

4. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we, and to a large extent our activities, are subject to the legal, regulatory and business environment in Malaysia. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below. The risks and investment considerations set out below are not an exhaustive list of the challenges that we currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

4.1 Risks Relating to Our Business

4.1.1 We depend on economic and market factors that are outside of our control

Our revenues are highly dependent upon the level of market activity on our exchanges, including the volume and value of securities and the volume of derivatives contracts traded, the number of listed entities, the number of new entity listings, the number of market participants, market volatility and Turnover Velocity.

We have no direct control over such variables. Among other things, we depend on the relative attractiveness of securities traded on our Securities Exchange and our Derivatives Exchange, and the relative attractiveness of our exchanges as a place to trade any such securities as compared to other exchanges and other trading systems. Our attractiveness will depend on various factors, including the cost of executing trades. Such variables are in turn influenced by the overall economic conditions in Malaysia and Asia in particular and in the world in general, particularly economic growth levels and political stability, the regulatory environment for investment in quoted securities and the relative activity and performance of global markets. Further, the attractiveness of our exchanges is dependent on the level of their liquidity, Turnover Velocity and free float, their product range and their ability to provide a conducive environment for the execution of market strategies such as hedging or short selling. The level of trading on our Securities Exchange is dependent in particular on the prospects of companies listed on our Securities Exchange, substantially all of which have operations in Malaysia. The level of trading on our Derivatives Exchange is dependent upon, among other things, the volatility of the underlying assets as well as global and regional economic volatility. We may also be negatively affected by a significant downturn in global stock markets. See Section 10.2.1 (Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting Our Results of Operations — Market activity).

Since the majority of our costs are fixed, our results of operations may be affected by a significant reduction in our revenue resulting from any of these factors.

4. RISK FACTORS *(cont'd)*

4.1.2 ***We are dependent on the economy of Malaysia***

Our business, and particularly our Securities Exchange, is very dependent on the economy of Malaysia. Malaysia is a relatively small country with a gross national product of approximately RM371.7 billion (US\$97.8 billion) in 2003 (*Source: Department of Statistics*). Substantially all of the companies listed on our Securities Exchange are Malaysian companies, that is, companies that have operations in Malaysia. The financial condition of these companies has a direct effect on share prices, which may also impact the volume and value of trading on our Securities Exchange. If the profit growth of Malaysian companies is generally lower than the profit growth of companies based in other countries, the stock markets on which those other companies are listed may be more attractive to investors than our Securities Exchange. Moreover, because of existing regulations in Malaysia, companies seeking a listing on our Securities Exchange (other than on the MESDAQ Market) must either be majority-owned by Malaysians or have a majority of their assets located in Malaysia. This effectively restricts new listings on our Securities Exchange.

The Malaysian economy is generally affected by the economies of Asia, and in particular those of Southeast Asia. Beginning in the second half of 1997, many Asian countries, including Malaysia, experienced significant adverse economic developments, including substantial depreciation in currency exchange rates, increased interest rates, reduced availability of credit from banks and other financial institutions, reduced economic growth rates, corporate insolvencies and declines in market values of shares listed on securities exchanges, real property and other assets. The total market capitalization of companies listed on our Securities Exchange declined by 57.4 per cent. between September 30, 1997 and September 30, 1998. Meanwhile, trading volume for the first nine (9) months of 1998 (January to September) declined by 37.2 per cent. compared to the corresponding period in 1997.

While there has been a general economic recovery in many Asian countries since then, including in Malaysia, further adverse economic developments in Malaysia or other Asian countries could adversely affect the economic performance of companies listed on our Securities Exchange, which could have a material adverse effect on our results of operations.

Furthermore, as economic conditions in Asia are affected by the wider global economy, and as certain key sectors of the Malaysian economy are dependent on exports beyond Asia, the state of the global economy may also have a material effect on listed companies and hence, our business.

4.1.3 ***Changes in foreign exchange controls may have an adverse effect on the Malaysian economy and our business***

There are certain foreign exchange controls and restrictions in Malaysia. Any imposition, variation or removal of exchange controls may lead to less independence in the Government's conduct of its domestic monetary policy, increase exposure of the Malaysian economy to the potential risks and vulnerability of external developments in the international markets and reduce the attractiveness of our exchanges. This in turn could adversely affect the financial performance of companies listed on our Securities Exchange, or the attractiveness of their shares to foreign investors, which could have a material adverse effect on our results of operations. It could also adversely affect our share price.

4. RISK FACTORS *(cont'd)*

4.1.4 Changes in the fixed exchange rate between the Ringgit and the US dollar may have an adverse effect on the Malaysian economy and our business

Since September 2, 1998, Bank Negara Malaysia has maintained a fixed exchange rate of RM3.80 to US\$1.00. However, as a result of exchange rate volatility, changes in the current exchange rate policy, including the discontinuance of maintenance of fixed exchange rates, could adversely affect the companies listed on our Securities Exchange (including us) and may affect share prices, if for example, foreign investors decide to invest elsewhere.

4.1.5 We have only recently converted to a for-profit enterprise and we are dependent on our ability to implement our plans and strategies and manage change

Our Company was demutualized pursuant to the Demutualization Act and converted into a public company limited by shares on January 5, 2004. Prior to conversion, we operated as a not-for-profit enterprise. Our transition to a for-profit enterprise entails numerous business, operational, procedural, technological, human resources, cultural and other changes that are involved in maintaining and growing our business as a for-profit enterprise. To this end, we have devised various plans and strategies to manage these changes. Our ability to maintain and grow our business is dependent on our ability to implement such plans and strategies and manage such changes. If we are unable to implement such plans and strategies and manage such changes, our results of operations would be materially and adversely affected.

Moreover, although our Company is now a for-profit enterprise, we and our operations are still subject to the oversight of the Securities Commission. See Section 13.1 (Regulation — Overview). There can be no assurance that we will not encounter difficulties in our transition to a for-profit enterprise or that we will be successful in operating as a for-profit enterprise.

4.1.6 We are heavily dependent on IT and delays, malfunctions, or failures with respect thereto could adversely affect us

We are heavily dependent on our IT systems. Trading of securities on our Securities Exchange and Derivatives Exchange is conducted exclusively on an electronic basis. In addition, the clearing and settlement functions for both of our exchanges, and the functions of our depository system, are performed electronically.

We are required to continuously improve our systems so that they remain technologically competitive. This is also necessary so that we may implement our business strategies that are vital to our overall growth, and so that we may handle increases in volume, faster settlement times, and plans for cross border trading and linkages with other exchanges, among other things. This in turn requires on-going significant capital investment in our systems.

4. RISK FACTORS (cont'd)

While we have put various measures in place to minimize the risk of failure and to ensure the integrity of our current systems, there is always the risk of a system failure or interruption. Our present trading systems for our Derivatives Exchange suffer from deficiencies and from the obsolescence of certain hardware on which we depend. For instance, we had to suspend trading on our Derivatives Exchange in October 2001 for a period of 45 minutes and trading in certain products was shut down for similar periods in early 2004, in each case due to technical failures.

In addition, although we have implemented security measures, any system is potentially vulnerable to computer viruses or similar disruptive problems caused by system users or other sources. These risks could increase as we expand access to our trading, clearing and settlement systems and our depository system. A significant systems failure or disruption or repeated failures could result in an interruption of trading, clearing or depository services or delays in settlement, the corruption of trading data and records, and other consequences. This could undermine confidence in us and have a material adverse effect on our results of operations.

4.1.7 There are risks associated with the implementation of our CTP

We are in the process of implementing our CTP described under Section 12.9 (Business — Trading Systems) to replace the technology of our existing disparate trading platforms. The CTP comprises both new hardware and application software that provide an integrated platform to trade on our Securities Exchange and Derivatives Exchange. Our CTP will also provide ancillary systems such as market surveillance and access systems. The CTP is being implemented in phases, and is expected to be fully implemented in 2006. The implementation of our CTP is subject to numerous risks and uncertainties, including design, installation, networking, integration, security and other engineering problems, which may lead to unanticipated delays or cost increases. Any of these factors could give rise to delays or cost overruns in the implementation of the CTP, which could have a material adverse effect on our results of operations and financial condition.

We have selected an implementation plan such that parallel runs with the existing trading systems will not be possible. Upon implementation of our CTP, therefore, the switch will be irreversible. As a result, we would have no system to fall back on in the event that our CTP is unable to operate.

In addition, we are dependent on working with a single key vendor and this poses several challenges in terms of culture, operational support and their understanding of the way we do business, as well as local conditions that may affect successful implementation of the systems. Our CTP is the latest version of AtosEuronext's software for exchanges and when implemented, we will be the first in the world to have this version of the software. Being first may mean that on implementing the CTP, more initial problems may arise than are normal with more established versions. Such problems, if they arise, could hinder our operations and have a material adverse effect on our business.

Further, the main customer of AtosEuronext's products, Euronext, no longer uses the derivatives trading component of the Nouveau Systeme de Cotation or New System for Quotation ("NSC").

4. RISK FACTORS *(cont'd)*

As a result, it is uncertain whether the vendor will implement new developments in derivatives trading technology on the NSC system which we are adopting.

Nevertheless, to minimize the risks arising from the implementation of our new CTP, we will be performing extensive testing on our CTP, which includes both external and internal users, prior to implementing the CTP.

4.1.8 **We are subject to extensive regulation**

We are governed by securities laws administered by the Securities Commission, which has broad regulatory and supervisory powers over our businesses namely our exchanges, clearing houses and depository. We are also subject to wide ranging regulatory and policy requirements affecting our products and services, the way we operate and regulate our business, core technology initiatives and processes, and the way we deal with our participating organizations, listed companies and the investing public, among other things.

As an approved securities exchange, we are required to regulate the companies listed on our Securities Exchange and in turn this function is ultimately supervised by the Securities Commission. For example, we are obligated by law to enter into such arrangements with the Securities Commission, as the Securities Commission may require, to deal with possible conflicts that may arise from our own listing on our Securities Exchange. These arrangements will seek to ensure the integrity of trading of our Shares and to ensure our compliance with obligations imposed on us as a listed entity. We must comply with all requirements imposed on us by the Securities Commission pursuant to these arrangements. In addition, on December 23, 2004, the Securities Commission issued a guidance on the regulatory role of our Company, setting out the manner in which our Company and our subsidiaries shall fulfill our regulatory obligations and functions under the securities laws and include the arrangements contemplated under Section 11J of the Securities Industry Act (See Section 13.5 (Regulation — Delineation of our Duties and the Duties of the Securities Commission)). We cannot assure you that we will not be required by the Securities Commission to modify or restructure our arrangements with the Securities Commission or our other regulatory functions. Modifications made by the Securities Commission may result in us incurring additional expense or having to change the way in which we carry out our duties and/or businesses. If we fail to uphold our regulatory responsibilities, our reputation may suffer and this may have a material adverse effect on our results of operations.

In addition, the Ministry of Finance, the LOFSA, and the Registrar of Companies all have regulatory powers over us in areas specified under the relevant laws. Some of our initiatives may also require approval from Bank Negara Malaysia. The level of regulation we are subject to requires us to dedicate substantial resources towards compliance and may also curtail our ability to respond in a timely and flexible manner to challenges and opportunities that arise in our business.

4. RISK FACTORS *(cont'd)*

4.1.9 Many of the changes that we plan to implement are subject to the approval of the Securities Commission and other relevant regulatory bodies

We are subject to wide ranging regulatory and policy requirements affecting our products and services, the way we operate and regulate our business, our technology and processes, and the way we deal with our participating organizations, listed companies and the investing public, among other things. Some other regional and international exchanges have been able to liberalize and expand the range of their listed companies and products and services to investors. Our ability to follow suit depends to a large extent on our being able to meet the regulatory and other requirements of the relevant regulatory agencies, which may require seeking legislative or regulatory amendments or exemptions. In many cases, new products (such as regulated short selling and stock lending and borrowing), services, trades and fee structures (such as changes to listing and clearing fees) that we want to introduce require the approval of the Securities Commission and other relevant regulatory bodies. See Section 4.1.14 (Risk Factors — Risks Relating to Our Business — We may be unable to grow into new product lines and businesses).

In addition, our CTP and certain of the new products or services we plan to introduce with our CTP require the approval of the Securities Commission. Any new alliances or linkages with other exchanges would also be subject to the approval and supervision of the Securities Commission. If the Securities Commission refuses such approvals, or changes the regulations that affect our ability to introduce new products, services, trades and functions, this could have an adverse effect on our results of operations. The rules applicable to our proposed CTP have been submitted to the Securities Commission for approval but have not yet been received, and may not ultimately receive the approval of the Securities Commission.

We will not be able to implement plans and strategies that are not approved by the agencies concerned. This will have a material adverse effect on our ability to implement plans and strategies that we believe will grow our business and on our results of operations.

4.1.10 Our operations and operating results could be adversely affected by changes in Government policies

As our business is subject to extensive regulation and supervision by the regulatory authorities, any changes in applicable laws and regulations could adversely affect us and our businesses. Market trading levels could be affected by changes in policies of the Government. For example, our Securities Exchange has benefited from the policy of privatizing certain state-owned companies. A change of such policy, such as cessation of privatizations, could have an adverse effect on our results of operations. Changes in tax, regulatory or other policies that affect our businesses, including our listed companies, the ability of investors to freely trade on our exchanges or the taxation or repatriation of profits from such trading, or the manner in which securities are traded, cleared, settled and deposited on our exchanges, clearing houses and depository could have an adverse effect on our results of operations.

4. RISK FACTORS (cont'd)

4.1.11 *The conditions of our various businesses' approvals could be varied, modified or revoked at any time*

We have approvals to provide services as an exchange holding company, a securities and derivatives exchange, a securities clearing house, a derivatives clearing house and a central depository. These approvals have no express tenure. However the Minister of Finance may, under certain circumstances prescribed by law, take action to vary, modify, revoke or impose conditions on any of these approvals. Such changes may have the effect of increasing our costs, or reducing our revenues, among other things, and may therefore have an adverse effect on our results of operations.

4.1.12 *We have statutory obligations to act in the best interests of the public, which may not always be in the best interests of our shareholders*

As an exchange holding company and an approved stock exchange, we are obligated by law to act in the best interests of the public, having particular regard to the need for the protection of investors. These obligations may require us, from time to time, to make decisions which we might not otherwise make or prevent us from making decisions that we might otherwise make, if shareholders' value were our only consideration.

4.1.13 *The Minister of Finance or the Securities Commission may take actions which may not be in the best interests of our shareholders*

Pursuant to the Securities Industry Act, the Minister of Finance may, on the recommendation of the Securities Commission, make an order to suspend the functions of our board of Directors, the respective boards of directors of our subsidiaries which operate our Securities Exchange, securities clearing house or central depository businesses or any member of the respective boards of these entities, the functions of any committee or sub-committee and/or the functions of the principal officer responsible for the conduct of the business and operations of our Securities Exchange, our securities clearing house or central depository. Such suspension order may be made if the Minister of Finance is satisfied that it is in the public interest or it is appropriate to do so for the protection of investors or for the proper regulation of the Securities Exchange, securities clearing house or central depository maintained by us. For the duration of the suspension order no board, committee or officer shall perform any of the functions to which the order relates and the person specified in the order shall instead perform the specified function. The suspension order may be imposed for a period of up to six (6) months and may be extended by the Minister of Finance for further periods, each not exceeding three (3) months. Such suspension order may not be in the best interests of our shareholders.

In addition, we pay to the Securities Commission a levy which is calculated based on the consideration for each purchase and sale of securities recorded on our Securities Exchange, as prescribed by the SCA. The Minister of Finance may by order increase the percentage that the Securities Commission is entitled to receive. Unless our clearing fee is increased, an increase in the percentage prescribed by the Securities Commission would result in a decrease in our fee revenue, which would adversely affect our results of operations.

4. RISK FACTORS *(cont'd)*

4.1.14 We may be unable to grow into new product lines and businesses

Our primary operating revenue sources have in the past consisted of clearing fees, depository services, broker services, information services, listing fees and SCORE fees (see Section 12.9.1 (Business — Trading Systems — Securities trading)). The respective percentages of our revenues for the nine (9) months ended September 30, 2004 from such sources were 35.5 per cent. (clearing fees (net of SC levy)), 9.6 per cent. (depository services), 4.7 per cent. (broker services), 4.4 per cent. (information services), 4.6 per cent. (listing fees) and 3.8 per cent. (SCORE fees). Regulatory restrictions and competitive pressures may limit or prevent us from growing our fee revenue and such revenue may even decline over time. In addition, current products may become outdated or lose market favor before adequate enhancements or replacements can be developed. As a consequence, we are planning to enter into new businesses and to introduce new products and services. We and, in particular, our Derivatives Exchange, are dependent to a great extent on the development and introduction of new financial products and the acceptance by the investment community of such products. If we are unable to successfully manage such new initiatives, this could have an adverse effect on our existing revenue sources. While our Management expects to realize new revenue from such new activities, products and services, we can give no assurance that any such new revenue would offset any adverse impact on existing revenue sources.

4.1.15 We may face increased competition in the future

We currently face limited direct competition. However, we may face increased competition for listing applicants and investors in the future. See Section 12.17 (Business — Competition). Presently, we are the only entity approved by the Government to operate securities and derivatives exchanges, clearing houses and a depository in Malaysia. If the Government were to authorize another entity or entities to operate such businesses, we could be materially and adversely affected. In addition, if the liquidity or Turnover Velocity of our markets declines, this may reduce the attractiveness of our Securities Exchange to both listing applicants and investors. In relation to derivatives products, other exchanges may introduce new products or product enhancements that reduce the attractiveness of our products. Even if we develop an attractive new product, it could lose trading volume to another exchange that introduces a similar or identical product because of the competitor's larger size or greater liquidity. Our results of operations could be adversely affected.

4.1.16 There can be no assurance that we will be successful in implementing our strategy to increase the Turnover Velocity of our markets

One of our strategies is to undertake initiatives to increase the Turnover Velocity of our markets by enhancing participation from existing market participants on our exchanges as well as attracting new market participants, maximizing the new revenue opportunities that are available to us as a result of the CTP system and entering into strategic alliances with other exchanges that facilitate greater trading on our exchanges. Factors that may have an impact on our strategy to increase the Turnover Velocity of our markets include:

- (i) the general condition of the Malaysian, Asian and global economies;
- (ii) the successful implementation of the CTP;

4. RISK FACTORS (cont'd)

- (iii) our ability to introduce new services and products;
- (iv) regulatory restrictions; and
- (v) our ability to identify and attract suitable partners.

Many of these factors are beyond our control. There can be no assurance that we will be able to successfully increase our Turnover Velocity, and our failure to do so may have a material adverse effect on our prospects and future results of operations.

In addition, we are planning to set up a cross-trading link with SGX-ST to enable participating organizations in Malaysia and brokers in Singapore to trade stocks on both SGX-ST and our Securities Exchange. The link is expected to be launched by the end of 2006 after changes to each exchange's trading infrastructure are complete (see Section 12.3(i)(c) (Business — Strategies — Increase the Turnover Velocity of our markets — Enter into alliances with strategic partners) and Section 12.9 (Business — Trading Systems)). There can, however, be no assurance that the cross-trading link will be implemented by the end of 2006 or at all or that such cross-trading link will increase the Turnover Velocity of our markets.

4.1.17 Our efforts to grow our information business may not succeed

We are focusing on growing our information provision business. However, the means by which market data is provided are subject to constant technological change and market pressure. Technological advances, in particular the Internet, may result in a deterioration of the value of information content and create difficulties in enforcing proprietary rights. The relative ease of downloading and disseminating information provided electronically creates practical difficulties in enforcing restrictions on the use of that information. Also, our new information services and products may not appeal to our customers. In addition, in October 2004, we revised our pricing model which has resulted in higher prices for our information services and products. Such price increases may result in a loss of subscribers, or a decrease in usage of our information services by such subscribers. Although our revenue from the distribution of market data has not been significant in the past, our opportunities to maintain and increase such revenues could be materially and adversely affected by these factors in the future.

4.1.18 We are exposed to the risk of default by clearing participants and our rights in an insolvency of a clearing participant may be subject to insolvency laws

Because we perform clearing and settlement functions, through Bursa Securities Clearing and Bursa Derivatives Clearing, and take the risk of performance on each trade conducted on our exchanges, we are exposed to the risk of default by our clearing participants. Although we have rules intended to help ensure that our clearing participants can satisfy their obligations, such rules may not succeed in detecting problems or preventing defaults, particularly if a problem is due to negligence, malfeasance or fraud on the part of a clearing participant or its employees. We also have in place various measures intended to enable us to cover any such default and maintain liquidity. However, we cannot assure you that such measures will be sufficient or that we will not be materially and adversely affected by such a default.

4. RISK FACTORS *(cont'd)*

Based on our rules and procedures, we are able to net a clearing participant's obligations and set off a clearing participant's obligations against any margins or security deposits they provide to us. Although certain provisions of Malaysian insolvency laws ordinarily affecting disclaimer of property, rescission of contracts, non-transferability of shares and non-disposability of assets do not apply to market contracts executed on our Securities Exchange, the completeness in coverage of such laws for the purposes of mitigating or removing the impediments posed by insolvency laws have not yet been tested in a Malaysian court. As a result, the extent to which there is any risk posed by insolvency laws to the operation of the rules and procedures of Bursa Securities Clearing remains to be seen.

Furthermore, there is no similar legal provision in respect of derivatives trading, clearing and settlement and it appears that existing insolvency laws continue to apply unabated to such activities.

4.1.19 We rely on the continued employment and performance of key management personnel

Our success depends to a significant extent upon the continued employment and performance of a number of key management personnel. All of our employment contracts for key management personnel are fixed term contracts. The loss of any number of key management personnel could have a material adverse effect on our operations and performance. Our future success will to a large extent depend on our ability to retain our key management personnel and also our ability to attract and retain highly skilled technical, managerial and marketing personnel. Competition for such skilled/specialized personnel is intense. There can be no assurance that we will be successful in retaining or attracting the personnel we require.

For key management personnel who meet or exceed agreed performance benchmarks, new two (2) year contracts will be offered at the end of the first year of each contract term. Accordingly, key management personnel who accepts our offer will have a contract tenure of at least one (1) year outstanding at any one (1) point in time.

4.1.20 We may be exposed to the risk of claims by parties affected by our regulatory decisions

The Securities Industry Act and Futures Industry Act provide that we shall not incur any civil liability arising from the discharge of our regulatory duties so long as we act in good faith. However, these provisions have never been tested in the Malaysian courts. We may therefore be exposed to the risk of claims by those affected by our regulatory decisions. For example, we may be exposed to claims by those who are affected by our disciplinary action, such as, listed companies that challenge their de-listing by us, which claims, if determined against us in an action for damages, could have an adverse effect on our results of operation and financial condition.

4. RISK FACTORS *(cont'd)*

4.1.21 Political and social developments may adversely affect us

Our business, prospects, financial condition and results of operation may be adversely affected by political and social developments in Malaysia. Any such development that results in political or social instability in Malaysia, whether through a change in government or otherwise, could have a material adverse effect on us and our business, operations, financial condition and prospects. Furthermore, any changes in the composition of the Government could result in a change in Government policy, including with respect to the financial products and services industry in Malaysia. Any such change in Government policy may result in increasing competition and/or increasing regulation of our business and activities.

4.1.22 Breakout of fire, severe disruption in electricity supply and other emergencies may adversely affect us

Our business operations may be adversely affected by events such as the breakout of fire, severe disruption in electricity supply or other emergencies. A breakout of fire may damage or destroy our assets and lead to a prolonged inability to resume operations, and thus affect our results of operations and profitability. A severe disruption in electricity supply may also disrupt our business operations. See Section 12.20 (Business — Disaster Recovery) for detailed information on our Business Continuity Plan.

4.2 Risks Relating to Our Shares

4.2.1 The Securities Industry Act contains provisions that restrict ownership of our Shares

The Securities Industry Act provides that no person shall enter into any agreement or arrangement to acquire Shares in our Company if the acquisition of such Shares, together with any Shares already held by such person or by such person and persons acting in concert with him would amount to 5.0 per cent. or more of the issued and paid-up share capital of our Company, without obtaining the prior approval of the Minister of Finance. The Minister of Finance has a discretion to grant such approval and may grant such approval subject to such conditions as he deems fit. Such provisions may discourage trading in our Shares or prevent transactions that may allow investors to sell their Shares at a premium.

4. RISK FACTORS (cont'd)

4.2.2 The Guidelines on Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests issued by the FIC contain provisions that limit ownership of our Shares by foreigners and require a minimum level of Bumiputera ownership

The acquisition of shares and assets in Malaysia is regulated and monitored by the FIC. The FIC restrictions, currently applicable to us require at least 30.0 per cent. of our share capital be held by Bumiputera interests, unless otherwise agreed by the FIC. These restrictions may affect shareholders' ability to sell our Shares to non-Bumiputera investors and may affect the liquidity of our Shares. These restrictions may also limit our access to future sources of equity capital. In addition, there can be no assurance that these limits would not change without notice. No assurance can be given that we will not in the future be obliged to issue new Shares to Bumiputera parties to raise our percentage of Bumiputera ownership. Such action may result in the dilution of the equity interest of our existing shareholders, and such Shares may be issued at a price which is lower than the then prevailing market price of our Shares.

The Securities Commission (on behalf of the FIC), by a letter dated December 10, 2004, has granted a general consent in respect of acquisitions by any investor of our Shares having a value exceeding RM10 million pursuant to the Initial Public Offering. However, this consent does not extend to acquisitions made after the Initial Public Offering. In the event of an acquisition by any one (1) foreign interest or associated group of 15.0 per cent. or more, or an acquisition by foreign interests in the aggregate of 30.0 per cent. or more, of the voting power of a Malaysian company, or in the event that the value of the shares, assets or interests acquired by Malaysian or foreign interests exceeds RM10.0 million (except in the case of certain real property transactions where more relaxed guidelines may be applicable), the FIC guidelines stipulate that the acquiring entity must obtain the prior approval of the FIC.

4.2.3 There has been no prior trading market for our Shares within or outside Malaysia and a market for our Shares may not develop

There is currently no prior trading market for our Shares within or outside Malaysia. There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares. While the Securities Commission has approved the Initial Public Offering and given approval for our Listing, there can be no assurance that our Shares will be accepted for listing and quotation on the anticipated date. We will make an application to the Securities Commission for the quotation of the Shares on the Main Board of Bursa Securities. In the event that our Shares are not admitted to the Official List, we will endeavor to return the monies paid in respect of any application for Shares without interest. See Section 4.2.7 (Risk Factors — Risks Relating to Our Shares — There may be a delay or failure in our Listing).

Our Shares could trade at prices that may be lower than the Final Retail Price or Institutional Price depending on many factors, including prevailing economic, political and financial conditions in Malaysia, our operating results and the markets for similar securities. Neither we, the Underwriters, Joint Lead Managers and Co-Managers have any obligation to make a market in our Shares. There can be no assurance that we will be able to maintain our Listing.

4. RISK FACTORS (cont'd)

4.2.4 The market price of our Shares may be volatile, which could cause the value of your investment in us to decline

The market price of our Shares could be affected by numerous factors, including:

- (i) general market, political and economic conditions;
- (ii) changes in earnings estimates and recommendations by financial analysts;
- (iii) changes in market valuations of listed shares in general and other securities exchanges' shares in particular;
- (iv) changes in government policy, legislation or regulation; and
- (v) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares.

The Malaysian and global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of our Shares.

4.2.5 Investors in the Initial Public Offering will suffer immediate dilution in the book value of their investment

The consolidated NTA per Share based on our consolidated NTA as at September 30, 2004 is RM2.79. On a proforma basis, our NTA declined to RM1.92 per Share after the Capital Reduction. See Section 20 (Listing Scheme and Capital Reduction). Based on our minimum subscription amount of RM400.0 million, which translates to a minimum price per Issue Share of RM2.41, investors subscribing for Shares in the Initial Public Offering will therefore incur immediate dilution on a NTA per Share basis. The issuance of further Shares at prices lower than the then existing NTA per Share would result in further dilution. See Section 8 (Dilution).

4. RISK FACTORS (cont'd)

4.2.6 The sale or the possible sale of a substantial number of our Shares in the public market following this Initial Public Offering could adversely affect the price of our Shares

Immediately after our Listing, we will have 500,000,000 issued and paid-up Shares, of which 166,000,000 Shares, or approximately 33.2 per cent., will be held by investors participating in the Initial Public Offering (which includes the Entitled Shareholders), and 334,000,000 Shares, or approximately 66.8 per cent., will be held by our existing shareholders. The Shares sold in the Initial Public Offering will be tradable on the Main Board of Bursa Securities without restriction following our Listing. Two (2) of our shareholders are subject to the lock-up arrangements described in Section 19.11 (Details of the Initial Public Offering — Shareholder Lock up) which apply for a period of six (6) months after our Listing and which may be waived with the consent of the Joint Lead Managers. Shareholders holding 299,599,999 Shares, or 59.9 per cent. of our share capital following the Initial Public Offering will not be subject to such lock-up arrangements. If our existing shareholders sell or are perceived as intending to sell a substantial amount of Shares, the market price for our Shares could be adversely affected.

4.2.7 There may be a delay or failure in our Listing

The occurrence of certain events, including the following, may cause a delay in or termination of our Listing:

- (i) the identified investors failing to subscribe to the portion of Shares intended to be placed to them; or
- (ii) the Underwriters exercising their rights pursuant to the underwriting agreement to discharge themselves from their obligations thereunder.

After the Issue Shares have been allocated to investors' CDS Accounts, which would occur at least two (2) clear Market Days prior to the anticipated date for our Listing, it may not be possible to recover monies paid in respect of these Issue Shares from us in the event the admission and the commencement of trading on the Main Board of Bursa Securities do not occur. Delays in the admission and the commencement of trading in shares on the Main Board of Bursa Securities have occurred previously. In respect of Issue Shares following their allotment, a return of monies to all holders of Shares could be achieved by way of a cancellation of capital pursuant to the relevant provisions of the Companies Act and the rules made pursuant thereto. Such cancellation would require the sanction of our shareholders by special resolution in general meeting and confirmation of the High Court of Malaya. There can be no assurance that monies can be recovered within a short period of time or at all in such circumstances.

4. RISK FACTORS *(cont'd)*

4.2.8 ***We may not be able to pay dividends to our shareholders***

Our ability to pay dividends or make other distributions to our shareholders may be subject to restrictions contained in future loan agreements which limit dividend payments without the prior written consent of our lenders, as well as, among other things, to our having profits and sufficient funds which are not needed to fund our operations, other obligations or business plans. For a description of our dividend policy, see Section 7 (Dividend Policy).

As a shareholder of our subsidiaries, our claims will generally rank junior to all other creditors and claimants against our subsidiaries. In the event of a subsidiary's liquidation, there may not be sufficient assets for us to recoup our investment.

4.3 Other Risks

4.3.1 ***Our actual results may vary significantly from the profit forecast in this Prospectus***

Our forecast consolidated PAT for the year ending December 31, 2005 is set out in Section 22 (Future Financial Information). The profit forecast is based on the assumptions made by our Directors and is presented on a basis consistent with the accounting policies adopted by us. Furthermore, it reflects the current judgment of our Directors regarding expected conditions and our expected course of action, which is subject to change.

The profit forecast is based on a number of assumptions which are inherently subject to significant uncertainty due to factors including, but not limited to, those identified in "Forward-looking Statements". Many of these factors are not within our control and some of the assumptions with respect to future business decisions and strategies are subject to change. Our actual results will differ from such forecast and such differences may be material and may affect the market price of our Shares and any dividend that may be contemplated as described in Section 7 (Dividend Policy). Under no circumstances should the inclusion of the profit forecast be regarded as a representation, warranty or prediction with respect to its accuracy or the accuracy of the underlying assumptions, or that we had or will achieve or are likely to achieve any particular result. In the three (3) years ended December 31, 2001, 2002 and 2003, 30.2 per cent., 28.9 per cent. and 37.4 per cent., respectively, of our revenue has been generated from clearing fees (net of SC levy) and SCORE fees, which are levied at a certain percentage of the value of the trades transacted on our Securities Exchange. In this regard, the profit forecast has been prepared using a set of assumptions which include assumptions relating to the value of trades transacted on our Securities Exchange during the periods covered by the forecast, whose realization is critical to the achievement of the forecast of our results.

We do not intend to provide any updated or otherwise revised profit forecast. Prospective investors in our Shares are cautioned to place no reliance on the profit forecast. The profit forecast should be reviewed in conjunction with the description of the business, the historical financial information and the other material contained in this Prospectus, including the information included elsewhere in Section 4 (Risk Factors).

4. RISK FACTORS (cont'd)

4.3.2 Our unaudited consolidated financial statements as at and for the years ended December 31, 2001 and 2002 may not accurately reflect what our results of operations or financial condition would have been had we had such financial year end during such periods

During the financial period ended December 31, 2002, we changed our financial year end from June 30 to December 31. See "Presentation of Financial and Other Information". Our unaudited consolidated financial results as at and for the years ended December 31, 2001 and 2002 are included elsewhere in this Prospectus and have been extracted from our unaudited financial statements that have been prepared for the purposes of this Initial Public Offering. These unaudited financial statements may not accurately reflect what our results of operations or financial condition would have been had we had such financial year end during such periods. In addition, these financial statements are not necessarily indicative of what our financial condition, results of operations and changes in liquidity and capital resources will be in future years. See Section 9 (Selected Historical Financial Data) and Section 10 (Management's Discussion and Analysis of Financial Condition and Results of Operations).

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5. USE OF PROCEEDS

The net proceeds (being gross proceeds from the Initial Public Offering after deducting the expenses relating to the Initial Public Offering) from the Initial Public Offering will partially restore our balance sheet after the Capital Reduction and will be utilized for working capital purposes (see Section 20 (Listing Scheme and Capital Reduction)).

As a result of the capital reduction exercise undertaken prior to the Initial Public Offering, we will incur a net cash outflow of up to RM370.0 million being the difference between our liability of RM750.0 million due to our shareholders immediately prior to the Initial Public Offering, and the minimum net funds to be raised from the Initial Public Offering of RM380.0 million (after deducting estimated listing expenses relating to the Initial Public Offering of RM20.0 million from the minimum subscription amount of RM400.0 million) (see Section 20 (Listing Scheme and Capital Reduction)). Assuming the Issue Shares under the Retail Offering and Institutional Offering are subscribed at RM3.00 (Retail Price) per Issue Share, we will be able to raise RM478.0 million (after deducting estimated listing expenses of RM20.0 million) from the Initial Public Offering. Our Directors believe that our Company will have sufficient cash flows from our operations and existing funding sources to fund our operations and stated business objectives.

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6. CAPITALIZATION

The following table sets forth our consolidated short-term debt, long-term debt and shareholders' equity as at September 30, 2004 and as adjusted to reflect the Capital Reduction and our Initial Public Offering.

	As at September 30, 2004		
	Actual	As adjusted ⁽¹⁾	As adjusted ⁽²⁾
	RM millions	RM millions	RM millions
Short-term borrowings ⁽³⁾	0.2	0.2	0.2
Long-term borrowings ⁽³⁾	1.1	1.1	1.1
Shareholders' equity.....	1,441.1	691.1	1,169.1
Total capitalization.....	1,442.4	692.4	1,170.4

Notes:

- (1) *Adjusted to reflect the members' scheme of arrangement as described in Section 20.1 (Listing Scheme and Capital Reduction – Members' Scheme of Arrangement).*
- (2) *Adjusted to reflect the following:*
- (i) *Initial Public Offering and assuming all the Issue Shares are subscribed at RM3.00 (Retail Price) per Issue Share; and*
- (ii) *payment of RM750.0 million to our shareholders who are shareholders prior to the Initial Public Offering pursuant to the members' scheme of arrangement as described in Section 20.1 (Listing Scheme and Capital Reduction – Members' Scheme of Arrangement).*
- (3) *Borrowings of our group relate to amounts payable to the Government and comprise two (2) interest-free loans of RM0.7 million and RM1.5 million. Each loan is repayable in ten (10) equal instalments which commenced on November 2000.*

There has been no material change in our current liabilities, long-term and deferred liabilities, capital and reserves, or total capitalization since September 30, 2004. Our Company does not have any warrants or convertible notes or other convertible securities that are outstanding as at the date of this Prospectus.

We have not defaulted on payments of either interest and/or principal sums in respect of any borrowing in the past one (1) financial year and the subsequent financial period.

7. DIVIDEND POLICY

We have not declared or paid any dividends since our conversion from a company limited by guarantee to a company limited by shares on January 5, 2004. Prior to that, as a company limited by guarantee since December 14, 1976, our Memorandum and Articles of Association, did not permit us to make any distribution to our members. Going forward, our ability to pay dividends or make other distributions to our shareholders is subject to our having profits and excess funds which are not required to be retained to fund our operations, other obligations or business plans and may in the future be subject to restrictions contained in future loan agreements which limit the payment of dividends without the prior written consent of our lenders.

Our Directors have considered the general principles that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends. The actual dividend that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Directors. We may, by ordinary resolution of the shareholders, declare dividends at a general meeting, but no dividend shall exceed the amount recommended by our Board of Directors. See Section 18.8 (Description of Share Capital — Dividends). Subject to the factors set out in this section, our current dividend policy is as follows:

- (i) we expect to declare and pay dividends of not less than 75.0 per cent. of our PAT after MI for the year ending December 31, 2005. Based on our forecast PAT after MI of RM60.3 million, our net dividend pay-out will be not less than RM0.09 per Share. Based on our corporate tax rate of 28%, the corresponding gross dividend pay-out will be not less than RM0.12 per Share. Assuming that we declare and pay out 75.0 per cent. of our forecast PAT after MI, the net dividend cover would be 1.33 times. The approximate net dividend yield is 3.0 per cent. based on the Retail Price. Accordingly, based on the gross dividend pay-out per Share, the gross dividend yield is 4.0 per cent. (see Section 4.3.1 (Risk Factors — Other Risks — Our actual results may vary significantly from the profit forecast set forth herein) and Section 22 (Future Financial Information)); and
- (ii) we expect to declare and pay annual dividends of not less than 75.0 per cent. of our PAT after MI in respect of any year thereafter.

In considering the level of dividend payments, if any, upon recommendation by our Directors, we intend to take into account various factors including:

- (i) the level of our cash, marketable financial assets and level of indebtedness;
- (ii) required and expected interest expense, cash flows, our profits and return on equity and retained earnings;
- (iii) our expected results of operations; and
- (iv) our projected levels of capital expenditure and other investment plans.

7. **DIVIDEND POLICY** *(cont'd)*

In addition, the level of franking credits or exempt account income available to us to distribute dividends in a tax efficient manner may also limit the amount of dividends.

You should note that all the foregoing statements are merely statements of our present intention, are not legally binding statements in respect of our future dividends or dividends payable pursuant thereto, and are subject to modification (including reducing the pay-out ratio or amending or repealing the dividend policy, and reducing or eliminating dividends payable pursuant thereto) in our Directors' sole and absolute discretion.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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8. DILUTION

Our consolidated NTA as at September 30, 2004, was RM1.4 billion or RM2.79 per Share. The NTA per Share represents total tangible assets less total liabilities, divided by the total number of issued Shares as at September 30, 2004. Dilution per Share represents the amount per Share paid by investors in this Initial Public Offering less the NTA per Share after giving effect to the Initial Public Offering. See Section 4.2.5 (Risk Factors — Risks Relating to Our Shares — Investors in the Initial Public Offering will suffer immediate dilution in the book value of their investment).

Immediately after the Capital Reduction, but before the Initial Public Offering, our proforma NTA was RM642.7 million or RM1.92 per Share based on the reduced share capital of 334,000,000 Shares.

For the purpose of illustration, after giving effect to the offering of our Shares at the assumed Final Retail Price and Institutional Price of RM3.00 per Share, our NTA would have been RM1.1 billion in the aggregate, or RM2.24 per Share. This represents an immediate increase in NTA of RM0.32 per Share to existing shareholders and an immediate dilution in NTA of RM0.76 per Share to new investors under the Initial Public Offering, subscribing for Shares at the assumed price of RM3.00. The following table illustrates the dilution per Share:

Assumed Final Retail Price and Institutional Price per Share	RM3.00
NTA per Share after giving effect to the Initial Public Offering	RM2.24
Dilution in NTA per Share to new investors under the Initial Public Offering	RM0.76

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9. SELECTED HISTORICAL FINANCIAL DATA

The following selected historical consolidated financial data as at and for each of the three (3) financial years ended June 30, 1999, 2000 and 2001, the 18 months ended December 31, 2002, the financial year ended December 31, 2003 and the nine (9) months ended September 30, 2004 have been derived from our audited consolidated financial statements, after making certain adjustments as stated in Note (4) of Section 9.1 below. You should read this data in conjunction with our audited consolidated financial statements and the related notes thereto. Our consolidated financial statements for the three (3) years ended June 30, 1999, 2000 and 2001 have been audited by Arthur Andersen & Co., a former affiliate of Andersen Worldwide. Arthur Andersen & Co. no longer operates as a public accounting firm. Our financial statements as at and for the 18 months ended December 31, 2002, and the year ended December 31, 2003 have been audited by our independent auditors, Ernst & Young.

Save as disclosed in this Prospectus, our financial performance, position and operations are not affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations;
- (ii) material commitments for capital expenditure;
- (iii) unusual or infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations; and
- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

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9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)

9.1 Income Statement Data

You should read the summary of our financial data for the past three (3) financial years ended June 30, 1999 to 2001, 18 months ended December 31, 2002, year ended December 31, 2003 and the nine (9) months ended September 30, 2004 that we have presented below together with our audited consolidated financial statements and related notes thereto, Section 10 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Section 21 (Accountants' Report).

Consolidated Income Statement

	Year ended June 30,			18 months ended December 31,	Year ended December 31,	Nine (9) months ended September 30,
	1999 RM 000	2000 RM 000	2001 RM 000	2002 RM 000	2003 RM 000	2004 RM 000
Operating revenue.....	227,177	378,819	168,188	221,956	201,499	167,317
Other income.....	147,204	86,210	56,713	105,456	81,354	52,168
Total revenue.....	374,381	465,029	224,901	327,412	282,853	219,485
EBITDA.....	216,633	329,209	93,898	70,919	117,125	53,449
Depreciation.....	(69,046)	(52,711)	(36,364)	(37,415)	(18,467)	(11,427)
Amortization of intangibles.....	(1,004)	(528)	(370)	(2,549)	(2,921)	(2,206)
EBIT.....	146,583	275,970	57,164	30,955	95,737	39,816
Finance costs.....	(2,654)	(2,190)	(1,125)	(302)	(187)	(112)
Surplus/PBT⁽¹⁾.....	143,929	273,780	56,039	30,653	95,550	39,704
Taxation.....	(474)	(85,328)	(18,755)	(23,351)	(29,710)	(21,225)
Surplus/PAT.....	143,455	188,452	37,284	7,302	65,840	18,479
MI.....	(3,512)	(8,203)	(1,062)	(4,530)	(5,476)	(2,578)
Surplus/PAT after MI⁽²⁾.....	139,943	180,249	36,222	2,772	60,364	15,901
No. of Shares used to calculate basic EPS (000) ⁽³⁾	500,000	500,000	500,000	500,000	500,000	500,000
Net basic EPS (sen).....	27.99	36.05	7.24	0.55	12.07	3.18

Notes:

- (1) Following our demutualization on January 5, 2004, we commenced using the term "profit" in place of "surplus".
- (2) There were no exceptional and extraordinary items during the years/periods under review.
- (3) We did not have a share capital prior to our demutualization on January 5, 2004. For the purpose of presenting our EPS, we have assumed a proforma number of Shares in issue of 500,000,000 Shares throughout the years/periods under review.
- (4) The above figures include the following adjustments to the financial statements for the respective years:
 - reclassifications to conform with the presentation adopted for the latest audited financial statements;
 - under/over provision of taxation adjusted to the respective years;
 - change in accounting policies, in respect of deferred tax and goodwill, adjusted for retrospectively; and
 - adjustment for elimination of tax credit on inter-company dividends.

See Section 21 (Accountants' Report) for detailed information on the reclassifications and adjustments.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)

Our consolidated financial statements have been reported by our auditors without any qualification for the financial years/periods under review.

9.1.1 Segmental Analysis of Operating Revenue by Activity

	Year ended June 30,		2001	18 months ended December 31,	Year ended December 31,	Nine (9) months ended September 30,
	1999	2000		2002	2003	2004
	RM 000	RM 000		RM 000	RM 000	RM 000
Clearing fees (net of SC levy)	104,183	230,417	61,239	89,777	96,206	77,991
SCORE fees	26,523	56,906	9,067	8,659	9,694	8,245
Trade fees	3,815	5,710	4,668	10,943	10,449	11,946
Listing fees	5,359	8,592	9,577	14,923	13,684	10,010
Participants' subscription	22,321	23,730	24,946	4,013	3,664	2,461
Broker services	14,348	11,653	11,306	17,608	13,247	10,303
Information services	4,049	5,062	5,501	12,337	10,742	9,673
Depository services	29,635	20,268	22,299	32,394	24,885	21,039
Others	16,944	16,481	19,585	31,302	18,928	15,649
Total operating revenue	227,177	378,819	168,188	221,956	201,499	167,317

9.1.2 Overview of Results

(i) Financial year ended June 30, 1999

The stock market strengthened during the financial year ended June 30, 1999 since the Asian economic downturn in the year 1997. On a total stock market trade value of RM135.9 billion, we recorded clearing fees and SCORE fees (which is computed as a percentage of trade value) totalling RM130.7 million, which made up 57.5 per cent. of our total operating revenue of RM227.2 million.

Financial year 1999 was a tax waiver year in accordance with the Income Tax (Amendment) Act, 1999, thus only nominal tax was incurred on dividend income. Accordingly, we generated surplus before tax and MI of RM143.9 million and net surplus after tax before MI of RM143.5 million.

(ii) Financial year ended June 30, 2000

The stock market recorded a total trade value of RM304.7 billion, a 124.2 per cent. increase from the previous financial year of RM135.9 billion. Our operating revenue increased by 66.7 per cent. from RM227.2 million in the previous financial year to RM378.8 million in the financial year 2000. Total clearing and SCORE fees increased by 119.8 per cent. from RM130.7 million in the previous financial year to RM287.3 million in the financial year 2000, which made up 75.8 per cent. of our operating revenue.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)

Our surplus before tax and MI increased by 90.3 per cent. from RM143.9 million in the previous financial year to RM273.8 million in the financial year 2000 mainly due to the better performance of the stock market during the financial year.

Our taxation increased from RM0.5 million in the previous financial year to RM85.3 million in the current financial year, mainly due to the previous financial year being a tax waiver year in accordance with the Income Tax (Amendment) Act, 1999.

(iii) Financial year ended June 30, 2001

Total trade value of the stock market decreased by 70.8 per cent. from RM304.7 billion in the previous financial year to RM88.9 billion in the financial year 2001. Our operating revenue decreased by 55.6 per cent. from RM378.8 million in the previous financial year to RM168.2 million in the financial year 2001. Total clearing and SCORE fees decreased by 75.5 per cent. from RM287.3 million in the previous financial year to RM70.3 million in the financial year 2001, which made up 41.8 per cent. of our total operating revenue. The reduction in SCORE fee rate from 0.010 per cent. to 0.005 per cent. of the trade value (on market transactions) commencing September 1, 2000 also contributed to the reduction in SCORE fees.

Our surplus before tax and MI decreased by 79.5 per cent. from RM273.8 million in the previous financial year to RM56.0 million in the financial year 2001 mainly due to the downtrend of the stock market during the financial year.

Our taxation decreased from RM85.3 million in the previous financial year to RM18.8 million in the current financial year, mainly due to the decrease in our taxable income for the current financial year.

(iv) Financial period ended December 31, 2002

The stock market performed relatively better during the financial period. Trade value increased from RM88.9 billion in the previous financial year to RM193.2 billion in the 18 months financial period ended December 31, 2002. On an annualized 12 months basis, trade value increased by 44.9 per cent..

Our operating revenue increased from RM168.2 million in the previous financial year to RM222.0 million in the financial period 2002 in absolute terms. However on an annualized 12 months basis, our operating revenue decreased by 12.0 per cent.. The reduction in our operating revenue was due to reduction in our fees and charges in line with the Capital Market Masterplan, as follows:

- (a) reduction in clearing fees rate from 0.05 per cent. to 0.04 per cent. and subject to a maximum cap of RM200 commencing July 1, 2001;
- (b) reduction in SCORE fees rate from 0.0050 per cent. to 0.0025 per cent. commencing July 1, 2001; and
- (c) waiver of remisiers and salaried dealer representatives monthly subscription commencing July 1, 2001 (which contributed approximately RM22.4 million revenue in the financial year 2001).

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)

In line with the decrease in our operating revenue, our surplus before tax and MI reduced from RM56.0 million in the previous financial year to RM30.7 million in the financial period ended December 31, 2002.

Our taxation increased from RM18.8 million in the previous financial year to RM23.4 million in the current financial period, mainly due to a provision for impairment loss on land and building of RM28.2 million being disallowed for tax purpose for the current financial period. Consequently, our effective tax rate was higher for the current financial period than the previous financial year.

(v) Financial year ended December 31, 2003

The stock market performed well during the financial year. In absolute terms, total trade value of the stock market increased marginally from RM193.2 billion in the previous financial period to RM206.3 billion in the current financial year, which on an annualized 12 months basis, represents a 60.2 per cent. increase. Our operating revenue decreased slightly in absolute terms from RM222.0 million in the previous financial period to RM201.5 million in the current financial year, which on an annualized 12 months basis, represents a 36.1 per cent. increase. Total clearing and SCORE fees increased from RM98.4 million to RM105.9 million (61.4 per cent. increase on an annualized 12 months basis), which made up 52.6 per cent. of our operating revenue.

Our surplus before tax and MI increased from RM30.7 million in the previous financial period to RM95.6 million in the financial year 2003, mainly due to the strengthening of the stock market and the absence of significant one-off expenses incurred in the previous financial period.

Our taxation increased from RM23.4 million in the previous financial period to RM29.7 million in the current financial year, mainly due to the increase in our taxable income for the current financial year and a provision for impairment loss on land and building of RM28.2 million in the previous financial period being disallowed for tax purpose. Consequently, our effective tax rate was lower for the current financial year than the previous financial period.

(vi) Financial period ended September 30, 2004

The stock market performed well during the financial period. In absolute terms, total trade value of the stock market decreased from RM206.3 billion in the previous financial year to RM185.7 billion in the current financial period. Nevertheless, on an annualized 12 months basis, the total trade value of the stock market in the current financial period increased by 20.0 per cent.. Similarly, our operating revenue decreased in absolute terms from RM201.5 million in the previous financial year to RM167.3 million in the current financial period, which on an annualized 12 months basis, represents a 10.7 per cent. increase. Total clearing and SCORE fees decreased from RM105.9 million to RM86.2 million (8.5 per cent. increase on an annualized 12 months basis), which made up 51.5 per cent. of our operating revenue.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)

Our profit before tax and MI decreased from RM95.6 million in the previous financial year to RM39.7 million in the current financial period, mainly due to the payment of one-off termination benefits of RM37.3 million in the current financial period pursuant to our VSS. There were no such termination benefits paid in the previous financial year.

Our taxation decreased from RM29.7 million in the previous financial year to RM21.2 million in the current financial period, mainly due to the reduction in our PBT for the current financial period as a result of a shorter period of only nine (9) months. Nevertheless, our effective tax rate for the current financial period is higher than the previous financial year mainly due to retirement benefits payments which were not allowable for deductions and provision for impairment in the current financial period.

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9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)

9.2 Reporting Accountants' Limited Review Report and Our Unaudited Condensed Consolidated Financial Statements for the Three (3) Months Ended December 31, 2004



AF: 0039

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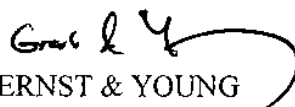
**REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF
BURSA MALAYSIA BERHAD
(Formerly known as Kuala Lumpur Stock Exchange Berhad)
(Incorporated in Malaysia)**

We have reviewed the condensed financial statements of Bursa Malaysia Berhad ("the Company") and its subsidiaries ("the Group"), comprising the condensed consolidated balance sheet as at 31 December 2004, the related condensed consolidated income statement, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement for the three month period then ended, and the accompanying notes, stamped by us for identification purposes. These financial statements are the responsibility of the Company's directors. Our responsibility is to issue a report on these financial statements based on our review.


We conducted our review in accordance with the Approved Standards on Auditing in Malaysia applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed consolidated financial statements for the three month period ended 31 December 2004 and the accompanying notes are free of material misstatement. A review is limited primarily to enquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit, and, accordingly, we do not express an audit opinion, nor any opinion on individual items of the financial statements. Further, Notes 14, 15, 16, 17 and 21 are not within the scope of our review.

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements referred to above do not give a true and fair view in accordance with applicable Approved Accounting Standards in Malaysia.

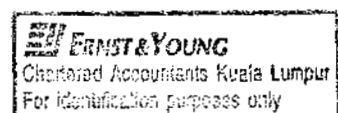
This review and report is made for the purpose of the Prospectus for the proposed listing of the Company on the Main Board of Bursa Malaysia Securities Berhad, is not for inclusion in the International Offering Circular and should not be used for any other purpose.


ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
14 February 2005


WONG KANG HWEE
No. 1116/01/06(J)
Partner

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)



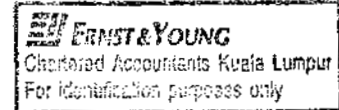
BURSA MALAYSIA BERHAD - 30632-P
 (Formerly known as Kuala Lumpur Stock Exchange Berhad)
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
 FOR THE THREE MONTHS ENDED 31 DECEMBER 2004**

	Note	3 months ended		12 months ended	
		31.12.2004 RM'000 unaudited	31.12.2003 RM'000 unaudited	31.12.2004 RM'000 unaudited	31.12.2003 RM'000 audited
Operating revenue	8	51,069	65,722	218,386	201,499
Other income		16,000	19,995	68,168	81,354
		<u>67,069</u>	<u>85,717</u>	<u>286,554</u>	<u>282,853</u>
Staff costs		(19,491)	(34,435)	(96,658)	(97,026)
Voluntary Separation Scheme ("VSS") costs		(14)	-	(37,332)	-
Depreciation		(4,734)	(4,952)	(16,161)	(18,467)
Other operating expenses		(19,010)	(23,639)	(72,767)	(71,623)
Profit/surplus from operations		<u>23,820</u>	<u>22,691</u>	<u>63,636</u>	<u>95,737</u>
Finance costs		(42)	(49)	(154)	(187)
Profit/surplus before taxation		<u>23,778</u>	<u>22,642</u>	<u>63,482</u>	<u>95,550</u>
Taxation	18	(3,965)	(7,112)	(25,190)	(30,200)
Profit/surplus after taxation		<u>19,813</u>	<u>15,530</u>	<u>38,292</u>	<u>65,350</u>
Minority interests		(639)	(2,140)	(3,217)	(5,476)
Net profit/surplus for the period	26	<u>19,174</u>	<u>13,390</u>	<u>35,075</u>	<u>59,874</u>
Earnings per share (sen)	26	<u>3.83</u>	<u>n/a</u>	<u>7.02</u>	<u>n/a</u>

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)

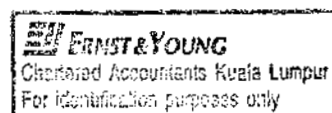


BURSA MALAYSIA BERHAD - 30632-P
(Formerly known as Kuala Lumpur Stock Exchange Berhad)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2004

	Note	31.12.2004 RM'000 unaudited	31.12.2003 RM'000 audited
NON-CURRENT ASSETS			
Property, plant and equipment		356,152	311,546
Other investments		248,434	248,986
Staff loans receivable		30,972	41,464
Net goodwill		47,661	51,091
Deferred tax assets		865	3,968
		<u>684,084</u>	<u>657,055</u>
CURRENT ASSETS			
Receivables		66,225	61,569
Tax recoverable		19,095	10,277
Short term investments		280,939	206,674
Short term deposits		707,344	792,321
Cash and bank balances		7,433	16,087
		<u>1,081,036</u>	<u>1,086,928</u>
CURRENT LIABILITIES			
Short term borrowings	22	220	220
Trade payables		124,253	150,991
Sundry payables		90,330	67,414
Taxation		4,207	8,829
		<u>219,010</u>	<u>227,454</u>
NET CURRENT ASSETS		<u>862,026</u>	<u>859,474</u>
		<u>1,546,110</u>	<u>1,516,529</u>

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)



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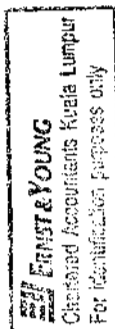
CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2004 (CONTD.)

	Note	31.12.2004 RM'000 unaudited	31.12.2003 RM'000 audited
FINANCED BY:			
Share capital		250,000	-
Membership fees		-	80,966
Retained profits/accumulated funds		1,195,158	1,329,117
Capital reserve		15,150	15,150
Foreign exchange reserve		(13)	(5)
		<u>1,460,295</u>	<u>1,425,228</u>
Minority interest		17,855	14,638
		<u>1,478,150</u>	<u>1,439,866</u>
Retirement benefit obligations		15,334	24,937
Deferred income		2,831	2,831
Long term borrowings	22	879	1,098
Long term liability		47,259	47,797
Deferred tax liabilities		1,657	-
		<u>67,960</u>	<u>76,663</u>
		<u>1,546,110</u>	<u>1,516,529</u>
Net tangible assets per share (RM)		<u>2.83</u>	<u>n/a</u>

The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)

BURSA MALAYSIA BERHAD - 30632-P
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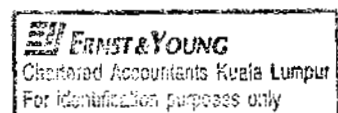


CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2004

	Membership fees RM'000	Share capital RM'000	Capital reserve RM'000	Foreign exchange reserve RM'000	Accumulated funds/ retained profits RM'000	Total RM'000
At 1 January 2003	83,802	-	14,950	(6)	1,269,243	1,367,989
Demutualisation cost	(2,836)	-	-	-	-	(2,836)
Currency translation differences	-	-	-	1	-	1
Issuance of preference shares by a subsidiary	-	-	200	-	-	200
Net surplus for the year	-	-	-	-	59,874	59,874
At 31 December 2003 - Audited	80,966	-	15,150	(5)	1,329,117	1,425,228
At 1 January 2004	80,966	-	15,150	(5)	1,329,117	1,425,228
Currency translation differences	-	-	-	(8)	-	(8)
Issuance of ordinary shares	(80,966)	250,000	-	-	(169,034)	-
Net profit for the year	-	-	-	-	35,075	35,075
At 31 December 2004 - Unaudited	-	250,000	15,150	(13)	1,195,158	1,460,295

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)



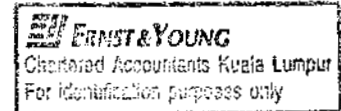
BURSA MALAYSIA BERHAD - 30632-P
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2004**

	12 months ended	
	31.12.2004	31.12.2003
	RM'000	RM'000
	unaudited	audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/surplus before taxation	63,482	95,550
Adjustment for:		
Amortisation of goodwill	2,941	2,923
Amortisation of premium less accretion of discount	146	508
Bad debts written off	-	1,404
Depreciation	16,161	18,467
Impairment of property, plant and equipment	5,512	-
Interest expense	28	57
Interest income	(54,140)	(51,922)
Net provision/(reversal) for bad and doubtful debts	1,751	(199)
Net gain on disposal of investments	(3,641)	(18,406)
Net gain on disposal of subsidiaries	(4,249)	-
Net gain on disposal of property, plant and equipment	(1,579)	(294)
Property, plant and equipment written off	115	374
Provision for retirement benefits	6,431	4,826
(Reversal)/provision for short term accumulating compensating absences	(201)	1,272
(Recovery)/write down of short term investments	(2,984)	2,987
Waiver of loans	221	-
Operating profit/surplus before working capital changes	29,994	57,547
Decrease/(increase) in receivables	3,428	(12,562)
(Decrease)/increase in payables	(16,934)	60,228
Cash generated from operations	16,488	105,213
Retirement benefits paid	(365)	(4,534)
Interest paid	(28)	(57)
Taxes paid net of refund	(33,899)	(64,096)
Net cash (used in)/generated from operating activities	(17,804)	36,526

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)

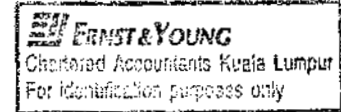
BURSA MALAYSIA BERHAD - 30632-P
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2004 (CONTD)**

	12 months ended	
	31.12.2004	31.12.2003
	RM'000	RM'000
	unaudited	audited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	55,423	46,257
Net cash inflow from disposal of subsidiaries	5,434	-
Proceeds from disposal of property, plant and equipment	1,852	1,403
Purchase of additional shares in subsidiaries from minority shareholders	-	(10,490)
Purchase of property, plant and equipment	(67,601)	(7,971)
Purchase of unquoted bonds and Malaysian Government Securities, net	(67,240)	(66,233)
(Disbursement)/repayment of staff loans, net	(2,937)	3,084
Net cash used in investing activities	<u>(75,069)</u>	<u>(33,950)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Demutualisation cost	-	(2,836)
Payment of dividend to minority shareholders	-	(720)
Preference shares issued	-	200
Repayment of long term liability	(758)	(758)
Net cash used in financing activities	<u>(758)</u>	<u>(4,114)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(93,631)	(1,538)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>808,408</u>	<u>809,946</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>714,777</u>	<u>808,408</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	7,433	16,087
Short term deposits	707,344	792,321
	<u>714,777</u>	<u>808,408</u>

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)



BURSA MALAYSIA BERHAD - 30632-P
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1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MASB 26: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2003. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2003.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the year ended 31 December 2003, except for the adoption of MASB 31: Accounting for Government Grants and Disclosure of Government Assistance.

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

The adoption of MASB 31 has not given rise to any adjustments to the opening balances of accumulated funds/ retained profits of the prior year, current financial year-to-date and current quarter or to changes in comparatives.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2003 was not qualified.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance is affected by the level of activities in the securities market.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)



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4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial year-to-date, except for the Voluntary Separation Scheme ("VSS") costs of RM37,332,000 recognised in the income statement for the current financial year-to-date.

5. CHANGES IN ESTIMATES

There were no changes in estimates that have had material effect in the current quarter and financial year-to-date results.

6. DEBT AND EQUITY SECURITIES

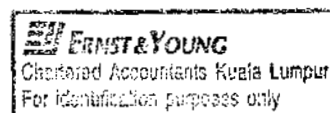
There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for ordinary shares issued pursuant to Demutualisation:

As disclosed in Note 21, on 5 January 2004, pursuant to the Demutualisation (Kuala Lumpur Stock Exchange) Act, 2003, the Company was demutualised and converted to a public company limited by shares. The Company created authorised share capital of RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each, and issued 500,000,000 ordinary shares of RM0.50 each, totalling RM250,000,000. The ordinary shares were issued by way of capitalisation of membership fees and accumulated funds. With this conversion, on the same date, the Company vested and transferred its securities exchange business to a wholly owned subsidiary, and thereafter became an exchange holding company.

7. DIVIDENDS PAID

There were no dividends paid or declared during the current quarter and financial year-to-date.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)



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8. SEGMENTAL INFORMATION

The segmental information for the financial year ended 31 December 2004 are provided below :

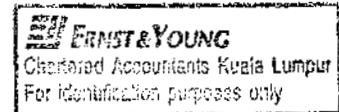
	Clearing, settlement and		Information Exchange		Year ended 31.12.2004		Consolidated RM'000
	<u>Exchanges</u>	<u>depository</u>	<u>services</u>	<u>holding</u>	<u>Others</u>	<u>Elimination</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Segment Revenue							
External revenue	119,017	84,944	13,297	463	665		218,386
Inter-segment revenue	218	-	10,804	142,046	26,102		179,170
Total operating revenue	<u>119,235</u>	<u>84,944</u>	<u>24,101</u>	<u>142,509</u>	<u>26,767</u>	(179,170)	<u>218,386</u>
Other income	<u>7,141</u>	<u>23,636</u>	<u>807</u>	<u>36,914</u>	<u>3,565</u>	(3,895)	<u>68,168</u>
Segment Results							
Profit from operations	3,754	40,436	10,530	14,340	2,178	(120)	71,118
Unallocated corporate expenses							(7,482)
Group profit from operations							<u>63,636</u>
Segment assets							
Assets	205,706	623,174	20,896	871,047	3,707		1,724,530
Unallocated corporate assets							40,590
Consolidated total assets							<u>1,765,120</u>

9. CARRYING AMOUNTS OF REVALUED ASSETS

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. During the financial year-to-date, an impairment loss of RM5,512,000 was provided for in relation to the Group's property.

9. **SELECTED HISTORICAL FINANCIAL DATA (cont'd)**

BURSA MALAYSIA BERHAD - 30632-P
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10. **SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the current quarter except for the following:

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

- (a) A bonus issue of 1,334,000,000 new ordinary shares of RM0.50 each in the Company ("Shares") by way of capitalisation of retained profits of RM667,000,000 on the basis of 2,668 new Shares for every 1,000 Shares;
- (b) A capital reduction exercise under Section 64 of the Companies Act, 1965 whereby RM750,000,000 of the share capital was cancelled, representing approximately RM0.41 of the par value of each existing ordinary share of RM0.50 each. The payment to the shareholders will be on a date after the Company's Initial Public Offering and Listing; and
- (c) A share consolidation exercise whereby 1,834,000,000 ordinary shares of approximately RM0.09 par value each after the capital reduction were consolidated into 334,000,000 Shares.

11. **CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the current year-to-date except for the following:

- (i) On 1 January 2004, Bursa Malaysia Training Sdn Bhd. ("Bursa Training"), a previously wholly owned subsidiary, acquired the business assets and liabilities of Research Institute of Investment Analysts Malaysia, a company limited by guarantee, for a cash consideration of RM1.

On 28 June 2004, the Company disposed of its entire equity interest in Bursa Training to a third party for a total cash consideration of RM855,878.

- (ii) On 5 January 2004, the Company disposed of 2,000,000 ordinary shares of RM1.00 each representing the Company's 100% equity interest in Malaysian Share Registration Services ("MSRS"), a previously wholly owned subsidiary, and the Company's investment in MSRS's redeemable convertible unsecured loan stocks of nominal value of RM2,000,000 to Symphony House Berhad for a total cash consideration of RM6,000,000.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)



BURSA MALAYSIA BERHAD - 30632-P
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12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

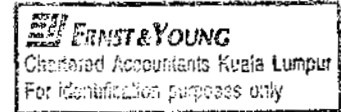
There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2003, except for the following:

- (i) The claim for an approximate sum of RM12,000,000 being leased line charges omitted from billings since 1994 made against the Company by a local telecommunications company has since been reduced to RM3,700,000. Both parties are verifying the said amount claimed in order to ascertain the Company's actual liability to the telecommunications company. The amount to be ascertained would mostly be billable and recoverable from participating organisations.
- (ii) A demand for RM7,206,000 had been made by a local bank against Malaysian Share Registration Services Sdn. Bhd. ("MSRS"), a former subsidiary, for allegedly breaching terms of a Letter of Undertaking issued by MSRS to the said bank. The demand was amicably settled on 14 September 2004 for RM2,800,000.

13. CAPITAL COMMITMENTS

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim condensed financial statements as at 31 December 2004 is as follows:

	RM'000
Approved and contracted for	
Office equipment, furniture and fittings	508
Computer and office automation	28,557
	<u>29,065</u>
Approved and not contracted for	
Office equipment, furniture and fittings	585
Computer and office automation	30,269
Renovation	2,281
	<u>33,135</u>

9. **SELECTED HISTORICAL FINANCIAL DATA (cont'd)**

BURSA MALAYSIA BERHAD - 30632-P
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14. **PERFORMANCE REVIEW**

The Group's total revenue for the current quarter ended 31 December 2004 decreased to approximately RM67,069,000 from approximately RM85,717,000 in the corresponding quarter for the previous financial year ended 31 December 2003 while the profit before taxation increased to approximately RM23,778,000 from approximately RM22,642,000 for the respective periods.

The Group's performance for the fourth quarter had improved significantly compared to the preceding third quarter ended 30 September 2004, when a net profit before taxation of approximately RM18,031,000 was recorded. Total value traded on Bursa Securities for the current quarter ended 31 December 2004 increased to RM58.1 billion or by 20.8 % from RM48.1 billion in the third quarter ended 30 September 2004.

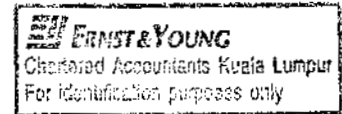
The Group's total revenue for the current financial year ended 31 December 2004 increased to approximately RM286,554,000 from approximately RM282,853,000 in the prior financial year ended 31 December 2003 while the profit before taxation decreased to approximately RM63,482,000 from approximately RM95,550,000 for the respective years.

The increase in total revenue for the current financial year-to-date was primarily due to an increase in market turnover as a result of improved market conditions and higher level of corporate activities. Total value transacted on Bursa Securities increased by 18.2 per cent to RM243.9 billion in 2004 from RM206.3 billion in 2003. During the year, 72 new companies were listed compared to 58 new companies in 2003. However, despite the increase in revenue, the profit before taxation was lower mainly due to the approximately RM37,332,000 VSS cost incurred in relation to the manpower rationalisation exercise implemented by the Group during the second half of 2004.

15. **COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION**

The Group's profit before taxation for the current financial year ended 31 December 2004 of approximately RM63,482,000 represents a decrease of approximately RM32,068,000 or 33.6 per cent from the previous financial year ended 31 December 2003. The significant decrease in profit during the current financial year was mainly attributable to the VSS costs of approximately RM37,332,000 which resulted in reduction of manpower by 417 persons for the Group.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)



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16. COMMENTARY ON PROSPECTS

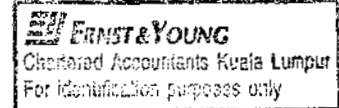
The directors are of the view that performance of the Group will continue to hinge significantly on the level of activities in the securities market in the near term, given that a major portion of the revenue is derived from clearing fee income. In addition, the Group has also identified several business initiatives towards achieving the stated strategic objectives i.e. to increase the turnover velocity of the markets, to increase and improve our products and service offerings, and to further improve the efficiency of our businesses and achieve economies of scale in our operations. Barring any unforeseen circumstances, the directors expect the Group to perform better this year compared to the previous year as a result of higher anticipated operating revenue and improved operating efficiency.

On the macro picture, the Malaysian economy is projected to grow by approximately 6% in 2005, compared to the estimated 7% in 2004 and this augurs well with the performance of Malaysian corporations in general.

17. PROFIT FORECAST

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

9. SELECTED HISTORICAL FINANCIAL DATA (cont'd)



BURSA MALAYSIA BERHAD - 30632-P
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18. TAXATION

	3 months ended 31.12.2004 RM'000	12 months ended 31.12.2004 RM'000
Income Tax		
Current period's provision	5,048	20,553
Deferred taxation relating to origination and reversal of temporary differences	(960)	4,760
Under provision of taxation in prior years	(123)	(123)
	<u>3,965</u>	<u>25,190</u>

The effective tax rate for the year-to-date presented above is higher than the statutory tax rate principally due to non deductibility of an element of VSS cost, impairment loss on property, plant and equipment and certain other expenses.

19. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

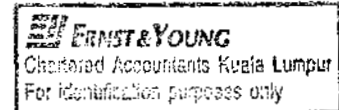
There were no sales of unquoted investments and properties other than the disposals of investments in subsidiaries disclosed in Note 11, which resulted in a gain on disposal of approximately RM4,249,000 for the Group.

20. MARKETABLE SECURITIES

Details of purchases and disposals of marketable securities, other than those managed by external fund managers, are as follows:

	3 months ended 31.12.2004 RM'000	12 months ended 31.12.2004 RM'000
Purchase consideration	75,622	235,485
Sale proceeds	53,523	240,242
Gain on disposal	473	2,889

There were no investments in quoted securities.

9. **SELECTED HISTORICAL FINANCIAL DATA (cont'd)**

BURSA MALAYSIA BERHAD - 30632-P
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21. **CORPORATE PROPOSALS**

On 2 January 2004, the Demutualisation (Kuala Lumpur Stock Exchange) Act, 2003 came into force. On 5 January 2004, the Company was converted into a public company limited by shares. With this conversion, on the same date, the Company vested and transferred its stock exchange business to Bursa Securities, a wholly owned subsidiary, and thereafter became an exchange holding company. The Company assumed its current name of Bursa Malaysia Berhad on 14 April 2004.

The Company submitted an application to the Securities Commission on 6 October 2004 for the proposed listing and quotation for its entire issued and paid up share capital on the Main Board of Bursa Securities. The related corporate proposals were approved by the Securities Commission on 10 December 2004 and the shareholders of the Company via an Extraordinary General Meeting and a Court Convened Meeting on 11 December 2004 and are being implemented.

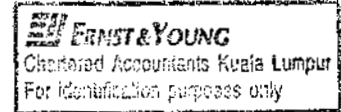
22. **BORROWINGS AND DEBT SECURITIES**

	As at 31.12.2004 RM'000
Short term borrowings	220
Long term borrowings	879
	<u>1,099</u>

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

23. **OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

As at the reporting date, the Group does not have any off balance sheet financial instruments.

9. **SELECTED HISTORICAL FINANCIAL DATA (cont'd)**

BURSA MALAYSIA BERHAD - 30632-P
 (Formerly known as Kuala Lumpur Stock Exchange Berhad)
 (Incorporated in Malaysia)

24. **CHANGES IN MATERIAL LITIGATION**

As disclosed in the audited financial statements for the financial year ended 31 December 2003 and in Note 12, a demand for RM7,206,000 had been made by a local bank against MSRS, a former subsidiary, for allegedly breaching terms of a Letter of Undertaking issued by MSRS to the said bank. The demand was amicably settled on 14 September 2004 for RM2,800,000.

25. **DIVIDEND PAYABLE**

No ordinary dividend has been declared for the current and previous financial years ended 31 December.

26. **EARNINGS PER SHARE**

Basic earning per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

	3 months ended 31.12.2004	12 months ended 31.12.2004
Net profit for the period (RM'000)	19,174	35,075
Weighted average number of ordinary shares in issue ('000)	500,000	500,000
Basic earnings per share (sen)	3.83	7.02

27. **AUTHORISED FOR ISSUE**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 February 2005.