Malaysia
Date of Appointment:	28 March 2013
Length of Service (as at 28 February 2019):	5 years 11 months
Date of Last Re-election:	29 March 2017
Academic/Professional Qualification(s):	Bachelor of Business Administration, National University of Singapore
Present Directorship(s):	Listed entity: Nil Other public companies: - Bursa Malaysia Derivatives Berhad - Bursa Malaysia Derivatives Clearing Berhad - K & N Kenanga Holdings Berhad - Kenanga Vietnam Securities Joint Stock Corporation - Securities Industry Development Corporation
Present Appointment(s):	Group Managing Director, Kenanga Investment Bank Berhad
Past Directorship(s) and/or Appointment(s):	- Executive Director, Kenanga Investment Bank Berhad (May 2011-January 2017) - Managing Director, RHB Investment Bank Berhad and Director of Corporate & Investment Banking, RHB Banking Group (2006-2011) - Country Head, Malaysia and Head of Regional Origination for Southeast Asia, Standard Bank Group (2002-2006) - Director, Head of Investment Banking Malaysia, JP Morgan Chase Bank (2000-2002) - Director of Investment Banking, Jardine Fleming in Hong Kong (1990-2000) - Senior Investment Analyst, Bankers Trust in Singapore (1987-1990)

Datuk Chay Wai Leong does not hold any shares in Bursa Malaysia, has no family relationship with any Director and/or major shareholder of Bursa Malaysia, has no conflict of interest with Bursa Malaysia and has not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

STATEMENT ACCOMPANYING NOTICE OF 42ND ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

B. The profiles of the Directors who are standing for re-election as per Agenda 3 of the Notice of 42nd AGM are as follows:

	Resolution 2
	Chong Chye Neo Independent Non-Executive Director
Nationality/Age/Gender:	Malaysian/56/Female
Date of Appointment:	21 December 2018
Length of Service (as at 28 February 2019):	2 months
Academic/Professional Qualification(s):	• Bachelor of Science (Hons) in Computer Science, Universiti Sains Malaysia • Executive Education, Harvard Business School
Present Directorship(s):	Listed entity: Hong Leong Bank Berhad Other public companies: Nil
Present Appointment(s):	• Honorary Member, American Malaysian Chamber of Commerce
Past Directorship(s) and/or Appointment(s):	• Managing Director/ Chief Executive Officer, IBM Malaysia Sdn Bhd (1 October 2015 - 31 December 2018) • Director, Kenexa Technologies Sdn Bhd (15 September 2015 - 31 December 2018) • Director, IBM Global Delivery Centre (Malaysia) Sdn Bhd (15 September 2015 - 31 December 2018) • Client Director, Financial Services Sector, IBM Malaysia Sdn Bhd (2014-2015) • Director, Intellectual Property – ASEAN, IBM Research (2011-2012) • Director, Business Partners & Alliances, IBM ASEAN (2009-2010) • Director, Mid Market, IBM ASEAN/ South Asia (2007-2008) • General Manager, Storage Systems Group, IBM ASEAN/ South Asia (2005-2006) • Regional Leader, Marketing, IBM ASEAN (2004) • Country Head, Enterprise Systems Group, IBM Malaysia Sdn Bhd (2002-2003) • Regional Marketing Manager, Enterprise Systems Group, IBM ASEAN (2001) • Various roles in IBM (engineering, sales, marketing and operations in Malaysia). Asia Pacific sales roles covering Japan, Korea, Greater China Group, ASEAN/ South Asia, Australia/ New Zealand (1989-2001) • Software Development Engineer, Hewlett Packard Malaysia (1986-1989)

Ms. Chong Chye Neo does not hold any shares in Bursa Malaysia, has no family relationship with any Director and/or major shareholder of Bursa Malaysia, has no conflict of interest with Bursa Malaysia and has not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

STATEMENT ACCOMPANYING NOTICE OF 42ND ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

- B. The profiles of the Directors who are standing for re-election as per Agenda 3 of the Notice of 42nd AGM are as follows:
(Cont'd.)

	Resolution 3
	Datuk Muhamad Umar Swift Chief Executive Officer, Non-Independent Executive Director
Nationality/Age/Gender:	Australian/54/Male Permanent Resident of Malaysia
Date of Appointment:	11 February 2019
Length of Service (as at 28 February 2019):	1/2 month
Academic/Professional Qualification(s)/ Membership(s):	• Bachelor of Economics, Monash University, Australia • Graduate Diploma in Applied Finance and Investment, Securities Institute of Australia • Associate Member, Institute of Chartered Accountants, Australia • CPA Australia • Fellow Member, Taxation Institute of Australia • Fellow Member, Financial Services Institute of Australasia, Australia • Chartered Accountant, Malaysian Institute of Accountants • Registered Member, Malaysian Financial Planning Council
Present Directorship(s):	Listed entity: Nil Other public companies: • Bursa Malaysia Berhad Group
Past Directorship(s) and/or Appointment(s):	• Chief Executive Officer (CEO)/Group Managing Director, MAA Group Berhad (7 September 2006 - 8 February 2019) • Director, Columbus Capital Pty Limited (6 October 2006 - 27 December 2018) • Director, MAA General Assurance Philippines, Inc (26 March 2015 - 8 February 2019) • Director, MAA International Group (10 March 2017 - 8 February 2019) • Director, MCIS Insurance Berhad (17 October 2018 - 31 January 2019) • Member, Board of Trustees, MAA Medicare Charitable Foundation (13 July 2006 - 8 February 2019) • Member, Board of Trustees, The Budimas Charitable Foundation (8 April 2013 - 8 February 2019) • Member, Board of Trustees, Anaho Foundation (18 November 2013 - 8 February 2019) • Non-Independent Non-Executive Director, MAA Takaful Berhad (May 2007-June 2016) • Director, MAAKL Mutual Berhad (March 2008-December 2013) • Director, Federation of Investment Managers Malaysia (2012-2014) • CEO, Malaysian Assurance Alliance Berhad (August 2008-September 2011) • Deputy CEO, Malaysian Assurance Alliance Berhad (June 2006-July 2008) • Head, Enterprise Financial Services Group, Malayan Banking Berhad (April 2004-May 2006) • Director, Mayban Allied Credit & Leasing Sdn Bhd (August 2005-April 2006) • Director, Mayban Ventures Sdn Bhd (2004 to December 2005) • Practice Leader, Utilities Business, Deloitte Consulting in Malaysia (September 2003-March 2004) • CEO, Gas Malaysia Sdn Bhd (July 1997-December 2002) • General Manager, Corporate Finance, Gas Malaysia Sdn Bhd (January 1996-June 1997) • Manager Corporate Banking, Bank of Singapore (Australia) Limited (January 1994-December 1995) • Manager Corporate Finance, Bank of Singapore (Australia) Limited (November 1992-December 1993) • Manager, Corporate Recovery, Price Waterhouse (July 1990-November 1992) • Audit Senior, Price Waterhouse (January 1986-June 1990)

Datuk Muhamad Umar Swift does not hold any shares in Bursa Malaysia, has no family relationship with any Director and/or major shareholder of Bursa Malaysia, has no conflict of interest with Bursa Malaysia and has not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies to date.

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.

GLOSSARY

A

ACE Market

The ACE Market is an alternative market for small and medium sized companies that are at growth stage and have business prospects. It replaced the formerly known MESDAQ (Malaysian Exchange of Securities Dealing and Automated Quotation) market in 2009. The ACE Market is viewed as the ideal market for high growth companies with a limited track record and other companies looking to raise additional capital by taking their companies public through a listing exercise.

B

Bursa Malaysia-i

A fully integrated Islamic securities trading platform with a comprehensive range of Shariah-compliant exchange-related facilities including listing, trading, clearing, settlement and depository services.

Bursa Suq Al-Sila' (BSAS)

A Shariah-compliant commodity trading platform dedicated to facilitate Islamic liquidity management and financing by Islamic Financial Institutions (IFI). BSAS is the world's first which aims to provide industry players with a regulated framework with defined codes of conduct governing commodity trade in support of Islamic interbank placement, client deposit taking, financing, profit rate swap and cross currency swap, as well as sukuk issuances using the concept of Murabahah and Tawarruq. It undertakes contracts in various currencies to facilitate cross-border trades between IFIs and commodity players worldwide.

Business Trust

Business Trust is a new asset class introduced in the Malaysian capital market following the release of the Securities Commission Malaysia's Business Trust Guidelines which came into force on 28 December 2012. Business trusts are business enterprises set up as trusts, instead of companies. They are hybrid structures with elements of both companies and trusts. Like a company, a business trust operates and runs a business enterprise. But unlike a company, it is created under a trust deed in which the trustee has legal ownership of the trust assets and manages the assets for the benefit of the beneficiaries of the trust. Unit holders of a business trust can participate in the profits or income arising from the management of the assets in the business trust through receipt of distributions declared by the trustee-manager. Business trusts are

suitable for businesses which are capital intensive with stable cash flow wishing to pay distributions out of cash flow without being constrained by accounting profits. The flexibility in the payment of distributions is an advantage especially for businesses which may be affected by high depreciation charges.

C

Capital Market Education and Integrity Fund (CMEIF)

The fund was set up on 1 January 2013 to account for all fines and transfer fees imposed and collected by Bursa Malaysia Group. These monies are segregated and used to educate market participants and investors as well as to defray legal or court expenses relating to the Bursa Malaysia's regulatory enforcement actions.

Closed-End Fund

A closed-end fund involves a listed company which invests in shares of other companies. A closed-end fund company has a fixed number of shares in issue at any point of time, the price of which will fluctuate according to net asset value and market forces.

D

Derivatives

A derivative is a security with a price that is dependent upon or derived from one or more underlying assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its value is determined by changes in the underlying asset. Derivative products available on Bursa Malaysia Derivatives are equity, interest rates, bond, agricultural commodity (crude palm oil and palm kernel), metal commodities (gold and tin) futures and options.

E

Exchange Traded Funds (ETF)

An open-ended investment fund listed and traded on a stock exchange. ETF combines the features of an index fund and a stock. The liquidity of an ETF reflects the liquidity of the underlying basket of shares. Generally, there are three types of ETFs: equity ETFs, fixed income ETFs and commodity ETFs. These ETFs consist of baskets of stocks, bonds or commodities based on an index which instantly offers broad diversification and avert the risk

GLOSSARY

involved in owning stock of a single company. ETFs are listed and traded on a stock exchange. With units in an ETF, investors can gain exposure to a geographical region, market, industry or sector, commodity such as gold or oil or even a specific investment style such as growth or value.

Equities

An instrument that signifies an ownership position, or equity, in a corporation, and represents a claim on its proportionate share in the corporation's assets and profits. A person holding such an ownership in the company does not enjoy the highest claim on the company's earnings. Instead, an equity holder's claim is subordinated to creditor's claims, and the equity holder will only enjoy distributions from earnings after these higher priority claims are satisfied.

F

FTSE4 Good Bursa Malaysia (F4GBM) Index

F4GBM Index measures the Environmental, Social and Governance (ESG) performance of public listed companies (PLCs) and was launched in December 2014. As at December 2018, a total of 56 constituents comprising PLCs from across the small, medium and large market capitalisation segments are in the F4GBM Index. The constituents are drawn from companies on the FTSE Bursa Malaysia Emas Index and are reviewed every June and December against international benchmarks developed in collaboration with FTSE Russell.

G

Green Lane Policy

Green Lane policy for the equities and derivatives markets allows brokers which have been assessed to have good conduct and are familiar with the relevant regulatory requirements to commence their activities through notification to (as opposed to seeking approval from) Bursa Malaysia. The policy shortens the time to market for equities and derivatives brokers to commence their new activities which include the opening of new branches, commencement of discretionary trading, proprietary trading, margin financing and dual licensed activities.

Green Lane Policy for listed companies relating to circulars is a differentiated approach adopted in Bursa's review of draft circulars submitted by listed companies. This is premised on the listed companies standard of corporate governance conduct and disclosure practices. The policy is an incentive granted to listed companies which have been assessed to have good corporate governance and disclosure practices thus accorded certain privileges which among others facilitated faster issuance of circulars to shareholders and hence, expedites completion of corporate proposals.

Global Reporting Initiative (GRI) Standards

The GRI standards are the first global standards for sustainability. They feature a modular, interrelated structure, and represent the global best practice for reporting on a range of economic, environmental and social impacts.

I

Integrated Reporting Framework

The International Integrated Reporting Council's Integrated Reporting <IR> Framework was designed to improve disclosure of financial and non-financial performance, while enhancing the way organisations articulate and report on value creation. The <IR> Framework was issued in 2013.

IPO

Initial Public Offering is when shares of an unlisted company are offered to the public on a recognised stock exchange for the first time. The shares then become publicly traded.

L

Leading Entrepreneur Accelerator Platform (LEAP) Market

The LEAP Market is an alternative market for SMEs and companies to raise funds. It brings together potential SMEs and companies, intermediaries and qualified sophisticated investors onto a single platform to create a conducive marketplace for fund raising.

Listing Requirements

The criteria required to list and maintain a listing status on Bursa Malaysia's markets.

GLOSSARY

M

Main Market

The Main Market provides an avenue for companies to raise funds and is mainly populated by established and large companies.

Management Discussion and Analysis (MD&A)

The section of a company's annual report in which management provides an overview of the year's operations and how the company performed financially.

Market Surveillance System

The market surveillance system is a system that facilitates real-time and post-trade monitoring and analysis of both equities and derivatives trading activities as well as facilitates the detection of a wide range of possible market misconduct on real-time basis.

Murabahah

An Islamic financing structure. Murabahah refers to a sale contract with a disclosure of the asset cost price and profit margin to the buyer.

P

Participating Organisation

A company which carries on the business of dealing in securities pursuant to the Rules of the Exchange.

Primary Market

A part of the capital market that deals with issuance of new securities for the first time.

Put Warrants

A put warrant is a listed security which gives the warrant holder the right but not the obligation to sell the underlying asset at a predetermined exercise price within a pre-determined time period. Put warrant holders benefit from downward price movements in the underlying asset.

R

Real Estate Investment Trust (REIT)

REIT is a fund or a trust that owns and manages income-producing commercial real estate (shopping complexes, hospitals, plantations, industrial properties, hotels and office blocks). A management company for a REIT is permitted to deduct distribution paid to its shareholders from its corporate taxable income. However, to enjoy this tax-free status, the REIT must have most of its assets and income tied to the real estate and distribute at least 90% of its total income to investors/unit holders annually. REITs that are listed on a stock exchange trade just like stocks.

S

Secondary Market

The public market on which securities, once issued, are traded.

Shares

A share is a security which represents a portion of the owner's capital in a business. Shareholders are the owners of the business and share the success or failure of the business. (Shares are also commonly referred to as stock).

Stapled Securities

Stapled securities refer to an arrangement under which different classes of securities are listed and traded as one security. Stapled securities may involve different classes of securities issued by an issuer or different issuers. In general, stapled securities have the following characteristics:

- Different classes of securities are stapled together, listed and traded as one security.
- Issuers of stapled securities remain as separate legal entities even though their securities are stapled, listed and traded as one security.
- A stapling deed would be entered into by issuers of stapled securities.

The main advantage of stapled securities is that the stapling arrangement enhances the value and attractiveness of these securities in their stapled form as investors could enjoy the complementary benefits brought about by both securities, through different legal, tax structures and returns.

GLOSSARY

Structured Warrants

Structured warrants are proprietary instruments issued by a third-party issuer, namely an eligible broker or financial institution that give holders the right, but not the obligation, to buy or sell the underlying instrument in the future for a fixed price. Essentially, one makes a 'reservation' to buy or sell a pre-determined number of the underlying instrument at a certain price in the future when investing in a structured warrant. Structured warrants can be issued over an underlying asset such as equity, ETF, index or a basket of stocks.

Sustainability Reporting Framework

The Sustainability Reporting Framework comprises amendments to the listing requirements where listed issuers are required to disclose a narrative statement of the management of material economic, environmental and social (EES) risks and opportunities in their annual reports. The Sustainability Framework also include the issuance of the Bursa Malaysia Sustainability Reporting Guide and Six Toolkits to aid listed issuers in embedding and reporting on sustainability practices.

Sustainable Stock Exchanges (SSE) Initiative

The Sustainable Stock Exchanges (SSE) Initiative is a peer-to-peer learning platform for exchanges, in collaboration with investors, regulators, and companies, to explore how corporate transparency and performance on ESG issues can be enhanced and to further encourage the uptake of sustainable investment. The SSE is a project of the United Nations (UN), co-organised by the UN Conference on Trade and Development, the UN Global Compact, the UN Environment Programme Finance Initiative and the UN-supported Principles for Responsible Investment.

T

Tawarruq

An Islamic financing structure. A Tawarruq involves purchasing a commodity on a deferred price either in the form of musawamah or murabahah, later selling it to a third party with the objective of obtaining cash.

Trading Participant

A company which carries on the business of dealing in derivatives pursuant to the Rules of the Exchange.

W

Warrants

Company warrants are issued by the company and give the holder the right, but not an obligation, to subscribe for new ordinary shares at a specified price during a specified period of time. Warrants have a maturity date (up to 10 years) after which they expire and are worthless unless the holder exercise to subscribe for the new shares before the maturity date.

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