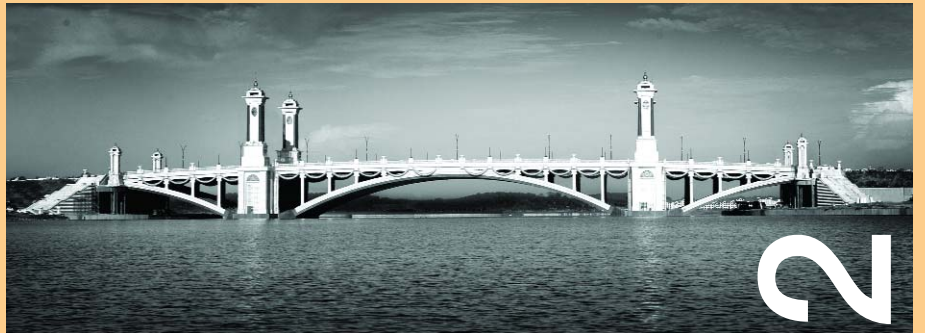


M a r k e t

Review



2002





With Malaysia undergoing a transformation that will see it emerging from a developing nation to a developed one, the Federal Territory of Putrajaya, the nation's new administrative centre, has become a true representation of progress and change.

There are symbolic parallels between the dynamic development of Putrajaya and the transformations taking place at the Kuala Lumpur Stock Exchange as it moves towards becoming an efficient and effective Malaysian exchange. These changes are intended to enable the Exchange to be more competitive, to contribute positively towards the nation's economic growth and to propel the capital market to greater heights.

Given the parallels, the Market Review 2002 utilises images of Putrajaya to depict its stunning architecture and its core characteristics that are shared by the Exchange – a sense of achievement, dynamism, sophistication of infrastructure, the embracing of information technology and progression.

On the Market Review 2002 cover and these pages, is the *Seri Gemilang Bridge*. With a total length of 240 metres and a total width of 21 metres, comprising dual three-lane carriageways, the *Seri Gemilang Bridge*, which serves as the main link between the Putrajaya city centre and its southern end, is an awe-inspiring landmark at Putrajaya.

With its distinctly constructed towers that feature a perfect blend of contemporary and traditional elements along with support posts that are fabricated from precast stone that exude strength and durability, the *Seri Gemilang Bridge* depicts progressiveness based on solid foundations.

The *Seri Gemilang Bridge* symbolises the bridging of opportunities for Putrajaya and KLSE individually as they play a keen role in the continued progress of the nation within a rapidly-changing global landscape.





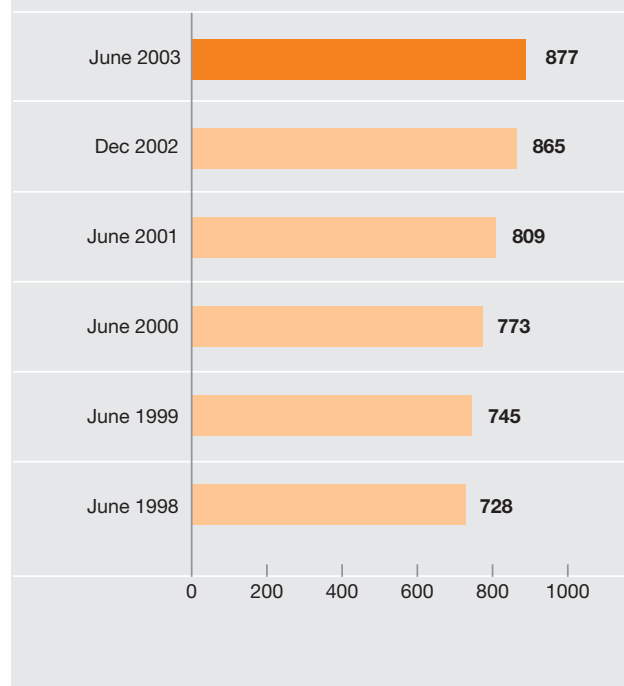
Seri Gemilang Bridge

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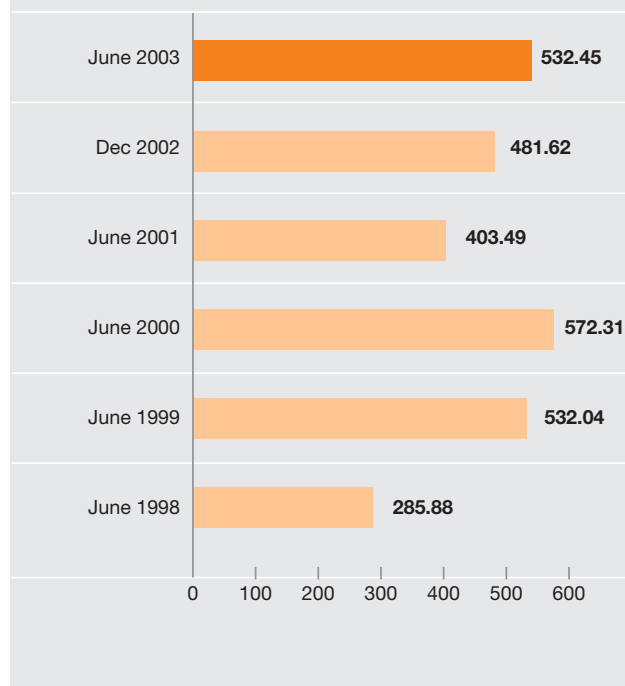
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KLSE Highlights

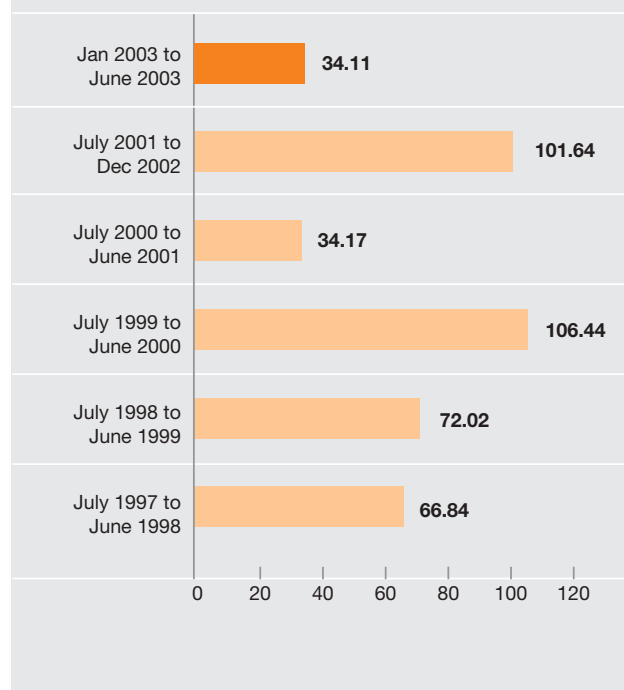
No. of listed companies



Total market valuation (RM billion)



Total trading volume (billion units)



Total trading value (RM billion)



Executive Chairman's

Statement



DATO' MOHAMMED AZLAN HASHIM
Executive Chairman

Executive Chairman's Statement

In times of on-going uncertainty and great challenges, what makes a difference is whether our market is capable of continuing to create value for issuers, investors and other stakeholders.

The reality is that, what we once considered as factors that enhance the competitiveness of the Malaysian capital market and the securities industry, are also being provided by other markets. The question is – are the Malaysian industry and market participants prepared to make the difficult decisions today, to continue to create value and to determine where they will be tomorrow?

Towards this end, a key decision made in consultation with the authorities, stockbroking companies and industry participants, is to demutualise the Kuala Lumpur Stock Exchange.

To demutualise is to transform. To transform is to enable.

To enable the Kuala Lumpur Stock Exchange (KLSE) Group to effectively broaden its interests and capability - to better represent the needs and requirements of all stakeholders involved in the securities industry and the capital markets of this nation. To enable the KLSE Group to better compete for capital, for growth and for ideas and innovation.

Whilst demutualisation will legally involve the conversion of the stock exchange from a mutual entity limited by guarantee of its stockbroking members, into a company with shares and shareholders, at the heart of this effort is to enable change and progress.

With approval-in-principle from the Right Honourable Prime Minister and Minister of Finance in late 2002, demutualisation is currently targeted for completion in early 2004. The demutualised exchange will thereafter pursue a listing on itself.

As part of the transformation process, the KLSE Group will implement key organisational and human resource change programmes to align the goals and objectives of demutualisation with the KLSE Group business strategies. Concurrent with this effort – will be an exercise to introduce a new corporate identity reflecting this transformation of the exchange into a demutualised entity. This new corporate identity is to reflect the vision and mission of the KLSE Group going forward, and the cultivation of a new performance oriented culture.

Demutualisation of the KLSE Group, as formulated in the Capital Market Masterplan, has been implemented thus far with the support of the government, industry and market participants. Indeed, this has to continue, even be enhanced to ensure that the beneficial objectives of demutualisation are fully derived by all parties concerned.

It is a fact, we all stand on shoulders of those who came before us. What is here today was given into our care, and we can only add our contributions. In this regard, KLSE has moved towards fully electronic trading and centralised depository, to the creation of a developed regulatory and exchange infrastructure.

The previous 5 years saw the implementation of measures and initiatives that have led to the establishment of KLSE as the premier market for Malaysian securities with the strengthening of intermediary supervision and investor protection framework, enhancing corporate governance standards, consolidation and rationalisation of Malaysian market institutions and improving market infrastructure.

2002 saw uncertainties for global markets and economies. Nevertheless, the Malaysian market closed the 18-month period ending 31 December 2002 on a positive note, with a 53.33 point gain in the KLSE CI at 646.32, in contrast to the close at end June 2001 at 592.99 points. On the corporate front, in addition to preparing KLSE Group and its human resources towards demutualisation, KLSE undertook measures to enable change - within KLSE Group, its market infrastructure and framework, its regulations and market supervision, its intermediaries, and in KLSE Group's relationships with stakeholders and market participants.

I. Enabling Change: Consolidating KLSE Group

Within the KLSE Group, various efforts were initiated to further enhance the efficiency and effectiveness of the KLSE Group by streamlining and consolidating its corporate and operating structures. The objective of the exercise is to optimise utilisation of resources and to further develop synergistic benefits of market institutions in Malaysia.

• Consolidating Exchange Operations

The KLSE-MESDAQ merger was completed on 14 March 2002 and the new MESDAQ Market at KLSE was successfully launched on 18 March 2002. The KLSE-MESDAQ merger is the last phase of consolidation of market institutions in Malaysia and paves the way for demutualisation of the single exchange group.

The objectives set for the merger in enhancing accessibility and improving liquidity among MESDAQ Market issuers have been achieved:

	Before Merger	After Merger (As at 18 March 2002)
No. of stockbroking companies licensed to deal in MESDAQ Market	16	47
No. of dealer's representatives licensed to deal in MESDAQ Market securities	< 1,000	> 7,181

This is clearly reflected in the trading statistics before and immediately after the merger:

	Before Merger	After Merger	Increase
Market Capitalisation	RM263 million (at 14 March 2002)	RM773 million (at 31 Dec 2002)	+ 194 %
Daily Average Trading Volume	0.032 million units (1 January - 14 March 2002)	2.70 million units (18 March - 31 Dec 2002)	+ 8,338 %
Daily Average Trading Value	RM0.03 million (1 January - 14 March 2002)	RM1.33 million (18 March - 31 Dec 2002)	+ 4,333 %

Executive Chairman's Statement

- **Consolidating Clearing Operations**

To further enhance the operational and management efficiency of the Clearing, Settlement and Depository Group (CSD Group) comprising Securities Clearing Automated Network Services Sdn Bhd (SCANS), Malaysian Derivatives Clearing House (MDCH) and Malaysian Central Depository (MCD), support services for the CSD Group were streamlined and centralised in October 2002.

A part of the internal restructuring for KLSE Group also involved the establishment of more integrated business units with similar activities and operations. Towards this end, the transfer of the MDCH from Malaysia Derivatives Exchange (MDEX) to SCANS was completed in November 2002.

- **Consolidating Information Technology Operations**

To streamline and further enhance efficiency, KLSE completed an internal restructuring exercise resulting in the corporatisation of the information technology activities of the KLSE Group with dedicated resources and management team. These activities are now managed as a separate entity under KLSE Technology Sdn Bhd effective April 2002 to enable greater focus and monitoring.

Towards a further strengthening of IT Operations, the Chief Information Officer's (CIO) office was set up with effect from November 2002. The CIO office's main functions include addressing information strategy and planning requirements of the KLSE Group in line with its business objectives. Core initiatives by the CIO's office include the review, streamlining and development of the information technology strategy, including information technology arrangements with service providers.

- **Enhancing Information Services**

To further develop the capability of the KLSE Group to provide information services, KLSE completed the acquisition of the 45% equity interest in KLSE-Bernama Real Time Information Services Sdn Bhd (KULBER) from Bernama in November 2002. KULBER has now become a wholly owned subsidiary of KLSE and has since been renamed KLSE Information Services Sdn Bhd. This will facilitate the integration and development of the KLSE Group information services business.

- **Transforming Human Resource**

As part of the demutualisation exercise, the KLSE Group will undertake a rationalisation exercise, which includes a review of the existing Human Resource (HR) programmes to align the HR strategy to support the demutualisation objectives. The exercise is expected to be completed by third quarter 2003.

Amongst the tasks being carried out is the design of a more effective and efficient organisational structure for the demutualised exchange, which both supports the business strategies whilst enabling the demutualised exchange to fulfill its regulatory roles and responsibility.

Upon completion of this review, the KLSE Group would be able to determine the manpower requirements and thereafter consider appropriate rationalisation, expansion and redeployment of its workforce.

In line with this HR transformation, training of the KLSE Group staff continues to be implemented to strengthen and broaden staff capabilities towards greater efficiencies in their workplace. During the 18-month period under review, a total of RM2.3 million was spent on training for KLSE Group staff.

II. Enabling Change: Improving Market Infrastructure

In contributing towards a more efficient investment environment, KLSE continued with initiatives to enhance market infrastructure.

- **Circuit Breaker**

The KLSE launched the Circuit Breaker (CB) on 25 March 2002 to establish a broad-based mechanism to automatically address any possible excessive volatility in the market.

The CB is a market wide approach in managing excessive downward movement of the KLSE Composite Index, the widely accepted barometer for the stock market. The CB acts to halt a severe 1-day market decline, for a specified period of time, to enable announcements to be expeditiously disseminated to the public. This will give investors time to assess market conditions in order to make well considered investment decisions, once trading resumes. A trading halt imposed on the equities market will also halt trading on equity linked derivatives in the derivatives market.

KLSE Circuit Breaker Trigger Conditions and Trading Halt Duration

CB Level	KLSE CI	9.00 a.m. - before 11.15 a.m.	11.15 a.m. - 12.30 p.m.	2.30 p.m. - before 3.45 p.m.	3.45 p.m. - 5.00 p.m.
1	KLSE CI falls by an aggregate of 10% or more but less than 15% of the previous market day's closing index.	1 Hour	Rest of the Trading Session	1 Hour	Rest of the Trading Session
2	KLSE CI falls by an aggregate of or to more than 15% but less than 20% of the previous market day's closing index.	1 Hour	Rest of the Trading Session	1 Hour	Rest of the Trading Session
3	KLSE CI falls by an aggregate of or to more than 20% of the previous market day's closing index.	9.00 a.m. - 12.30 p.m.		2.30 p.m. - 5.00 p.m.	
		Rest of the Trading Day		Rest of the Trading Day	

Note: Trading on KLSE is conducted in 2 trading sessions from 9.00 a.m. to 12.30 p.m. (morning session) and from 2.30 p.m. to 5.00 p.m. (afternoon session).

- **Standard Board Lot of 100 Units**

KLSE completed standardising board lot sizes of securities traded on the KLSE at 100 units of securities per lot from the previous multiple board lots of 1000, 200 and 100 units on 26 May 2003.

With the introduction of a standard board lot of 100 units, investors and market participants have benefited in the following manner:

- securities are more affordable to a broader segment of the investing public. For high value securities, the standard board lot has enabled enhanced investor participation in these securities;

Executive Chairman's Statement

- improve market liquidity, hence leading towards more efficient price discovery benefiting investors, issuers and intermediaries alike;
- the smaller board lot has reduced investors' holdings of odd lots. Odd lots are quoted on a separate screen for trading. Due to the varying number of units of securities in a lot, trading in odd lots is highly illiquid. With the standard board lot of 100 units, many of these previous odd lot shares have become more marketable;
- enhance the shareholding spread of securities; and
- eliminate multiple board lots, by standardising trades in single board lot of 100 units.

The standard board lot was implemented in stages to ensure a smooth and orderly transition. Implementation commenced in April 2003 and was successfully completed by May 2003.

III. Enabling Change: Enhancing Regulations

Enhanced regulations and effective enforcement continue to be emphasised to achieve greater investor confidence.

• Enforcement Actions

As part of the strategy to achieve the objective of a well-regulated market, the KLSE has continued to enhance its capability and effectiveness in undertaking enforcement actions against public listed companies for breaches of the Listing Requirements.

For the 18-month period from 1 July 2001 to December 2002, 437 investigation cases were completed, with actions taken on 289 cases for various breaches of the Listing Requirements. This compares with a total of 232 investigation cases completed during the financial year ended 30 June 2001 for which actions were taken on 119 cases.

The KLSE's enforcement and surveillance function has also been expanded to include the enforcement against directors since the effective date of the new Listing Requirements from 1 June 2001 onwards. This, together with the ongoing enforcement actions against public listed companies is intended to further enhance the level of investors' confidence in the Malaysian securities market.

• Taskforce on Corporate Disclosure Best Practices

KLSE established a Taskforce on Corporate Disclosure Best Practices ("the Taskforce") on 16 August 2002 to formulate and issue best practices, to assist public listed companies in complying with their continuous disclosure requirements. The establishment of the Taskforce is aimed at further facilitating the practice of good corporate disclosures in line with KLSE Listing Requirements and relevant securities laws.

The Taskforce comprising industry participants and professionals would be able to examine issues from various perspectives and would be in a position to propose a comprehensive and effective set of best practices.

The issuance of these best practices is part of a strategy to promote a culture of disclosure and enable public listed companies to reap the benefits of a more transparent market, that will in turn promote efficiency and investor confidence.

The Taskforce is expected to issue its best practices in the second half of 2003 and will form a valuable supplement to the KLSE Listing Requirements on continuous disclosure.

• Directors and Transactions

On 28 November 2002, KLSE announced amendments to its Listing Requirements on requirements relating to directors and the required signatory to statutory declarations accompanying the annual audited accounts.

Status of Investigation Cases on Public Listed Companies as at 31 December 2002

	Cases Brought Forward from Financial Year 2001	Cases initiated during the Financial Period from 1 July 2001 to 31 December 2002	Total Cases handled during the 18-month period ending 31 December 2002	Cases completed during the 18-month period ending 31 December 2002	Cases outstanding as at 31 December 2002
1 Failure to comply with the policy on Response to Unusual Market Activity/ Failure to promptly provide information or documents to the Exchange - Sections 99, 338 of MBLR - Clause 1.18 of SBLR - Part F of Chapter 9 of the LR	2	3	5	(5)	-
2 Failure to comply with the share buy back guidelines - Chapter 12 of the LR	4	5	9	(8)	1
3 Failure to comply with requirements on Corporate Disclosure Policy and Immediate Announcements - Sections 22-41, 335-341(excl.338) of the MBLR - Clause 1.18, 3.4,3.11-3.16 of the SBLR - Chapter 9 (except for Part F and Paragraphs 9.22-9.26) of the LR	127	257	384	(240)	144
4 Failure to comply with requirements on Acquisition and Realisations - Part 4 of the MBLR/ Part 5 of the SBLR - Chapter 10 of the LR	82	41	123	(95)	28
5 Failure to comply with Approved Accounting Standards - Section 65 of MBLR - Clause 3.27 of the SBLR - Paragraph 9.26 of the Listing Requirements	1	5	6	(4)	2
6 Failure to comply with the requirements on Financial Conditions and Level of Operations - Paragraph 8.14 (PN4); and - Paragraph 8.16 (PN10) of the LR	-	12	12	(1)	11
7 Failure to comply with General requirements - Chapter 2 of LR	-	5	5	(3)	2
8 Failure to comply with New Issues of Securities - Chapter 6 of LR	-	3	3	(3)	-
9 Failure to comply with Articles of Association - Chapter 7 of LR	-	1	1	(1)	-
10 Failure to comply with Continuing Listing Obligations - Chapter 8 of LR (except for Paragraph 8.14 and 8.16 of the LR)	-	10	10	(9)	1
11 Failure to comply with procedures for dealings in securities and immediate announcement - Chapter 14 of LR	-	28	28	-	28
12 Failure to comply with requirements on Corporate Governance - Chapter 15 of LR	-	4	4	(4)	-
13 Suspension, Withdrawal, De-Listing and Enforcement - Chapter 16 of LR	-	2	2	-	2
14 Failure to release Half Yearly Results - Section 56 of MBLR / Clause 3.20 of SBLR	1	-	1	(1)	-
15 Failure to release Quarterly Reports on time - Section 56A of MBLR / Clause 3.20A of SBLR - Paragraph 9.22(1) of LR	9	15	24	(11)	13
16 Failure to furnish Annual Audited Accounts on time - Section 60(b) of MBLR / Clause 3.22 (b) of SBLR - Paragraph 9.23(b) of LR	21	39	60	(43)	17
17 Failure to furnish Annual Reports on time - Section 60(a) of MBLR / Clause 3.22(a) of SBLR - Paragraph 9.23(a) of LR	2	15	17	(9)	8
Total	249	445	694	(437)	257

LR - Listing Requirements

MBLR - Main Board Listing Requirements

SBLR - Second Board Listing Requirements

Enforcement actions taken against Public Listed Companies for the 18-month period ended 31 December 2002

Type of Cases	Number of cases				
	Cautious & Impress	Private Reprimand	Public Reprimand	Public Reprimand & Fine	Total
1 Failure to comply with the policy on Response to Unusual Market Activity/ Failure to promptly provide information or documents to the Exchange - Sections 99, 338 of MBLR - Clause 1.18 of SBLR - Part F of Chapter 9 of the LR	-	1	-	1	2
2 Failure to comply with the share buy back guidelines - Chapter 12 of the LR	1	4	1	-	6
3 Failure to comply with requirements on Corporate Disclosure Policy and Immediate Announcements - Sections 22-41, 335-341(excl.338) of the MBLR - Clause 1.18, 3.4,3.11-3.16 of the SBLR - Chapter 9 (except for Part F and Paragraphs 9.22-9.26) of the LR	31	51	41	30	153
4 Failure to comply with requirements on Acquisition and Realisations - Part 4 of the MBLR/ Part 5 of the SBLR - Chapter 10 of the LR	4	16	8	51	79
5 Failure to comply with Approved Accounting Standards - Section 65 of MBLR - Clause 3.27 of the SBLR - Paragraph 9.26 of the Listing Requirements	1	-	2	-	3
6 Failure to comply with General requirements - Chapter 2 of LR	1	-	-	-	1
7 Failure to comply with Continuing Listing Obligations - Chapter 8 of LR (except for Paragraph 8.14 and 8.16 of the LR)	-	1	-	-	1
8 Failure to release Quarterly Reports on time - Section 56A of MBLR / Clause 3.20A of SBLR - Paragraph 9.22(1) of LR	-	-	-	5	5
9 Failure to furnish Annual Audited Accounts on time - Section 60(b) of MBLR / Clause 3.22 (b) of SBLR - Paragraph 9.23(b) of LR	-	1	-	32	33
10 Failure to furnish Annual Reports on time - Section 60(a) of MBLR / Clause 3.22(a) of SBLR - Paragraph 9.23(a) of LR	-	-	-	6	6
Total	38	74	52	125	289

LR - Listing Requirements

MBLR - Main Board Listing Requirements

SBLR - Second Board Listing Requirements

KLSE also issued various clarifications on these requirements and certain other provisions of the Listing Requirements via:

- **Practice Note No 13/2002** – Requirements Relating To Directors And Signatory To Statutory Declaration Accompanying Annual Audited Accounts (PN 13/2002); and
- **Practice Note No 14/2002** – Requirements on Transactions and Related Party Transactions (PN 14/2002).

The amendments to the Listing Requirements, PN 13/2002 and PN 14/2002 took effect on 1 January 2003 and form part of the ongoing effort of KLSE to ensure its Listing Requirements are clear and applied with consistency.

- **Quarterly Reports**

On 28 June 2002, KLSE announced the amendments to the KLSE Listing Requirements relating to disclosure of quarterly financial statements by public listed companies (quarterly reports). The amendments were made in conjunction with the implementation of MASB Standard 26 on Interim Financial Reporting (MASB 26). MASB 26 defines the minimum content of an interim financial report and identifies the accounting recognition and measurement principles that should be applied in an interim financial report. It is effective for accounting periods beginning on or after 1 July 2002.

Under the amendments, the prescribed format for both the Consolidated Income Statement and Consolidated Balance Sheet, as previously set out under the KLSE Listing Requirements were removed, whilst the explanatory notes to the accounts were maintained with some modifications and deletions. Listed companies are now required to comply with the MASB 26 and the KLSE Listing Requirements when preparing quarterly reports. The amendments took effect in respect of quarterly reports issued by listed companies for financial quarters ending on or after 30 September 2002. Similar amendments were also made to the Listing Requirements for the MESDAQ Market.

- **Practice Note No 4/2001 – Companies with Unsatisfactory Financial Condition**

Paragraph 8.14 stipulates that the financial condition of the public listed company on a consolidated basis, must in the opinion of the Exchange, warrant continued trading and/or listing on the Official List. This is aimed at preserving at least a minimum quality for companies listed on KLSE. Practice Note 4/2001 (PN4) was issued to operationalise paragraph 8.14 of the Listing Requirements. PN4 is aimed at expediting the corporate restructuring efforts of companies which do not meet the minimum standards of the Exchange in respect of their financial condition. Generally, PN4 Companies are given a period of 12 months to regularise their financial condition. However, PN4 Companies can apply to the Exchange for extension of time and the Exchange will consider the merits of each application including whether all reasonable efforts have been undertaken to comply with the original timeframes. PN4 Companies are also required to make periodic disclosures to the marketplace of the status of their plans to regularise their financial condition to aid informed investment decisions.

On 26 November 2001, KLSE announced an extension of time up to 31 December 2002 for Specified PN4 Companies to obtain all regulatory approvals necessary for the implementation of their regularisation plans ('the Stipulated Deadline'). Specified PN4 Companies are companies that made the announcement that they are a PN4 company prior to 31 December 2001. This extension of time to Specified PN4 Companies was granted to facilitate the restructuring efforts of Specified PN4 Companies.

Since the introduction of PN4 in February 2001 until end June 2003, out of 118 PN4 Companies identified, 28 PN4 Companies have regularised their financial position and 1 has been delisted. As at 30 June 2003, there were 89 PN4 Companies, of which 15 were Non-Specified PN4 Companies (5 Main Board, 10 Second Board) and 74 were Specified PN4 Companies (41 Main Board, 33 Second Board).

Executive Chairman's Statement

To further protect investors and enhance market integrity, KLSE has also implemented various additional measures relating to PN4. These measures include the following:

- Effective 1 March 2002, imposition of trade restriction on PN4 Companies that failed to comply with the original timeframes prescribed under PN4 to regularise their financial condition.
- Effective 4 March 2002, the creation of a new sector called "PN4 Condition" to facilitate easy identification of PN4 Companies. These PN4 Companies are placed under this new sector until they have implemented their regularisation plans and no longer trigger the PN4 criteria.

PN4 Companies as at 30 June 2003

PN4 Companies	Total	Main Board	Second Board
No. of PN4 Companies	89	46	43
No. of companies that have obtained regulatory approvals of their plans but pending implementation	54	30	24
	35	16	19
No. of companies that have submitted their plans to the relevant authorities but pending approvals	13	7	6
No. of companies that have not submitted their plans to the relevant authorities for approvals	22	9	13

Given that the Stipulated Deadline had expired on 31 December 2002, KLSE commenced de-listing procedures on 3 January 2003 against Specified PN4 Companies which had not submitted their applications to the relevant regulatory authorities for approval of plans to regularise their financial condition. To enhance transparency on the processes applicable to affected PN4 Companies, KLSE announced the commencement of the de-listing procedures on 6 January 2003.

PN4 Companies – Commencement of De-listing Procedures as at 30 June 2003

PN4 Companies	Total	Main Board	Second Board
No. of companies that the KLSE has commenced de-listing procedures	20	8	12
No. of companies de-listed	1	1	-
No. of companies pending disposal of appeal against de-listing decision	5	1	4
No. of companies that the KLSE will await the outcome of application to the relevant authorities	7	3	4
No. of companies pending due process on de-listing procedures	7	3	4

Prior to a decision on the affected PN4 Companies, KLSE will accord due process to the affected Specified PN4 Companies, including allowing these companies an opportunity to make representations to KLSE as to why their securities should not be de-listed from the Official List of the KLSE. Upon due consideration of the matter and conclusion of the relevant due processes accorded, the KLSE will make its decision.

KLSE will continue to closely monitor the restructuring efforts by PN4 Companies with the aim to hasten the pace of restructuring of the PN4 Companies. It is encouraging to note that some companies have succeeded in regularising their financial condition whilst other companies have reached advanced stages in their plans to regularise their financial condition. With the completion of the companies' restructuring plans, there will be enhancement in the quality of public companies listed on KLSE, which will ultimately promote greater investor confidence in the marketplace.

The commencement of de-listing procedures against the affected PN4 Companies is necessary in the interest of continuing investor protection and maintenance of market integrity.

IV. Enabling Change: Improving Market Supervision

As regulations for the market are enhanced, supervision of the intermediaries of the securities industry – the stockbroking companies, continued to be expanded.

- **Surveillance and Investigations**

During the period under review, 499 new cases were initiated compared to 299 cases in the previous financial period. The increase indicates the continued commitment of regulators in ensuring a fair and orderly market for securities trading and protection for all investors. The increase correlates with the upward trend in market activities as indicated by the KLSE Composite Index movement.

The total number of cases investigated and completed for the period ended 31 December 2002 was 465, representing 60% of total cases brought forward from the corresponding period and those initiated during the period.

Status of Investigation Cases as at 31 December 2002

CATEGORY	Cases Brought Forward From Financial Year 2001	Cases Initiated During Financial Period 2002	Total Cases	Cases Completed During Financial Period 2002	Cases Outstanding
Buying-in/potential short-selling	42	174	216	191	25
Alleged Defaulter	58	20	78	53	25
Potential Misuse of Clients' Account	14	31	45	28	17
Complaints of Improper Conduct Against Dealer's Representatives	20	59	79	48	31
Complaints of Improper Conduct Against Stockbroking Companies	65	20	85	66	19
Potential False Trading/ Market Rigging/ Market Manipulation/ Insider Trading	77	188	265	74	191
General Complaints	0	7	7	5	2
Total	276	499	775	465	310

Executive Chairman's Statement

Disciplinary Actions on Dealer's Representatives and Stockbroking Companies for period ended 31 December 2002

Disciplinary Action	Dealer's Representatives	Stockbroking Companies
Struck Off	5	-
Fined	5	16
Suspension	1	-
Reprimand	-	-
Total	11	16

• Inspections

During the period under review, the following inspections were conducted:

- 18 annual audits on stockbroking companies to determine their compliance with the Rules of KLSE;
- 24 audits on Authorised Depository Agents (ADA) to determine their compliance with the Rules of Malaysian Central Depository (MCD)
- 4 Readiness Audits on Universal Brokers (UB) to determine their readiness to commence operations as UB; and
- 60 Readiness Audits to determine the readiness of stockbroking company branches and Electronic Access Facilities with Permitted Activities, to commence operations.

V. Enabling Change: Strengthening Stockbroking Companies

In moving forward, with the expanded role of stockbroking companies, measures continue to be implemented to enable the Malaysian stockbroking industry to meet the challenges of greater competition.

• Industry Consolidation

The objectives of the consolidation initiatives are to strengthen the industry by establishing a group of well-capitalised domestic stockbroking companies, which can provide efficient and cost-effective intermediation services for investors. It is envisaged that these stockbroking companies should also be robust and resilient in managing risks inherent in the stockbroking business. More importantly, the consolidation of stockbroking companies is to prepare the industry to face the challenges of liberalisation and globalisation.

From July 2001 to December 2002, 3 more stockbroking companies were approved by the SC as Universal Brokers, bringing to 6 the total number of Universal Brokers approved.

In general, mergers of the stockbroking companies pursuant to the consolidation programme have progressed in the financial period under review. As at 31 December 2002, 40 stockbroking companies are in operation, of which 14 have branch offices, converted from 25 former stockbroking companies which have returned their licences to the SC. In aggregate, there are 52 branch offices throughout the country, inclusive of those converted.

- **Status on Consolidation of Stockbroking Companies**

During the period under review from 1 July 2001 to 31 December 2002, the change in aggregate reserves and shareholders funds of all stockbroking companies, is as follows:-

Consolidated for all stockbroking companies	1 July 2001	31 December 2002	Increase/ (Decrease) during the period
No. of Stockbroking Companies (SBCs) in Operation	55 (of which 3 SBCs are Universal Brokers)	40 (of which 6 SBCs are Universal Brokers)	(15)
Paid-up Capital *	RM 7.458 billion	RM 6.566 billion	RM (0.892) billion
Reserves	RM 0.929 billion	RM 1.136 billion	RM 0.207 billion
Shareholders' Funds	RM 8.387 billion	RM 7.702 billion	RM (0.685) billion

* During the aforesaid period, there was a net reduction of RM0.892 billion in the paid-up capital arising from various consolidation exercises (acquisition and mergers) within the stockbroking industry.

- **Growth Indicators of Stockbroking Companies**

	As at 1 July 2001	As at 31 December 2002
No. of Stockbroking Companies (SBCs) in Operation	55 (of which 3 SBCs are Universal Brokers *)	40 (of which 6 SBCs are Universal Brokers *)
No. of Branches of Stockbroking Companies in Operation	10	52
No. of Conventional Electronic Access Facilities (EAF) **	-	2
No. of Electronic Access Facilities with Permitted Activities (EAF-PA) ***	-	34

* A **Universal Broker** is a stockbroking company, which is permitted to offer additional range of products and services within the capital market including corporate finance and private debt securities. To qualify as a Universal Broker, a stockbroking company must meet various quantitative and qualitative criteria besides acquiring and merging with 3 or more stockbroking companies. The emergence of universal brokers is part of the industry strengthening process to be more competitive.

** An **EAF** is a physical site, location or premises of a stockbroking company equipped with electronic devices that facilitate investors to obtain investment advice and route orders in respect of shares transactions via the stockbroking company's front-end trading system.

*** An **EAF-PA** provides the same facilities as that of an EAF. However, an EAF-PA is also permitted to station Dealer's Representatives at the site and is allowed to handle certain CDS and back-office operations.

- **Implementation of Minimum Commission Rates for Stockbrokers**

To further strengthen the capability of stockbroking companies to weather the challenges of on-going uncertainty and unfavourable market conditions, the framework for minimum commission rates for stockbrokers has been formulated. The minimum commission rate with effect from June 2003 is as follows:

Category of Trade	Minimum rate per contract
Inter-broker	Fully negotiable
Institutional	Fully negotiable
Retail trades valued above RM100,000	0.30%
Retail trades valued up to RM100,000	0.60%
Online routed transactions	Up to 30% discount

Executive Chairman's Statement

- **Flexibility Granted to Universal Brokers and Non-Universal Brokers**

To encourage further growth and expansion for stockbroking companies, flexibilities were granted to Universal Brokers and Non-Universal Brokers, which include:

- futures broking business by a Universal Broker's licensed futures broking subsidiary or related company being permitted at the Universal Broker's branch offices subject to conditions prescribed by SC;
- fund management services by a Universal Broker's licensed fund management services subsidiary or related company being permitted at the Universal Broker's branch offices subject to conditions prescribed by SC; and
- dealings in debt securities by Universal Broker and Non-Universal Broker. In the case of Non-Universal Brokers, such dealings are limited to the secondary market (with the exception of sub-underwriting activities and acting as placement agent) of unquoted debt securities subject to certain conditions prescribed by SC, whilst for Universal Brokers, there are no such limitations imposed.

- **Electronic Client Ordering System**

In enhancing competitiveness, more stockbroking companies began to make use of Internet infrastructure in providing Electronic Client Ordering System (ECOS) facilities to their clients. Stockbroking companies' ECOS clients are given the option to access ECOS facilities via any personal computer with Internet access devices (located anywhere in the world) or to continue to use the dedicated remote terminal installed within the ECOS Intranet. As at 31 December 2002, the Exchange has granted approval to 30 stockbroking companies to implement ECOS.

- **Electronic Access Facilities by Universal Brokers**

The guidelines for Universal Brokers to set up electronic access facilities were introduced by SC in August 2001. Electronic Access Facility (EAF) is a generic term which refers to a range of physical sites, locations or premises which contain facilities enabling clients to initiate orders or obtain market or investment advisory information electronically. The introduction of the guidelines is in line with SC's efforts to create a framework for the orderly and effective implementation of electronic commerce in the capital market.

The SC has on 16 May 2002 issued Practice Note 1- Guidelines on the Establishment of Electronic Access Facilities by Universal Broker to complement the aforesaid guidelines on EAFs. In essence, Universal Brokers are permitted to offer a wider range of services at their EAFs (EAF with Permitted Activities). As at 31 December 2002, 34 EAFs have been approved.

The additional activities permitted to be undertaken by Universal Brokers at their EAF and EAF with Permitted Activities include :

- placement of licensed dealer's representatives, futures broker's representatives and dual licence holders;
- opening and closing of trading accounts and/or securities accounts;
- receipt and payment of clients monies;
- marketing and selling of approved financial products and services provided by Universal Brokers; and
- placement and utilisation of broker-front-end and Central Depository System (CDS) terminals and/or servers at the electronic access facility.

VI. Enabling Change: Expanding International Relations

To continue strengthening international co-operation and linkages, various efforts were undertaken to ensure timely, accurate and comprehensive communication of information on the economic and investment environment in Malaysia.

- **International Roadshows**

Roadshows were conducted to major international financial centres which included New York, San Francisco, Boston, London, Edinburgh, Tokyo, Hong Kong and Singapore. The roadshows provided the opportunity to update the foreign investment community including investment banks, fund managers, analysts and investment banks/foreign broking houses on recent developments in the securities industry and the Malaysian economy. Additionally, the discussions held helped to clarify certain misconceptions and offered the opportunity to obtain feedback on the initiatives undertaken by relevant Malaysian agencies.

With the participation of senior officials from Bank Negara Malaysia and Securities Commission, the roadshows were well received by foreign institutional investors and fund managers. The roadshows have managed to attract over 150 international fund managers and major institutional investors, via one-on-one meetings and seminars.

- **Participation in International Publications**

To create awareness of and to maintain KLSE's presence in the international investment community, a media plan involving a series of advertisements in the regional media was initiated. Regular contributions of advertorials and articles were also published in international magazines and publications to update on latest developments and provide facts, background and activities of the Malaysian market and industry. These publications include leading guides and reviews on the international capital markets.

KLSE also co-published a book with Euromoney Books entitled "Malaysia: Asian Pioneer" in June 2002. The publication offers an independent writer's view of Malaysia's unique experience in social and economic nation-building, which includes Malaysia's experience in managing through the recent financial crisis. It also details, among others, the present state of the economy, financial structure, and an account on the development of financial and capital markets.

The "Malaysia: Asian Pioneer" book was launched by Dato' Mustapa Mohamed, Executive Director, National Economic Action Council (NEAC) on 30 July 2002. Copies of the book have been widely distributed to various international investment banks, fund managers, selected foreign institutional investors, Malaysian missions overseas and foreign missions in Malaysia to further familiarise them with the economic and investment environment in Malaysia.

- **International Participation**

The KLSE Group also participated actively in various meetings and events organised by international organisations of which it is a member.

This included events organised by World Federation of Exchanges (WFE), East Asian and Oceanian Stock Exchanges Federation (EAOSEF), Asian Securities Analysts Federation (ASAF), Commonwealth Association for Corporate Governance (CACG) and International Organisation of Securities Commissions (IOSCO). KLSE had the honour of being represented on the Board of several of these international bodies i.e. as Board Member of the WFE, Deputy Chairman of ASAF and President of CACG. Participation at these meetings and events enabled the Group to keep abreast of rapid developments taking place in the securities market worldwide, and to share views and experiences with other members of the various organisations and to inform members of developments within the Malaysian capital market.

Executive Chairman's Statement

Further expanding its international participation, KLSE hosted the following events in Kuala Lumpur during the period under review:

- 4th EAOSEF Working Committee Meeting held from 11 to 12 November 2001. 20 participants from 13 exchanges representing 12 countries participated in the event.
- WFE Forum on Managing Exchanges in Emerging Economies from 15 – 18 December 2002. A total of 140 participants, both local and foreign, attended this 2½-day event. The Forum brought together the international exchange community, regulators, multilateral organisations and academics, discussing a wide spectrum of topics and issues of relevant interest to the exchanges and securities industry.

To foster closer working relationships with other stock exchanges, KLSE signed Memorandums of Understanding (MoU) with Cairo and Alexandria Stock Exchanges (CASE) on 20 November 2001, Hong Kong Exchanges & Clearing Ltd (HKEx) on 4 December 2001 and Muscat Securities Market (MSM) on 19 December 2002. Currently, KLSE has signed a total of 12 MoUs with other exchanges.

VII. Enabling Change: Promoting Investor Awareness

To ensure industry and market participants continue to benefit from the measures undertaken by the KLSE Group, investor education initiatives continued to be actively implemented.

- **The Smart Investor Roadshow and KLSE Investors' Week 2002**

A comprehensive investor education programme was conducted beginning with a series of regional Smart Investor Roadshows in March 2002 leading up to the KLSE Investors' Week 2002 in September 2002.

The KLSE Smart Investor Roadshow 2002 offered programmes on informed investing with the objective of reaching the various groups of new and experienced investors and those interested in both conventional and Syariah based investments.

KLSE Investors' Week 2002 received the largest number of participants to date with over 19,000 registered visitors including visitors from Singapore, China, Taiwan, Japan, India, Australia, United States and Canada. The programme for the week was expanded to cover all aspects of investments from equities, derivatives to Syariah investments, financial planning, briefings by public listed companies and an exhibition of over 70 booths featuring the profile, products and services of public listed companies and industry regulators.

- **KLSE Public Information Centre and Balai Maklumat BSKL**

The Public Information Centre reinforced its objective of supporting the information needs of the capital market and securities industry by continuing to provide a comprehensive range of information resources in Kuala Lumpur as well as through the network of Balai Maklumat BSKL in Johor Bahru, Kuantan, Penang and Kuching.

To promote the use of information resources for investment, investor education programmes were regularly conducted at the regional Balai Maklumat BSKL and in the outlying areas with over 12,000 participants attending 98 investor education programmes conducted. Balai Maklumat BSKL also participated in investor education programmes organised by other organisations including Permodalan Nasional Berhad, Persatuan Remisier Bumiputera and Federation of Malaysian Unit Trust Managers.

- **RIIAM's Educational Efforts**

As the training arm of KLSE, RIIAM is committed to ensuring that its programmes continue to follow the direction set by the Capital Market Masterplan by conducting courses, workshops and seminars for market participants and professionals in the securities industry. During the period under review, RIIAM organised over 220 training sessions/programmes for more than 7,700 participants from a wide spectrum of industry and market participants including market intermediaries and directors of public listed companies. Over 3,800 directors from public listed companies attended the Mandatory Accreditation Programme (MAP) for Directors held nationwide during the period under review. RIIAM also continued to offer the Diploma in Investment Analysis programme, in association with the Royal Melbourne Institute of Technology, which has over 900 graduates to date since the introduction of the diploma programme in 1994.

VIII. Enabling Change: Continuing Industry Support

Reporting in this year of enabling change, it is without doubt that these efforts will continue to be successfully implemented with the on-going co-operation and support of the government, industry and market participants.

Taking a pro-active approach in managing on-going and future challenges, the government has announced a package of measures, positive for the capital market and securities industry. These measures address the following key areas:

- **Enhancing Investor Participation** with stamp duty for all securities traded on KLSE to be capped at RM200 per contract with effect from March 2003 and the standardisation of board lots to 100 units per lot which was completed in May 2003.
- **Enhancing Market Liquidity** with more flexible guidelines on the listing of large companies, the reduction in moratorium on initial public offers and reverse takeovers, and the synergistic mergers of government linked companies in similar industries. These new guidelines include the exemption of the 3 to 5 years profit track record requirement for the listing of large companies with market capitalisation of RM250 million and after tax profit of RM8 million for the latest financial year. The guidelines also provide for a reduction of moratorium to 1 year on promoters' shareholdings for all new Initial Public Offers and Reverse Takeovers to ensure greater availability of shares and increased liquidity in the market and the merger of government linked companies to encourage the presence of well capitalised companies on KLSE.
- **Enhancing Efficiency of the Capital Raising Process for Issuers** by reducing the processing time for Initial Public Offers to 3 months for submissions received from 1 May 2003 and with SC to process the aspect of a proposal which requires both SC and the Foreign Investment Committee approvals.
- **Enhancing Value of Government Linked Companies** by measuring and rewarding performance based on key performance indicators to enhance contribution and attract greater calibre management and talent into government linked companies.
- **Strengthening Intermediation Capability** with SC initiating a Capital Market Graduate Training Scheme offering classroom and practical training with participating capital market organisations and KLSE contributing RM5 million to enhance the skills and knowledge of Bumiputera remisiers and paid dealers representatives to strengthen their

Executive Chairman's Statement

role in the capital market. Additionally, with the establishment of minimum commission rates for retail trades, the role of intermediaries is expected to be enhanced to further promote the Malaysian market.

Consequent to addressing the immediate concerns of the capital market, the government announced a new package of strategies containing comprehensive measures to stimulate overall economic growth for the nation. The package focused on 4 key strategies:-

- Encouraging private investments
- Strengthening the country's competitiveness
- Generating new sources of growth, and
- Increasing the effectiveness of the delivery system of the government and private sector

In encouraging private investments and strengthening the country's competitiveness, target specific measures were formulated as part of the package to promote acquisition and equity participation by international and domestic investors. In this regard, KLSE Group will continue to enhance its role in the industry in contributing to the successful implementation of these strategies.

Moving forward, with continuing support and commitment of all parties working together with KLSE, the Malaysian capital market and securities industry will be in a stronger position to manage present and future challenges.

In expanding its contribution not only to the industry but also to the community, KLSE through its community foundation arm Yayasan Bursa Saham Kuala Lumpur (Yayasan BSKL) continues to provide assistance, support and financial aid for community and educational activities, projects and programmes with the objective of improving the standard of living, skills and professionalism of Malaysians. Yayasan BSKL has worked with over 500 community organisations from every state in Malaysia and contributed over RM6 million to deserving organisations and individuals since its inception in 1998. During the period under review, Yayasan BSKL expanded its contribution in education development through the Yayasan BSKL Book Prizes in recognition of academic excellence amongst graduates from local universities. In addition, Yayasan BSKL continued to support educational programmes through the Convertible Interest-Free Study Loan Scheme as well as the tutoring programmes for children of community homes.

On behalf of the KLSE Committee and Group Management, our sincere appreciation to the Right Honourable Prime Minister and Finance Minister – for continuously providing guidance and raising the standard of achievement to ensure change and progress for the capital market and securities industry. Our appreciation for the teamwork and support of the Ministry of Finance, Bank Negara Malaysia, the Securities Commission, the Companies Commission of Malaysia and related regulatory authorities.

Within the KLSE Group, our appreciation to the continued invaluable contribution of members of the KLSE Committee and the various sub-committees of the Exchange and KLSE Group.

To the Board of Directors of:

- Malaysia Derivatives Exchange Bhd (MDEX)
- Labuan International Financial Exchange (LFX)
- Securities Clearing Automated Network Services Sdn Bhd (SCANS)
- Malaysian Derivatives Clearing House Bhd (MDCH)
- Malaysian Central Depository Sdn Bhd (MCD)
- KLSE Technology Sdn Bhd (KLSE TECH)
- KLSE Information Services Sdn Bhd (KLSE IS)
- Malaysian Share Registration Services Sdn Bhd (MSRS)
- KLSE Property Management Sdn Bhd (KPM)

and the Board of Governors of:

- Research Institute of Investment Analysts Malaysia (RIIAM)
- Yayasan BSKL

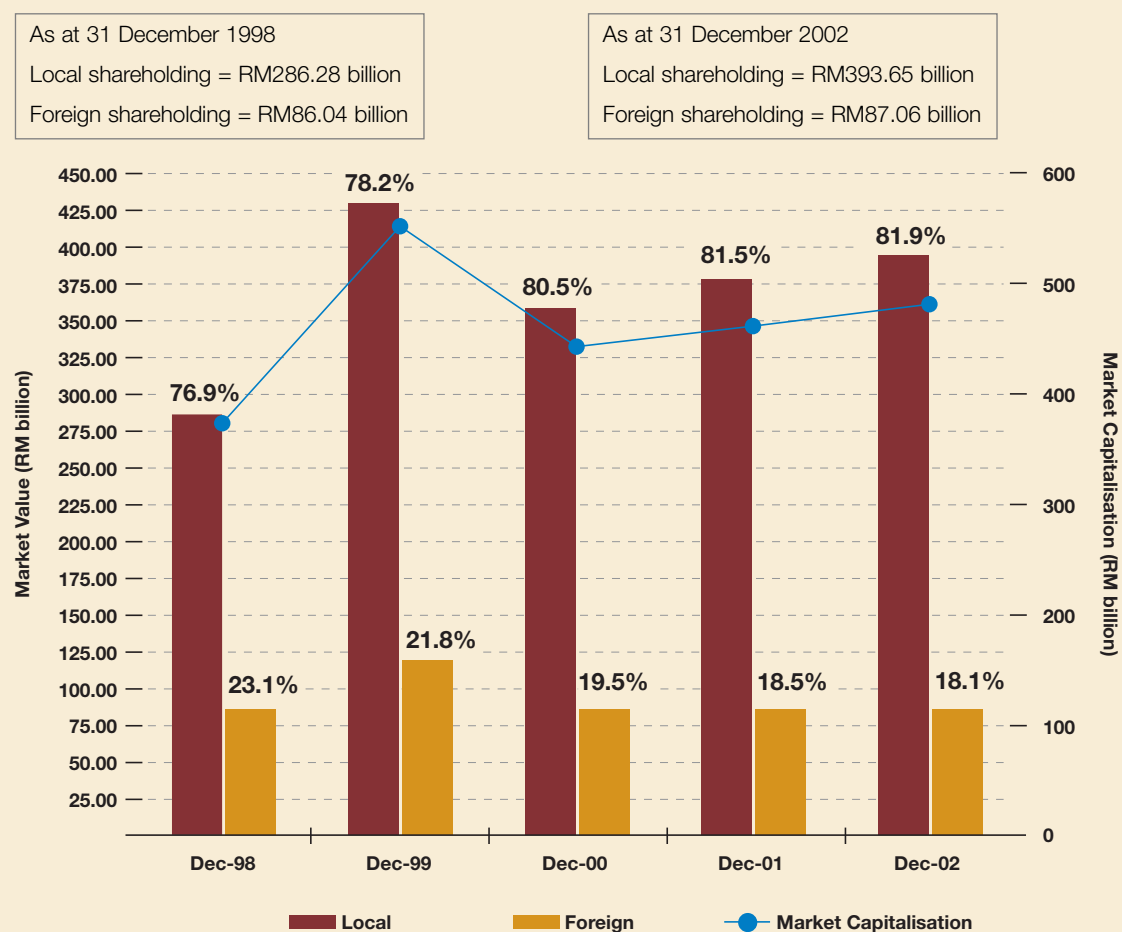
Thank you for your commitment to change and improvement.

Finally, but certainly not least, to the agents of change – the KLSE Group staff for their passion and dedication in transforming the KLSE Group towards continued growth and progress.

DATO' MOHAMMED AZLAN HASHIM
Executive Chairman

Shareholding and trading on KLSE

LOCAL AND FOREIGN SHAREHOLDINGS VS. MARKET CAPITALISATION

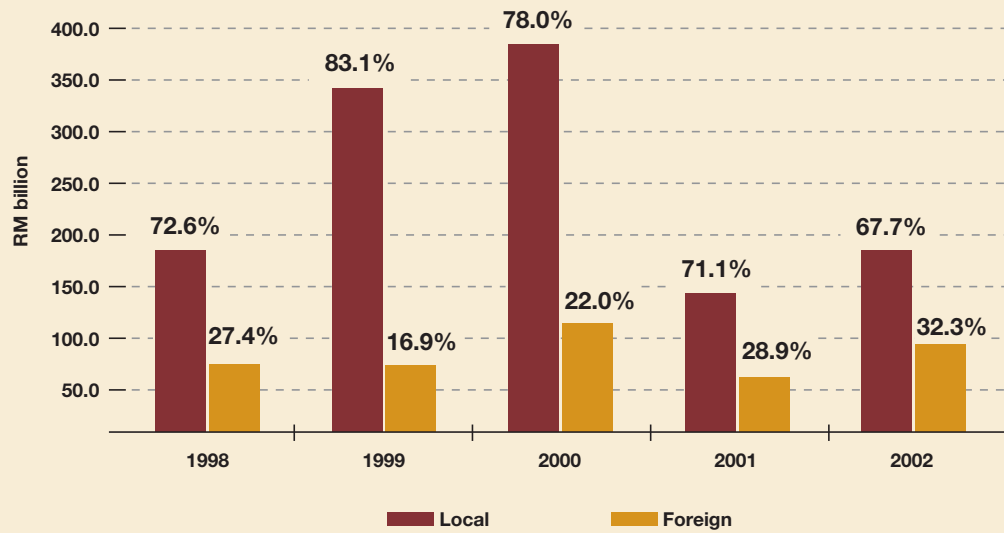


Source: Figures are based on CDS information

Foreign shareholding on the KLSE remains significant. In percentage terms based on market value, the shareholding of foreign investors stood at 18.1% as at December 2002, compared to 23.1% as at December 1998. While this represented a decrease of 5%, in absolute terms, the market value of foreign shareholding has remained relatively unchanged, from RM86.04 billion as at December 1998 to RM87.06 billion as at December 2002.

The total market value of securities immobilised in the Central Depository System (CDS) increased from RM372.3 billion as at December 1998 to RM480.71 billion in December 2002, or a 29.1% increase. This was attributable to the number of new listings (130 in all) and the general market appreciation since the crisis in 1998. [KLSE Composite Index (KLSE CI) end-December 1998: 586.13 versus KLSE CI end-December 2002: 646.32]

TRADING PATTERN BY LOCAL AND FOREIGN INVESTORS



Source: Figures are based on submissions by stockbroking companies

Local investors continued to be significant on the KLSE. For 2002, local investors comprised 67.7% based on total trading value of RM261.4 billion, compared to 71.1% in 2001 and 78% in 2000.

Trading activity of foreign investors has also been at significant levels. Based on submissions by stockbroking companies, foreign investors accounted for 32.3% of total trading activity in the KLSE in 2002. This compared to 16.9% in 1999, 22.0% in 2000 and 28.9% in 2001.

Though trading volume has been affected, especially in the last 2 years, the presence of significant trading activity attributable to foreign investors on KLSE demonstrated that foreign investors have continued to be major participants in the market.



Putra Perdana Park

Located at the highest point in Precinct 1 of Putrajaya, the *Putra Perdana Park* is spread over 70 hectares of land at a mid-way point between the forest areas in the north of the new administrative capital and the commercial areas in the south.

Exotically landscaped with lush flora and fountains, as well as scenic pedestrian walkways, gazebos and pergolas, the *Putra Perdana Park* not only offers visitors charming surroundings, but also a panoramic view of Putrajaya from its vantage point.

Putra Perdana Park's diverse landscape, which offers something different for each visitor, is mirrored in the diversity found in the KLSE's sectors, financial instruments and public listed companies that now come under the umbrella of a single Malaysian exchange. While the new structure of the KLSE will offer heightened efficiency and greater cost effectiveness, established core strengths such as diversity will continue to be a factor in the Exchange's contribution towards the continuous development of nation and economy.

KLSE Market Report

18 months ending 31 December 2002

MARKET PERFORMANCE DURING PERIOD UNDER REVIEW

KLSE PERSISTED NOTWITHSTANDING GLOBAL UNCERTAINTY

Over the 18-month period from July 2001 to December 2002, markets and economies worldwide were subjected to negative sentiments arising from unprecedented external factors. This placed further pressure on investor confidence which was already weakened by the economic status of the world's largest economy – the U.S. Nevertheless, the Malaysian market managed to close 2002 on a positive footing, with a 53.33 point gain in the CI, at 646.32, compared to 592.99 at the close of June 2001.

Volume transacted during the 18-month period totalled 102 billion units valued at RM193 billion (average daily volume was 274 million units valued at RM521 million). In comparison, total volume for the previous 18 months between January 2000 to end-June 2001 was 91 billion units valued at RM279 billion (average daily volume was 251 million units valued at RM766 million). For the financial year ended June 2001, average daily volume was 140 million units valued at RM364 million. Market valuation as at end-2002 was RM482 billion in contrast to RM403 billion at end June 2001, and RM465 billion at end December 2001.

KLSE Indices

31 Dec 2002 vs 29 Jun 2001 ¹				
Index	31 Dec 2002	29 Jun 2001	Points Change	% Change
EMAS	157.25	142.29	14.96	10.51
COMPOSITE	646.32	592.99	53.33	8.99
INDUSTRIAL	1,349.37	1,151.73	197.64	17.16
CONSUMER PRODUCTS	167.94	146.39	21.55	14.72
INDUSTRIAL PRODUCTS	65.64	59.31	6.33	10.67
CONSTRUCTION	150.84	138.37	12.47	9.01
TRADING / SERVICES	97.47	87.01	10.46	12.02
FINANCE	4,857.54	4,334.71	522.83	12.06
PROPERTY	540.91	593.18	-52.27	-8.81
PLANTATIONS	1,852.70	1,417.77	434.93	30.68
MINING	193.75	185.24	8.51	4.59
SYARIAH	99.73	93.71	6.02	6.42
SECOND BOARD	98.24	106.93	-8.69	-8.13
TECHNOLOGY	45.04	45.23	-0.19	-0.42
MESDAQ MARKET	83.25	67.23	16.02	23.83

¹ Market was closed for Saturday, 30 June 2001.

BETTER SECOND HALF IN 2001

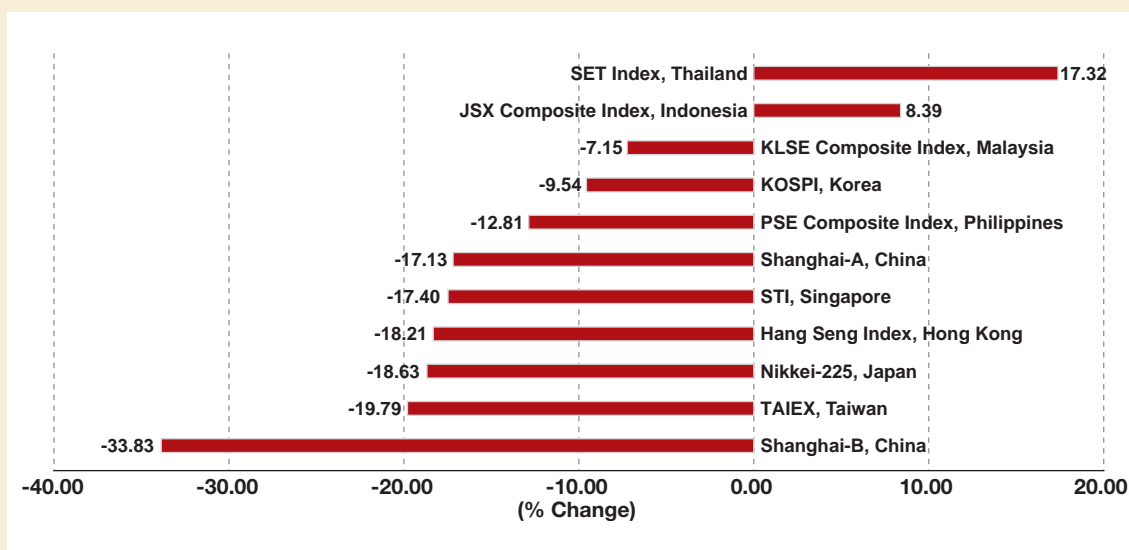
The equity market performed creditably in the second half of 2001. After a lacklustre first half year, it rose strongly in the third quarter on the back of an improved Malaysian economy and a more positive outlook in the U.S. The uptrend was, however, adversely affected by the 11 September 2001 terrorist attacks in New York and Washington D.C. The market had been closed on 12 September to allow investors time to evaluate the implication of the attack. The KLSE CI fell 81.54 points or 11.81% in the next three trading days, from 690.54 to 609.00. The attacks caused a sharp global pull back with some markets losing as much as 20%. The market recovered in mid-November and by the end of 2001 had risen to 696.09, a gain of 103.10 points or 17.39% compared to its close of 592.99 at end-June 2001. Market capitalisation as at end-December 2001 was RM465 billion compared to RM403 billion at end-June 2001. Total volume and value during the second half of year were 39 billion units valued at RM61 billion compared to 16 billion units valued at RM35 billion in the first half of year.



MARKET REMAINED RESILIENT IN 2002

Year 2002 was fraught with uncertainty over global economic growth, exacerbated by rising tensions in the Middle East. The Malaysian stock market, however, managed to remain relatively stable during the year compared to regional markets which saw more volatile movements. The market's upward momentum which began in the last 2 months of 2001 extended into the first 4 months of 2002, with the KLSE CI touching a 20-month high of 808.07 on 23 April. The better market sentiment in the first half of 2002 was largely attributed to an optimistic outlook for the Malaysian economy, positive corporate developments, corporate earnings recovery coupled with the upward re-rating of Malaysia by international rating agencies. The market's rise was tempered by increasing concerns over the uncertain direction of the U.S. markets and its economy and by escalating tensions in the Middle East. Consequently, the KLSE CI closed at 646.32 on 31 December 2002, posting a loss of 49.77 points or 7.15% compared to 696.09 on 31 December 2001. Most markets in the region, however, posted double digit losses.

Performance of Regional Stock Markets End December 2001 - End December 2002



KLSE Market Report 18 months ending 31 December 2002

LAUNCH OF MESDAQ MARKET AT KLSE

Not only did 2002 see an improved market performance, it also marked a significant event - the merger of MESDAQ with the KLSE which resulted in the launching of the MESDAQ Market at KLSE on 18 March 2002. This has provided an opportunity for high-growth and technology companies to trade on the same platform as other companies listed on the KLSE and therefore making MESDAQ shares more accessible to investors and enhancing liquidity for MESDAQ Market companies' securities. The migration marked the final step taken by the authorities and regulators to consolidate the market institutions and enhance the competitiveness and attractiveness of the Malaysian capital market. The formation of a single exchange is among the key recommendations in the Capital Market Masterplan.

Market capitalisation at RM482 billion at end-December 2002 was RM17 billion or 3.66% higher than the RM465 billion recorded at the end of 2001. Total volume traded from 2 January 2002 to 31 December 2002 was 63 billion units valued at RM132 billion compared to 55 billion units and RM96 billion respectively in 2001. Average daily volume for 2002 was higher at 253 million units (+28 million units/+12.4%) compared to 225 million units in 2001, while average daily value showed a marked increase to RM532 million (+RM138 million/+35.0%) from RM394 million. (Note: MESDAQ Market volume and value was included only from 18 March 2002).

MONTHLY MARKET REVIEW

MARKET MOVING HIGHER BEFORE 11 SEPTEMBER 2001

Overall, investor sentiment improved in July 2001, supported by positive news and progress in corporate developments. These included an upward re-rating of Malaysia by some foreign research houses, surging crude palm oil prices and news of the Government's role in UEM's debt restructuring. The KLSE CI closed the month at 659.40, a gain of 66.41 points or 11.20% compared to the previous month's close of 592.99. The KLSE EMAS Index, the broadest indicator on the stock market, outperformed the KLSE CI by rising 11.80% in the same period, while the Second Board index gained 13.45%. The increase in trading activity saw the average daily volume more than double to 326 million units valued at RM538 million. Likewise, market capitalisation rose to RM451 billion.

The uptrend extended into August, underpinned by further improvement in economic data, which showed that Malaysia's second quarter GDP grew by 0.5% year-on-year. The KLSE CI ended the month at 687.16, recording a gain of 27.76 points or 4.21% from its end-July level. Average daily volume rose to 332 million units worth RM488 million and market capitalisation increased to RM466 billion.

The bullishness continued into September and the KLSE CI breached the 700-point psychological resistance level intra-day on 7 September at 701.23, before settling at 690.54 on 11 September. On 11 September 2001 (U.S.), the terrorist attacks took place in New York and Washington D.C. The market was closed for trading on 12 September to enable investors to assess the implications. When it re-opened for trading on 13 September, the KLSE CI lost 26.02 points or 3.77% and over the next 2 days, fell a further 55.52 points or 8.35% to close at 609.00 on 17 September. Uncertainty over developments between the U.S. and Afghanistan as well as fears of a global economic recession dominated sentiment thereafter. As mitigating measures, Bank Negara reduced the intervention rate by 50 basis points while the government announced an additional fiscal stimulus of RM4.6 billion. The KLSE CI closed at 615.34 in September, 71.82 points or 10.45% lower than its end-August level. Average daily volume fell to 313 million units valued at RM546 million and market capitalisation shrank to RM411 billion.

In October the KLSE CI was range-bound between 599-621 with market sentiment influenced by the U.S. air strikes in Afghanistan, initiated on 7 October. The KLSE CI closed the month at 600.07, 15.27 points or 2.48% lower than the previous month's close. Market capitalisation stood at RM405 billion, and average daily volume decreased further to 179 million units worth RM281 million.

Sentiment improved significantly in mid-November on prospects of a quicker-than-expected end to the U.S.-led war in Afghanistan. Buying sentiment was also spurred by speculative play on lower liners and companies slated for restructuring. The KLSE CI closed at 638.02, gaining 37.95 points or 6.32% over the month. Average daily volume more than doubled to 410 million units valued at RM493 million, while market capitalisation rose to RM436 billion.

Trading in December was further supported by trading activities ahead of year-end book closure. Lower liners and Second Board stocks dominated speculative buying interest. The Second Board index rose to 145.74 on 10 December, its second highest point for the year. The KLSE CI ended the year at 696.09, higher by 58.07 points or 9.10% compared to end-November 2001. Market capitalisation increased further to RM465 billion. Average daily volume fell to 362 million units valued at RM710 million.



SC Chairman and KLSE Executive Chairman launching the MESDAQ Market. The MESDAQ Market at KLSE, launched on 18 March 2002, is committed to expanding efforts in promoting among others technology intensive industries.

STRONG MARKET PERFORMANCE IN FIRST 4 MONTHS OF 2002

In January 2002, the KLSE CI ended the first trading day at 682.83 (-13.26 points/-1.90%). Subsequently, sentiment improved, influenced by an optimistic outlook for the Malaysian economy coupled with positive corporate developments and the possibility of an upward re-rating on Malaysia by international rating agencies. International rating agencies and international investors viewed positively the renewed commitment of the government to implement difficult corporate restructuring in their efforts to add value to the performance of the corporate sector. However, the weakness in the Japanese yen and the uncertain direction of the U.S. markets and economy capped market upside. Nevertheless, the last few days of the month saw the KLSE CI recovering to close at the month's high of 718.82 on 31 January 2002, gaining 22.73 points or 3.27% compared to the close of 696.09 on 31 December 2001.

Average daily volume in January rose marginally to 363 million units valued at RM664 million (+1 million units/+0.3%). Market capitalisation at the end of January was RM486 billion (+RM21 billion/+4.5%) compared to RM465 billion as at end-December 2001.

The upward momentum spilled over into February with the KLSE CI reaching the month's high of 729.73 on 19 February. Thereafter, it trended downwards on profit-taking activities and closed the month at 708.91 (-9.91 points/-1.38%). Sentiment was affected by improper accounting practices in the U.S. and subsequently news of the California Public Employees Retirement System's (Calpers) decision to pull out of Malaysia. However, the negative impact from Calpers' decision was short-term as fund managers view Calpers' investment, which they estimated at about US\$15 million in Malaysia, as negligible compared to KLSE's market capitalisation of more than RM450 billion. The contrarian view to Calpers, improving economy and the progress on corporate restructuring bode well for

KLSE Market Report 18 months ending 31 December 2002

Stock Name	Price	Change
CEL.COM	0.710	0.220
EDEN-WA	2.68	0.220
AMMB	0.735	2.68
MAYBANK	3.40	0.220
RENONG	8.20	0.220
KRISOFT	0.000	0.220
NALURI-WA	0.620	0.000
INTRIA	0.350	0.605
EDEN	0.000	0.320
NALURI	1.63	0.000
TIME	1.26	1.53
SYMPHY	0.925	1.22
L&G	0.905	0.885
PBBANK-01	0.295	0.900
BAT	2.51	0.275
GENTING	38.25	2.50
GPHAROS	13.80	38.25
TANAMAS	0.330	13.30
	1.37	0.275
		1.35

Malaysia. Although average daily volume fell by 14.4% to 311 million units, average daily value gained 3.3% to RM686 million from January. Market capitalisation at RM479 billion was lower by RM7 billion or 1.4%.

March saw the KLSE CI hitting a 15-month high when it closed at 761.01 on the 11th. Sentiment was underpinned by better-than-expected corporate results, a brighter economic outlook, and the ratings upgrade by Standard & Poor's for Malaysia's long-term outlook. The latter was viewed as a prelude to the country moving up one notch in its foreign and local sovereign credit ratings. Although there were increasing signs of a U.S. economic recovery, the positive news was dampened by concerns over the pace of the recovery in the global computer-related products industry. The KLSE CI consolidated and maintained at around the 750 level for the rest of the month, closing at 756.10 (+47.19 points/+6.66%).

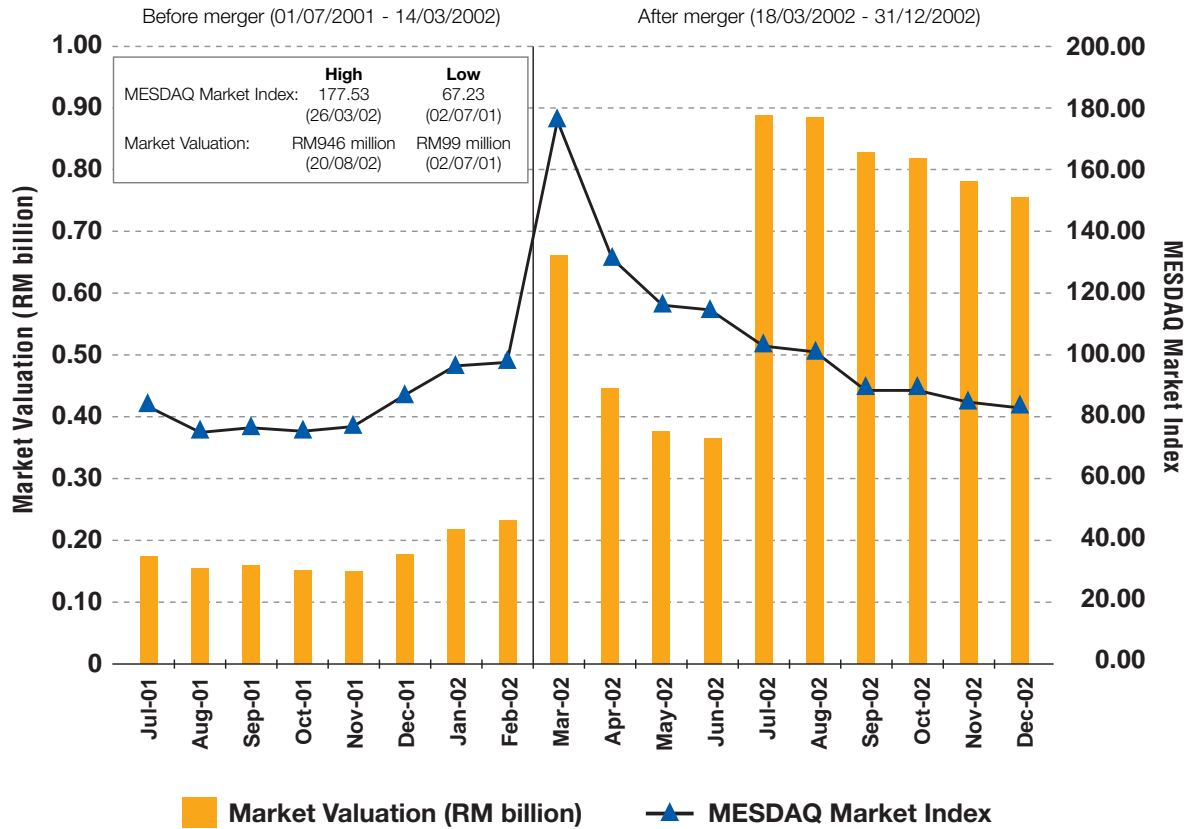
Average daily volume for the month improved by 3.7% to 322 million units, while average daily value rose by 12.6% to RM772 million. Market capitalisation on 29 March 2002 increased to RM518 billion (+RM38 billion/+7.9%).

On 18 March, MESDAQ operations migrated to KLSE. The existing 5 MESDAQ companies were transferred and listed under the newly created MESDAQ Market of the KLSE, bringing the total number of companies listed on the KLSE to 826. From the outset, trading activity of the MESDAQ Market companies improved after the merger. Average daily volume transacted by the MESDAQ Market companies for the remaining 10 trading days in March was 2.9 million units with an average daily value of RM3.7 million. This was a significant increase from the average daily volume of 72,350 units (valued at RM76,182) recorded in the first 10 trading days in March. Market capitalisation of the MESDAQ Market companies at the close of the month was RM400.4 million compared to RM262.7 million recorded on the last day before the migration.

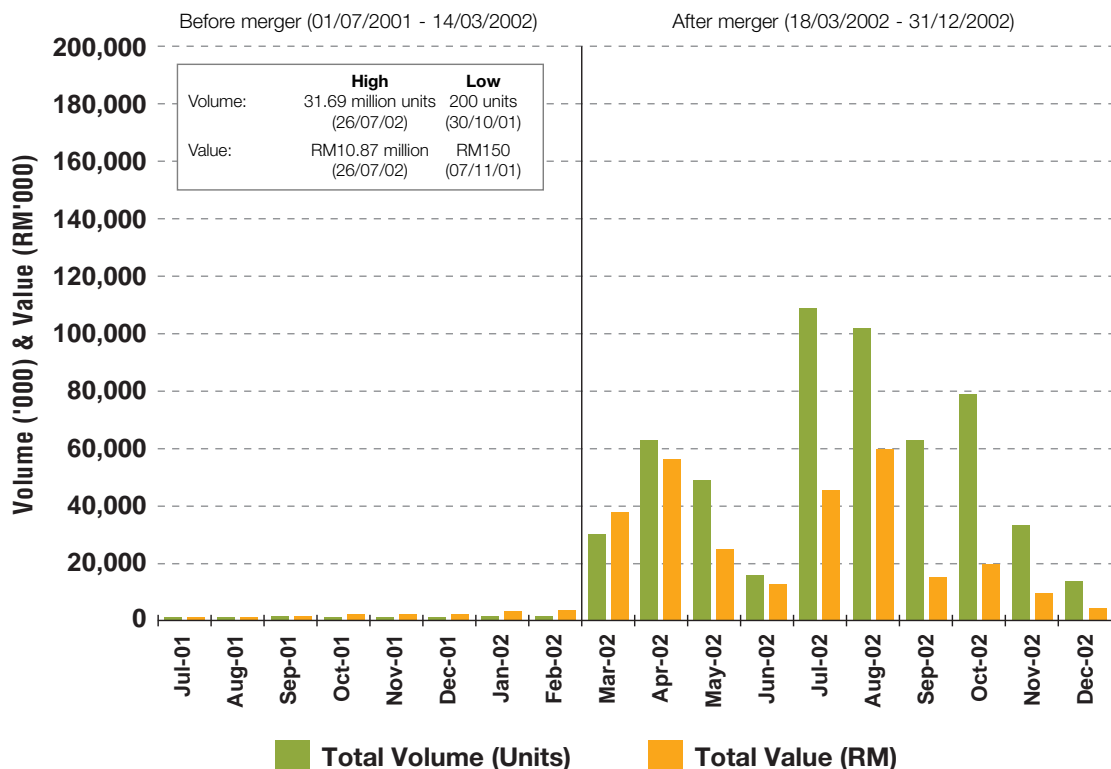
The KLSE CI breached the 800-point psychological level in April, amidst heavy trading. It closed at 808.07 on 23 April, the highest closing point recorded in 2002. The last time the KLSE CI closed near this level was 20 months ago on 23 August 2000 at 809.05. Earlier in the month, trading had been quiet amidst rising tensions in the Middle East, concerns over the impact of rising crude oil prices on earnings of Malaysian companies as well as volatility in the U.S. markets. Sentiment improved mid-month on the back of an improved outlook for Malaysia's economy, which was endorsed by Bank Negara Malaysia in the release of its year 2001 Annual Report. The unveiling by MSCI of the final set of changes to its stock indices that account for free-float did not dampen market sentiment. The ratings upgrade on Malaysia's outlook by Fitch Ratings and Moody's Investors Service also worked in Malaysia's favour. Foreign interest increased on perception that Malaysia had gained some success in improving its fundamentals and enhancing its levels of corporate governance. A preliminary announcement by the U.S. Commerce Department that U.S. economic growth had surged in the first quarter at an annual rate of 5.8%, its fastest pace in more than 2 years, further underpinned confidence in the Malaysian economy. The KLSE CI closed the month of April at 793.99 (+37.89 points/+5.01%).

Average daily volume of 530 million units and average daily value of RM1,061 million were higher by 64.6% and 37.4% respectively compared to that in March 2002. Market capitalisation rose to RM552 billion (+RM34 billion/+6.6%).

Month-End MESDAQ Market Index and Market Valuation July 2001 – December 2002



MESDAQ Market Monthly Total Volume and Value July 2001 – December 2002



KLSE Market Report 18 months ending 31 December 2002

KLSE, supported by strong economic and corporate data, was spared the steep contraction suffered by Wall Street and other world bourses.

MARKET EASED ON UNCERTAIN GLOBAL ECONOMIC PROSPECTS

The market took a breather in May, in the face of weakness in the U.S. markets following poor economic data, prospects of a slower-than-expected rebound in U.S. corporate profits, renewed fears of terrorist attacks in certain countries and escalating tensions between Pakistan and India. Investors were also reported to be liquidating ahead of the initial public offerings (IPOs) by Maxis and PLUS which absorbed more than RM5 billion in liquidity. The KLSE CI closed at the month's low of 741.76 (-52.23 points/-6.58%). Average daily volume during the month fell by 47.2% to 280 million units and average daily value decreased by 42.4% to RM611 million from the previous month. Market capitalisation shrank by RM33 billion or 6.1% to RM518 billion.

The market continued to be soft in June influenced by more news of fraudulent accounting and business practices in America and by tensions in the Middle East and between India and Pakistan. The announcement on 22 June by the Right Honourable Dato Seri Dr. Mahathir Mohamad of his resignation from all UMNO and Barisan Nasional posts saw the KLSE CI falling 38.31 points or 5.2% to 705.04 in the first 3 trading days following the announcement. The fall was, however, mitigated by the reassurance that the Prime Minister would stay on until October 2003 to ensure a smooth transition of power to his successor. However, based on Malaysia's stable institutional framework and a fairly clear succession process, Moody's announced that it had placed Malaysia's foreign currency ratings for a possible ratings upgrade. Standard & Poor's followed suit with its own reaffirmation of Malaysia's ratings position. Towards the end of the month, bargain-hunting and news of a larger than expected first quarter growth of 6.1% in the U.S. economy narrowed earlier losses, and the KLSE CI recovered to close at 725.44 (-16.32 points/-2.20%) from its May closing.

Average daily volume for June, however, declined by 37.5% to 175 million units and average daily value by 22.3% to RM475 million. Market capitalisation on 28 June 2002 decreased to RM506 billion (-RM13 billion/-2.4%).

In July, weakness in the U.S. markets amidst further corporate accounting scandals and governance issues dampened investors' sentiment worldwide, with losses recorded by practically all key global indices. The Dow Jones Industrial Average lost 1,677 points or 18% between 5 to 23 July 2002. KLSE, supported by strong economic and corporate data, was spared the steep contraction suffered by Wall Street and other world bourses. The KLSE CI closed at 721.59 (-3.85 points/-0.53%) on 31 July 2002. However, market capitalisation improved to RM534 billion (+RM28 billion/+5.5%). Average daily volume in July 2002 also increased to 232 million units (+57 million units/+32.4%), although average daily value recorded a marginal fall to RM473 million (-RM1.3 million/-0.3%) compared to that in the previous month.

August witnessed uncertainties in the short-term outlook of the U.S. economy dominating investors' sentiment. Positive news that Malaysia's sovereign rating could possibly be upgraded by Standard & Poor's in the next 6 months on the back of its strong domestic and external fundamentals, helped to temper investors' concerns. The upgrading of Malaysia's long-term foreign currency sovereign rating to BBB+ from BBB was carried out a week later on 28 August.

On 30 August 2002, the KLSE CI lost 10.23 points or 1.42% to 711.36 compared to end-July and market capitalisation declined to RM530 billion (-RM4 billion/-0.8%). Average daily volume decreased to 162 million units (-70 million units/-30.0%) and average daily value dropped to RM349 million (-RM124 million/-26.0%).

Caution prevailed in September ahead of the 2003 Budget and over concerns of the possibility of an increase in the statutory reserves by Bank Negara Malaysia. Escalating tensions in the Middle East and its impact on world oil prices continued to dominate sentiment in global stock markets. There was also caution ahead of the first anniversary of the 11 September 2001 terrorist attacks in the U.S. Foreign funds were also said to be disposing investments and raising cash in view of declining global stock prices, thereby driving equity prices yet lower. Key indices in the U.S. fell to levels of 1996-1997. The Nikkei Index fell to its lowest level in 19 years. The KLSE CI closed at 638.01 (-73.35 points/-10.31%) on 30 September 2002. Similarly, market valuation decreased to RM476 billion (-RM53 billion/-10.0%), and average daily volume fell to 159 million units (-3 million units/-1.8%). Average daily value, however, increased to RM358 million (+RM9 million/+2.58%) from RM349 million in the same month. Nevertheless, the upgrading of Malaysia's foreign currency rating by Fitch and Standard & Poor's in August, and Moody's in September, reflected the positive confidence accorded to the local economy.

The month of October was marked by a fresh terrorist incident - the Bali bomb blast which took place on 12 October 2002. An initial fall of 1.22% in the KLSE CI was more than offset by month's end when the index closed at 659.57 - a rise of 21.56 points or 3.38% compared to end September 2002 as a result of improved U.S. markets which were spurred by better-than-expected corporate results. Results of local companies were also within market expectations. Market valuation improved to RM490 billion (+RM14 billion/+2.9%). Likewise, average daily volume also increased to 186 million units (+27 million units/+17.0%), although average daily value decreased to RM313 million (-RM45 million/-12.6%).

The subdued sentiment in November was influenced by news over another round of banking consolidation ahead of further financial reforms in 2007. News that Standard & Poor's had revised downwards its rating outlook for local banks from positive to stable compounded the bearish sentiment. Added to these were concerns of a possible U.S.-led military action against Iraq and over the pace of the global economic recovery.

The KLSE CI closed on 29 November 2002 at 629.22 (-30.35 points/-4.60%). Market valuation decreased by RM15 billion or 3.1% to RM475 billion. While average daily volume in November 2002 decreased to 171 million units (-15 million units/-8.2%), average daily value increased to RM322 million (+RM9 million/+2.9%).

Trading remained quiet for most part of December in the absence of fresh leads and in view of the festive breaks and year-end holidays. The last month of year 2002 also remained under the influence of continued volatility in the U.S. markets and lingering concerns over tensions in the Middle-East as well as by tensions over North Korea. Nevertheless, selective bargain-hunting and mild year-end trading activities lent some support to the market. The KLSE CI closed the year at 646.32 (+17.10 points/+2.72%). Market valuation was recorded at RM482 billion (+RM7 billion/+1.4%). Average daily volume in December 2002 decreased to 152 million units (-19 million units/-11.1%) while average daily value increased to RM341 million (+RM19 million/+5.9%).

KLSE Market Report 18 months ending 31 December 2002

IMPROVED CAPITAL RAISING DURING THE 18-MONTH PERIOD

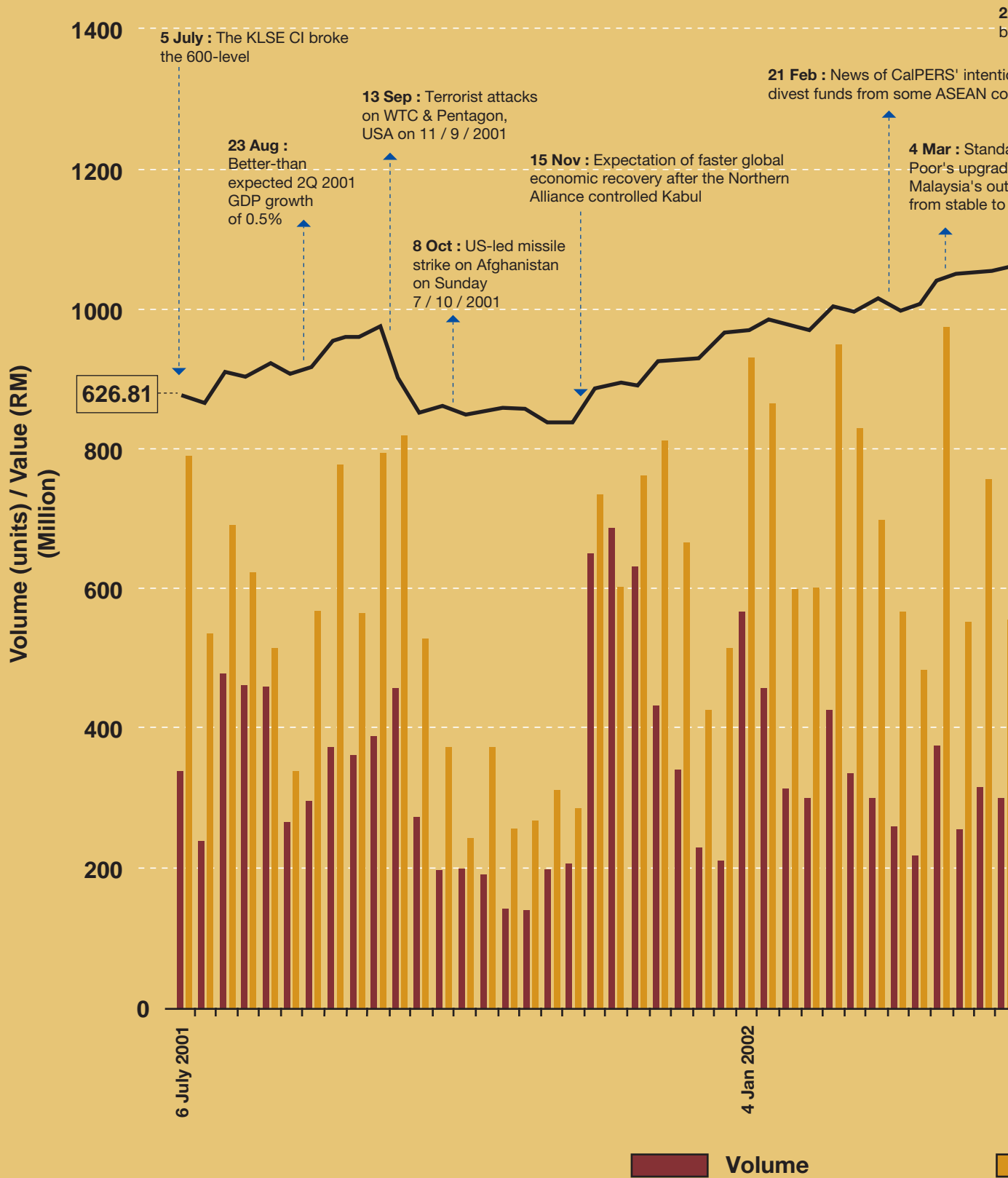
In the 18 months from July 2001 to December 2002, a total of 57 companies were listed on the KLSE, bringing the total number of companies listed to 865. 6 were listed during the second half of 2001, all on the Second Board (14 in the first half of 2001). Total funds mobilised by the 6 new listings amounted to RM97.82 million (RM2.73 billion in 1H2001) while RM731.23 million was mobilised from additional issues by existing companies (RM734.10 million in 1H2001)

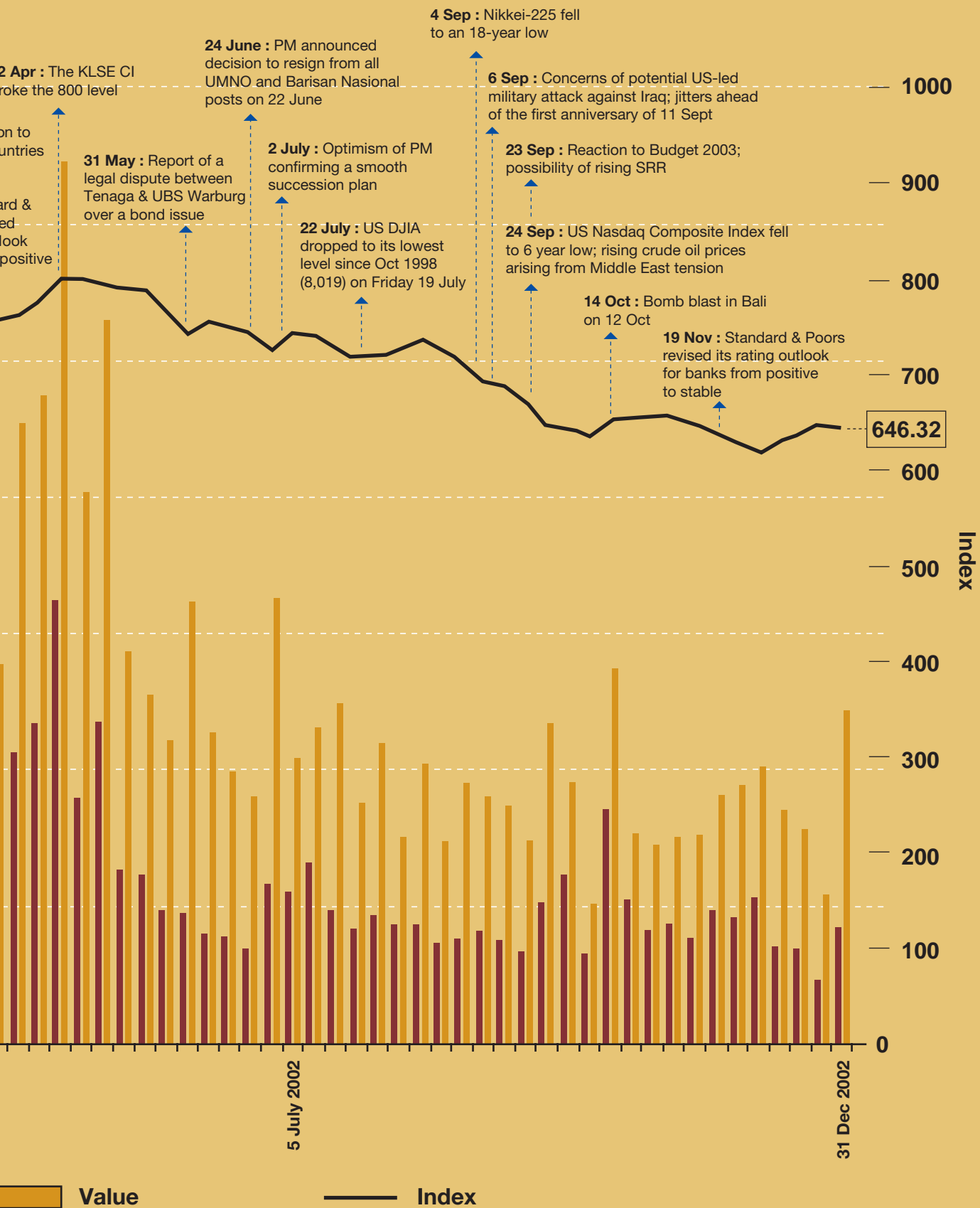
In 2002, of the 51 newly listed companies (20 in 2001), 22 were listed on the Main Board (6 in 2001), 22 on the Second Board (14 in 2001) and 7 on the MESDAQ Market after 18 March 2002, the date when it merged with KLSE.

Total funds mobilised in 2002 was RM12.87 billion (RM4.30 billion in 2001) consisting of RM6.97 billion by the 51 new companies (RM2.83 billion in 2001) and RM5.90 billion by existing companies (RM1.47 billion in 2001.) *(Funds raised on MESDAQ Market were included only from 18 March 2002.)*

Total funds mobilised during the 18-month period was RM13.70 billion comprising RM7.06 billion by the 57 new companies and RM6.6 billion by existing companies. This compares with RM8.96 billion mobilised in the previous 18 months from January 2000 to June 2001 and RM5.89 billion for financial year ended June 2001.

KLSE COMPOSITE INDEX

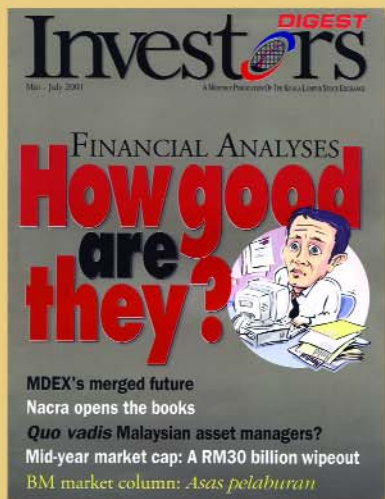




KLSE Composite Index

Events Chart

Investors Digest



Mid-July 2001



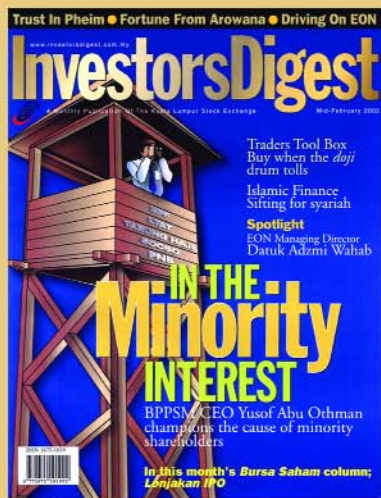
Mid-August 2001



Mid-September 2001



Mid-January 2002



Mid-February 2002



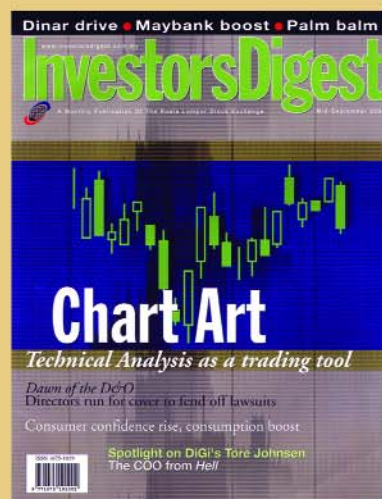
Mid-March 2002



Mid-July 2002



Mid-August 2002



Mid-September 2002

Investors Digest, a monthly publication of the KLSE, is an important tool for communication and information for investors and market participants.

The journal has comprehensive and detailed information on the stock market and securities industry in Malaysia and aims to keep investors informed and armed to make well-considered investment decisions. Each monthly edition sees the deliberation of issues of current importance and interest in the industry as well as the publication of an extensive databank of market statistics.



Mid-October 2001



Mid-November 2001



Mid-December 2001



Mid-April 2002



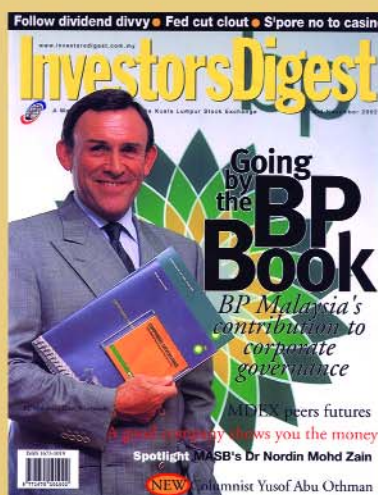
Mid-May 2002



Mid-June 2002



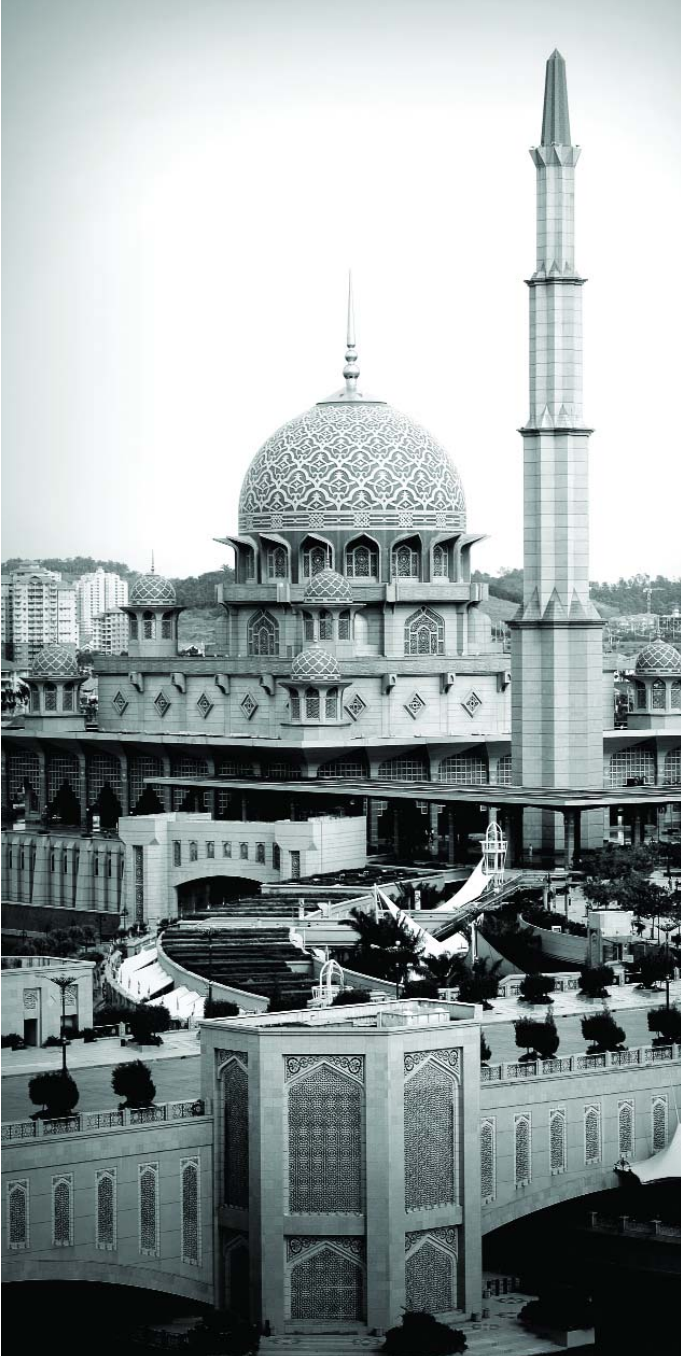
Mid-October 2002



Mid-November 2002



Mid-December 2002



Putra Mosque

The magnificent *Putra Mosque* towers majestically over the waters of Putrajaya Lake, which encircles a large part of this structure.

With architecture that depicts a mix of Middle Eastern and local influences, the *Putra Mosque* is a unique blend of shapes, wide open space, imposing domes as well as rose-tinted granite, and features a graceful 116-metre minaret with 5 tiers that represent the pillars of Islam.

The architecture of *Putra Mosque* symbolises tradition and rich heritage combined with progressiveness, the very same qualities upheld by the KLSE as it takes on the fresh challenges of being a Malaysian exchange. In progressing and seeking opportunities to scale new heights, the Exchange's history and heritage provides its solid foundation.

Issues in Focus 2002

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	52	Capital Raising on the Exchange
	55	The MESDAQ Market at KLSE
	59	Derivatives Market in Malaysia
	61	Demutualisation

Issues in Focus 2002

DEVELOPMENTS OVER FIVE YEARS FROM 1998 TO 2002

INTRODUCTION

The Malaysian securities industry has seen significant development in the last 5 years, in response to the economic and market environment, and to market participants' requirements.

These developments were made in various areas towards achieving the following objectives:

- Making KLSE the premier market for the listing and trading of Malaysian securities;
- Strengthening the intermediary supervision framework and investor protection mechanism;
- Enhancing corporate governance standards, disclosure and transparency among public listed companies and maintaining quality of public listed companies;
- Optimising utilisation of resources and achieving greater efficiency and scale, through the consolidation of market institutions;
- Improving market infrastructure for greater efficiency, cost effectiveness and competitiveness; and
- Educating and informing investors, and promoting the market.



The Exchange continues to play an important part in the development of the securities industry.

The challenges faced following the regional financial crisis in 1998 served to accelerate KLSE's developmental efforts, to strengthen and enhance the regulatory framework and market infrastructure, consistent with KLSE's role as a front-line regulator and market operator.

1. MAKING KLSE THE PREMIER MARKET FOR LISTING AND TRADING OF MALAYSIAN SECURITIES

On 31 August 1998, KLSE introduced several measures to enhance market transparency and make Malaysia the premier market for trading of Malaysian securities. All dealings in securities listed on KLSE were to be effected through KLSE or a recognised exchange.

- Towards implementing market transparency measures, KLSE required that trading and ownership of securities be undertaken by beneficial owners and authorised nominees. Further requirements were imposed on transfers of securities in the Central Depository System.

- To enhance transparency in securities trading, new disclosure requirements were introduced, requiring stockbroking companies to take all reasonable measures to “know” their clients by ensuring all essential particulars and information about their clients are obtained including the identity of the person on whose behalf any trading is to be carried out.

2. STRENGTHENING THE INTERMEDIARY SUPERVISION FRAMEWORK AND INVESTOR PROTECTION MECHANISM

- As part of the objective to strengthen the intermediary supervision framework and investor protection mechanism, several measures were introduced in 1998. The objectives of the measures were to ensure an orderly and fair market in the trading of Malaysian securities, and to improve overall market transparency in the Malaysian capital market. The measures addressed issues relating to the trading of listed securities, new disclosure requirements, off-market business transactions, and clearing and settlement.
- In January 1998, KLSE issued new rules prescribing the gearing ratio to be complied with by stockbroking companies (Rule 17D), and improvements to existing rules on margin financing (Rule 20). KLSE also introduced maximum limits of exposure to single security (Rule 17E) and maximum limits of exposure allowed of a stockbroking company to a single client (Rule 17F). Rules 17E and 17F were subsequently repealed after the full implementation of the Capital Adequacy Requirements (CAR) for stockbroking companies.
- To enhance investor protection, KLSE issued in March 1998, a new rule (Rule 19A) providing for the placement of funds received from any person (other than a dealer) in relation to any purchase or sale of securities, in trust accounts.
- Effective 1 September 1998, all Direct Business Transactions (DBTs) must be cleared and settled through the clearing house, Securities Clearing Automated Network Services Sdn Bhd (SCANS) to ensure an orderly market and enhance transparency in securities trading. And in line with the objective of ensuring an orderly and fair market, price limits on DBTs were put in place effective 22 March 1999, whereby stockbroking companies are no longer permitted to transact DBTs beyond the price limits, unless in genuine acquisitions or disposals of shares which satisfy certain prescribed criteria.
- The new rule (17G) on CAR for stockbroking companies was incorporated in the KLSE Rules and came into effect in May 1999. The complete shift to CAR rules as a monitoring tool for KLSE and the full enforcement of Rule 17G was effected in December 1999. The CAR ratios of stockbroking companies are measured daily and reported to KLSE by electronic transmission through the KLSE Risk Management System (RMS) installed at all stockbroking companies.
- In July 1999, KLSE's new Memorandum and Articles of Associations and the Rules of KLSE came into effect. The new M&A and Rules of KLSE incorporated new and enhanced measures intended to strengthen the stockbroking industry and consolidate regulatory requirements. It sets significant parameters to achieve greater clarity, transparency and consistency in the conduct of business for stockbroking companies.



KLSE Help Desk Online Services System allows easy accessibility to information on IT services provided by the Group for all stockbroking companies.

Issues in Focus 2002

- Pursuant to the SC's announcement of its Policy Framework on the Consolidation of the Stockbroking Industry in April 2000, KLSE issued amendments to the Rules of KLSE in July 2001, in connection with the Universal Broker status of some Member Companies.

The Policy Framework on the Consolidation of the Stockbroking Industry, inter alia, provides for the following –

- a stockbroking company may apply for Universal Broker status upon the acquisition of at least 3 other stockbroking companies provided it has met the criteria set out in the SC's Guidelines for a Universal Broker issued in October 2000.
- a Universal Broker will be permitted to offer a full range of capital market services including corporate finance activities.

Pursuant thereto, the Rules of KLSE introduced in July 2000 permit a Universal Broker to carry out the following activities:

- corporate finance activities, which include, activities undertaken as advisors under the SC's Policies and Guidelines on Issue/Offer of Securities
 - futures broking business and futures fund management business
 - dealings in debt securities, such as, government and corporate debentures subject to the requisite framework being in place
 - any other capital market products as and when introduced in the future by the SC or the exchanges
- In March 2002, KLSE's circuit breaker mechanism was implemented to enhance market stability and investor confidence and protection. The trigger levels and trading halts of the circuit breaker also apply for equity linked derivative products on MDEX. The circuit breaker will be triggered when the KLSE Composite Index (KLSE CI) declines below its closing index of the previous market day by 10%, 15% and 20%.
 - While stockbroking companies are generally not permitted to enter into any Off-Balance Sheet transactions without the prior approval of KLSE, new provisions were introduced on 18 September 2002 classifying put options written by stockbroking companies as Off-Balance Sheet transactions. These options require the prior approval of KLSE and have to be reported to KLSE for so long as the obligation remains undischarged.

Stringent requirements are imposed on stockbroking companies intending to write put options, including –

- maintaining a liquid margin, that is in excess of liquid capital after deducting total risk charges, which is adequate to enable the stockbroking company to fully perform or discharge its obligation
- maintaining a minimum CAR ratio of at least 1.50

3. ENHANCING DISCLOSURE, TRANSPARENCY AND GOVERNANCE STANDARDS, AND MAINTAINING QUALITY OF PUBLIC LISTED COMPANIES

- To strengthen regulations governing public listed companies, KLSE launched the new Listing Requirements in January 2001. The key objectives of the new Listing Requirements are to:
 - Enhance corporate governance and transparency.
 - Enhance efficiency in capital market activities.
 - Strengthen investor protection.
 - Promote investor confidence.

- Under the new Listing Requirements, amongst others, the framework for corporate disclosure and corporate governance has been enhanced significantly. Minimum standards of corporate governance were incorporated for compliance by public listed companies, including several that related to specific recommendations made by the Finance Committee. To enhance disclosure in corporate governance, public listed companies are also required to disclose in their reports, the extent of compliance with the Malaysian Code on Corporate Governance as well as a report on its audit committee. The corporate disclosure requirements were clarified and enhanced to ensure that the information disclosed is timely, accurate, complete and consistent. In addition, the new Listing Requirements also strengthened protection for minority shareholders by, amongst others, tightening the provisions that regulate related party transactions entered into by public listed companies or their subsidiaries.



KLSE Corporate Awards were introduced in 2000.

- KLSE introduced in 2001, 12 Practice Notes in conjunction with the new Listing Requirements, with the objective of, amongst others, providing interpretation of several provisions of the Listing Requirements and specifying administrative procedures.
- In order to maintain the minimum quality of public listed companies on KLSE, the new Listing Requirements also contain requirements for public listed companies to maintain a minimum level of financial condition and an adequate level of operations. Practice Note No. 4/2001 (PN4) and Practice Note No. 10/2001 (PN10) were issued to operationalise these requirements respectively. PN4 prescribes a stipulated timeframe for public listed companies to regularise their financial condition, failing which KLSE may commence de-listing procedures against these public listed companies if no further extension of time is granted to them. PN4 is aimed at expediting the corporate restructuring efforts of public listed companies which do not fulfill the minimum level of financial condition while at the same time ensuring that adequate disclosure is made to the market place of their restructuring efforts. In relation to the requirement to maintain an adequate level of operations, public listed companies are required to make a continuous assessment of whether they trigger any of the circumstances in PN10 which may render them as having an inadequate level of operations. Public listed companies which are affected by PN10 are required to regularise their level of operations within the stipulated timeframe, failing which the Exchange may commence de-listing procedures against these public listed companies if no further extension of time is granted to them.
- Quarterly reporting of financial statements by public listed companies was made mandatory via the Listing Requirements with effect from July 1999, in line with KLSE's emphasis for greater corporate disclosure in content and frequency.
- KLSE introduced the Listing Information Network (LINK) in October 1999. KLSE LINK is an internet-based facility, providing comprehensive, accurate and timely information of public listed companies' announcements, thus enhancing corporate disclosure for investors. Over the years, KLSE LINK has been progressively enhanced to cater for further disclosure of information by listed issuers.
- The KLSE Corporate Awards were introduced in 2000 to recognise KLSE public listed companies which have demonstrated high standards of corporate governance and corporate disclosure, and have shown exemplary corporate conduct in complying with the KLSE's Listing Requirements.
- To facilitate the practice of good corporate disclosure in line with the KLSE Listing Requirements and relevant securities laws, KLSE established a Task Force on Corporate Disclosure Best Practices in August 2002.

Issues in Focus 2002

4. OPTIMISING UTILISATION OF RESOURCES AND ACHIEVING GREATER EFFICIENCY AND SCALE, THROUGH CONSOLIDATION OF MARKET INSTITUTIONS

In 1998, in addition to KLSE, 4 other exchanges were in operation i.e. The Kuala Lumpur Options and Financial Futures Exchange (KLOFFE), Commodity and Monetary Exchange of Malaysia (COMMEX), Malaysia Monetary Exchange (MME), and Malaysian Exchange for Securities Dealing and Automated Quotation (MESDAQ).

To further rationalise and enhance the market institutions' efficiencies, the following exercises were undertaken:

- KLSE acquired KLOFFE, the then equity derivatives exchange, in 1998, as a wholly owned subsidiary.
- KLOFFE merged with COMMEX [the latter itself was the result of a merger of Kuala Lumpur Commodity Exchange (KLCE) and MME] to form MDEX in June 2001, as the single derivatives exchange in Malaysia.
- With the KLOFFE and COMMEX merger, the 2 clearing houses of the capital market, SCANS and MDCH, are now under the KLSE Group.
- KLSE completed the merger with MESDAQ and established the MESDAQ Market at KLSE in March 2002.

The completion of consolidation of market institutions paves the way for the demutualisation of the single Malaysian exchange, targeted for early 2004.

5. IMPROVING MARKET INFRASTRUCTURE FOR GREATER EFFICIENCY, COST EFFECTIVENESS AND COMPETITIVENESS

- Transaction costs were liberalised in 2 stages:
 - In Stage 1, which took effect from 1 September 2000, brokerage rates for all trades above RM100,000.00 were fully negotiable. Trades with contract values of RM100,000.00 and below were subject to a fixed brokerage rate of 0.75%.
 - In Stage 2, which took effect in July 2002, brokerage rates were made fully negotiable for all trades, subject to a cap of 0.70% and minimum handling fee of RM12.00 per contract for securities other than loan instruments and RM2.00 per contract for loan instruments.

Other components of transaction costs were also reduced effective July 2001, as follows:

- The SCORE fee was halved from 0.005% to 0.0025% per contract.
- The clearing fee was reduced from 0.05% to 0.04% per contract, subject to a maximum of RM200.
- The SC levy was reduced from 0.02% to 0.015% per contract.

Commission rates for all MDEX contracts are already fully negotiable since December 2001.

- In tandem with Stage 1 of the liberalisation of transaction costs, the transfer fee payable to KLSE for any transfer of a Salaried Dealer's Representative has been reduced effective from 1 November 2000 in the following manner:-

No. of transfer(s)	Transfer fee before 1.11.2000 (RM)	Transfer fee after 1.11.2000 (RM)
1st transfer	50,000	20,000
2nd transfer	75,000	24,000
3rd transfer	100,000	32,000

- Subsequent to the aforesaid changes to the brokerage structure, the monthly subscription fee payable by stockbroking companies in respect of Dealer's Representatives engaged by them has been abolished effective 1 July 2001. The abolition of the monthly subscription fee of RM250 was intended to lessen the possible adverse impact of the changes to the brokerage structure on the Dealer's Representatives whose sole income is derived from commission. The subscription fee was payable for the privileges of trading on KLSE and the use of its trading facilities.
- KLSE has expended significant efforts and resources in the last 5 years, in market enhancement exercises covering regulations, infrastructure improvements to make for a more conducive, efficient and cost effective investment environment.
 - In order to facilitate orders from clients to stockbroking companies the guidelines on Electronic Client Ordering Systems (ECOS) were issued in 1995. The guidelines are presently being reviewed with the objective of spelling a wider scope of coverage for the capabilities of ECOS with greater clarity. The revised code on ECOS will detail the manner in which the infrastructure of the stockbroking companies should prioritise the routing and order execution of electronic orders, as well as, provide for some extent of automation on the handling of electronic orders for purposes of execution.
 - On 16 July 1999, investors were provided with a more efficient and flexible method for applying for Initial Public Offerings (IPO) for companies to be listed on the KLSE. This alternative method of Electronic Share Application (ESA) is a fully integrated paperless process for share application, including share allotment via electronic ballot and refund to IPO applicants. With ESA, investors may apply for new securities via the Automated Teller Machines (ATM) of the Participating Financial Institution at any time before the stipulated closing date and time.
 - Electronic Access Facilities (EAF) were implemented on 21 September 2001 to enable stockbroking companies to act as conduit to channel orders from investors to the exchange for matching. EAF allows stockbroking companies to set up physical sites, locations or premises with electronic devices that facilitate investors to initiate orders or obtain market or investment advisory information electronically.
 - As a result of the merger between KLOFFE and COMMEX, MDEX as the resultant integrated derivatives exchange commenced electronic trading for CPO Futures and 3-month KLIBOR Futures on 28 December 2001. With this, all contracts traded on MDEX, including KLSE CI futures and options contracts, and 5-Year Malaysian Government Securities (MGS) Futures, are now electronically traded.
- On 11 March 2003, the Deputy Prime Minister announced 10 measures to enhance the Malaysian capital market. One of the measures, in recognising the role of intermediaries, proposed that a review of commission rates for brokers be undertaken, with a view of establishing a minimum rate. Another measure proposed the establishment of standard board lots of 100 shares.



KLSE participates in various investor education activities each year. Here, the Prime Minister visits the KLSE booth during Minggu Saham Amanah PNB in Kedah in 2002.

In this respect, the Securities Commission announced on 29 May 2003 the new minimum commission rates structure. KLSE completed the implementation of the standard board lots of 100 shares in May 2003.

For retail trades valued above RM100,000, the minimum rate per contract is 0.3% while for retail trades up to RM100,000, the minimum rate per contract is 0.6%. Online routed retail trades will be allowed to be traded at up to 30% discounts.

The minimum rates, which took effect from 9 June 2003, will be reviewed by the SC after 1 year from the date of implementation.

The commission rate structure for institutional and inter-broker trades remain fully negotiable.

The decision by the SC to allow institutional and inter-broker trades to remain fully negotiable recognises that the participants in the wholesale segment of the capital market are sophisticated and have mutually agreed to operate in a deregulated environment.

The above commission rates are subject to the overall liberalised commission rate framework of a maximum of 0.7% and a minimum handling fee of RM12.00 per contract for securities other than loan instruments and RM2.00 per contract for loan instruments.

- To facilitate the settlement of trades of institutional investors directly with the clearing house, the KLSE launched the Institutional Settlement Service (ISS) in July 1999. For this, SCANS extended its membership to eligible resident custodian banks and institutional investors to be Non-Trading Clearing Members (NTCM). ISS is aimed at achieving an enhanced Delivery versus Payment (DVP) environment by enabling SCANS to make payment directly to the institutional investor's settlement agent's bank account on a same day basis, upon delivery of securities, on settlement date thus reducing the settlement risk exposure of institutional investors. ISS was expanded to include direct business transactions (i.e transactions that are not executed through the Automated and Computerised Trading System) in July 2001.
- Effective 20 December 2000, settlement cycle for securities traded on the KLSE was reduced from T+5 to T+3. The benefit of T+3 extends to the various industry participants. Investors will particularly benefit from the shorter settlement period, which reduces risk and exposure as shares and cash are settled earlier. For international investors, T+3 standardises the settlement system in line with the settlement systems of major international exchanges, thus facilitating investment operations.
- All securities listed on the KLSE were fully immobilised effective 1 November 1998 by way of amendments to the Securities Industry (Central Depositories) Act (SICDA) in introducing mandatory deposits and prohibiting withdrawals of securities from the central depository. Full immobilisation seeks to further develop MCD as a central depository that will result in cost and system efficiency.

6. EDUCATING THE INVESTORS AND PROMOTING THE MARKET

Investor education programmes continued to be undertaken, aimed at creating a well-informed investing public, and further contributing to greater efficiency, vibrancy and sophistication of the market.

These on-going efforts also have the objectives of expanding the investor base and meeting the various needs and requirements of existing and potential investors.

Meanwhile, investment roadshows overseas were carried out, to engage with the international investment community and provide a platform to have more open and active communications, addressing perception gaps and correcting misconceptions that might exist about the Malaysian market.

- Information centres (Balai Maklumat) in strategic places were set up to further enhance accessibility to information on KLSE and the securities industry, in addition to its main Public Information Centre in Kuala Lumpur. The first Balai Maklumat was launched in Penang in August 1998 and subsequently, 3 more such centres were launched in Johore Bahru (July 1999), Kuching (October 1999) and Kuantan (March 2001).
- KLSE launched the inaugural Investors' Week in September 2000, with the aim to promote an understanding of the Malaysian stock market and to inculcate the value of informed investing. The response to the KLSE Investors' Week has been overwhelming in all the 3 subsequent years held so far.
- In expanding market promotions, roadshows were conducted in major international financial centres in the United States, United Kingdom and Asia, with participation from senior representatives from Bank Negara Malaysia and Securities Commission.



An investor-focused activity, Investors' Week is an annual event to create a better understanding of the stock market and being an informed investor.

CONCLUSION

The developments achieved in the last 5 years centred around the need to meet the needs of all stakeholders, consistent with the KLSE's role as a front-line regulator and market operator.

These were achieved with the continued support of the government, industry, market participants and media. Such efforts will continue in future where the objectives outlined earlier will serve as the guiding principles.

Issues in Focus 2002

KLSE CORPORATE AWARDS - REWARDING EXCELLENT CORPORATE CONDUCT

The KLSE Corporate Awards recognise companies listed on the KLSE which have demonstrated high standards of corporate governance and corporate disclosure and have shown exemplary corporate conduct in complying with the KLSE Listing Requirements.

The KLSE Corporate Awards are presented annually with 2 categories of awards - the KLSE Corporate Excellence Awards and the KLSE Corporate Sectoral Awards. The KLSE Corporate Excellence Awards honour the top 2 most outstanding companies each for the Main Board and the Second Board respectively. The KLSE Corporate Sectoral Awards are presented to the top company eligible for the award in their respective sectors.

The scope of the KLSE Corporate Awards will be expanded in 2003 to give recognition to the outstanding financial and market performance of deserving listed companies that contribute towards the Malaysian capital market. The 2003 awards will also see the addition of a new category of award for Most Outstanding Annual Report which will serve to recognise the level of financial reporting disclosure and compliance with approved accounting standards of the Malaysian Accounting Standards Board by public listed companies.

The adjudication process involves all listed companies on the KLSE being subjected to a public opinion poll conducted by an independent market research house and the poll respondents consist of an industry-wide range of local and foreign financial industry professionals and investors. The shortlisted companies selected by the poll respondents will then undergo detailed adjudication based on the elimination, merit and demerit criteria determined by an independent Adjudication Panel which comprises distinguished and experienced representatives from relevant industry associations and bodies. The finalists will then be rigorously evaluated on the significant aspects of corporate governance, corporate disclosure and overall corporate conduct.

RECIPIENTS OF THE KLSE CORPORATE AWARDS 2002

KLSE Corporate Excellence Awards 2002

Main Board

Public Bank Berhad

Malayan Banking Berhad

Second Board

Pharmaniaga Berhad

Ireka Corporation Berhad

KLSE Corporate Sectoral Awards 2002

Main Board

Consumer Products	British American Tobacco (Malaysia) Berhad
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Industrial Products	Petronas Gas Berhad
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Construction	Road Builder (M) Holdings Bhd
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Trading/Services	Genting Berhad
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Plantation	Golden Hope Plantations Berhad
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Infrastructure Project Companies	Powertek Berhad
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Technology	AIC Corporation Berhad
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Finance and Closed-End Fund	AMMB Holdings Berhad
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Property and Trusts	Island & Peninsular Berhad
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No awards were presented for the KLSE Corporate Sectoral Awards 2002 for:

Main Board – Hotels, Mining

Second Board – Consumer Products, Industrial Products, Trading/Services, Technology, Construction/Property/Plantation

RECIPIENTS OF THE KLSE CORPORATE AWARDS 2001

KLSE Corporate Excellence Awards 2001

Main Board

Public Bank Berhad
Malayan Banking Berhad

Second Board

Computer Systems Advisers (M) Berhad
Globetronics Technology Berhad

KLSE Corporate Sectoral Awards 2001

Main Board

Consumer Products	British American Tobacco (M) Berhad
Industrial Products	Malayan Cement Berhad
Construction	Road Builder (M) Holdings Berhad
Trading/Services	Tanjong Public Limited Company
Finance and Closed-End Fund	Public Bank Berhad
Plantation	Kumpulan Guthrie Berhad
Infrastructure Project Companies	Powertek Berhad
Technology	AIC Corporation Berhad

KLSE Corporate Sectoral Awards 2001

Second Board

Trading/Services	Computer Systems Advisers (M) Berhad
Construction/Property/Plantation	Ireka Corporation Berhad
Technology	Globetronics Technology Berhad

No awards were presented for the KLSE Corporate Sectoral Awards 2001 for:
Main Board – Hotels, Mining, Property and Trusts
Second Board – Consumer Products, Industrial Products

RECIPIENTS OF THE KLSE CORPORATE AWARDS 2000

KLSE Corporate Excellence Awards 2000

Main Board

Public Bank Berhad
Puncak Niaga Holdings Berhad

Second Board

Dialog Group Berhad
Computer Systems Advisers (M) Berhad

KLSE Corporate Sectoral Awards 2000

Main Board

Consumer Products	Perusahaan Otomobil Nasional Berhad
Industrial Products	Petronas Gas Berhad
Trading/Services	Telekom Malaysia Berhad
Finance and Closed-End Fund	Public Bank Berhad
Property and Trusts	Island & Peninsular Berhad
Plantation	Kumpulan Guthrie Berhad
Infrastructure Project Companies	Puncak Niaga Holdings Berhad

KLSE Corporate Sectoral Awards 2000

Second Board

Industrial Products	AIC Corporation Berhad
Trading/Services	Dialog Group Berhad

No awards were presented for the KLSE Corporate Sectoral Awards 2000 for:
Main Board – Construction, Hotels, Mining
Second Board – Construction, Consumer Products

Issues in Focus 2002

CAPITAL RAISING ON THE EXCHANGE

Capital raising activities improved significantly in financial year 2002 which covered the 18-month period from July 2001 to December 2002. There was a resurgence in the number of companies seeking listing on the KLSE. The number of IPOs rose to 57 in the 18-month period, with 50 new companies listed on the Main Board and Second Board and 7 on the MESDAQ Market. Compared to the previous financial year 2001 (July 2000 to June 2001), there were 36 new companies listed on the KLSE.

IPOs and Funds Mobilised on Main Board and Second Board (MB&SB) and MESDAQ Market (MM)

Years	No. of IPOs		Funds Mobilised (RM million)	
	MB&SB	MM	MB&SB	MM
1999-14/3/2002 (MESDAQ Before Merger)	-	5	-	46
FY 2001 (01/07/00 to 30/06/01)	36	*	3,438	*
FY 2002 (01/07/01 to 31/12/02)	50	7	6,911	159

* IPOs listed in FY2001 and FY2002 on MESDAQ prior to 18/3/02 are grouped under MESDAQ Before Merger.



In financial year 2002, the funds mobilised by these 57 IPOs reached RM7.07 billion, which was 105.6% higher than the RM3.44 billion recorded by 36 IPOs in financial year 2001. Funds mobilised by IPOs for financial year 2002 were significantly increased by Maxis Communications Berhad and PLUS Expressway Berhad. A total of RM5.35 billion was raised by these 2 companies, which accounted for 77.5% of total funds mobilised. The remaining 55 IPOs collectively raised RM1.73 billion in financial year 2002. In financial year 2001, TIME DotCom Berhad alone raised RM1.89 billion and the other 35 IPOs RM1.55 billion.

The financial year 2002 was marked by the establishment of a single Malaysian exchange, when the MESDAQ Market at KLSE commenced operations on 18 March 2002. Supported by the wider resources of KLSE, immediate benefits accrued to the

MESDAQ Market from this development. Before the merger on 18 March 2002, there were only 5 companies listed on MESDAQ in its first 4 years of existence; these had raised a total of RM46 million. The number of IPOs on the MESDAQ Market picked up considerably after the merger, with 7 new companies listed on the board in less than 9 months (18/3/2002 to 31/12/2002) while funds mobilised expanded to RM158.5 million.

The 57 IPOs in financial year 2002 came mainly from the manufacturing sector (31) and trading/services sector (10). Similarly, in financial year 2001, the 36 companies were mainly from the manufacturing sector (21) and trading/services (10).

Investors' interest in IPOs was sustained in financial year 2002. During this period, the average over-subscription rate recorded by IPOs listed on the Main Board and Second Board was 16.6 times compared to 18.3 times in financial year 2001. Emivest Berhad registered the highest subscription rate, with its shares over-subscribed 73.03 times. Interest in IPOs on the MESDAQ Market was also remarkably favourable after the merger, registering an average over-subscription rate of 10.9 times for the period from 18/3/2002 to 31/12/2002. The MESDAQ Market company with the highest over-subscription rate was Willowglen MSC Berhad at 27.66 times. The average over-subscription rate for MESDAQ's IPOs before the merger with the KLSE was 0.7 times.

IPOs Subscription Rate on Main Board and Second Board (MB & SB) and MESDAQ Market (MM)

Years	No. of Companies Over-Subscribed		No. Of Companies Under-Subscribed		No. Of Companies Which Did Not Offer Shares To Public		Average No. Of Times Over-Subscribed	
	MB&SB	MM	MB&SB	MM	MB&SB	MM	MB&SB	MM
1999-14/3/02 (MESDAQ Before Merger)	-	2	-	0	-	3	-	0.7
FY 2001 (01/07/00 to 30/06/01)	29	*	7	*	0	*	18.3	*
FY 2002 (01/07/01 to 31/12/02)	48	6	1	0	1	1	16.6	10.9

* IPOs listed in FY2001 and FY2002 on MESDAQ prior to 18/3/02 are grouped under MESDAQ Before Merger.

The price performance of the 57 IPOs in financial year 2002 registered improvements as well. Although IPOs on the Main Board and Second Board registered a lower average premium of 32.8% in financial year 2002 compared to 39.0% in financial year 2001, the percentage of companies that posted premiums was higher at 76% compared to 64% in the previous financial year. Lipo Corporation Berhad recorded the highest percentage of premium with 180%. The more stable performance of IPOs in general was also evidenced by the smaller discounts recorded with average discount registered by Main Board and Second Board IPOs at 6.6% compared to 17.9% in financial year 2001. Premiums recorded by IPOs on the MESDAQ Market rose considerably. The MESDAQ companies that were listed before the merger had posted an average premium of 32.3% on their debut, whereas the average premium for the IPOs listed on the MESDAQ Market after the merger increased to 54.2%. The MESDAQ Market company with the highest percentage of premium was PUC Founder (MSC) Berhad with 178.6%.

IPOs Performance on Main Board and Second Board (MB & SB) and MESDAQ Market (MM)

Years	Companies Posting Premiums On Listing Date		Companies Posting Discounts On Listing Date		Companies Closed Unchanged On Listing Date		Average % Of Premium		Average % Of Discount	
	MB&SB	MM	MB&SB	MM	MB&SB	MM	MB&SB	MM	MB&SB	MM
1999-14/3/02 (MESDAQ Before Merger)	-	4	-	1	-	0	-	32.3%	-	20.0%
FY 2001 (01/07/00 to 30/06/01)	23	*	12	*	1	*	39.0%	*	17.9%	*
FY 2002 (01/07/01 to 31/12/02)	38	6	11	1	1	0	32.8%	54.2%	6.6%	25.0%

* IPOs listed in FY2001 and FY2002 on MESDAQ prior to 18/3/02 are grouped under MESDAQ Before Merger.

From an average volume of 31,954 shares for the period before the merger in 2002 (02/01/02 to 14/3/02), daily average volume after the merger date to the end of the year (18/03/02 to 31/12/02) increased to 2.7 million shares. Similarly, daily average value which totalled only RM0.03 million before the merger, grew to RM1.3 million after 18 March 2002. The greater investor participation and interest in the MESDAQ Market after the merger with KLSE improves market liquidity and fosters greater efficiency in the price discovery process. This also has led to enhanced value recognition in the MESDAQ Market.

Issues in Focus 2002

MESDAQ Market Statistics Before and After Merger

	Funds Mobilised (RM million)	Daily Average Volume (shares)	% Change in Volume Vs Period Before Merger (02/1/02 to 14/3/02)	Daily Average Value (RM)	% Change in Value Vs Period Before Merger (02/1/02 to 14/3/02)
02/01/02 to 14/3/02	8.00	31,954	-	29,661	-
18/03/02 – MESDAQ merged with KLSE	-	862,800	2,600%	1,069,964	3,507%
18/03/02 to 31/12/02	158.50	2,702,375	8,357%	1,328,811	4,380%



Primary Listing of Serial Islamic Lease Sukuk for Kumpulan Guthrie Berhad on LFX.

The Exchange also offers facilities for offshore capital raising through its wholly-owned subsidiary, the Labuan International Financial Exchange (LFX). Based in the Labuan International Offshore Financial Centre (IOFC), LFX is a web-based exchange offering listing and trading facilities for a wide range of financial instruments based on either conventional or Syariah principles in any currency except for the Malaysian Ringgit,

The 18-month period ending December 2002 saw 9 new listings on the LFX with a total value of about USD1.35 billion. This brings the total number of listings on the LFX to 10, comprising debt securities and mutual funds based on both conventional and Syariah principles, with a market capitalisation of approximately USD1.63 billion.

January 2002 witnessed the listing of the USD150 million Serial Islamic Lease Sukuk, issued by First Global Sukuk Inc for Kumpulan Guthrie Bhd. The issue, implemented in 2 tranches, is the first private sector Sukuk to be listed on an Exchange.

In March 2002, 5 mutual funds ranging in size from USD3.4 million to USD68.1 million, issued by the Insinger de Beaufort Group, a Dutch financial group, were admitted as a secondary listing on LFX. In September, the secondary listing of the first international Islamic sovereign bond issue, the USD600 million Sukuk Al-Ijarah Trust Certificates issued by Malaysia Global Sukuk Inc for the Malaysian Government, was completed. Later in the year, LFX saw the secondary listing of USD400 million Guaranteed Exchangeable Bonds issued by TNB Capital (L) Ltd for Tenaga Nasional Bhd.

LFX Market Statistics

Years	Listings		Product Type				Total	
	Primary	Secondary	Debt Securities		Funds		USD million	No.
			USD million	No.	USD million	No.		
FY 2001 (01/07/00 to 30/06/01)	Nil	1	250	1	Nil	Nil	250	1
FY 2002 (01/07/01 to 31/12/02)	2	7	1,150	4	229	5	1,379	9
Total	2	8	1,400	5	229	5	1,629	10

Given the encouraging progress in the various equity markets operated, KLSE will continue to spearhead improvements in the capital raising process to secure its position as a favoured marketplace for companies to raise funds for expansion and for investors to share in this growth.

THE MESDAQ MARKET AT KLSE

Following the successful merger with the Kuala Lumpur Stock Exchange (KLSE), the MESDAQ Market was established at the KLSE on 18 March 2002. Currently, catering for technology-based and high-growth companies, the MESDAQ Market is committed to the national agenda of promoting technology-intensive industries, facilitating the development of science and technology through research and development (R&D) by such companies, assisting in the development of the Multimedia Super Corridor (MSC) and enhancing the growth of small and medium-sized industries and enterprises in various sectors.

Subsequent to the merger, with a common trading platform – the KLSE's WinSCORE system – trading and participation in the MESDAQ Market is broadened via the network of 39 stockbroking companies and over 7,000 registered dealers representatives nationwide. It offers an efficient price discovery mechanism for both issuer and investor.

Specialising as a market for technology-based and high-growth companies, the MESDAQ Market provides the opportunity for such companies to seek investors to facilitate their development and expansion plans. The MESDAQ Market provides an alternative to borrowing from financial institutions, and affords venture capitalists an exit route for their investments in companies while presenting opportunities for investors seeking to diversify their investment portfolios and participate in high growth and technology-based companies. Investors in general are provided an opportunity to participate in a company's development at an early stage.

The performance of the MESDAQ Market since its consolidation into the KLSE Group has been very encouraging. From only 5 listings in its first 3 years of operations, as of 30 June 2003, there are 20 companies listed on the MESDAQ Market. The market capitalisation of the MESDAQ Market is currently over RM1.665 billion as compared to RM262.69 million before consolidation. In terms of funds mobilised or capital raised, in the 12 months up to end June 2003, a total of RM230.92 million has been raised. The largest amount of capital raised to date is RM63.4 million for Iris Corporation Berhad, which was listed on 25 July 2002, followed by YTL E-Solutions Berhad with RM38.5 million, listed on 2 July 2002.



Source: The Star

Issues in Focus 2002

ADVANTAGES OF THE MESDAQ MARKET TO THE ISSUER

The advantages of listing for a young company are significant. Among others, listing on the MESDAQ Market is an efficient and cost-effective way to raise funds, while providing access to additional capital after listing. It helps companies attract a broad range of investors locally and abroad. Listed companies may also achieve greater visibility through an enhanced corporate profile and have increased leverage in negotiations and business dealings.

Through listing on the MESDAQ Market, companies will have access to the capital markets to raise funds for the purpose of expansion and accelerating growth. The MESDAQ Market offers the flexibility to cater for young companies without a profit track record or a long operating history, which may have difficulty in obtaining financing from conventional sources.

However, despite the minimal entry requirements, companies listed on the MESDAQ Market are required to comply with the requirements of a full disclosure-based market. Although there is greater responsibility and accountability, which will require issuing timely and accurate information to regulators, shareholders and investors, the benefits of such a listing are significant.

Nevertheless, complying with these requirements means the company will generate more trust and confidence in the marketplace, as well as among investors. This will ensure that the company continues to have access to capital to fund business expansion for future growth.

ADVANTAGES OF THE MESDAQ MARKET TO THE INVESTOR

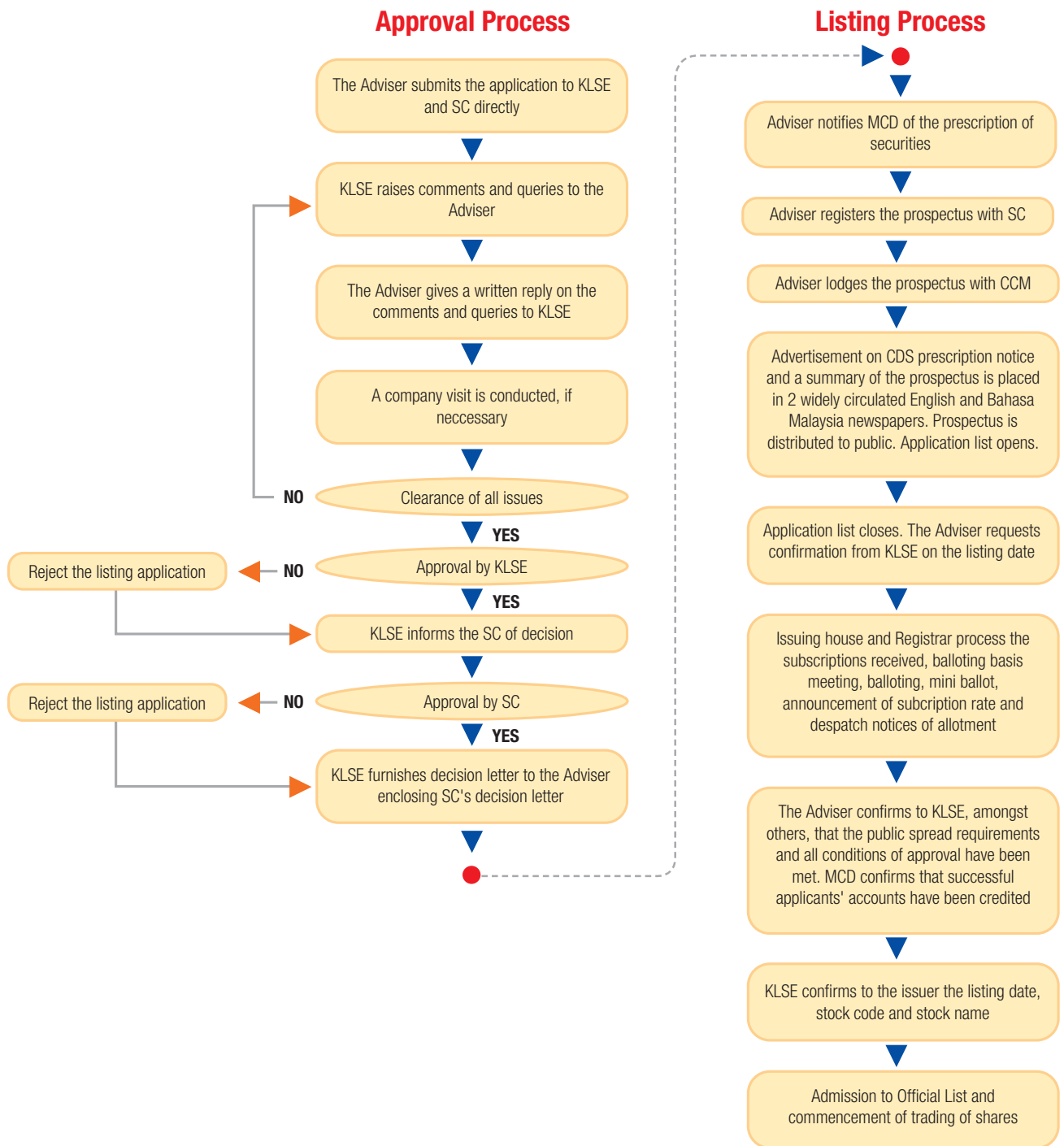
The MESDAQ Market offers investors a new avenue to invest in companies at an early and possibly more exciting stage of their development. These companies are listed on the MESDAQ Market based on their potential as opposed to having a profit track record.

The MESDAQ Market operates on a full disclosure-based regulation. Listed companies are required to make continuous disclosures in a full, accurate and timely manner. This is to ensure that investors are informed of the current and future developments of the company.

With increased interest in the MESDAQ Market following the merger, the liquidity in terms of trading volume and value has increased. Consequently, MESDAQ Market listed companies' values have also increased significantly.

For venture capitalists, the MESDAQ Market provides a strategic exit mechanism for them to make their investments more liquid to eventually realise investment value. This is important to enable venture capitalists to continue their investment cycle of re-investing capital upon exit. The MESDAQ Market therefore serves as an important conduit to the venture capital industry as venture capitalists are able to invest in and thus benefit more start-ups.

OVERVIEW OF THE APPROVAL AND LISTING PROCESS ON MESDAQ MARKET



Note: Once approval for listing is granted, an applicant is given up to 6 months to implement the listing of the company.

Issues in Focus 2002

TECHNOLOGY-BASED ACTIVITIES

Design, development, production, manufacturing and/or assembly in any of the areas outlined below :

Advance Electronics and Information Technology

Components

- Input/output technologies
- Storage and batteries
- Smart cards
- Integrated Circuits
- Micro-processor

Systems and Architectures

- Operating systems environments
- Software component architectures
- Computing platforms
- Micro-processor based products
- Security
- Neural networks
- Fuzzy logic systems
- Display systems
- Pattern recognition system and image processing
- Machine vision

Software

- Fuzzy logic systems
- Application development environments
- Database management systems
- Groupware, workflow, document and knowledge management
- Systems and network management
- Animation, graphics, visualisation, image solutions, computer aided design (CAD), shrink-wrap software

Applications

- Electronic commerce
- Data warehousing
- Corporate applications

Communications

- Transmission media
- Networking systems and protocols
- Internet and intranet

Supporting Products and Services

- Uninterrupted power supply
- Network equipment/modem, server, etc

Telecommunications

- Telecommunications network
- Cellular/fixed lines services
- International gateway facilities
- Value added interactive voice and data services
- Value added network data services
- Radio paging
- Satellite-based communication

- Maritime and broad band communication
- Equipment, components and parts

Equipment/Instrumentation, Automation and Flexible Manufacturing Systems

- Scientific, laboratory and medical equipment
- Medical implants, devices and prostheses
- Computer process control systems/equipment
- Wireless technology and wireless processes
- Process instrumentation
- Robotics
- Computer numerical control (CNC) machine tools
- High precision cutting/measurement/calibration machines
- Precision moulding
- Powder metallurgy
- Advanced factory machine operations
- Rapid tooling and prototyping

Biotechnology, Bioconversion and Genetic Engineering

- Genetically engineered organisms
- Cell cultures
- Biopolymers
- Metabolites
- Food and food supplements
- Fine chemicals
- Biodiagnostics
- Waste, waste minimisation and waste treatment
- Waste optimisation/utilisation
- Waste remediation
- Bioconversion processes

Healthcare

- Pharmaceuticals
- Medical products
- Diagnostic and imaging
- Telemedicine
- Health management organisations (HMO)

Electro-Optics, Non-Linear Optics and Optoelectronics

- Optical Lenses
- Laser application equipment and peripherals
- Photonics, including fibre-optic communication equipment and peripherals
- Optoelectronic systems components

- Optical systems components
- Photo-copiers
- Semiconductor lasers

Advanced Materials

- Polymers, biopolymers and other biomaterials
- Superconductors
- Fine ceramic and advanced ceramics
- High strength composites
- Specialty materials, rare earth elements, smart materials and new alloys
- Magnetic and permanent magnetic materials.

Energy

- Fuel cells
- Advanced batteries
- Solar cells
- Renewable energy
- Hybrid energy technology
- Energy efficiency methods

Aerospace

- Aircraft and aircraft equipment, components, accessories and parts
- Aircraft modification, conversion and refurbishment
- Equipment, components, accessories or parts for satellites and micro satellites
- Equipment, components, accessories or parts for satellites earth observation and aerial surveillance applications.

Transportation

- Split Engines
- High performing engines
- Micro engines
- Transport navigation and tracking systems

Emerging Technologies

- Emerging technologies which will be added from time to time

Services

- Education and training relating to application of smart technologies
- Education and training of knowledge workers
- System developers, system integrators, content or solution providers.

DERIVATIVES MARKET IN MALAYSIA

It is the stated aim of the Government to build Malaysia into a developed economy by the year 2020. To achieve that goal requires sustained investment activities and prudent management of the country's resources. Savings have to be accumulated, mobilised and channelled for productive purposes. The capital market is central to this process. Indeed, the capital market is a major contributor as well as a major beneficiary of the nation's Vision 2020 objectives.

To meet these objectives, among others is the establishment of the Malaysian derivatives market to meet investors' needs for innovative investment tools, provide consistent returns and portfolio protection to investors and for portfolio protection activities. Malaysia Derivatives Exchange Berhad (MDEX), the result of the merger between the Kuala Lumpur Options and Financial Futures Exchange Bhd (KLOFFE) and the Commodity and Monetary Exchange of Malaysia (COMMEX), attained its present identity on 11 June 2001.

The products traded on MDEX include the KLSE Composite Index Futures and Options contracts (FKLI and OKLI), the Crude Palm Oil Futures contract (FCPO), the 3-month Kuala Lumpur Interbank Offered Rate (KLIBOR) Futures contract (FKB3) and the 5-year Malaysian Government Securities (MGS) Futures contract (FMG5). MDEX will strive to introduce more futures and options products based on domestic and international underlying instruments in the near future.

With the formulation of the Capital Market MasterPlan (CMP) in 2001, 15 recommendations focused specifically on the derivatives market were outlined. These recommendations emphasise the following areas and have prompted various consequent actions:

- Facilitating effective risk management by investors with exposures in the underlying market through efforts to enhance liquidity in the derivatives market and allow the efficient pricing of risk. *MDEX has migrated from a dual trading system which included open outcry trading, also known as floor trading, to a single electronic trading platform in December 2001. This has vastly improved the price transparency and efficiency of the FCPO and FKB3 contracts, which were previously transacted on a physical trading floor.*
- Promoting a culture of risk management among institutional investors by encouraging a more active approach towards hedging their investment portfolio exposures. *To enhance knowledge and understanding of risk management through derivatives at the highest levels in corporations and institutions, MDEX has conducted several CEO Colloquiums.*
- Enhancing investor awareness and knowledge on the uses of derivatives. *MDEX has conducted a series of investor education roadshows around the country.*
- Minimising transaction costs to enhance the attractiveness and accessibility of the exchange traded risk management products to market participants. *Futures broking commission rates for all products have been fully-negotiable since 28 December 2001.*
- Developing strong and well-managed derivatives market intermediaries, supported by skilled professionals, to ensure that participants in the local derivatives market can obtain services of a quality commensurate with those offered in mature markets. *MDEX continuously conducts training programmes aimed at improving intermediaries and their representatives to enable them to better serve the investing public at large.*
- Fostering a market driven approach toward the development of new products in order to encourage product innovation and facilitate pro-active solutions to investors' risk management needs. *In meeting this call, MDEX*



MDEX has commenced electronic trading for the full range of MDEX products

Issues in Focus 2002

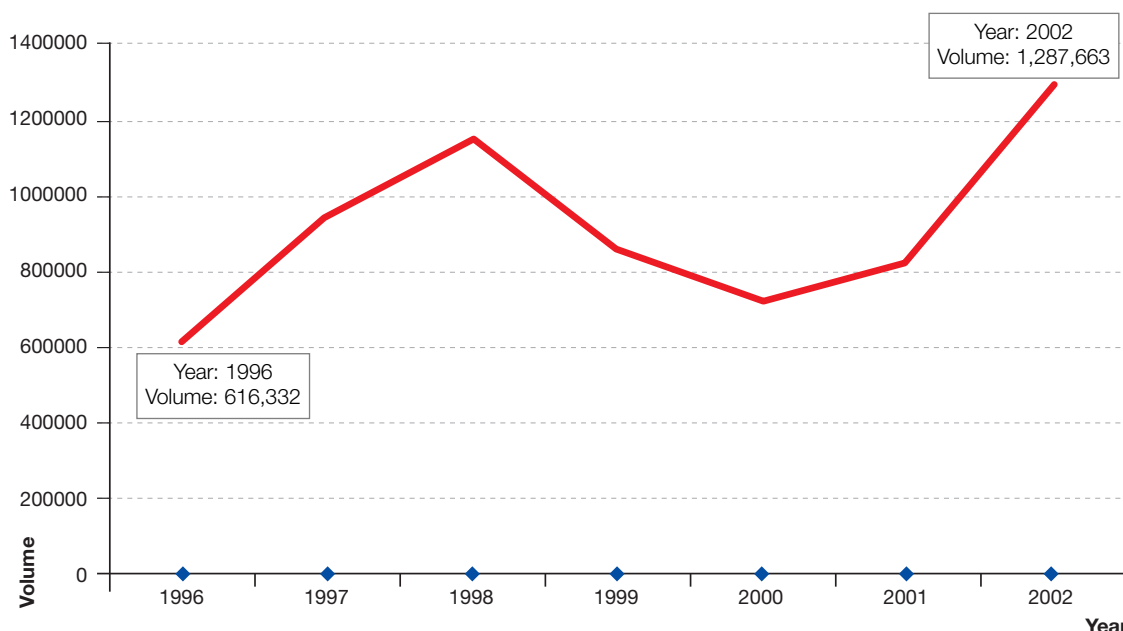
launched the 5-year Malaysian Government Securities (MGS) Futures contract (FMG5) for financial institutions and corporations to hedge their medium term fixed income exposure.

- Enhancing liquidity and product diversity in the local derivatives market by capitalising on mutually beneficial cross-border partnerships and the involvement of global market participants. *As part of this effort, MDEX is not only working with like minded regional exchanges on cross trading of products but has also conducted training for other derivatives exchanges.*

With the implementation of the CMP initiatives and the migration to a fully electronic trading platform, the Malaysian derivatives market has shown positive signs of improvement. Total exchange traded derivatives volume surged from 822,805 contracts in 2001 to 1,287,663 contracts in 2002, making it a record volume year. Depicted below is the volume traded on MDEX from 1996 to 2002:

Year	Total Traded Volume	FKLI	FCPO	FKB3	FMG5	OKLI
1996	616,332	77,281	498,118	40,933	-	-
1997	943,681	382,974	484,323	76,384	-	-
1998	1,149,521	771,244	353,539	24,738	-	-
1999	854,605	436,678	388,933	28,994	-	-
2000	720,725	366,942	308,622	44,812	-	349
2001	822,805	287,528	479,799	54,914	-	564
2002	1,287,663	233,863	909,073	64,307	80,419	1

Yearly Volume of Exchange Traded Derivatives in Malaysia



On the supply side, the volume for the forthcoming years is expected to increase significantly with the introduction of more derivative products and the move towards a common trading platform with the equities market. More educational programmes on derivatives trading will be emphasised by MDEX in the near future to drive domestic demand on derivatives especially to institutions and retail investors. With the impetus on implementing the 15 recommendations for the derivatives market outlined in the CMP and the various strategic plans for the Malaysian capital market, the derivatives market will continue to provide and strengthen the services and facilities for its market participants and its underlying markets.

DEMUTUALISATION

INTRODUCTION

The Capital Market Masterplan (CMP), was introduced in February 2001 as part of the broader plan to ensure that the capital market is well positioned to support the needs and aspirations of national growth and meeting the challenges going forward. In respect of market institutions, the CMP sets out the following recommendations, among others:

- a. Recommendation 1 -** A single Malaysian exchange should be established through the consolidation of all existing exchanges by 2002.
- b. Recommendation 2 -** Malaysian Exchange for Securities Dealing and Automated Quotation Berhad (MESDAQ) should be merged with the Kuala Lumpur Stock Exchange (KLSE) as part of the exchange consolidation process.
- c. Recommendation 3 -** The Malaysian exchange should demutualise and list on the stock market by 2003.

Kuala Lumpur Stock Exchange Group (KLSE Group or Group) started the exercise to consolidate market institutions since 1998, and completed the consolidation of market institutions into a single group under the auspices of KLSE in March 2002. This marked the achievement of Recommendations 1 and 2 of the CMP. The consolidation exercise can be summarised as follows:

- The acquisition of The Kuala Lumpur Options and Financial Futures Exchange Bhd (KLOFFE), which was then the equity derivatives exchange, by KLSE in December 1998. At about the same time, the Kuala Lumpur Commodity Exchange (KLCE), the exchange for commodity futures, and the Malaysian Monetary Exchange (MME), the exchange for financial futures, merged to become the Commodity and Monetary Exchange of Malaysia (COMMEX).
- In June 2001, COMMEX and KLOFFE merged to create a single derivatives exchange in Malaysia, Malaysia Derivatives Exchange Berhad (MDEX). The merger also resulted in the derivatives clearing house, Malaysian Derivatives Clearing House Berhad (MDCH), being housed under the KLSE Group.
- The merger of MESDAQ with KLSE in March 2002, and the establishment of the MESDAQ Market at KLSE, was the final leg of the exercise to realise the creation of a single Malaysian exchange.

With the creation of a single Malaysian exchange group, KLSE proceeded to embark on the demutualisation exercise. The demutualisation of KLSE was approved in principle by the Minister of Finance in November 2002.



Source: Investors Digest, The Star & The Edge

Issues in Focus 2002

To be increasingly competitive and in order to attract and retain liquidity pools, exchanges must position themselves for greater accessibility and be globally attractive.

DEMUTUALISATION OF THE EXCHANGE

Globalisation of economies, liberalisation of markets, technological advancements and deregulation over recent years have had major impact on the capital market and the economy – locally, regionally and globally. Smaller and medium sized markets, despite significant positive growth in absolute terms, are increasingly dwarfed in relative terms by growth of markets in the larger economies. Consequently, smaller markets may be marginalised and bypassed by major market participants – investors, intermediaries and even issuers. Issuers are also migrating to markets where the liquidity pool is deep, and cost of capital is relatively low. Investors too, in looking for diversity and opportunity, are increasingly mobile.

To be increasingly competitive and in order to attract and retain liquidity pools, exchanges must position themselves for greater accessibility and be globally attractive. Market institutions must focus on attracting and meeting the needs of a

broader group of customers comprising investors, intermediaries and issuers. Thus, irrespective of size, demutualisation is essential to enable exchanges to face and adapt to the challenges brought about by these changes and developments.

WHY DEMUTUALISE

Demutualisation, in legal terms, refers to the conversion of a 'mutual' entity such as a stock exchange limited by the guarantee of its stockbroking members into a company limited by shares, with a shareholder base that is distinct and separate from its trading members or participants. However, demutualisation of exchanges is not just focused on the change in legal status. On a broader scale, demutualisation serves as a means of transforming the exchange to ensure that it has the agility and flexibility that will be required to compete and operate in a global economy, and as an enabler towards raising liquidity, enhancing efficiency and investment in new technologies to maintain the Exchange's competitiveness and relevance.

Demutualisation, and more so listing, will also enhance management accountability and transparency to shareholders, in the operations, management and setting of goals and performance targets, towards enhancing shareholder value. Among others, 1 key objective of demutualisation is to broaden the interests of the exchange from primarily focusing on the needs of its local stockbroking members, to better represent the needs of other market participants, which includes investors, issuers and international intermediaries. This would enable the exchange to include and consider the views and interests of a broader stakeholder base.

Essentially, demutualisation is about re-inventing the exchange as an institution, transforming the exchange into a more efficient and competitive form to enable adoption of more dynamic business strategies and business structures. This will enable the exchange to better operate and compete with other exchanges.

To maintain the current form as a mutual entity does not mean that the said benefits cannot be achieved. However, the flexibility and speed to achieve the benefits are limited. This explains why even larger exchanges have demutualised. Currently, almost half of the members of the World Federation of Exchanges (WFE) have demutualised, and a majority of those demutualised have listed their shares on the stock market.

LIST OF DEMUTUALISED EXCHANGES

EXCHANGE	YEAR DEMUTUALISED	EXCHANGE	YEAR DEMUTUALISED
1. American Stock Exchange	1998	17. HEX Plc	1996
2. Athens Stock Exchange	1999	18. Hong Kong Exchanges and Clearing	2000
3. Australian Stock Exchange	1998	19. Iceland Stock Exchange*	1999
4. Bolsa De Comercio De Santiago	2000	20. Italian Exchange	1997
5. Bolsa De Valores De Lima	2003	21. London Stock Exchange	2000
6. Bolsa Mexicana De Valores	2001	22. NASDAQ Stock Market*	2000
7. Bourse De Montréal	2000	23. New York Mercantile Exchange*	2001
8. Budapest Stock Exchange Ltd.	2002	24. New Zealand Stock Exchange	2002
9. Chicago Mercantile Exchange*	2002	25. Osaka Securities Exchange	2001
10. Copenhagen Stock Exchange	1996	26. Oslo Børs	2001
11. Deutsche Börse AG	2001	27. Philippine Stock Exchange	2001
12. Euronext Amsterdam	1997 (as Amsterdam Exchanges)	28. Singapore Exchange	1999
13. Euronext Brussels	2000 (as Brussels Exchange)	29. Stockholmsbörsen	1993
14. Euronext Lisbon	2000 (as BVLP)	30. SWX Swiss Exchange	2002
15. Euronext LIFFE*	1999 (as LIFFE)	31. Taiwan Stock Exchange Corp	1961 (established as private company)
16. Euronext Paris	1999 (as ParisBourse)	32. Tokyo Stock Exchange	2001
		33. TSX Toronto Stock Exchange	2000

* Non-WFE Member

DEMUTUALISING THE KLSE

Corporate Structure of the Demutualised Exchange

Effective and efficient management and operations of the organisation across functions and legal entities within the Group will be key for the new corporate structure. Equally important, the corporate structure must enable balance between the commercial and regulatory functions and obligations of the demutualised exchange.



Technology will be 1 of 4 core business units to drive the Group's performance.

Issues in Focus 2002



Demutualisation of KLSE would project the capital market as forward-looking and being adaptable to changing market demands in a global landscape.

The exchange Group will be structured into 4 core business units that will drive the performance of the Group, namely – exchanges, clearing settlement & depository, information services and exchange systems. In addition to the business units, the regulatory functions of the Group will be centralised and made independent of the business units to ensure independence and objectivity in the performance of the exchange's regulatory functions. The regulatory unit will be headed by a chief regulatory officer. Common Group functional services, such as finance and strategy, corporate services and information technology, will be established and centralised to serve the business units and operations of the Group.

Necessarily, the proposed structure will closely support the full function of the demutualised exchange in offering the consolidated services for equity, derivatives and offshore investments, with the aim of balancing commercial interests with public interests.

Public Interest Framework

KLSE recognises that to retain the confidence of all market participants in a demutualised environment, conflicts of interests between commercial interests and public interests must be addressed, managed and minimised accordingly. In this case, a comprehensive public interest framework will be implemented to ensure the integrity of the market even as the exchange reaps the benefits of greater efficiency. This is over and above the duty of the exchange to act in the interest of the public as provided for under Section 9B of the Securities Industry Act 1983.

The proposed Public Interest Framework covers 6 dimensions:

- Balanced governance (board) structure representing public interests and shareholders of the exchange company;
- Shareholding and decision-making limitations, in line with national policies;
- Supervision of the demutualised and listed exchange by the Securities Commission as the oversight regulator;
- Establishment of a Capital Market Development Fund to fund broader development of the capital market;
- Internal Regulatory Organisation Structure that ensures independence, objectivity and clarity; and
- Risk management organisation and practices that serve to manage and address organisational, operational and market risks.

Similar traits of this proposed Public Interest Framework are also found in other demutualised exchanges in Australia (Australian Stock Exchange), Singapore (Singapore Exchange), Hong Kong (Hong Kong Exchanges and Clearing), and Canada (Toronto Stock Exchange).

Benefits from Demutualisation

The demutualisation and the eventual listing of the KLSE, will provide clear benefits to the various stakeholders. Strategically, it would project the country and its capital market as forward looking and able to adapt to changes to keep pace with market demands and needs.

Demutualisation, although significant in the transformation of the exchange, is not the end game. It is only an enabler.

a. Capital Market and Economy

Efficiency improvements at the exchange will contribute towards the overall improvement of market competitiveness. Eventually, the increased participation from a broader group of intermediaries and investors, foreign and domestic, would provide increased international coverage of the Malaysian capital markets, entry of fresh skills and creation of employment in the local market. The creation of a Capital Market Development Fund arising from demutualisation will also provide a source of funds towards promoting and facilitating further development of the capital market. Increased participation from a broader segment of intermediaries and investors will among others lead towards reduced cost of capital for issuers leading to a more efficient allocation of scarce financial resources to Malaysian corporates and the economy. In addition, the ability to retain participation of domestic companies and investors in the local capital market can be enhanced given the competitive domestic environment. The demutualisation exercise can also contribute towards enhancing and promotion of external relationships, through the forming of strategic business alliances towards further strengthening the Malaysian capital market.

b. Issuers/Investors

Demutualisation ensures that more attention is focused on customers of the exchange, especially investors and issuers. Thus, where the exchange is able to reap the benefits of efficiency and cost-effectiveness in its operations, the benefits could also translate into lower cost for investment and reduced cost of capital for both investors and issuers.

c. Intermediaries

Benefits of greater participation by investors and issuers achieved as a result of demutualisation will in turn reflect positively to intermediaries. Additionally, existing stockbroking member companies of the Exchange will be able to realise the value from the allocation of shares upon the demutualisation of the exchange. The post-demutualisation environment will facilitate intermediaries' continuous enhancement of market sophistication. Intermediaries will also continue to be important customers of the exchange, performing the role as conduits between investors and the market.

d. Exchange

Broadened ownership and governance representation would allow diversified interests of market participants to be directly represented in the decision making process of the exchange, minimising any potential conflicts of interest. Demutualisation also facilitates a more customer-oriented approach in the exchange operations.

The exchange will also benefit from increased efficiency, accountability and transparency, driven by value creation objectives of demutualisation. Demutualisation also facilitates increased speed and flexibility in decision-making to keep pace with the dynamic marketplace, and enhances the ability to raise capital to fund critical investments and business expansion.

Issues in Focus 2002

PROCESS OF DEMUTUALISATION

Given the absence of any enabling provision in the Companies Act for conversion of KLSE from a company limited by guarantee into a company limited by shares, the demutualisation of KLSE will be facilitated through the promulgation of a Demutualisation Act. It also entails amendments to relevant securities and futures laws, such as the Securities Industry Act 1983 and Futures Industry Act 1993.

Upon demutualisation, changes will be implemented in respect of the governance, organisation, corporate and management structures of the demutualised exchange. The objective behind these changes will be to incorporate best business and corporate practices, and to ensure retention of public interest in the demutualised exchange's daily operations.

Completion of the demutualisation of KLSE is targeted for early 2004. Following the demutualisation, the exchange company will pursue a listing on the stock market.

GOING FORWARD

Demutualisation, although significant in the transformation of the exchange, is not the end game. It is only an enabler. To ensure the success of demutualisation, strategies and action plans will be devised and pursued to further achieve the broader objectives of demutualisation.

Demutualisation will also signal the start of larger efforts to develop the Malaysian capital market and attract a broader and larger number of participants. And for this to succeed, the ongoing co-operation and support from all parties involved must continue to propel the exchange to greater heights.



Dataran Putra

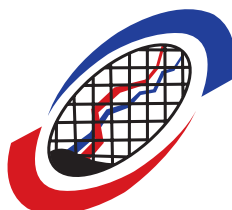
The ceremonial, tree-lined centrepiece of Putrajaya, *Dataran Putra*, when viewed aerially is an elegant spherical creation of 2 concentric plazas and forms 1 of several boulevards in this Federal Territory.

Marked with colourful flora, as well as distinctive light and water features, *Dataran Putra* spans 300 metres in diameter. Using a star-like pattern, the first 11-point star represents the country's 11 states when it first gained independence. Within this, lies a 13-point star that portrays the 13 states comprising Malaysia today and the innermost star with 14 points symbolises the Malaysian states together with the Federal Territories.

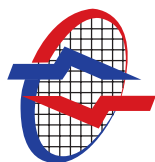
The *Dataran Putra* artistically portrays Malaysia's progress over the years, while the use of a spherical shape reflects a quest for solidarity. Putrajaya's *Dataran Putra* and the KLSE transforming into a single Malaysian exchange share a common ground – both mark the continued advancement of Malaysia as it becomes developed.

KLSE

Group



Kuala Lumpur Stock Exchange (KLSE)



Malaysia Derivatives
Exchange Bhd (MDEX)



Securities Clearing
Automated Network
Services Sdn Bhd (SCANS)



Malaysian Central
Depository Sdn Bhd (MCD)



KLSE Information Services
Sdn Bhd (KLSE IS)



KLSE Property Management
Sdn Bhd (KPM)



Research Institute of Investment
Analysts Malaysia (RIIAM)

Labuan International
Financial Exchange (LFX)



Malaysian Derivatives
Clearing House Bhd (MDCH)



KLSE Technology Sdn Bhd

KLSE TECH

Malaysian Share Registration
Services Sdn Bhd (MSRS)



Yayasan BSKL (YBSKL)



KLSE Group

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MALAYSIA DERIVATIVES EXCHANGE BERHAD



MDEX Executive Chairman addresses guests at the Annual Palm and Lauric Oils Conference & Exhibition organised by MDEX for those involved in the global oils and fats industry.

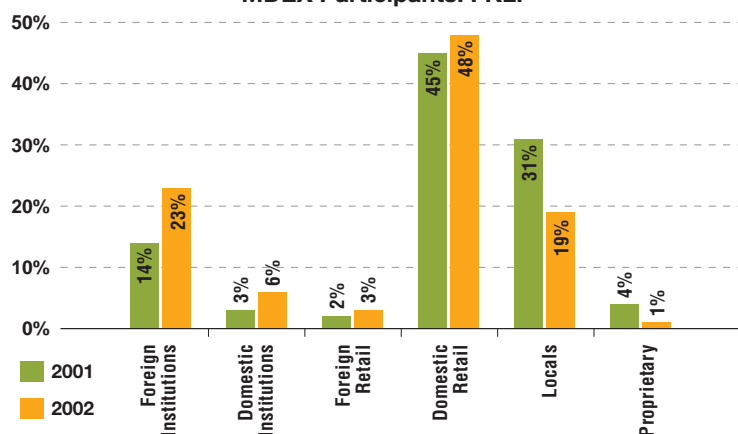
The international derivatives market, both exchange-traded and over-the-counter (OTC), had another robust year with increased volumes throughout 2002. According to the Bank for International Settlements (BIS), the global OTC business relative to exchanges grew by 11-15% in 2002. At end-December 2002, OTC contracts stood at US\$141.7trillion, a 15% increase from the previous year. Amounts outstanding in interest rate-related contracts grew 13%, while equity-linked and commodity contracts grew 4% and 19% respectively.

The Malaysia Derivatives Exchange Berhad (MDEX) too generated encouraging interest levels in 2002 in line with the growing local derivatives industry. Total turnover for all MDEX products was 1,287,663 lots (nominal value based on average

prices: RM120.6 billion), representing a significant 56.5% increase from the previous year. The 1 million contracts mark was actually breached for the first time ever in October 2002. Year-end Open Interest for all products increased to 44,739 contracts; an increase of more than 90% from the previous year. In comparison, total volume for all exchange-traded contracts in 2001 stood at 822,805 lots while the year-end open position was 23,488 contracts.

The Kuala Lumpur Stock Exchange Composite Index (KLSE CI) Futures or "FKLI" averaged 943 lots daily with total volume for 2002 at 233,863 lots. The slowdown in our local stock market owing to the slowing US economy hampered activity on the FKLI contract. Year-end open position for 2002 was 1,485 contracts. The KLSE CI Options contract, which was introduced on 1 December 2001, is still in the process of being accepted by market participants. Local institutions should consider enhancing their participation in the equity futures and option contracts for hedging purposes towards preserving the value of their investments. The current market demography for the FKLI contract is domestic retail (48%), locals (19%), foreign retail and institutional (26%), domestic institutions (6%), and proprietary (1%).

MDEX Participants: FKLI



The most active contract for MDEX in the year 2002 was the Crude Palm Oil (CPO) Futures contract or "FCPO". It registered increased performance after migrating from an open outcry trading system to the electronic KATS system at the end of 2001. In 2002, FCPO continued to set new market records. The highest daily volume was achieved on 16 October 2002 with 10,824 lots transacted. October 2002 was also the month with the highest monthly volume transacted of 104,323 lots. A record daily open

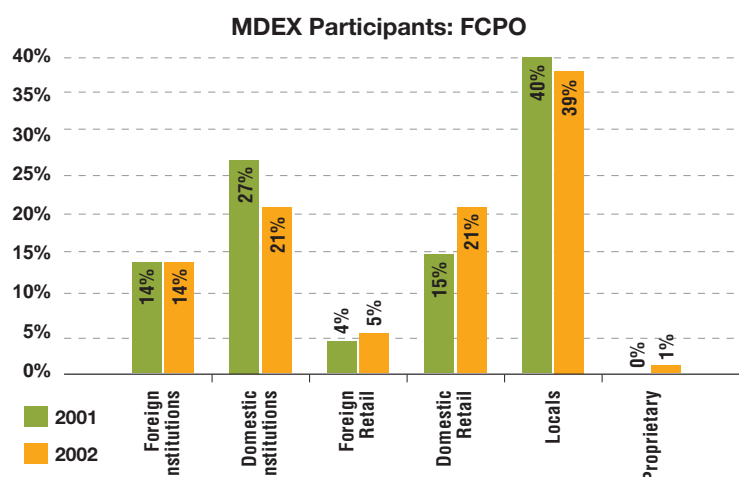
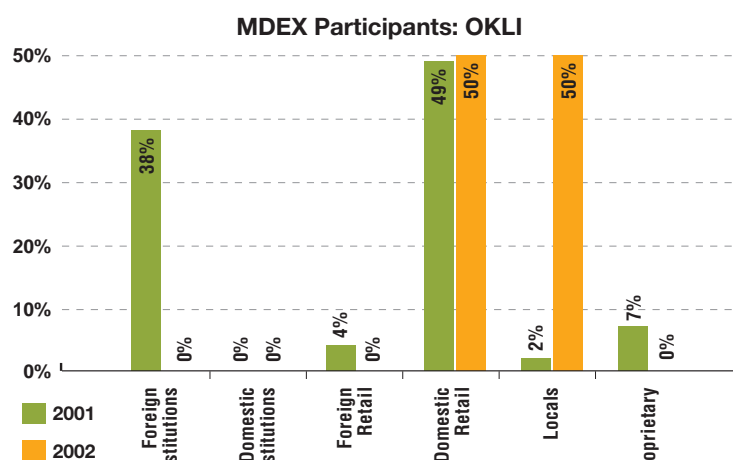
interest of 20,983 contracts was reached on 27 November. Year-end open position stood at 17,280 contracts. Total turnover for 2002 was 909,073 lots, a significant 89.5% rise from 2001's volume of 479,799 lots. This translated into an average daily volume of 3,666 lots. Palm prices experienced high volatility in 2002 due to factors such as the fall in palm oil production, weather problems in India and South America, and the emergence of China as the top importer of palm oil. Market demography remained unchanged from 2001. Locals (38%) are still the largest contributors, followed by domestic retail (21%), domestic institutions (21%), foreign institutions (14%), foreign retail (5%), and proprietary (1%).

The most active contract for MDEX in the year 2002 was the Crude Palm Oil (CPO) Futures contract or "FCPO".

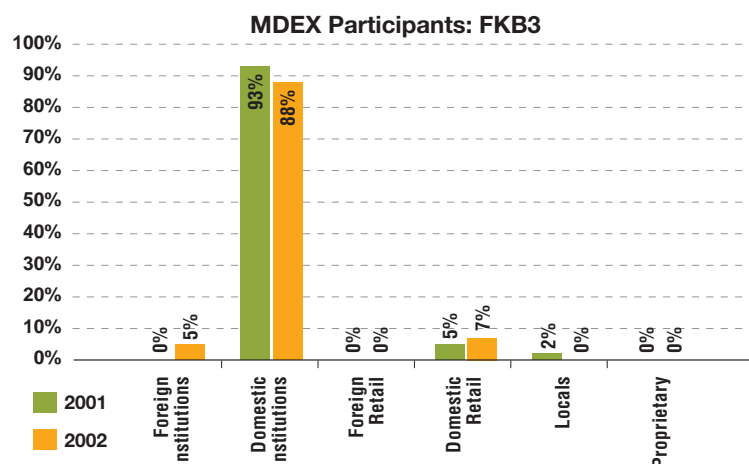
Similarly, the 3-Month Kuala Lumpur Interbank Offered Rate (KLIBOR) short-term interest rate Futures contract or "FKB3" also witnessed an increase in volume for 2002. This contract has gained from the launch of the 5-Year Malaysian Government Securities (MGS) Futures contract in March 2002, which gave users of both markets the opportunity to transact spread trades between the 2 markets. Total volume in 2002 was 64,307 lots; a 17.1% increase from 2001. A new daily volume high was achieved on 10 April 2002 with 2,420 lots transacted. Open interest also reached a record daily high of 22,946 contracts on 17 December. At year-end, open positions for the

FKB3 market stood at 21,114 contracts, up from 10,751 contracts in 2001. The market demography for FKB3 remains the same for 2002 with local banks providing the bulk of hedging activities. Local institutions (mainly local foreign banks) made up 88% of the market, followed by domestic retail (7%), foreign institutions (5%) and proprietary (1%). The current stable interest rate environment had remained throughout the year, although rates did fall towards year-end as market participants expected a further cut in the Bank Negara Intervention Rate due to the poor external economic outlook. Despite the flat interest rate environment, activity on the 3-Month KLIBOR Futures market was spurred by activities in the local interest rate swap (IRS) market via STRIP trading. A STRIP, which is a trade of 4 or more consecutive contract months on 3-Month KLIBOR Futures, is a synthetic interest rate swap and gives market participants the opportunity to hedge long-term fixed rates.

The newest contract launched by MDEX on 29 March 2002 was the 5-Year Malaysian Government Securities (MGS) Futures contract or "FMG5". This contract performed remarkably well for a new contract, registering a total turnover of 80,419 lots with an average daily volume of 421 lots. The highest daily volume was achieved on 12 December 2002 with 2,195 lots traded. The highest daily open position was 10,297 contracts on 29 November. The market demography for FMG5 is very similar to the FKB3 market. Local



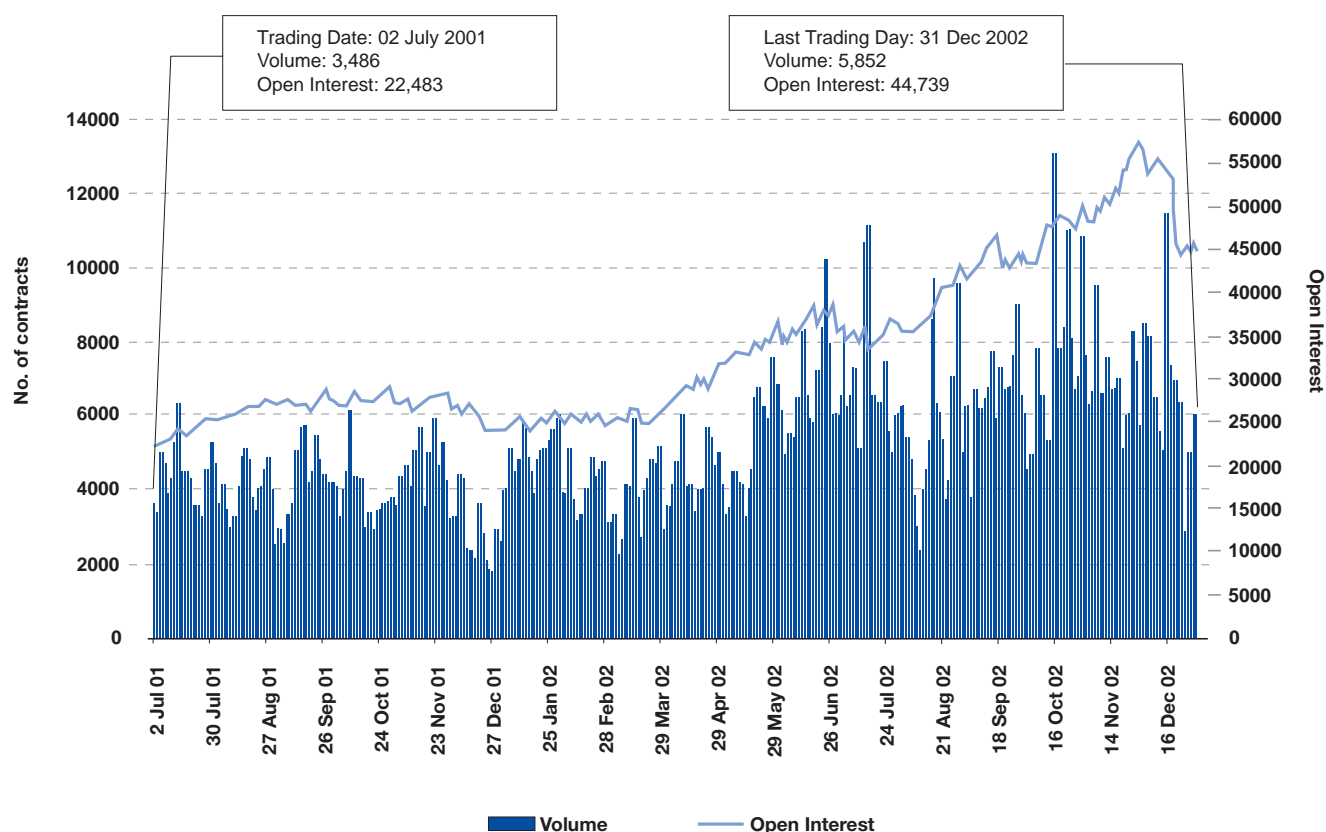
KLSE Group of Companies - Company Reports and Profiles



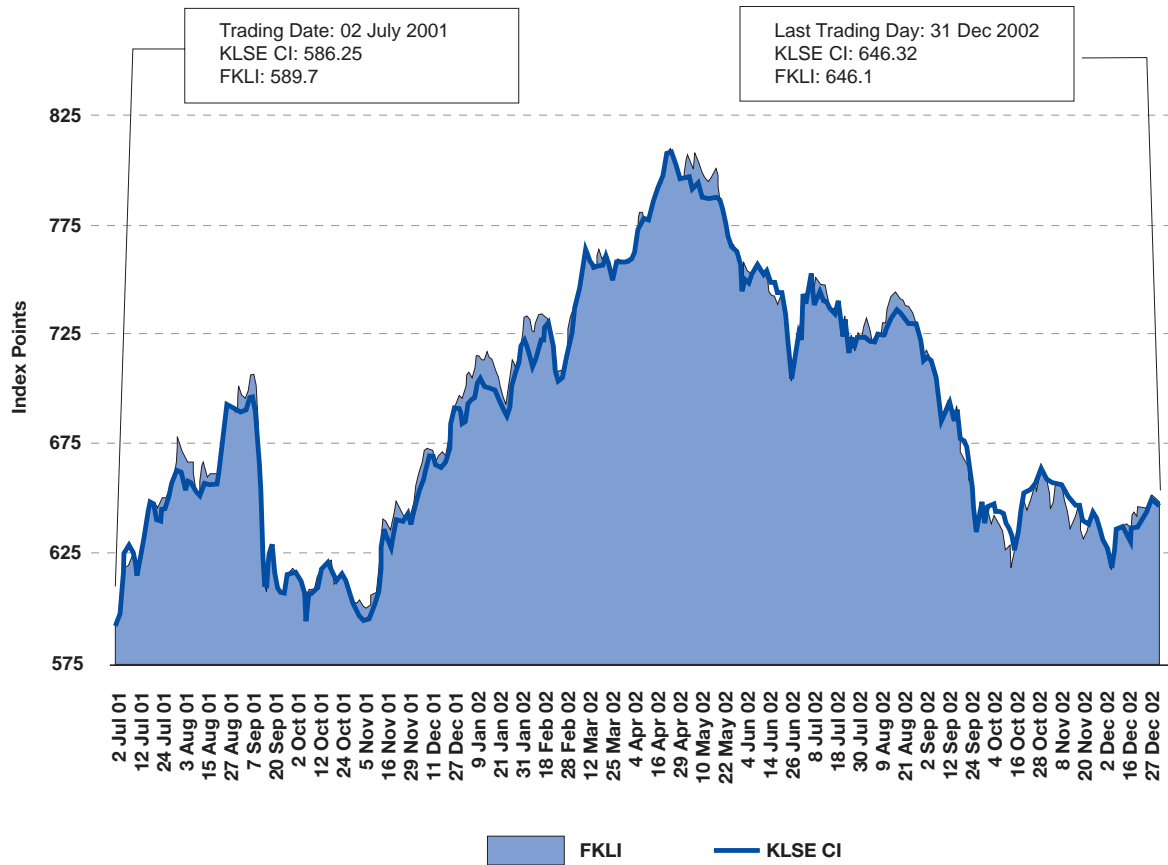
Institutions make up 98% of the market with the remaining 2% comprising of Domestic Retail. The local Ringgit bond market was very active at the beginning of the year. However, activity was reduced in the second half of 2002 as most companies braced for slower growth.

2003 is expected to be a better year for MDEX. For the new year, the proposed introduction of new contracts like Crude Palm Kernel Oil Futures and 3- and 10-Year MGS Futures will generate more interest in the local derivatives market.

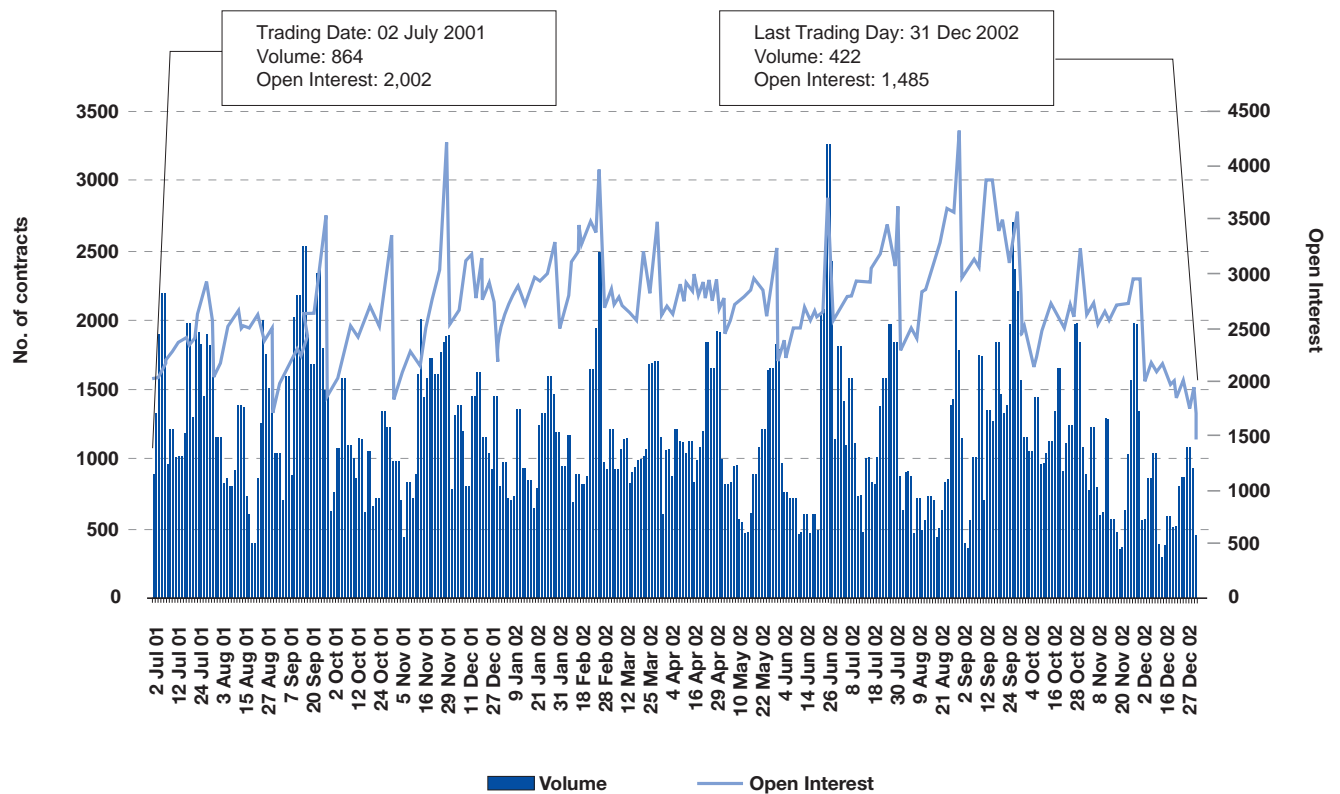
Exchange Total Daily Volume and Open Interest



FKLI vs. KLSE CI

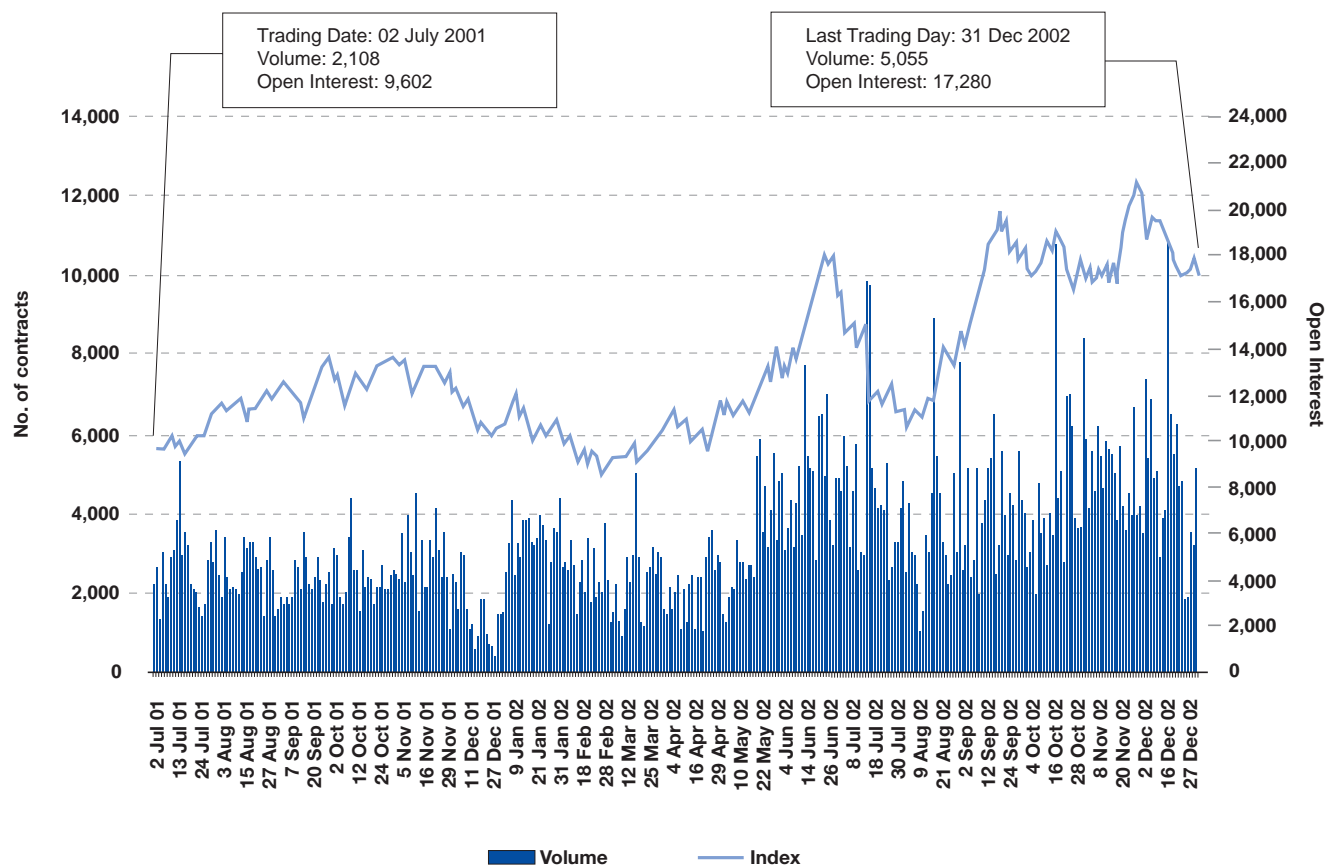


FKLI Daily Volume and Open Interest

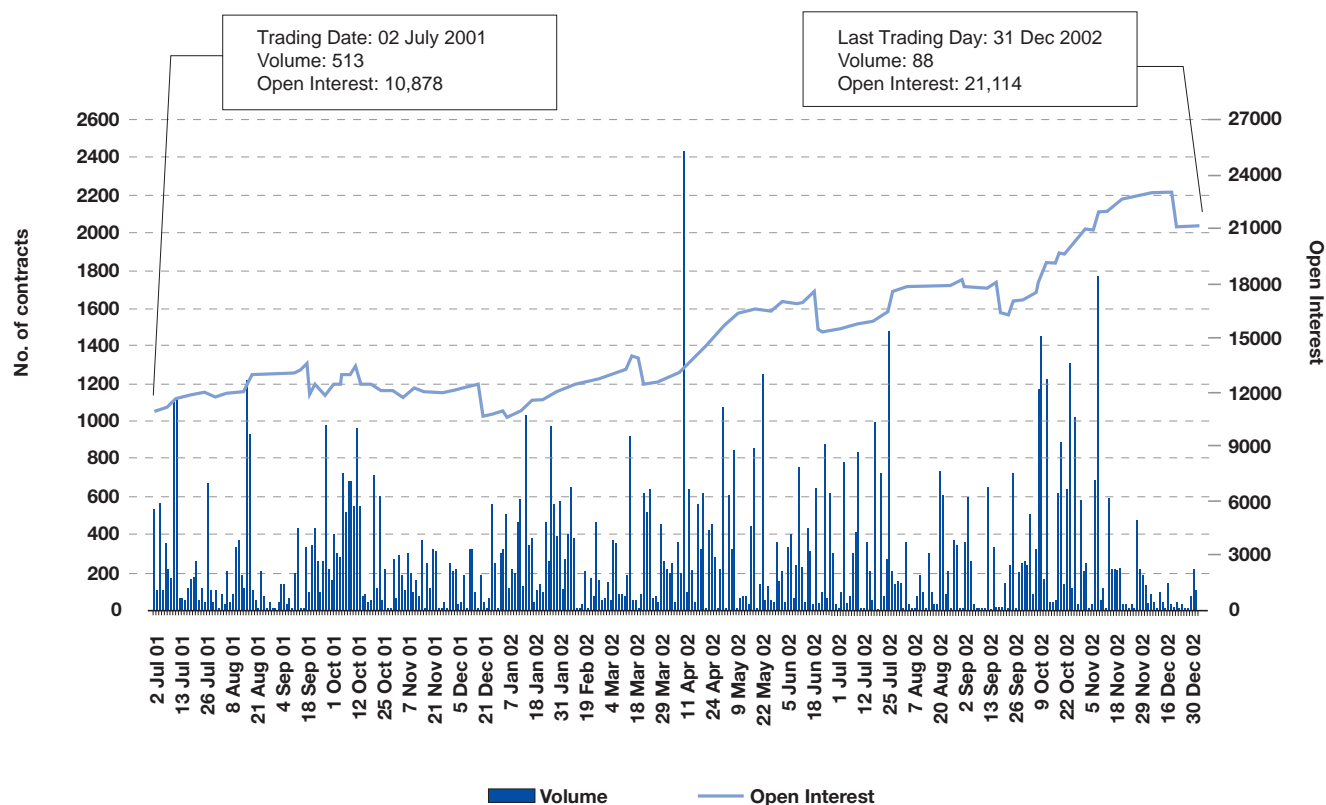


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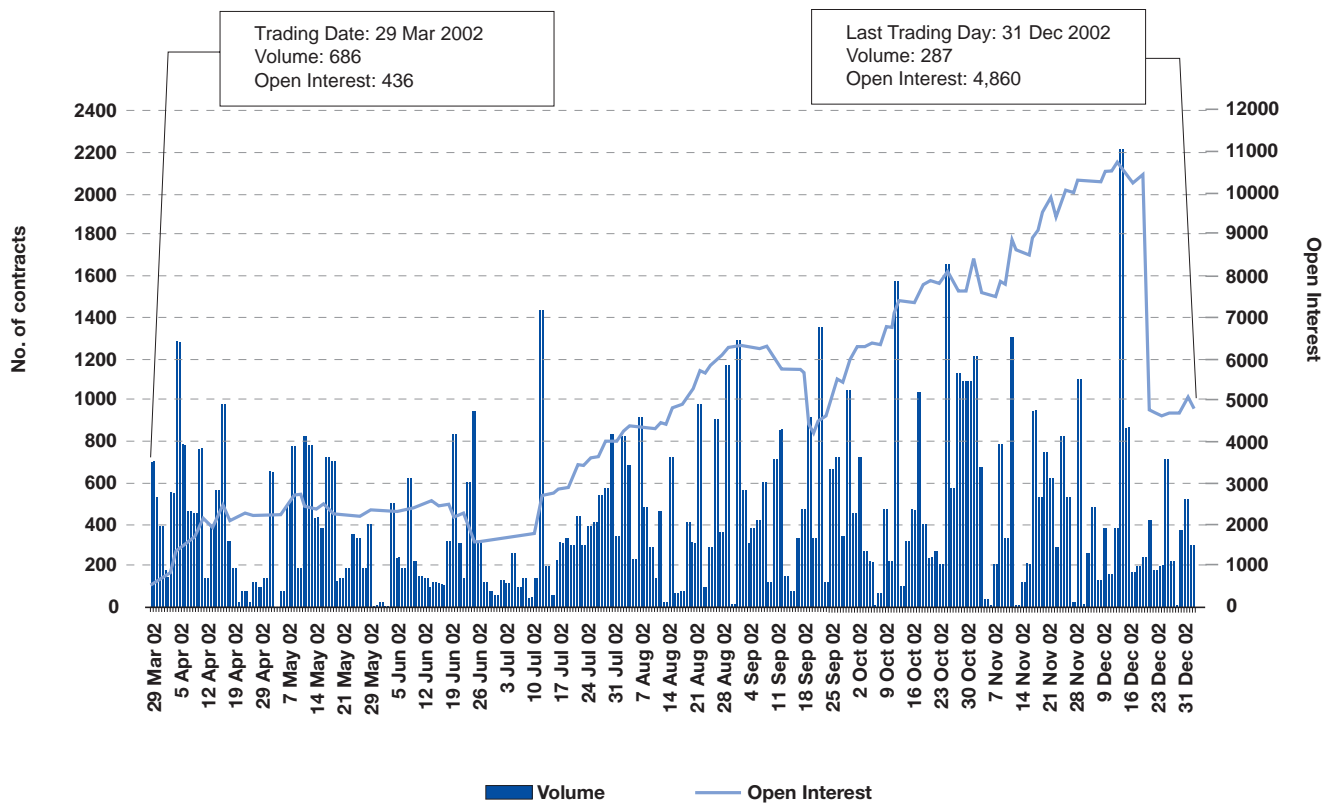
CPO Contract Daily Volume and Open Interest



Klibor Contract Daily Volume and Open Interest



FMG5 Daily Volume and Open Interest (since inception)



KLSE

Group of Companies - Company Reports and Profiles

MDEX SIGNIFICANT EVENTS CALENDAR 1 JULY 2001 TO 31 DECEMBER 2002

27 December 2001	MDEX TRADING GOES FULLY ELECTRONIC Closure of the MDEX trading floor signalling the move to a fully-electronic trading platform for all MDEX products from 28 December 2001 onwards.
28 December 2001	FULLY-NEGOTIABLE BROKERAGE RATES Introduction of fully-negotiable brokerage rates for all MDEX products
6-8 March 2002	PALM & LAURIC OILS CONFERENCE & EXHIBITION The 13th Annual Palm & Lauric Oils Conference & Exhibition: Price Outlook 2002/2003, organised by MDEX was held in Kuala Lumpur and attended by 1005 participants.
29 March 2002	BOND FUTURES LAUNCHED & NEW TRADING HOURS FOR KLIBOR FUTURES MDEX introduced the first bond futures contract in Malaysia i.e. 5-year Malaysian Government Securities Futures (FMG5). At the same time, the trading hours for 3-Month KLIBOR futures were standardised with that of FMG5.
29 April-3 May 2002	MDEX CONDUCTS TRAINING MDEX conducted a training programme for the Indian Derivatives Exchange (IN-DEX).
July-August 2002	MDEX WEST MALAYSIA ROADSHOW 2002 The MDEX West Malaysia Roadshow 2002 was organised at various locations in the peninsula.
23 August 2002	EFP INTRODUCED Exchange of Futures for Physical (EFP) for all MDEX contracts was introduced.
10 October 2002	CEOS' COLLOQUIUM 2002 MDEX held the CEOs' Colloquium 2002 as a means of instilling better understanding of derivatives among corporate leaders.
11 November 2002	SALE OF MDCH COMPLETED The sale of the Malaysian Derivatives Clearing House Bhd (MDCH) to Securities Clearing Automated Network Services Sdn Bhd (SCANS) was completed.

MDEX MEMBERS AS AT 30 JUNE 2003

Organisation	Contact Person	Address	Contact Details
AmFutures Sdn Bhd	Mr Stephen Kwong Executive Director	15th Floor, Bangunan AmBank Group 55 Jalan Raja Chulan 50200 Kuala Lumpur	Tel: 2034 1120 Fax: 2034 1162 E-mail: snk@ammb.com.my
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Avenue Options & Futures Services Sdn Bhd	Mr Richard Tong Kooi Keong Executive Director	Level 1 East Wing THB Satu Jalan Damansara Endah, Damansara Heights 50490 Kuala Lumpur	Tel: 2095 4488 / 2094 7710 Fax: 2094 5498 E-mail: kk_tong@hotmail.com
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MDEX MEMBERS AS AT 30 JUNE 2003

Organisation	Contact Person	Address	Contact Details
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<i>* Restricted Broker</i>			
Fontannaz Futures Sdn Bhd	Mr Phang Shio Hin Director	Suite 22#2 & Suite 22#3 Wisma UOA, 11 Jalan Pinang 50450 Kuala Lumpur	Tel: 2163 3722 / 2163 4857 469 9722 / 469 9723 Fax: 2163 4873 / 469 0873 E-mail: shpang@fontannaz.com
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Innosabah Options Futures Sdn Bhd	Ms Cyndi Liu Executive Director	5 Futures Centre, Block H Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah	Tel: 088 26 7163 Fax: 088 26 7162 E-mail: cyndi.L@innosabah.com.my
Inter-Pacific Futures Sdn Bhd	Mr Edwin Lee Poh Seng Executive Director	Penthouse, 95 Jalan Tun Abd Razak 80000 Johor Bahru Johor Darul Takzim	Tel: 07 222 0088 Fax: 07 222 0033 E-mail: ipfjb@engonline.com.my
Kenanga Deutsche Futures Sdn Bhd	Mr John Bird Chief Executive Officer	3rd Floor Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur	Tel: 2162 6000 / 2162 7000 Fax: 2164 9799 / 2164 9798 E-mail: johnb@kenanga.com.my
Mayban Futures Sdn Bhd	Mr Jerome Hon Kah Cho Executive Director	Level 6 Mayban Life Tower Dataran Maybank, 1 Jalan Maarof 59200 Kuala Lumpur	Tel: 2287 8405 / 2710 8408 Fax: 2287 2284 E-mail: jeromehon@bloomberg.net
Okachi (M) Sdn Bhd	Mr Hajime Hishinuma Director	Suite 51A & 51B, 51st Floor Empire Tower Jalan Tun Razak 50400 Kuala Lumpur	Tel: 2164 4633 Fax: 2164 4601 / 2164 4602 E-mail: okachi@po.jaring.my
OSK Futures & Options Sdn Bhd	Mr Steven Lai Choon Lim General Manager	12th Floor Plaza OSK, Jalan Ampang 50450 Kuala Lumpur	Tel: 2164 2002 Fax: 2164 9854 E-mail: futures@osk.com.my
PM Options & Futures Sdn Bhd	Mr Looi Chan Foo Executive Director	5th Floor MUI Plaza, Jalan P Ramlee 50250 Kuala Lumpur	Tel: 2034 1988 Fax: 2034 1778 E-mail: swlooi@pd.jaring.my
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Sunny Futures Sdn Bhd	Mr K.C Low Director	Suite 21-9 & 21-10 21st Floor, Wisma UOA II, No 21 Jalan Pinang 50450 Kuala Lumpur	Tel: 2164 4468 / 69 / 70 / 72 Fax: 2164 4590 / 2164 4475 E-mail: kclow@hotmail.com
TA Futures Sdn Bhd	Mr Laren Tan Kian Seng Executive Director	32nd Floor Menara TA One 22 Jalan P Ramlee 50250 Kuala Lumpur	Tel: 2072 4831 Fax: 2072 5001 E-mail: larentan@ta.com.my
Thong & Kay Hian Options Sdn Bhd	Mr Thong Wai Loen Director	Wisma Sri Pinang Level 5 & 6, 60 Green Hall 10200 Penang	Tel: 04 263 5481 Fax: 04 262 9570 E-mail: wlthong@thongkh.po.my



LABUAN INTERNATIONAL FINANCIAL EXCHANGE

The year 2002 proved to be significant in the development of LFX. The efforts of creating awareness of LFX and the advantages it offers have started to show results. Various programmes and roadshows were held both locally and internationally, as LFX strived to introduce itself in the international and local capital market. Those programmes and roadshows were well attended by existing and potential participants of LFX.

As market awareness of LFX grew, so did the number of listings on the Exchange. From a single listing as at June 2001, the 18-month period ending December 2002 recorded a total of 9 listings bringing the total to 10 listings. The listings consist of a variety of instruments, ranging from debt securities to mutual funds, based on both conventional and Syariah principles. The listing of Islamic products is also in line with the goal of the Labuan International Offshore Financial Centre (IOFC) which is to be one of the key players in the development the Islamic capital market. As at 31 December 2002, the market capitalisation of LFX was approximately USD1.6 billion.

Table 1: LFX Market Information as at end December 2002

Year	Listed Instruments	Open-Ended Funds	Debt Securities	Total (USD)
2000	0	0	0	0
2001	1	0	250,000,000	250,000,000
2002	10	229,048,993	1,400,000,000	1,629,048,993

...2002 proved to be significant in the development of LFX... creating awareness of LFX and the advantages it offers has started to show results.

MORE LISTINGS

Support and participation by Labuan Offshore Financial Services Authority (LOFSA), the Malaysian Government and market participants and issuers on LFX have been another key factor towards the development of LFX. The primary listing of the USD150 million Serial Islamic Lease Sukuk in January 2002 issued by First Global Sukuk Inc for Kumpulan Guthrie Bhd marked a major milestone in the development of the offshore Islamic capital market. The issue, done in 2 tranches, was the first private sector Sukuk to be listed on an exchange.

Barely 2 months later, 5 mutual funds issued and managed by the Insinger de Beaufort Group were listed on the Exchange. These funds, ranging in size from USD3.4 million to USD68.1 million were already listed on the Luxembourg and Irish Stock Exchanges. As such the listings on LFX were classified as secondary listings and were undertaken to increase the exposure of these funds to investors in the Asia-Pacific region, reflecting the confidence that international participants have in the future of LFX.

The recent secondary listings of the USD600 million Sukuk Al-Ijarah Trust Certificates issued by Malaysia Global Sukuk Inc for the Malaysian Government and the USD400 million Guaranteed Exchangeable Bonds issued by TNB Capital (L) Ltd for TNB reflect the support and confidence that Malaysians have in LFX. These listings have increased international exposure and are expected to encourage further listings of securities by Malaysian corporates.

Table 2: Financial Instruments Listed on LFX as at end December 2002

No.	Instruments	Type	Issuer	Listing Class	Listing Date	Value (USD)	Listing Sponsor
1.	Floating Rate Notes 2001/2008	Debt Securities	1st Silicon (Labuan) Inc.	Secondary	20 June 2001	250,000,000	K & N Kenanga
2.	Serial Islamic Lease Sukuk	Debt Securities (Islamic Notes)	First Global Sukuk Inc.	Primary	25 Jan. 2002	50,000,000	Bank Islam (L) Ltd
3.	Serial Islamic Lease Sukuk	Debt Securities (Islamic Notes)	First Global Sukuk Inc.	Primary	25 Jan. 2002	100,000,000	Bank Islam (L) Ltd
4.	IDB European Bond Class B	Open-Ended Funds	IDB Asset Selection Sicav	Secondary	26 March 2002	36,076,546	EQ Funds Services (Asia) Limited <i>(formerly known as Insinger Funds Services (Asia) Limited)</i>
5.	IDB Multi-Manager Asia ExJapan	Open-Ended Funds	IDB Manager Selection Sicav	Secondary	26 March 2002	2,050,492	EQ Funds Services (Asia) Limited <i>(formerly known as Insinger Funds Services (Asia) Limited)</i>
6.	IDB Multi-Manager Balanced A	Open-Ended Funds	IDB Manager Selection Sicav	Secondary	26 March 2002	99,332,652	EQ Funds Services (Asia) Limited <i>(formerly known as Insinger Funds Services (Asia) Limited)</i>
7.	IDB Multi-Manager Equity A	Open-Ended Funds	IDB Manager Selection Sicav	Secondary	26 March 2002	33,423,360	EQ Funds Services (Asia) Limited <i>(formerly known as Insinger Funds Services (Asia) Limited)</i>
8.	Insinger De Beaufort Zeus (OS)	Open-Ended Funds	Insinger De Beaufort Zeus Fund	Secondary	26 March 2002	58,165,943	EQ Funds Services (Asia) Limited <i>(formerly known as Insinger Funds Services (Asia) Limited)</i>
9.	Sukuk Al-Ijarah Trust Certificates 2002/2007	Debt Securities (Islamic Notes)	Malaysia Global Sukuk Inc.	Secondary	18 Sept. 2002	600,000,000	AmInternational (L) Limited
10.	Guaranteed Exchangeable Bonds due 2007	Debt Securities	TNB Capital (L) Ltd.	Secondary	26 November 2002	400,000,000	CIMB (L) Limited

ACCESS TO LFX

With 7 licensed listing sponsors and 5 trading agents, LFX is now more readily accessible to both issuers and investors especially given its web-based infrastructure. The listing sponsors and trading agents comprise established names in the capital market industry in Malaysia and internationally, and with their networking and wide range of clientele, the prospects for more listings are likely.

Support from LFX can also be seen from the recent Bank Negara Malaysia (BNM) approval-in-principle for resident fund managers and unit trust companies to invest up to USD5 million each on LFX listed securities which will further encourage local support and participation which will promote market activity and add liquidity.

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SURROGATE EXCHANGE

LFX has also been positioning itself as a surrogate exchange for countries which are in the early stages of capital market development and those requiring access to the international capital market. This proposal was made during the Langkawi International Dialogue, Global 2002 and also to members of the African Stock Exchanges Association (ASEA) during the ASEA 7th Annual Conference held in Tanzania in November 2002. LFX has also undertaken roadshows regionally and to other South-South countries to further promote the concept.

FUTURE DEVELOPMENTS

More exciting developments lie ahead for LFX as it enters its third year of operations. With increasing awareness and interest in the growth of Islamic finance, LFX is looking towards expanding its scope to countries in the Middle-East region for new issues and investors. Closer collaboration with related organisations such as the International Islamic Financial Market (IIFM) and other exchanges in the Middle-East in promoting the Islamic capital market will further highlight the capacity and capabilities of LFX in this area. This is also in line with one of the objectives of Labuan IOFC, which is to promote Islamic financing.

Possibilities of dual and cross listings of financial instruments listed on other exchanges and LFX are being discussed as LFX prepares itself for the challenges faced in this era of globalisation and liberalisation.

LFX SIGNIFICANT EVENTS CALENDAR 1 JULY 2001 TO 31 DECEMBER 2002

25 January 2002	INAUGURAL PRIMARY LISTING AT LFX (SERIAL ISLAMIC LEASE SUKUK) The first primary listing on Labuan International Financial Exchange (LFX) took place on 25 January 2002 with the listing of a USD150 million Serial Islamic Lease Sukuk issued by First Global Sukuk Inc for Kumpulan Guthrie Bhd.
26 March 2002	INSINGER LISTING PROVES FLEXIBILITY, DIVERSITY OF LFX LFX's flexibility and versatility in gaining greater acceptance in the international financial arena was proven by the secondary listing of 5 Insinger de Beaufort funds on the Exchange. 4 of the funds were listed on the Luxembourg Stock Exchange while another was listed on the Irish Stock Exchange.
18 September 2002	LFX SUCCESSFUL IN TAPPING INTO ISLAMIC FINANCIAL MARKET The secondary listing of the Malaysian Government's USD600.0 million Sukuk Al-Ijarah Trust Certificates took place on the Exchange today. The Certificates were issued by Malaysian Global Sukuk Inc. This brings the total number of listings on LFX to 9.
2 October 2002	DATUK DR AWANG ADEK IS NEW LFX EXCHANGE COMMITTEE CHAIRMAN Datuk Dr Awang Adek Hussin, former Assistant Governor at Bank Negara Malaysia (BNM), has been appointed as Chairman of the Exchange Committee of the Labuan International Financial Exchange (LFX). The appointment, which is for a 2-year term effective 16 September 2002, was approved by the Minister of Finance in accordance with the provisions of the Labuan Offshore Securities Industry Act 1998 (LOSIA).
26 November 2002	TNB CAPITAL LISTS USD400 MILLION EXCHANGEABLE BONDS ON LFX The secondary listing of USD400.0 million Exchangeable Bonds, issued by TNB Capital (L) Ltd. on the Labuan International Financial Exchange (LFX) today brings the total number of listings on the Exchange to 10. TNB Capital (L) Ltd (TNBC), is a Labuan incorporated Special Purpose Vehicle (SPV) owned by Tenaga Nasional Berhad, a corporation listed on the Main Board of the Kuala Lumpur Stock Exchange.

LFX LISTING SPONSORS AS AT 30 JUNE 2003

Organisation	Contact Person	Address	Contact Details
K & N Kenanga Holdings Bhd	Mohamad Hatta Yahaya Head Capital Markets	13th Floor Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia	Tel: 603-2162 1490 Fax: 603 21647195 E-mail: hatta@kenanga.com.my
AmlInternational (L) Ltd	Paul Ong Chief Executive Officer Amalina Mahmood	12(B), Block 4 Office Tower Financial Park Complex Jalan Merdeka 87000 Labuan Malaysia	Tel: 6087-413 133 Fax: 6087-425 211 E-mail: paul-ong@ambg.com.my E-mail: amalina-mahmood@ambg.com.my
Aseambankers Malaysia Bhd	Rohaya Mohd Yusof General Manager Corporate Finance John Chong General Manager Capital Market and Structured Finance	33rd Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Malaysia	Tel: 603-2072 3431 Fax: 603-2070 6521 E-mail: rohaya@aseam.com.my Tel: 603-2059 1881 Fax: 603-2032 1571 E-mail: john@aseam.com.my
Bank Islam (L) Ltd	Tuan Ramlan Tuan Sulaiman Manager Corporate Banking	Penthouse, Block 4 Financial Park Office Tower Jalan Merdeka 87000 Labuan Malaysia	Tel: 6087-451 802 Fax: 6087-451 800 E-mail: bislamln@tm.net.my
EQ Funds Services (Asia) Limited <i>(formerly known as Insinger Funds Services (Asia) Limited)</i>	Thang Mun Yee Senior Manager	Brumby House 1st Floor, Jalan Bahasa P O Box 80148 87011 Labuan F T Malaysia	Tel: 6087-423 828 Fax: 6087-417 242 E-mail: munyee.thang@asia.ingsinger.com
Alliance Merchant Bank Bhd	Soon Dee Hwee Director Corporate Finance	Level 20, Menara Multi-Purpose No. 8 Jalan Munshi Abdullah 50100 Kuala Lumpur Malaysia	Tel: 603-2692 7788 Fax: 603-2691 9028 E-mail: dhsoon@alliancemerchant.com.my
CIMB (L) Ltd	Adhha Abdullah Chief Executive Officer	9th Floor Commerce Square Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia	Tel: 603-2084 8888 Fax: 603-2096 2202 E-mail: adhha@cimb.com.my

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LFX TRADING AGENTS AS AT 30 JUNE 2003

Organisation	Contact Person	Address	Contact Details
K & N Kenanga Holdings Bhd	Mohamad Hatta Yahaya Head, Capital Markets	13th Floor Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia	Tel: 603-2162 1490 Fax: 603 2164 7195 E-mail: hatta@kenanga.com.my
Aseambankers Malaysia Bhd	Rohaya Mohd Yusof General Manager Corporate Finance John Chong General Manager Capital Market and Structured Finance	33rd Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Malaysia	Tel: 603-2072 3431 Fax: 603-2070 6521 E-mail: rohaya@aseam.com.my Tel: 603-2059 1881 Fax: 603-2032 1571 E-mail: john@aseam.com.my
Bank Islam (L) Ltd	Iam Nazir Ibrahim Dealer Treasury	Penthouse, Block 4 Financial Park Office Tower Jalan Merdeka 87000 Labuan Malaysia	Tel: 6087-451 802 Fax: 6087-451 800 E-mail: bislamln@tm.net.my
EQ Funds Services (Asia) Limited (formerly known as Insinger Funds Services (Asia) Limited)	Thang Mun Yee Senior Manager	Brumby House 1st Floor, Jalan Bahasa P O Box 80148 87011 Labuan F T Malaysia	Tel: 6087-423828 Fax: 6087-417242 E-mail: munyee.thang @asia.insinger.com
CIMB (L) Ltd	Adhha Abdullah Chief Executive Officer	9th Floor Commerce Square Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia	Tel: 603-2084 8888 Fax: 603-2096 2202 E-mail: adhha@cimb.com.my



SECURITIES CLEARING AUTOMATED NETWORK SERVICES SDN BHD

During the period under review from 1 July 2001 to 31 December 2002, 102 billion units of shares valued at RM193 billion were cleared and settled by SCANS. For the previous financial year covering a period of 12 months ending 31 December 2002, the corresponding figures were 34 billion units of shares valued at RM89 billion.

Through the Institutional Settlement Service (ISS), a total of 280,000 ISS Buy and Sell instructions, involving 19 billion units of shares valued at RM95 billion, were cleared and settled during the period under review.

Developments during the financial period

SCANS, in its main role as the Clearing House for the Exchange, has introduced various initiatives in contributing to increasing the efficiency, cost effectiveness and reducing settlement risk for the securities industry. A number of activities were undertaken during the financial period under review to further enhance and strengthen the clearing and settlement infrastructure of the local bourse. It is anticipated that these infrastructural enhancements will further promote investment on the KLSE.

Among the initiatives were:

1. Rationalisation of the Clearing, Settlement and Depository Group of KLSE

On 22 July 2002, the Board of Directors of SCANS approved the rationalisation of the KLSE Group entities undertaking clearing, settlement & depository functions, namely SCANS, Malaysian Derivatives Clearing House Bhd (MDCH) and Malaysian Central Depository Sdn Bhd (MCD) towards becoming a more efficient and competitive business unit.

On 11 November 2002, SCANS completed the acquisition of MDCH as its wholly owned subsidiary. Following this, the functions of Risk Management and Clearing of MDCH were integrated at SCANS. In addition, the rationalisation exercise involved the centralisation of the common support resources of Finance and Administration and Corporate and Legal Affairs of SCANS, MDCH and MCD.

2. Reduction of Clearing Fee and Review of Clearing Fee Structure

In line with the industry's commitment to liberalise the capital market, SCANS has implemented a new clearing fee rate with effect from 1 July 2001. The clearing fee has been reduced from the rate of 0.05% to 0.04%, subject to a maximum of RM200 per contract. The new rate aims to improve liquidity and be competitive with other regional markets.



In conjunction with the ACG5 General Meeting jointly organised by SCANS and MCD, a half-day seminar on 'Straight Through Business' was also held.

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To be consistent with on-market trades, SCANS has implemented a new clearing fee rate for Direct Business Contracts with effect from 2 January 2002. The clearing fee for Direct Business Contracts has been reduced from 0.05% of the value of the contracts subject to a minimum of RM25 and maximum of RM250 for each contract, to 0.04% of the value of the contracts subject to a minimum of RM10 and a maximum of RM200 per contract.

The clearing fee of 0.04% is further sub-divided as follows — 18.75% to the Securities Commission, 45% to KLSE, 15% to MCD and 21.25% to SCANS.

3. Enhancements to Institutional Settlement Service

Since the launch of the ISS in July 1999, to facilitate the settlement of trades of institutional investors directly with SCANS under a Delivery versus Payment (DVP) settlement environment for Market Contracts, SCANS has introduced a series of enhancements to the service. These include extending the ISS to Direct Business Contracts and MESDAQ counters. New internal control functions were also introduced for Trading Clearing Members (TCM) and Non-Trading Clearing Members (NTCM).

To further strengthen the ISS and increase its overall efficiency, SCANS introduced a range of enhancements that include features such as:

- Allowing ISS instructions to be initiated by TCMs from any of their offices, whether principal or branch without the restriction of having the ISS instructions initiated at the office location where the trades were transacted or where the CDS accounts were opened
- Automatic identification of beneficial owners
- Additional enquiry/reporting functions
- Audit trail reporting

4. International Conference/Assembly

In contributing to the development of the securities industry at the international level and for the local market, SCANS organised various events including:

- **5th Asia-Pacific Central Securities Depositories Group General Meeting**

The 5th General Meeting of the Asia-Pacific Central Securities Depositories Group (ACG5) was jointly organised by SCANS and MCD in Kuala Lumpur on 24 and 25 September 2001. In conjunction with the General Meeting, a half-day seminar was also organised for the ACG members on the 24 September 2001. The seminar focused on global developments to integrate processing, information and communications solutions to enhance competitiveness, reduce risk and increase efficiency of markets.

It is anticipated that SCANS' infrastructural enhancements will further encourage prudent investment on the KLSE

SCANS and MCD also served as the joint Secretariat of the Asia-Pacific Central Securities Depositories Group for a 1-year term, which ended in December 2002. The Group now consists of 24 members from the Asia-Pacific region. ACG has established 5 taskforces, which are the primary mechanism by which the sharing

and exchange of information and ideas are facilitated amongst ACG members for the development of the respective CSDs and clearing houses in the region.

- **Clearing, Settlement and Depository Conference 2002**

SCANS and MCD jointly hosted the Clearing, Settlement and Depository Conference 2002 on Monday, 2 September 2002 at J W Marriott Hotel Kuala Lumpur, Malaysia. The theme for the conference was "The Future of Securities Settlement - What Needs to be Done".

Over 200 participants from various organisations attended the conference. These organisations include stockbroking companies and financial institutions/custodian banks who are Clearing Members of SCANS, Authorised Depository Agents and Authorised Direct Members of MCD as well as Clearing Members of MDCH. Several market speakers from international corporations and organisations presented papers on the future of the clearing and settlement function.

The conference provided the opportunity for local industry participants to be aware of the issues and developments in the industry as well as insights on global developments on areas relating to clearing, settlement and depository. This will serve to enhance competitiveness, reduce risk and increase efficiency of the local market.

In addition to the above, SCANS also conducts training programmes for industry participants who wish to gain an in-depth understanding of the services provided by SCANS.

5. Overall Review of SCANS as Malaysia's National Clearing House

The main objective of this review is to enhance SCANS' role in the securities industry as the central clearing house, and thus, to realise its vision of ensuring the soundness of the Malaysian securities industry through the development of centralised, standardised, post-trade automated processing solutions that will increase efficiency, minimise settlement risk and reduce settlement costs.

In 2002, SCANS proceeded with the necessary initiatives for the proposed implementation of the Guaranteed Securities Settlement System (GSSS) project including the submission of a Recommendation Report on GSSS to the Securities Commission for approval. The main aim of the GSSS project is to further strengthen the integrity of the current securities settlement system by incorporating various internationally recognised risk management measures including the establishment of a Clearing Guarantee Fund and the reinforcement of the existing Delivery versus Payment settlement environment. With the proposed implementation of the GSSS project, SCANS shall become a full-fledged Central Counterparty (CCP) which will in turn benefit capital market participants by offering reduced settlement risks through substitution of counterparty risks, multilateral netting, settlement guarantees and enhanced investors' confidence.



MALAYSIAN DERIVATIVES CLEARING HOUSE BHD

Malaysian Derivatives Clearing House Bhd (MDCH) was incorporated in December 1995 to clear and settle financial futures and options contracts. In November 1997, MDCH merged with the clearing house for commodity futures, the Malaysian Futures Clearing Corporation Bhd (MFCC).

The 100% acquisition of MDCH by SCANS, from Malaysia Derivatives Exchange Bhd (MDEX) and Malaysia Monetary Exchange Bhd (MME) was completed in November 2002, resulting in MDCH becoming a wholly owned subsidiary of the KLSE. Pursuant to this, a reorganisation of the KLSE's Clearing, Settlement and Depository entities, namely MDCH, SCANS and Malaysian Central Depository Sdn Bhd (MCD), was undertaken. It is envisioned that the reorganised structure will garner economies of scale from centralised resources, reduce cost of operations, increase productivity, and thereby enhance profitability.

MDCH currently clears and settles the following products on MDEX:

- Kuala Lumpur Stock Exchange Composite Index futures (FKLI) and options (OKLI)
- 3 month KLIBOR interest rate futures (FKB3)
- Crude Palm Oil futures (FCPO)
- 5-year Malaysian Government Securities futures (FMG5)

All exchange traded derivatives products are traded on MDEX through the MDEX Automated Trading System. MDEX, via this system, provides MDCH with a flow of matched and confirmed trades with the responsible clearing member defined. Through MDCH's Derivatives Clearing System (DCS), contracts are registered via this automated trading system producing a record of the matched trades.

Once a trade has been registered, MDCH becomes the counterparty to each contract through the legal process of novation. MDCH contracts as principal with the clearing member in whose name the contract is registered.

MDCH's performance is backed by its financial safeguard system which comprises: Membership Standards; Margins and Daily Settlements; Risk Management, Financial Monitoring and Market Controls; Security Deposit and Clearing Fund; and Default Procedures.

Derivatives market for year 2002 - Statistics¹

For year ended 2002, MDCH recorded an increase of 57% of total contracts cleared, mainly driven by strong interest in the FCPO contract, which registered a 2-fold increase in volume for 2002. Volume was further boosted by the launch of a new product, the FMG5 contract, which recorded 9,000 contracts on average per month. Average daily Initial Margin collected also increased correspondingly by 53%, with the highest Margin requirement collected on 13 September 2002 amounting to RM 130 million.

Total contracts cleared	2001	2002
FKLI	287,528	233,863
OKLI	564	1
FKB3	54,929	64,307
FCPO	477,372	909,095
FMG5	-	80,419
TOTAL	820,393	1,287,685

¹ Since its incorporation, MDCH's financial year-end has been established at 31 December. These statistics reflect comparative figures for year ended 31 December 2002 vis-à-vis year ended 31 December 2001.

Margin Requirement (RM'000)	2001	2002
Highest Margin requirement	90,407	130,006
Average Margin requirement	56,236	85,763

Developments for year 2002

1. Launch of Direct Clearing Membership

MDCH introduced Direct Clearing Membership for the clearing of FCPO on 6 March 2002. A Direct Clearing Member (DCM) is required to be an Associate Member (Commodities) of MDEX, which allows the company to trade for its own accounts or for that of its associate companies in the exchange traded derivatives market. DCMs will be able to maintain CPO Futures open positions directly with MDCH but must execute trades via a futures broker.

2. Launch of FMG5

The 5-Year MGS Futures Contract (FMG5) was successfully launched on 29 March 2002. A study on the correlation on 3-Month Kuala Lumpur Interbank Offered Rate (KLIBOR) Futures Contract (FKB3) and FMG5 was also conducted to analyse the possibility of a margin offset between the 2 products.

3. Amendments to MDCH Financial Reporting Guide

Amendments were made to the MDCH Financial Reporting Guide (FRG) to incorporate market developments and day-to-day operational practices of the derivatives industry. Specifically, the FRG was amended to include the following provisions:

- The undermargin computation methodology to be computed based on MDCH's margin rates instead of the broker's marked-up initial margin.
- Secured collateral lodged by the futures broker's client's which have been used to secure a Net Debit Balance should not be allowed to set off the margin requirement used in the computation of undermargin.
- To incorporate reporting of current market value of the net long or net short options contracts of proprietary accounts in Form D (Statement of Income/(Loss)).
- To incorporate reporting of Foreign Currency Collateral lodged by non-residents in Form A (Statement of Segregation Requirements and Funds Segregated for Clients Trading on Malaysian and Foreign Exchanges).

All transactions from 1 August 2002 must be reported in accordance with the amended FRG.

Developments in progress

1. Shares as Collateral

MDCH plans to accept shares as collateral from its clearing members by the first quarter of 2003. Clients will be able to lodge shares as margin deposit with clearing members who would then be able to onward pledge the shares to MDCH, thereby reducing the cost of entering the derivatives market.

2. Strategic Alliance

MDCH and MDEX are currently in negotiations to establish strategic alliances with other derivatives markets. The proposed arrangement will allow local investors access to derivatives products traded in other markets, in return for reciprocal trading of MDEX products in foreign jurisdictions. This would entail both inter-exchange connectivity and a clearing link between the respective clearing houses. Establishing such alliances will facilitate local market growth and allow MDEX and MDCH to trade and clear international products; thus increasing the credibility of the Malaysian market to the international community and reduce direct competition.

For year ended 2002, MDCH recorded an increase of 57% of total contracts cleared, mainly driven by strong interest in FCPO contract, which registered a 2-fold increase in volume for 2002.



MALAYSIAN CENTRAL DEPOSITORY SDN BHD



KLSE Chairman addresses participants of the 5th General Meeting of the ACG.

The financial period under review (1 July 2001 – 31 December 2002) witnessed a further consolidation of the stockbroking industry. However, the same period also saw the establishment of 76 Authorised Depository Agent (ADA) branches bringing the total number of ADAs and their branches to 127. The rapid expansion of these branch networks will facilitate the depositors in smaller towns in performing Central Depository System (CDS) and trading transactions.

CDS statistics for the financial period indicated a growth of 8.04% in the number of new accounts opened, bringing the total to 3 million as at 31 December 2002. The number of securities immobilised also increased by 19.36%. The CDS also facilitated the settlement of 101.66 billion securities traded on the KLSE and the movement of more than 77.73 billion securities by way of the ordinary transfer facility.

	As at 31 June 2001	As at 31 December 2002
Total CDS accounts opened	2,780,941	3,004,424
Total securities immobilised	196,288,747,372	234,339,545,807
Total traded securities settled	341,905,534,713	443,561,915,244
Total ordinary transfers	431,523,358,321	509,258,237,087

MCD's services are currently utilised by a total of 60 share registrars, representing 872 public listed companies to date, of which 563 are listed on the Main Board, 294 listed on the Second Board and 15 on the MESDAQ Market. During the financial period, a total of 19,837 Records of Depositors, detailing investor holdings in the CDS, were produced upon issuers' requests.

MCD also continues to develop and introduce enhancements to its depository services in its commitment to ensure that the needs of the depositors, ADAs, Authorised Direct Members (ADM) and the registrars are met.

DEVELOPMENTS DURING THE FINANCIAL PERIOD

In November 2001, MCD introduced the standardisation of statement of account cycle, whereby the system assigns a single statement cycle to depositors having more than 1 CDS account. Receipt of multiple CDS account statements in the same cycle will facilitate checking and reconciliation of depositors' investments.

In enhancing the CDS statement of account, MCD launched a new facility called Consolidated CDS Statement of Account (CSA) on 21 October 2002, which provides options for depositors with multiple CDS accounts to receive transaction details of all their securities portfolios on 1 consolidated statement.

MCD also implemented further safeguards in the form of a segregation of inactive accounts in March 2002. A CDS account is designated as inactive when it has deposited securities but there has been no debit or credit entry for at least 36 consecutive months from the date of last entry.

In the effort to enhance the services provided to the issuing houses in respect of Initial Public Offerings (IPOs), MCD signed a service level agreement with Malaysian Issuing House Sdn Bhd and MIDF Corporate Consultancy Services Sdn Bhd for the Provision of Information related to Initial Public Offerings (PIPO) in June 2002. The implementation of PIPO is aimed at reducing processing time for IPOs and will also result in minimisation of data entry errors and duplication of processes.

The Bulk Transfer facility was introduced in September 2002 by MCD to assist the Offeror of a General Offer by automating the existing corporate exercise and transfer processes.

In meeting the changing needs of its depositors MCD introduced enhanced processes in the handling of securities transfer requests. The changes which came into effect on 30 December 2002, ensure a more efficient manner of processing transfer requests by reclassifying the reasons of transfer into 2 broad categories i.e. transfers which will and transfers which will not result in change in beneficial ownership of securities.

As part of the effort to keep its participants abreast with current developments relating to clearing, settlement and depository services, MCD and SCANS jointly hosted the first Clearing, Settlement and Depository (CSD) Conference on 14 July 2001. In view of its success, it was decided to make the Conference an annual affair and the second CSD Conference was held on 2 September 2002.

On the regional front, MCD and SCANS jointly hosted the 5th General Meeting of the Asia Pacific Central Securities Depositories Group (ACG) on the 24 and 25 September 2001. The objective of the annual event is to strengthen communications amongst the Central Securities Depositories and to foster regional development and co-operation. Following this, MCD and SCANS jointly assumed the post of the ACG Secretariat during the year 2002.

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MCD SIGNIFICANT EVENTS CALENDAR 1 JULY 2001 TO 31 DECEMBER 2002

14 July 2001	INAUGURAL CLEARING, SETTLEMENT AND DEPOSITORY CONFERENCE MCD and SCANS jointly hosted the 1st Clearing, Settlement and Depository Conference with the theme "Operational & Legal Challenges".
24 - 25 September 2001	MCD JOINTLY HOSTS 5TH ACG GENERAL MEETING MCD and SCANS jointly played host to the 5th General Meeting of the Asia Pacific Central Securities Depositories Group (ACG) attended by its members from the Asia Pacific region.
1 November 2001	SECURITY DEPOSIT/BANK GUARANTEE REQUIREMENT INSTITUTED MCD institutes a Security Deposit/Bank Guarantee requirement for all requests by Issuers for the Record of Depositors (ROD). The security for the payment of ROD fees should be made by the Issuer to MCD on or before the date of submission of a ROD request.
7 November 2001	STANDARDISATION OF STATEMENT CYCLE MCD introduces the standardisation of statement cycle, whereby the system assigns a single statement cycle to depositors having more than 1 CDS account.
6 March 2002	DESIGNATION OF INACTIVE ACCOUNTS MCD designates an account as Inactive, where there are deposited securities in the account but there has not been any debit or credit entry in the depositor's account for at least 36 consecutive months from the date of last entry.
4 June 2002	INTRODUCTION OF PIPO MCD introduces the Provisional of Information related to Initial Public Offering (PIPO) to reduce the time taken in processing the Initial Public Offering (IPO) applications by the Issuing Houses.
2 September 2002	2ND CLEARING, SETTLEMENT AND DEPOSITORY CONFERENCE MCD and SCANS jointly hosted the 2 nd Clearing, Settlement and Depository Conference with the theme "The Future of Securities Settlement – What Needs To Be Done".
5 September 2002	BULK TRANSFER FACILITY INTRODUCED MCD introduces Bulk Transfer facility to assist the Offeror in a General Offer by automating the existing corporate exercise and transfer processes.
21 October 2002	CONSOLIDATED CDS STATEMENT OF ACCOUNT MCD launches a new facility called Consolidated CDS Statement of Account (CSA) which provides options for investors with multiple CDS accounts to receive details of all securities transactions in one consolidated statement.
30 December 2002	MCD ENHANCES PROCESS FOR SECURITIES TRANSFERS MCD introduces enhanced processes in the handling of securities transfer requests to ensure a more efficient processing of transfer requests.

KLSE TECHNOLOGY SDN BHD

KLSE Technology Sdn Bhd was established on 1 April 2002 with the primary objective to effectively manage the cost of providing information technology (IT) services to the business units within the KLSE Group and to promote the efficient utilisation of IT within the Group.

KLSE Technology is the result of the consolidation of the various IT units from the companies within the KLSE Group. To ensure that it is able to meet the above objectives, KLSE Technology is in the process of transforming itself from being a support-based organisation to one that is service-based.

SERVICES PROVIDED BY KLSE TECHNOLOGY

The IT services industry is one of the fastest growing industries in the country with 2002 growth in Malaysia estimated at 9%. A higher rate of growth can be expected as companies invest more in enabling technology in meeting the need to undergo business transformation to focus on their core competencies.

KLSE Technology, which is positioned as an IT service company, with an initial focus of operations within the securities industry, has the potential to capitalise on the expected increase in spending on IT services over the next couple of years.

The following describes the services provided by KLSE Technology.

- **IT Services**

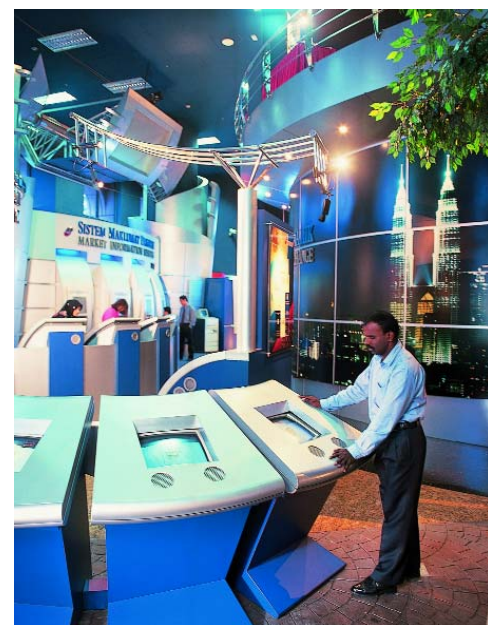
The provision of services for IT related exercises. These services include project management, systems and products acquisition and user education

- **Information Systems Delivery**

The provision of effective Information Systems solutions to customers in support of their endeavour to remain competitive. This involves the development of systems and the maintenance of systems across a number of technology platforms.

- **Information Delivery**

The delivery of information as required by customers in a cost-effective manner. This involves the operations of Information Systems and user access facilities running on the technology platforms as indicated in the above section on Information Systems Delivery.



The Exchange promotes the efficient utilisation of IT within the Group.

KLSE Group of Companies - Company Reports and Profiles

- **Network Services**

The provision of connectivity services for users of Information Systems. This covers internal and external communications services. The services currently provided include:

- Wide Area Network (WAN)
- Local Area Network (LAN)
- Remote Gateway
- Internet Access

- **Data Centre and Site Management**

The management of IT operating sites and IT Assets. This also includes the installation of equipment and IT Assets

- **Business Continuity**

The implementation and update of Business Continuity Plans (BCP) which comprises BCP readiness services as well as the coordination of BCP execution.

ACTIVITIES AND PROJECTS

Currently, the customers served by KLSE Technology comprise the companies within the KLSE Group. The customer base is expected to be expanded in the future to include others within the securities and related industries and those that stand to benefit from the services offered by KLSE Technology. Key projects and activities undertaken by KLSE Technology include:



Among the services provided by KLSE Technology is information delivery as required by customers.

- Enhancements of KLSE Trading Systems to include new products to be traded and additional features for the supervision of the market
- Enhancements to the infrastructure of mission critical systems of the KLSE Group and Member Companies
- Creation of new systems and modules for other business operations within the Group and also for the support functions of the Group
- Review, testing and enhancement of the KLSE Group Business Continuity Plans
- Revision of KLSE Group IT Security Standards
- System Impact and Requirement studies on new initiatives undertaken by the KLSE



KLSE INFORMATION SERVICES SDN BHD

In today's economy, where information is a driving force in investment decision-making, KLSE Information Services Sdn Bhd (KLSE IS) positions itself as a premier source of stock market information in Malaysia. KLSE IS provides accurate, reliable data and strives to deliver information via various mediums in an endeavour to give its customers the maximum advantage they expect.

ABOUT KLSE IS

KLSE IS, formerly known as KLSE-Bernama Real-Time Information Services Sdn. Bhd. (KULBER), is a wholly owned subsidiary of the KLSE. KLSE IS compiles and disseminates comprehensive market information on the Malaysian stock market, both real time and historical, as well as develops and markets, value added information products and services. The target markets for KLSE IS include intermediaries, institutional investors, private investors, the academia, the media, the Government sector and the investing public. KLSE IS is a market-oriented, technology driven entity, which aims to leverage and maximise the potential of the intellectual resources. The main objectives of KLSE IS are to be market-driven and customer service oriented, to be efficient, reliable and timely in providing high quality market information products and services, and to maintain a motivated and creative work team.



KLSE IS provides reliable data and delivers information through various ways to give customers maximum satisfaction.

THE PRODUCTS AND SERVICES OF KLSE IS

KLSE IS has the advantage of being the distributor of KLSE's information assets. Currently KLSE IS offers the following standard information products for sale.

1. **Real-Time Information**, which comprises of a range of market data such prices, volumes and indices, all of which are available on each market day.
2. **Delayed Information**, which comprises of the opening, high, low, closing and volumes of all equities traded on Kuala Lumpur Stock Exchange, available at approximately 1700h Kuala Lumpur local time from Mondays to Fridays.
3. **Indices**, which includes the KLSE Composite Index as well as indices for all sectors, available on a real-time or a delayed basis.
4. **Historical Data Services and Products**, which includes company database, share prices, stock indices, market valuation data, financial ratios by companies and sectors, and company announcements.
5. **Updating Services for Subscribers**, which includes mainly, periodic updating services for historical information. This service is often customised according to customer needs. Other related services include search for legal firms on stock and shares information.

KLSE Group of Companies - Company Reports and Profiles

- 6. New Products and Services.** KLSE IS is currently developing a range of new information products and services to be launched soon. These include **media products**, like news services and those that deliver news in all dimensions of multimedia: text, television images, still pictures, sound and graphics and **risk management products**, that include analytical tools and information for users to manage their financial, investment and business risks wisely. .

KLSE IS will also launch on-line stock market real-time and historical information accessing facilities. This will enable buyers to access real time market data and historical data both on equities or derivatives markets via the internet. KLSE IS will also be undertaking **web hosting services**, in order to provide comprehensive services enabling clients to optimally design their internet homepage, from concept through to the web-site designing, right up to the development of appropriate information products and their hosting. KLSE IS advantage as the source for the information from KLSE, guarantees the highest level of authenticity and neutrality. Applications will be customised to individual requirements. These services will include consultancy, development, content and hosting.

DEVELOPMENTS DURING THE PERIOD UNDER REVIEW

For the information services business in the KLSE Group and for KLSE IS, the financial period under review, from 1 July 2001 to 31 December 2002 was an eventful one. In November 2002, KLSE bought over the 45% equity in KULBER from Bernama (the national news agency) and the company was re-named as KLSE IS. New management and staff structures were established and new business and corporate strategies were drawn up to move forward in KLSE Group.

KLSE IS will also launch on-line stock market real-time and historical information accessing facilities.

In the year 2001/2002, KLSE IS focused on customer relations management, with a view to understand customer needs, to improve customer services and to establish good relationships with existing customers. KLSE IS has also explored new horizons for information products and services and met with numerous businesses in the industry in considering strategic business alliances.

KLSE IS participated in the KLSE Investors' Week held in September 2002, interacting with potential investors who showed much interest in the concept of informed investing and access to KLSE market information, both real-time and historical.

As information is the key to prudent investment in the financial market and as timely accurate information is crucial in promoting informed investing, KLSE IS is poised to play a significant role in meeting the needs of its customers today.



MALAYSIAN SHARE REGISTRATION SERVICES SDN BHD

During the 18-month period under review from July 2001 to December 2002, Malaysian Share Registration Services Sdn Bhd (MSRS) provided its services to a wide range of clients involving both equity as well as non-equity counters and non-listed companies. These included 80 Main Board companies and 54 Second Board companies representing a market capitalisation of RM40.33 billion with paid-up capital of RM30.3 billion. Collectively, these client companies issued 32.2 billion units of shares which were distributed among 1.38 million shareholders, signifying an 8% increase from the last financial year. During the period under review, 32 warrant and 7 bond and loan stocks issues were managed by MSRS and there was an increase of 16% in the equity and non-equity counters represented by MSRS. The company also undertook 15 bonus issues, 5 rights issues, 3 general offers, 2 special issue exercises, 8 private placements and 173 dividend and interest payments for its clients during the period under review.



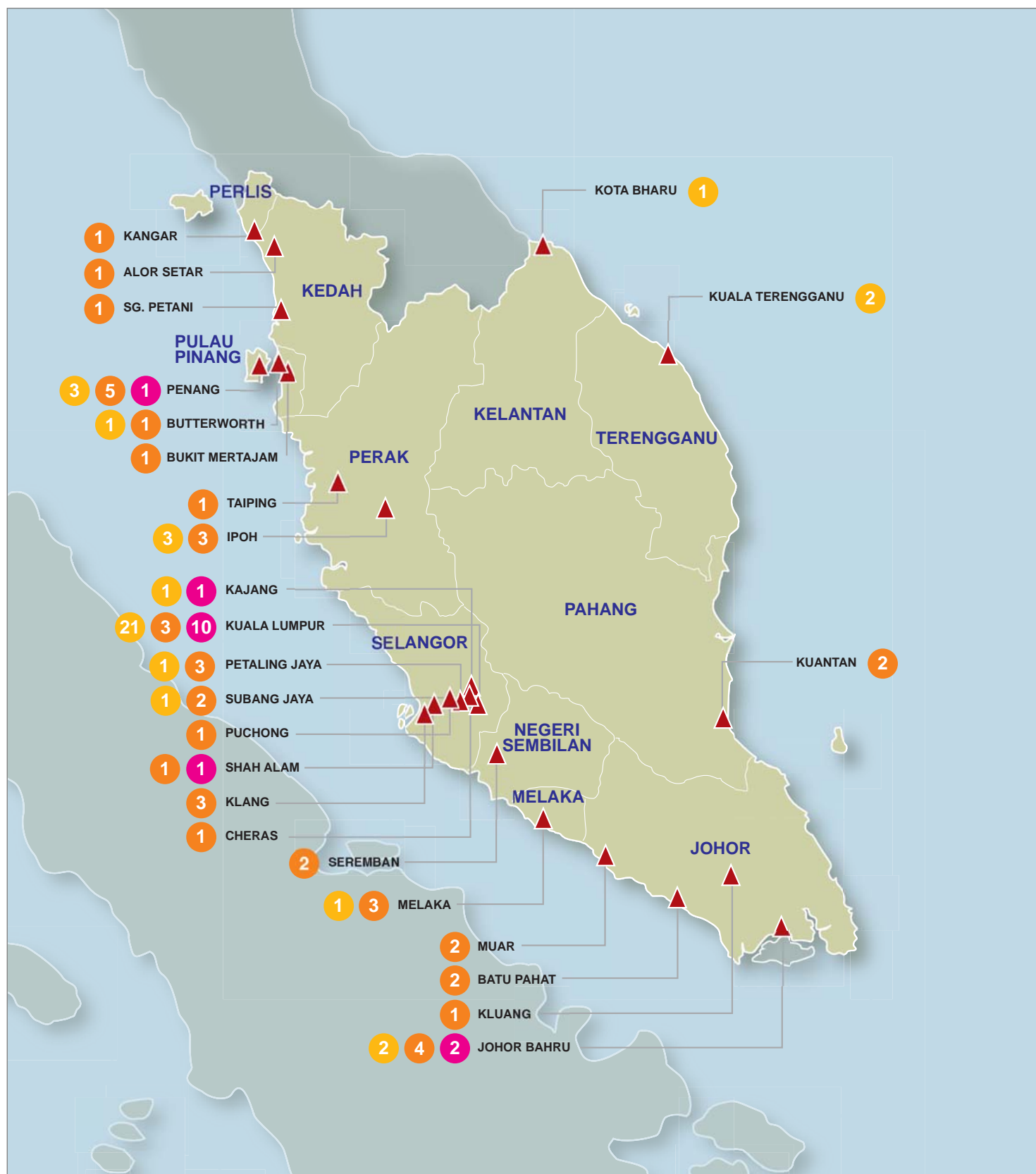
Through its Customer Care Programme, MSRS aims to provide enhanced services to existing clientele and aggressively seek new clients.

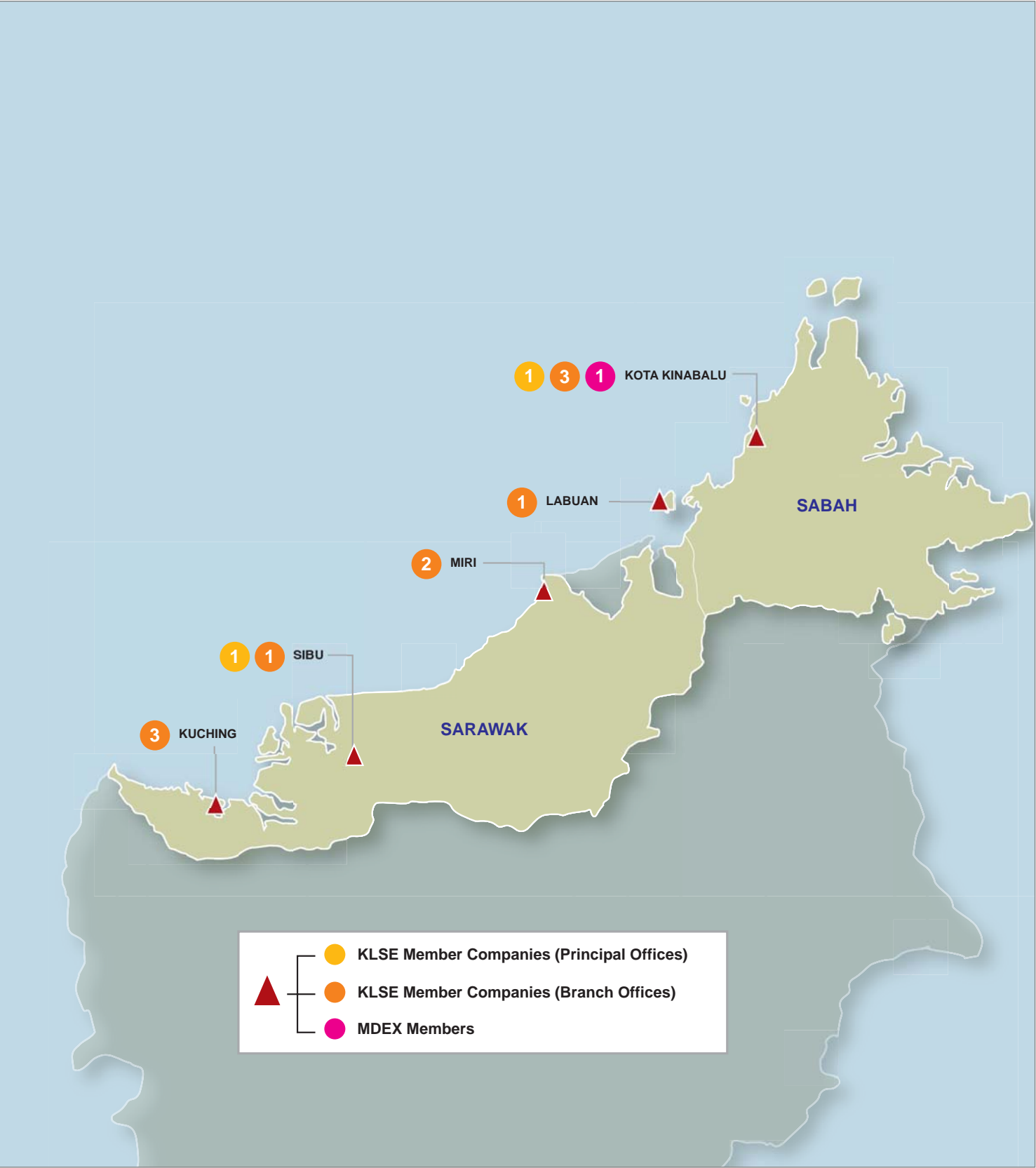
While MSRS had anticipated more positive financial performance, several corporate exercises expected did not materialise and as such lower revenues were recorded for the company.

To further strengthen MSRS' financial position, the company has issued RM2.0 million nominal value of Redeemable Convertible Unsecured Loan Stocks (RCULS) of RM1.00 each for a period of 5 years with interest rate of 4% per annum. The interest rate is based on the nominal value of RCULS outstanding and payable on the coupon payment date. The RCULS shall be convertible into new ordinary shares in MSRS of RM1.00 each after the date of issue of the RCULS up to and including the maturity date.

The gradual improvement in the country's economy has assisted in MSRS' recovery. MSRS aims to further strengthen its market and improve its financial performance for the years ahead. MSRS is geared towards ensuring better performance for the next financial year through its Customer Care Programme which is aimed at providing enhanced services to the existing clientele and at the same time, aggressively seeking potential new clients.

Location of KLSE and MDEX Member Companies







Seri Wawasan Bridge

The *Seri Wawasan Bridge*, 1 of several prominent bridges in Putrajaya, serves as the main link between Precinct 2 of the core island and Precinct 8's residential area.

Clearly visible from both Putra Mosque and Dataran Putra, the *Seri Wawasan Bridge* has been categorised as a signature bridge in Putrajaya and features an imposing angled primary steel structure held up by formidable steel cables.

The architecture of the *Seri Wawasan Bridge* exudes a sense of sophistication, high technology and durability. These very characteristics are reflective of the KLSE's core strengths that will enable it, as a Malaysian exchange, to cross over to the next threshold of success. Symbolically, the bridge linking one point to another also reflects enhanced efficiencies and growth, be it for the KLSE, the capital market or the development of the nation.

New Listings - 1 July 2001 to 31 December 2002

No.	Company	Board	Sector	Listing Date	Paid-up Capital When First Listed (RM)
1	 DeGem Berhad Degem Bhd	Second Board	Consumer Products	10 Oct 2001	42,000,000
2	 Lipo Corporation Bhd	Second Board	Industrial Products	22 Oct 2001	50,323,000
3	 Acoustech Bhd	Second Board	Consumer Products	27 Nov 2001	78,000,000
4	 Xian Leng Holdings Bhd	Second Board	Consumer Products	05 Dec 2001	48,280,000
5	 PJI Holdings Bhd	Second Board	Trading/Services	12 Dec 2001	45,200,000
6	 Priceworth Wood Products Bhd	Second Board	Industrial Products	31 Dec 2001	85,000,000
7	 Emivest Bhd	Second Board	Consumer Products	23 Jan 2002	40,000,002
8	 London Biscuits Bhd	Second Board	Consumer Products	31 Jan 2002	40,000,000
9	 KSL Holdings Bhd	Main Board	Properties	06 Feb 2002	90,500,000
10	 CAM Resources Bhd	Second Board	Consumer Products	14 Mar 2002	41,000,000
11	 合眾紙品有限公司 UNITED KOTAK BERHAD United Kotak Bhd	Second Board	Industrial Products	18 Mar 2002	40,000,000
12	 Meda Inc Bhd	Main Board	Properties	19 Mar 2002	210,992,824
13	 P WERNET Kumpulan Powernet Bhd	Second Board	Industrial Products	22 Mar 2002	41,000,000
14	 Baneng Holdings Bhd	Main Board	Consumer Products	25 Mar 2002	60,000,000
15	 TSR Capital Bhd	Main Board	Construction	26 Mar 2002	64,000,000
16	 SDKM Fibres, Wires & Cables Bhd	Second Board	Industrial Products	02 Apr 2002	40,000,000
17	 PUC Founder (MSC) Bhd	MESDAQ Market	Technology	08 Apr 2002	7,500,000
18	 SMIS Corporation Bhd	Second Board	Industrial Products	16 Apr 2002	44,800,000

No.	Company	Board	Sector	Listing Date	Paid-up Capital When First Listed (RM)
19	 PBA Holdings Bhd	Main Board	Trading/Services	18 Apr 2002	165,500,001
20	 United U-Li Corporation Bhd	Second Board	Industrial Products	23 Apr 2002	40,000,000
21	 Willowglen MSC Bhd	MESDAQ Market	Technology	29 Apr 2002	24,800,000
22	 Hock Sin Leong Group Bhd	Main Board	Trading/Services	02 May 2002	60,000,000
23	 Yi-Lai Bhd	Main Board	Industrial Products	03 May 2002	80,000,000
24	 NPC Resources Bhd	Main Board	Plantation	07 May 2002	80,000,000
25	 Mutiara Goodyear Development Bhd	Main Board	Properties	23 May 2002	162,806,000
26	 Country View Bhd	Main Board	Properties	29 May 2002	100,000,000
27	 BSA International Bhd	Second Board	Industrial Products	30 May 2002	40,000,000
28	 Pin-Wee Group Bhd	Second Board	Consumer Products	03 Jun 2002	48,729,000
29	 益安 益安集团有限公司 YIKON	Second Board	Consumer Products	04 Jun 2002	40,000,000
30	 OKA Corporation Bhd	Second Board	Industrial Products	06 Jun 2002	40,000,000
31	 SILVER BIRD Silver Bird Group Bhd	Second Board	Consumer Products	14 Jun 2002	40,000,000
32	 ranhill Ranhill Utilities Bhd	Main Board	Infrastructure Project Companies	27 Jun 2002	294,500,002
33	 Stone Master Corporation Bhd	Second Board	Industrial Products	01 Jul 2002	42,000,000
34	 YTL E-Solutions Bhd	MESDAQ Market	Technology	02 Jul 2002	135,000,000
35	 Huat Lai Resources Bhd	Second Board	Consumer Products	03 Jul 2002	50,000,000
36	 maxis Maxis Communications Bhd	Main Board	Trading/Services	08 Jul 2002	245,087,500

New Listings - 1 July 2001 to 31 December 2002

No.	Company	Board	Sector	Listing Date	Paid-up Capital When First Listed (RM)
37	 AE Multi Holdings Bhd	Second Board	Industrial Products	15 Jul 2002	40,000,000
38	 PLUS Expressways Bhd	Main Board	Trading/Services	17 Jul 2002	1,250,000,000
39	 Duopharma Biotech Bhd	Second Board	Consumer Products	18 Jul 2002	50,000,000
40	 Tracoma Holdings Bhd	Second Board	Industrial Products	24 Jul 2002	48,000,000
41	 IRIS Corporation Bhd	MESDAQ Market	Technology	25 Jul 2002	125,000,000
42	 Brite-Tech Bhd	MESDAQ Market	Trading/Services	30 Jul 2002	15,000,000
43	 Engtex Group Bhd	Main Board	Trading/Services	02 Aug 2002	60,000,000
44	 TRC Synergy Bhd	Main Board	Construction	06 Aug 2002	70,000,000
45	 VADS Bhd	Second Board	Trading/Services	07 Aug 2002	40,000,000
46	 Atis Corporation Bhd	Main Board	Trading/Services	07 Aug 2002	60,000,000
47	 Kimble Corporation Bhd	Second Board	Consumer Products	08 Aug 2002	45,000,000
48	 Eng Kah Corporation Bhd	Second Board	Consumer Products	09 Aug 2002	40,000,000
49	 Three-A Resources Bhd	MESDAQ Market	Industrial Products	13 Aug 2002	28,000,002
50	 Binaik Equity Bhd	Main Board	Properties	15 Aug 2002	100,000,000
51	 MCM Technologies Bhd	MESDAQ Market	Finance	08 Oct 2002	31,909,000
52	 Yeo Aik Resources Bhd	Second Board	Consumer Products	30 Oct 2002	53,700,000
53	 Hytex Integrated Bhd	Main Board	Consumer Products	08 Nov 2002	75,000,000
54	 Kinsteel Bhd	Main Board	Industrial Products	25 Nov 2002	60,000,000
55	 Hua Yang Bhd	Main Board	Properties	29 Nov 2002	90,000,000
56	 Pulai Springs Bhd	Main Board	Trading/Services	09 Dec 2002	105,000,000
57	 Isyoda Corporation Bhd	Main Board	Construction	12 Dec 2002	60,000,000

	As at 31.12. 2002	As at 30.6.2001
No. of listed companies	865	809
Total market capitalisation (RM billion)	481.62	403.49

	1.7.2001 to 31.12.2002	1.7.2000 to 30.6.2001
Total volume (billion units)	101.65	34.17
Total value (RM billion)	193.20	88.90

Delisted - 1 July 2001 to 31 December 2002

No.	Company	Delisted Date	
1	Gadek (M) Bhd	13 Aug 2001	Pursuant to Section 137 of Listing Requirements - (Acquired by DRB-HICOM Bhd)
2	HICOM Holdings Bhd	13 Aug 2001	Pursuant to Section 137 of Listing Requirements - (Acquired by DRB-HICOM Bhd)
3	United Engineers (M) Bhd	15 Oct 2001	Pursuant to Paragraph 11.09 of Listing Requirements - (Acquired by Khazanah Nasional Bhd)
4	First Malaysia Property Trust	22 Jul 2002	Pursuant to Paragraph 16.09 (C) of Listing Requirements - (Liquidation)
5	Nissan-Industrial Oxygen Incorporated Bhd	21 Aug 2002	Pursuant to Paragraph 11.09 of Listing Requirements - (Acquired by Malaysian Oxygen Bhd)
6	RHB Sakura Merchant Bankers Bhd	27 Nov 2002	Pursuant to Paragraph 16.09 (B) of Listing Requirements - (Acquired by RHB Capital Bhd)

Companies Transferred to KLSE MESDAQ Market from Malaysian Exchange of Securities Dealing & Automated Quotation Bhd

No.	Company	Transferred Date
1	Supercomal Technologies Bhd	18 Mar 2002
2	Kotra Industries Bhd	18 Mar 2002
3	Intelligent Edge Technologies Bhd	18 Mar 2002
4	Palette Multimedia Bhd	18 Mar 2002
5	Disccomp Bhd	18 Mar 2002

KLSE Monthly High, Low and Closing Indices

		COMPOSITE			EMAS		
		High	Low	Closing	High	Low	Closing
2001	July	659.40	586.25	659.40	159.56	140.64	159.08
	August	694.22	648.06	687.16	166.16	155.23	164.58
	September	696.65	602.51	615.34	167.11	142.43	145.84
	October	621.58	599.77	600.07	148.92	143.85	144.57
	November	641.95	592.26	638.02	156.29	143.46	154.74
	December	696.09	643.35	696.09	165.23	155.40	165.23
2002	January	718.82	682.83	718.82	172.20	163.23	172.20
	February	729.73	701.09	708.91	174.58	167.83	169.16
	March	761.01	717.57	756.10	181.72	171.09	181.72
	April	808.07	752.41	793.99	197.48	180.80	192.90
	May	795.35	741.76	741.76	193.89	180.94	180.94
	June	755.23	705.04	725.44	184.28	171.56	176.50
	July	744.62	715.10	721.59	181.53	174.59	175.88
	August	736.60	711.36	711.36	178.91	173.50	173.50
	September	713.40	636.75	638.01	173.40	155.22	155.39
	October	662.78	624.16	659.57	160.78	151.08	160.12
	November	658.65	629.22	629.22	160.27	154.99	154.99
	December	650.39	616.46	646.32	157.84	152.15	157.25

		INDUSTRIAL			CONSUMER PRODUCTS		
		High	Low	Closing	High	Low	Closing
2001	July	1,255.16	1,140.82	1,255.03	155.64	145.79	155.20
	August	1,311.86	1,248.02	1,295.43	159.88	154.93	159.88
	September	1,320.34	1,170.26	1,199.49	160.66	144.18	149.20
	October	1,217.47	1,180.96	1,196.78	151.76	148.37	149.07
	November	1,245.20	1,195.43	1,233.79	157.55	149.16	157.48
	December	1,348.22	1,239.59	1,348.22	167.14	157.83	167.14
2002	January	1,356.66	1,308.56	1,356.66	168.93	163.66	168.93
	February	1,377.26	1,341.22	1,349.50	172.43	165.81	170.02
	March	1,420.53	1,368.88	1,414.25	179.12	171.39	179.09
	April	1,515.73	1,409.63	1,504.50	189.92	178.12	186.76
	May	1,515.86	1,450.98	1,450.98	188.38	177.93	177.93
	June	1,477.58	1,386.81	1,414.60	178.68	172.12	175.37
	July	1,453.78	1,416.04	1,423.85	177.73	172.87	175.79
	August	1,442.70	1,415.39	1,416.49	178.33	174.32	177.05
	September	1,420.10	1,317.02	1,320.22	177.05	165.54	165.54
	October	1,364.78	1,305.74	1,357.09	167.72	161.98	167.29
	November	1,362.08	1,333.99	1,333.99	167.01	163.46	163.46
	December	1,359.84	1,312.95	1,349.37	167.94	162.29	167.94

		INDUSTRIAL PRODUCTS			CONSTRUCTION		
		High	Low	Closing	High	Low	Closing
2001	July	66.10	59.20	65.33	159.13	136.58	158.83
	August	66.14	63.35	65.23	168.47	155.19	167.33
	September	65.76	56.27	58.39	177.17	150.94	159.48
	October	60.42	58.60	58.67	164.25	157.73	161.94
	November	62.74	57.78	62.74	178.35	159.49	174.21
	December	67.60	63.17	67.60	178.56	171.05	177.35
2002	January	68.43	66.49	67.70	185.72	174.44	185.72
	February	68.26	65.87	65.87	189.36	181.47	183.67
	March	69.81	66.43	69.81	202.70	184.72	201.25
	April	76.53	69.81	74.54	221.81	199.03	215.54
	May	74.65	69.83	69.83	218.94	203.61	203.61
	June	71.89	67.55	69.17	208.73	188.51	197.46
	July	71.83	68.59	69.76	207.20	194.10	195.28
	August	70.49	68.85	69.02	196.64	186.50	186.50
	September	69.09	62.94	63.31	187.26	164.90	164.90
	October	64.83	61.54	64.50	164.80	142.29	161.67
	November	64.79	63.71	64.40	162.01	152.48	152.48
	December	65.71	63.19	65.64	157.20	149.48	150.84

		TRADING/SERVICES			FINANCE		
		High	Low	Closing	High	Low	Closing
2001	July	99.35	85.59	99.35	4,951.34	4,307.50	4,923.08
	August	105.53	97.35	104.18	5,178.73	4,761.69	5,130.74
	September	106.56	90.69	92.69	5,186.79	4,256.72	4,398.66
	October	92.91	88.88	88.88	4,683.92	4,394.58	4,480.16
	November	96.45	87.99	95.03	4,867.11	4,381.88	4,805.51
	December	103.77	95.89	103.77	5,104.50	4,812.42	5,095.67
2002	January	107.43	101.31	107.43	5,555.60	5,111.26	5,555.60
	February	108.68	103.12	103.86	5,806.34	5,493.62	5,604.69
	March	111.47	104.96	110.98	6,145.26	5,675.16	6,012.45
	April	121.15	110.16	118.60	6,452.03	5,943.97	6,273.34
	May	118.99	109.92	109.92	6,357.42	5,927.99	5,927.99
	June	112.14	103.37	106.25	6,115.00	5,706.41	5,887.54
	July	109.20	103.82	105.43	6,124.44	5,858.95	5,867.26
	August	108.40	104.13	104.13	6,020.90	5,786.83	5,788.21
	September	104.55	92.44	92.70	5,775.17	5,040.82	5,060.00
	October	97.66	91.88	97.50	5,267.53	4,956.13	5,230.22
	November	97.33	94.72	94.72	5,231.58	4,839.39	4,839.39
	December	97.65	92.54	97.47	4,997.84	4,738.36	4,857.54

KLSE Monthly High, Low and Closing Indices

		PROPERTY			PLANTATION		
		High	Low	Closing	High	Low	Closing
2001	July	638.89	568.87	630.30	1,587.82	1,364.70	1,573.30
	August	656.82	604.87	626.75	1,632.72	1,560.12	1,605.36
	September	630.92	515.48	534.41	1,626.29	1,396.40	1,427.73
	October	557.50	534.31	547.21	1,440.97	1,387.71	1,440.97
	November	603.33	549.41	590.70	1,557.03	1,463.65	1,550.40
	December	607.97	583.94	599.64	1,639.47	1,567.12	1,615.35
2002	January	658.49	600.83	628.66	1,723.36	1,600.02	1,723.36
	February	625.83	599.54	599.54	1,722.78	1,681.16	1,703.29
	March	653.02	599.33	652.11	1,834.64	1,710.19	1,829.14
	April	766.43	647.00	728.60	2,025.14	1,834.53	2,005.18
	May	737.11	680.21	680.21	1,998.95	1,898.05	1,898.05
	June	686.07	638.12	655.83	1,964.82	1,813.17	1,872.56
	July	678.86	647.21	654.85	1,916.22	1,853.60	1,884.67
	August	655.46	635.24	635.24	1,949.15	1,881.68	1,921.53
	September	626.14	568.74	568.74	1,927.08	1,763.76	1,790.67
	October	575.97	543.24	574.70	1,805.58	1,699.22	1,797.84
	November	578.28	550.86	557.39	1,855.37	1,799.32	1,835.83
	December	553.85	538.06	540.91	1,852.70	1,792.52	1,852.70

		MINING			SYARIAH		
		High	Low	Closing	High	Low	Closing
2001	July	213.78	177.00	212.80	103.84	92.43	103.84
	August	216.49	203.62	213.83	107.71	101.67	106.88
	September	216.16	168.12	188.02	108.11	93.78	96.13
	October	196.11	175.27	196.11	96.63	93.93	94.17
	November	204.66	190.45	202.75	100.92	93.27	100.34
	December	216.35	199.69	204.09	107.65	101.03	107.65
2002	January	224.20	206.39	220.84	109.85	105.87	109.35
	February	233.47	217.93	226.20	109.77	106.21	106.49
	March	271.22	224.05	271.22	113.47	107.55	113.41
	April	345.34	269.44	315.71	121.37	112.96	119.56
	May	320.27	280.76	280.76	119.64	111.72	111.72
	June	329.38	279.25	292.11	113.07	106.55	108.65
	July	292.83	263.73	263.73	111.45	107.54	108.59
	August	267.17	229.70	229.70	110.32	107.32	107.32
	September	237.72	202.74	207.70	107.44	96.83	96.83
	October	224.45	177.09	209.09	100.28	94.49	99.99
	November	211.71	197.82	199.42	100.01	97.86	97.86
	December	200.79	186.16	193.75	99.73	96.00	99.73

SECOND BOARD					TECHNOLOGY		
		High	Low	Closing	High	Low	Closing
2001	July	125.95	105.31	121.31	46.02	42.02	45.48
	August	134.65	116.69	134.65	50.00	45.77	49.61
	September	146.18	101.97	109.61	51.66	37.93	39.65
	October	120.63	110.02	116.51	42.40	39.39	41.46
	November	133.63	116.44	131.57	48.36	41.32	46.69
	December	145.74	130.38	134.13	56.03	46.93	54.84
2002	January	147.57	132.43	134.66	61.33	55.35	58.34
	February	134.66	124.51	124.51	57.46	53.59	54.67
	March	132.56	121.55	132.29	68.01	55.55	67.11
	April	147.41	129.92	140.55	71.80	64.76	70.75
	May	140.35	125.82	125.82	70.35	62.52	62.52
	June	126.97	117.25	119.84	64.50	52.20	54.58
	July	127.81	118.38	119.68	59.23	53.89	55.05
	August	119.95	115.76	115.76	55.14	53.26	53.29
	September	114.14	102.89	102.89	52.83	42.85	42.85
	October	103.79	97.82	103.21	45.36	38.65	45.36
	November	105.00	101.21	101.21	47.18	43.05	44.56
	December	100.77	97.59	98.24	45.04	42.63	45.04

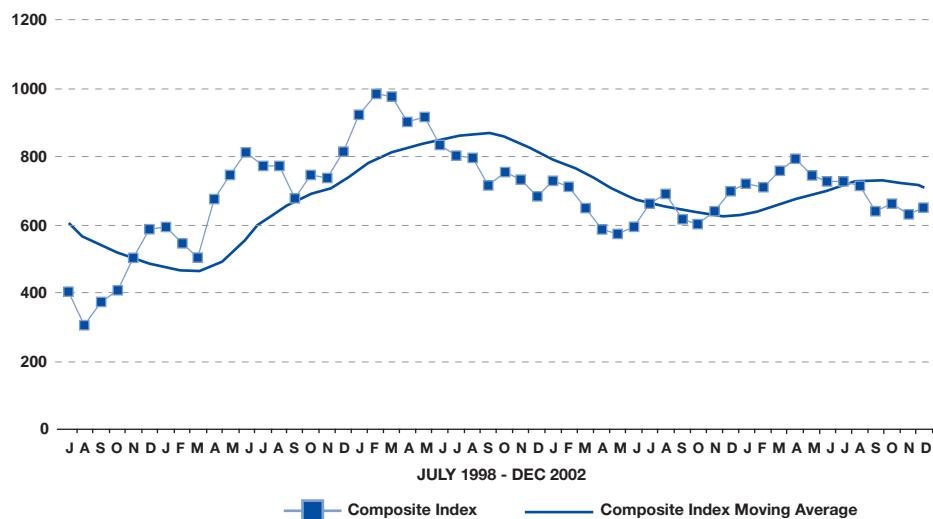
MESDAQ MARKET			
	High	Low	Closing
2001	July	83.76	67.23
	August	88.90	73.17
	September	77.35	73.64
	October	77.82	73.84
	November	76.77	74.00
	December	88.08	76.77
2002	January	96.28	84.40
	February	107.26	93.87
	March	177.53	98.98
	April	171.95	129.70
	May	137.46	114.88
	June	122.57	112.55
	July	119.40	101.39
	August	106.60	99.98
	September	101.50	88.55
	October	93.50	83.13
	November	89.79	84.66
	December	85.94	81.34

*Based on closing index

Market Indicators

KLSE COMPOSITE INDEX

MONTHLY CLOSING & 200 DAYS MOVING AVERAGE

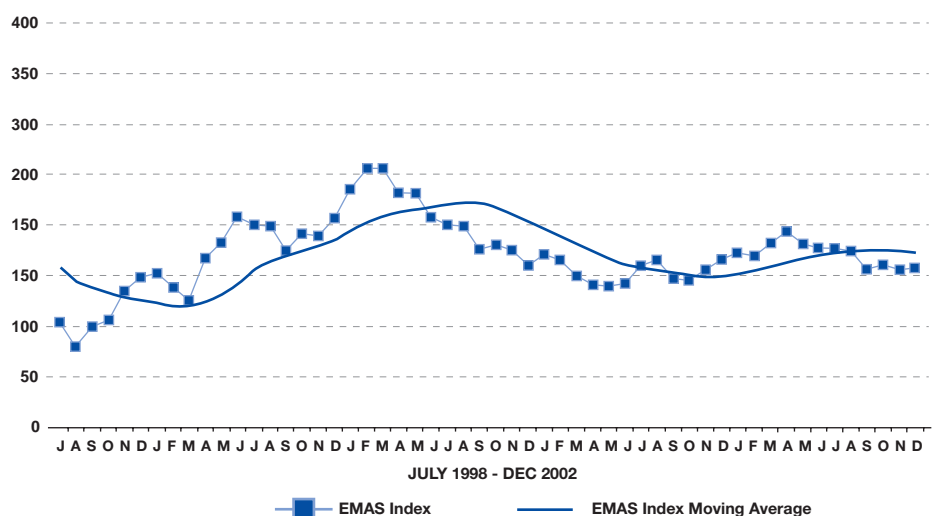


	Opening Index	Closing Index
1999	561.65	812.33
2000	833.89	679.64
2001	666.63	696.09
2002	682.83	646.32

	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Composite Index	811.10	302.91	982.24	675.45	798.83	572.88	793.99	600.07
Composite Moving Average	603.50	464.09	846.69	611.03	868.82	675.64	729.66	622.46

KLSE EMAS INDEX

MONTHLY CLOSING & 200 DAYS MOVING AVERAGE

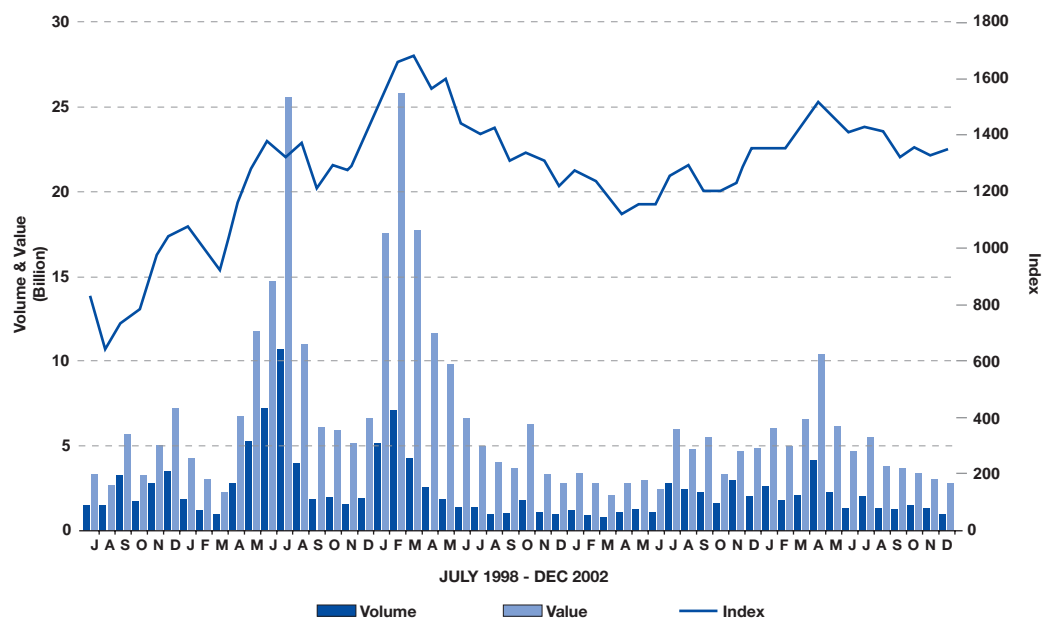


	Opening Index	Closing Index
1999	142.06	206.39
2000	214.24	159.77
2001	155.61	165.23
2002	163.23	157.25

	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
EMAS Index	207.56	79.55	255.63	174.81	200.40	139.29	192.9	144.57
EMAS Moving Average	157.39	119.69	217.49	155.44	221.67	160.99	176.56	148.90

KLSE INDUSTRIAL INDEX, VOLUME & VALUE

MONTHLY CLOSING

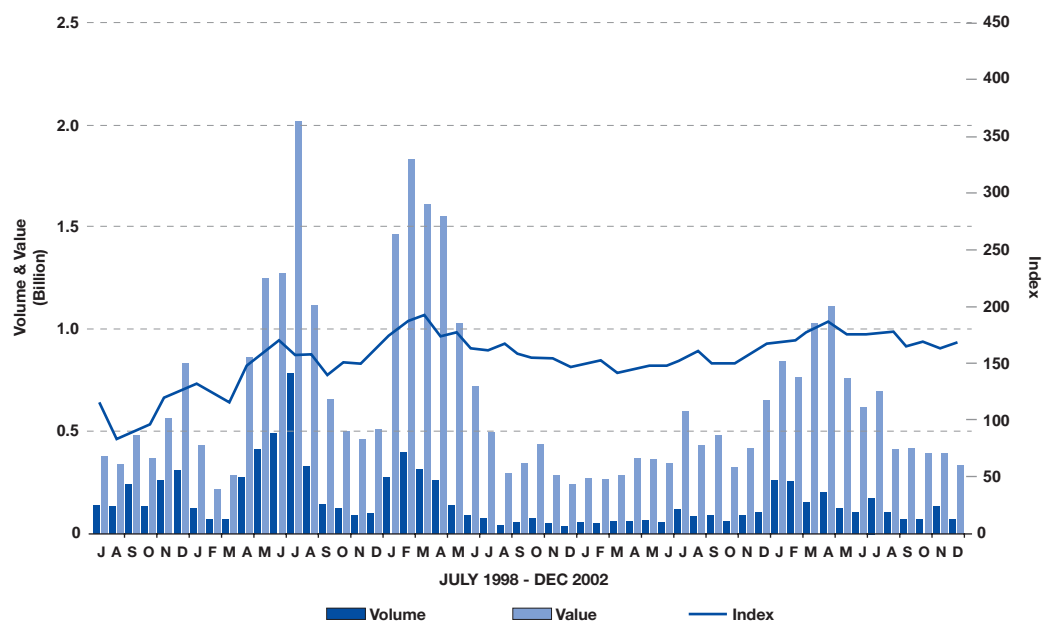


	Opening Index	Closing Index
1999	1012.93	1389.44
2000	1432.77	1217.28
2001	1204.76	1348.22
2002	1313.63	1349.37

	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Industrial Index	1,380.58	639.44	1,683.24	1,207.07	1429.92	1,119.59	1,504.50	1,196.78
Volume (mil)	7,086	820	10,623	1,299	1,693	669	3,980	878
Value (RM mil)	14,603	2,169	25,760	5,005	6,179	2,023	10,278	2,689

KLSE CONSUMER PRODUCTS INDEX, VOLUME & VALUE

MONTHLY CLOSING



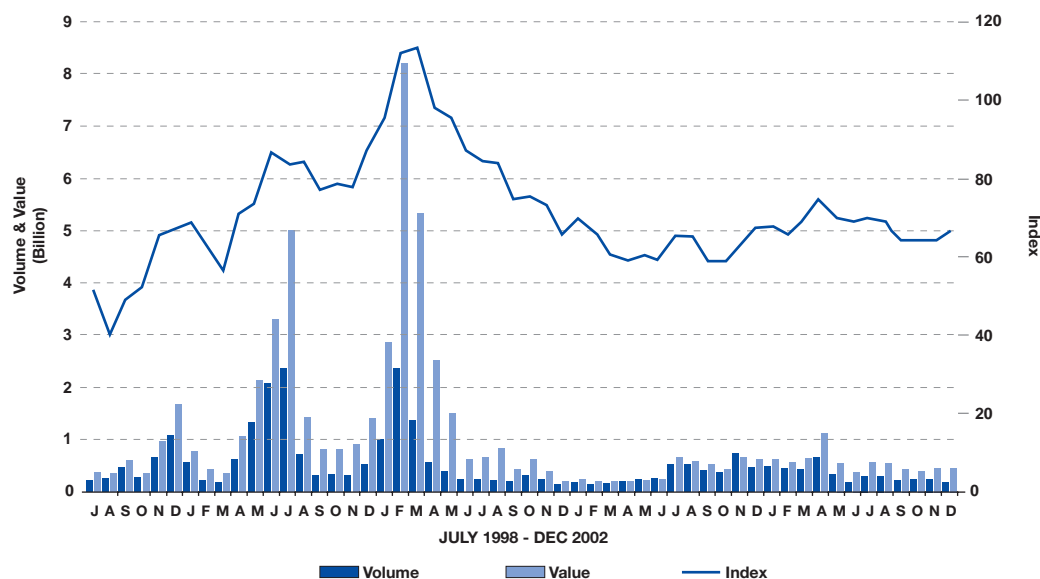
	Opening Index	Closing Index
1999	124.46	163.77
2000	168.44	146.58
2001	142.69	167.14
2002	163.68	167.94

	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Consumer Products Index	169.52	83.86	191.02	138.34	168.06	142.48	186.76	149.07
Volume (mil)	485	62	778	82	71	34	254	54
Value (RM mil)	1,266	212	2,013	459	487	239	1,105	314

Market Indicators

KLSE INDUSTRIAL PRODUCTS INDEX, VOLUME & VALUE

MONTHLY CLOSING

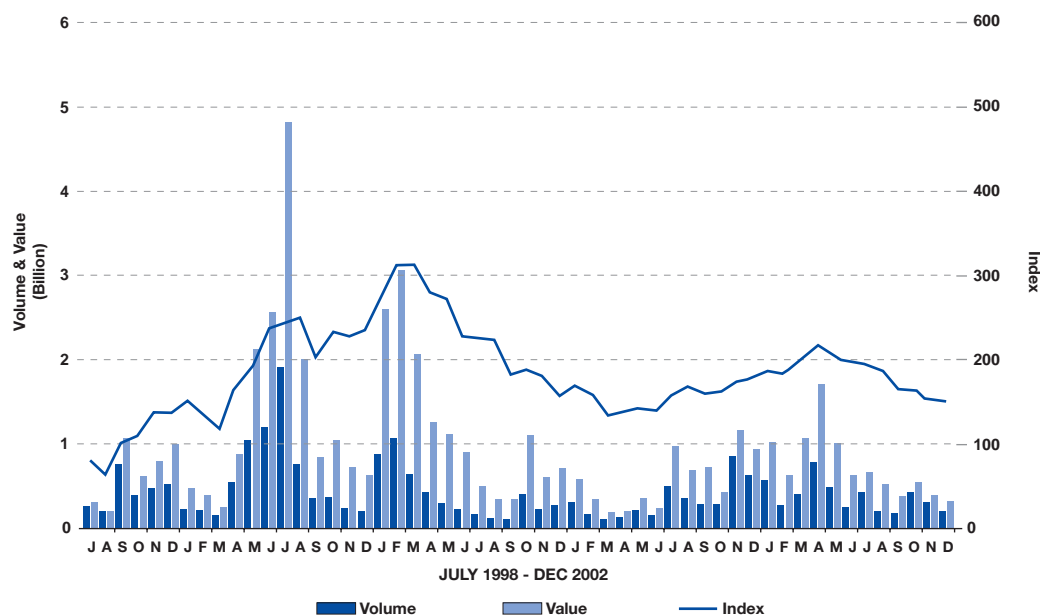


	Opening Index	Closing Index
1999	66.23	87.48
2000	91.05	65.35
2001	63.81	67.60
2002	66.49	65.64

	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Industrial Products Index	86.44	40.2	113.43	76.96	84.55	59.23	74.54	58.39
Volume (mil)	2,071	161	2,341	202	299	112	693	147
Value (RM mil)	3,282	331	8,190	587	821	159	1,081	343

KLSE CONSTRUCTION INDEX, VOLUME & VALUE

MONTHLY CLOSING

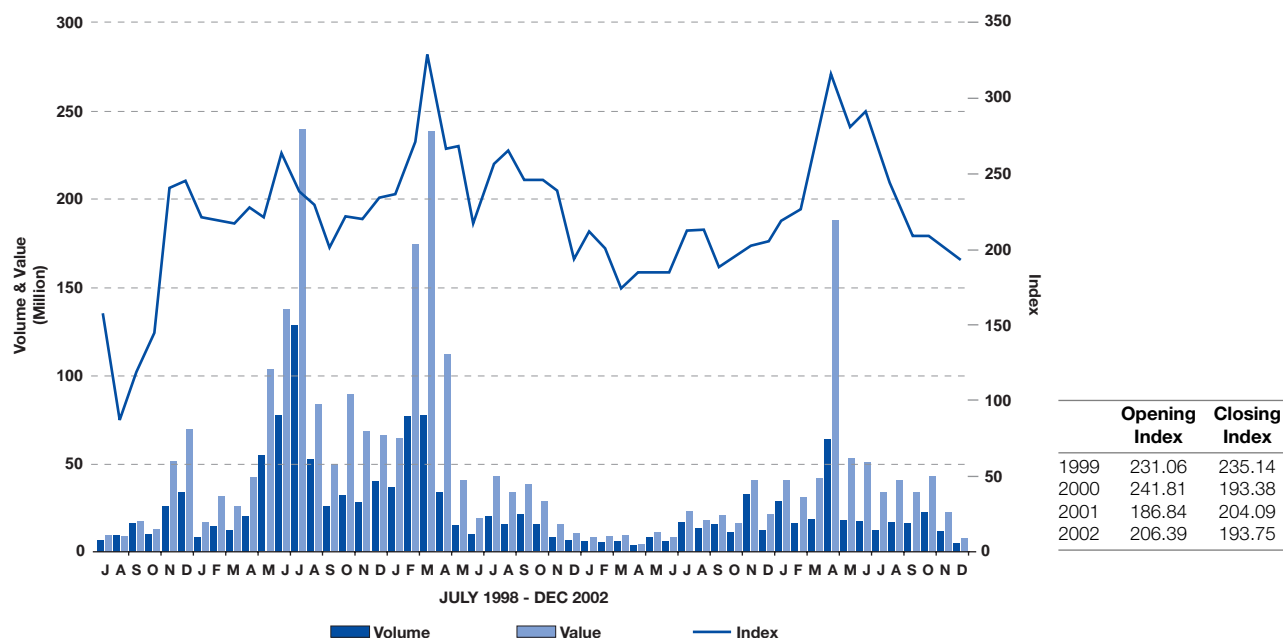


	Opening Index	Closing Index
1999	135.47	234.63
2000	250.79	156.26
2001	150.75	177.35
2002	174.44	150.84

	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Construction Index	237.39	63.23	312.79	202.52	224.46	132.72	215.54	150.84
Volume (mil)	1,190	139	1,890	191	382	91	844	155
Value (RM mil)	2,541	189	4,806	611	1,085	172	1,687	300

KLSE MINING INDEX, VOLUME & VALUE

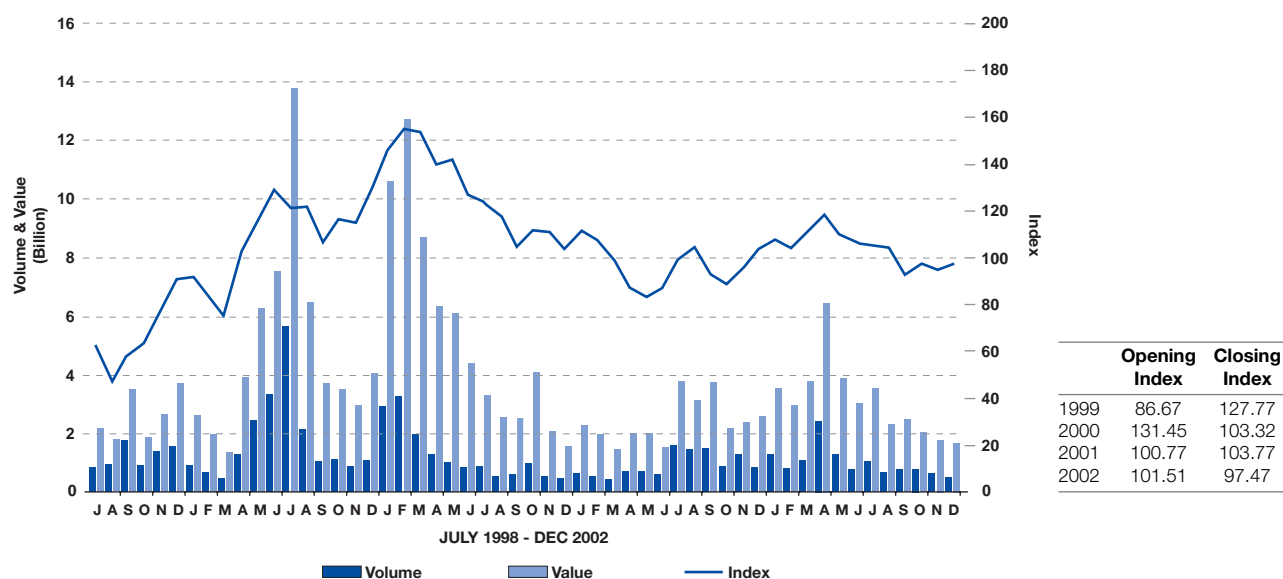
MONTHLY CLOSING



	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Mining Index	264.46	85.90	329.01	198.74	265.36	174.18	315.71	188.02
Volume (mil)	77	6	128	9	21	4	63	4
Value (RM mil)	137	8	239	18	42	4	188	7

KLSE TRADING/SERVICES INDEX, VOLUME & VALUE

MONTHLY CLOSING

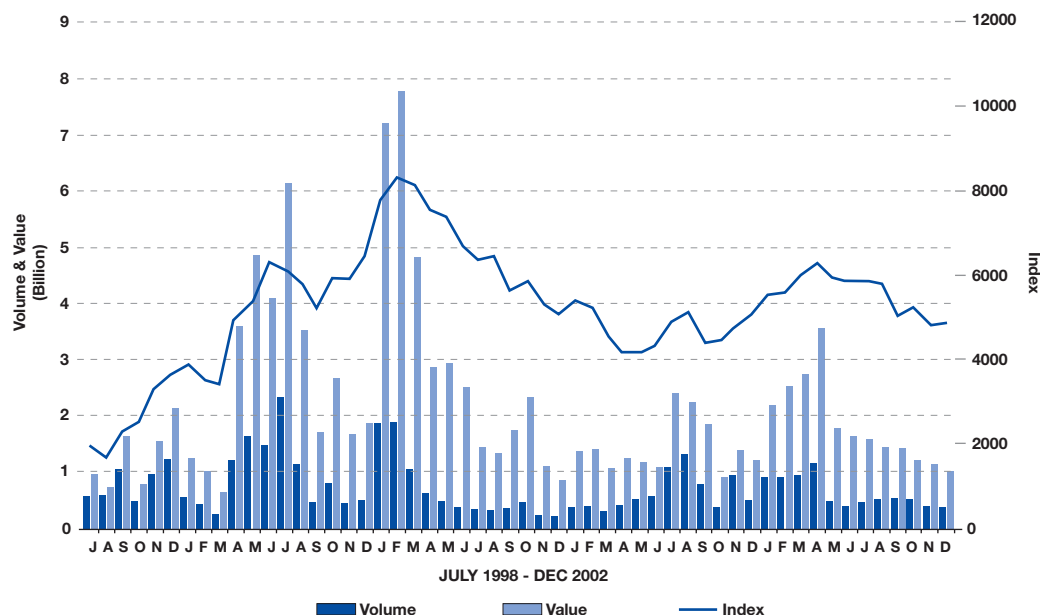


	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Trading/Services Index	128.84	47.36	154.97	106.53	124.04	83.20	118.60	88.88
Volume (mil)	3,341	455	5,620	802	941	401	2,390	473
Value (RM mil)	7,513	1,326	13,729	2,956	4,061	1,412	6,406	1,639

Market Indicators

KLSE FINANCE INDEX, VOLUME & VALUE

MONTHLY CLOSING

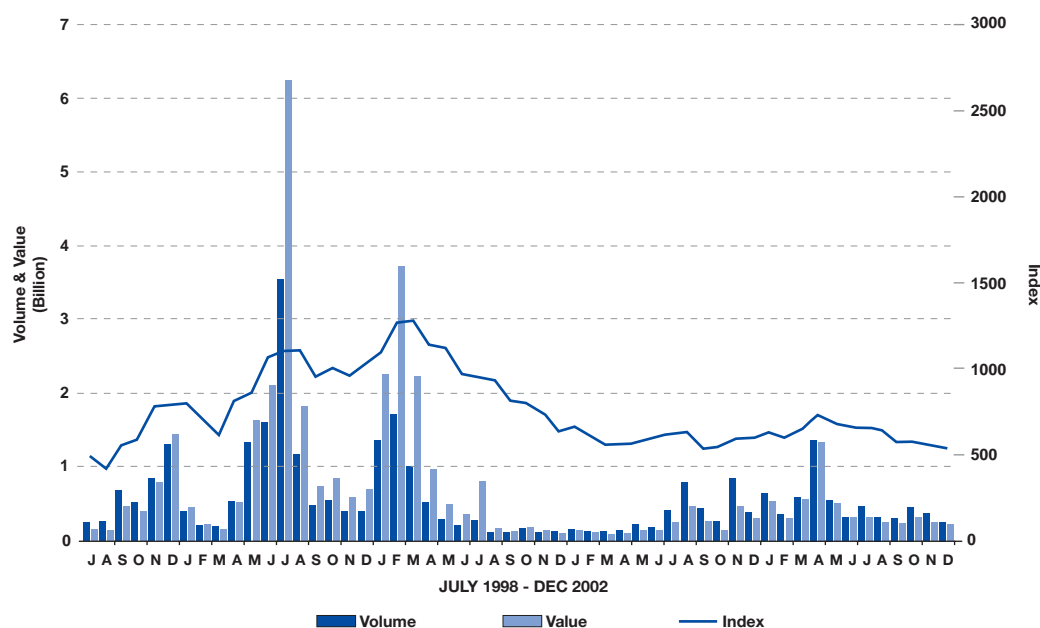


	Opening Index	Closing Index
1999	3527.83	6446.80
2000	6728.01	5070.62
2001	4957.61	5095.67
2002	5111.26	4857.54

	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Finance Index	6,328.23	1,695.38	8,344.93	5,209.09	6,431.32	4,171.21	6,273.34	4,398.66
Volume (mil)	1,619	245	2,307	366	556	205	1,297	355
Value (RM mil)	4,836	615	7,765	1,648	2,301	849	3,549	899

KLSE PROPERTY INDEX, VOLUME & VALUE

MONTHLY CLOSING

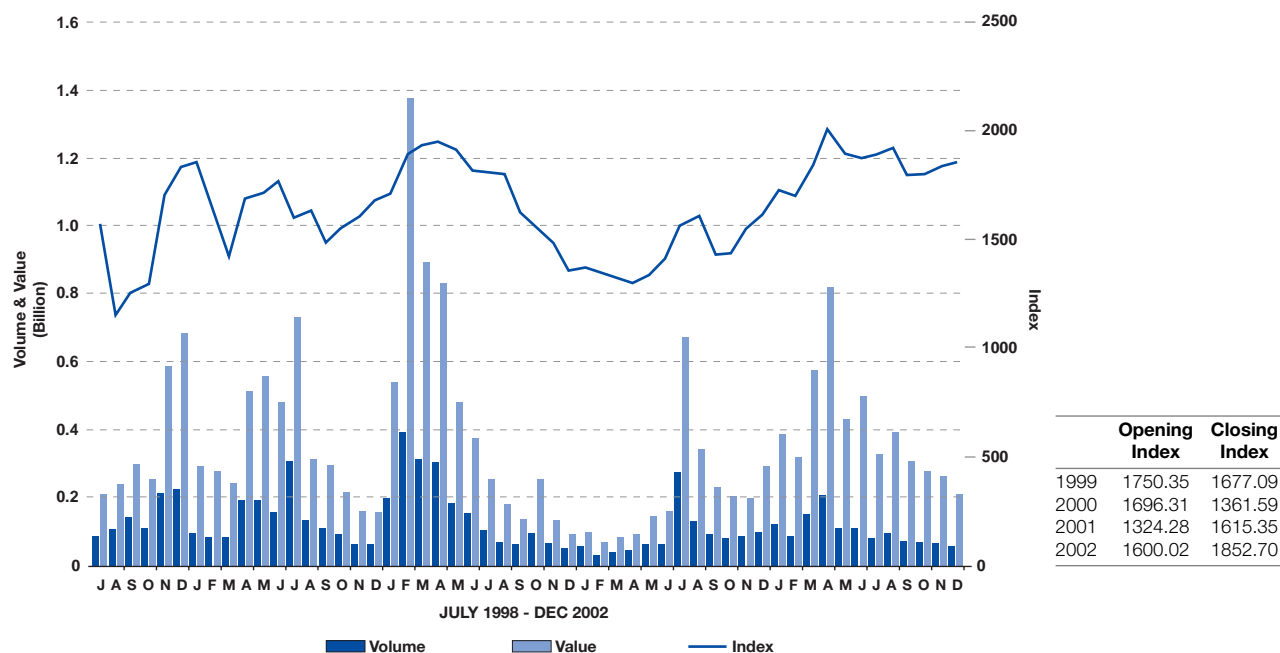


	Opening Index	Closing Index
1999	761.51	1026.68
2000	1079.37	632.54
2001	606.97	599.64
2002	600.83	540.91

	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Property Index	1,064.73	414.61	1,274.90	950.21	951.93	552.67	728.60	534.41
Volume (mil)	1,585	175	3,530	224	207	94	1,340	227
Value (RM mil)	2,087	123	6,236	335	286	68	1,320	115

KLSE PLANTATION INDEX, VOLUME & VALUE

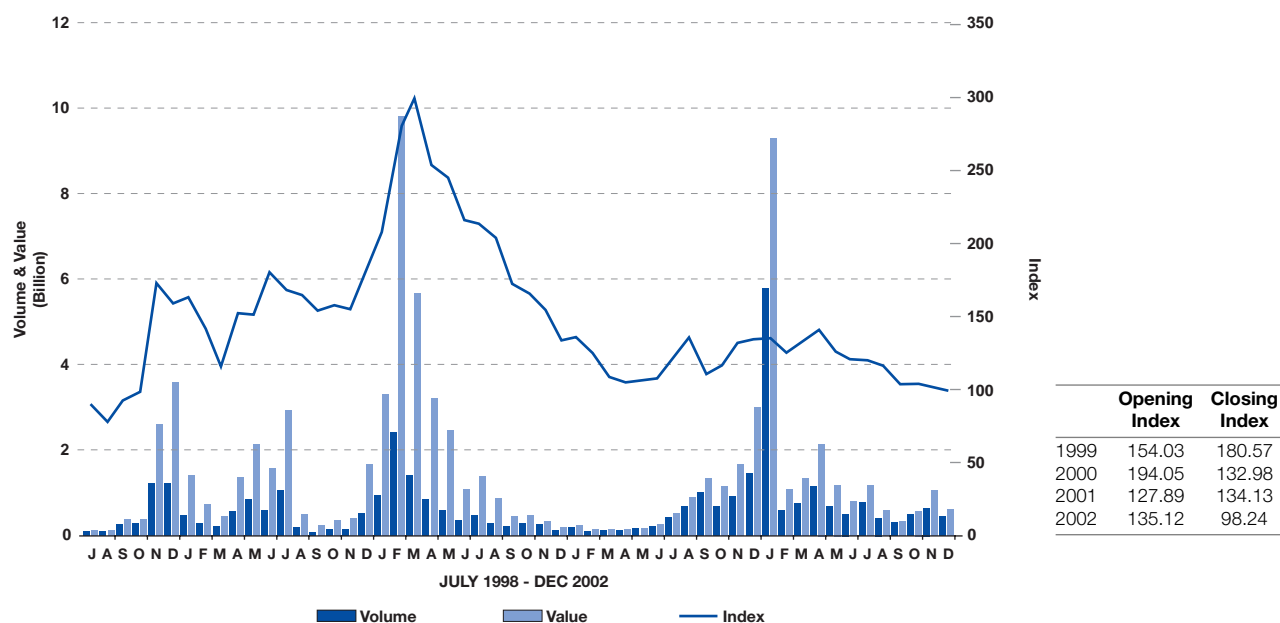
MONTHLY CLOSING & 200 DAYS MOVING AVERAGE



	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Plantation Index	1,853.75	1,137.37	1,951.09	1,475.63	1806.89	1,298.47	2,005.18	1,427.73
Volume (mil)	217	77	390	55	97	28	268	52
Value (RM mil)	678	203	1,373	151	247	64	818	195

KLSE SECOND BOARD INDEX, VOLUME & VALUE

MONTHLY CLOSING

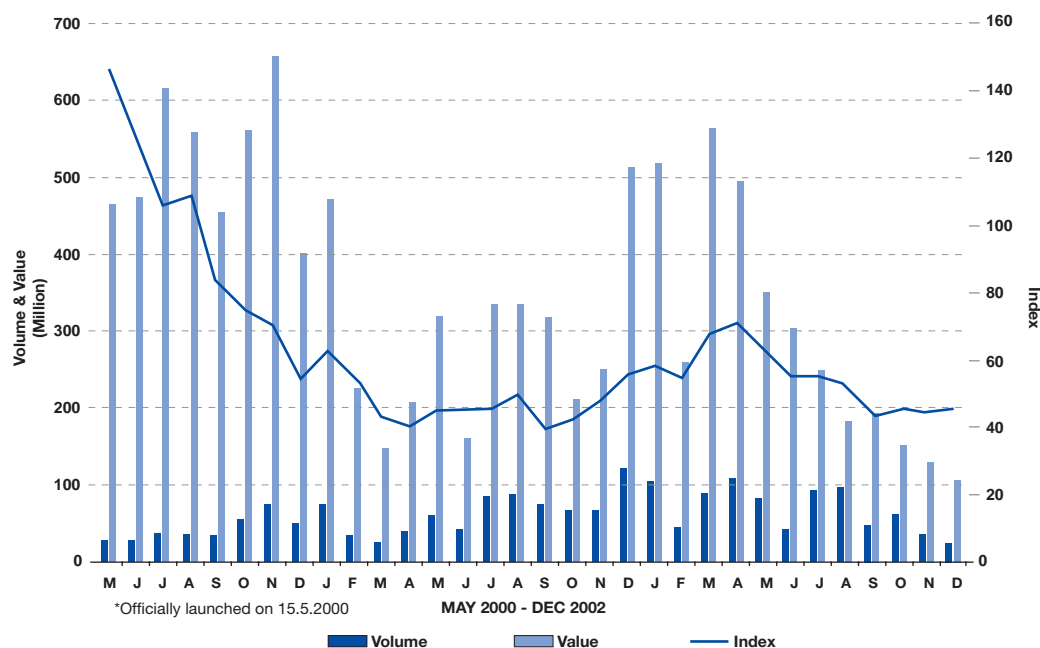


	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Second Board Index	179.77	76.83	298.50	153.60	213.06	104.21	140.55	98.24
Volume (mil)	1,221	93	2,417	88	468	101	5,797	295
Value (RM mil)	3,607	103	9,822	240	1,368	128	9,304	316

Market Indicators

KLSE TECHNOLOGY INDEX*, VOLUME & VALUE

MONTHLY CLOSING

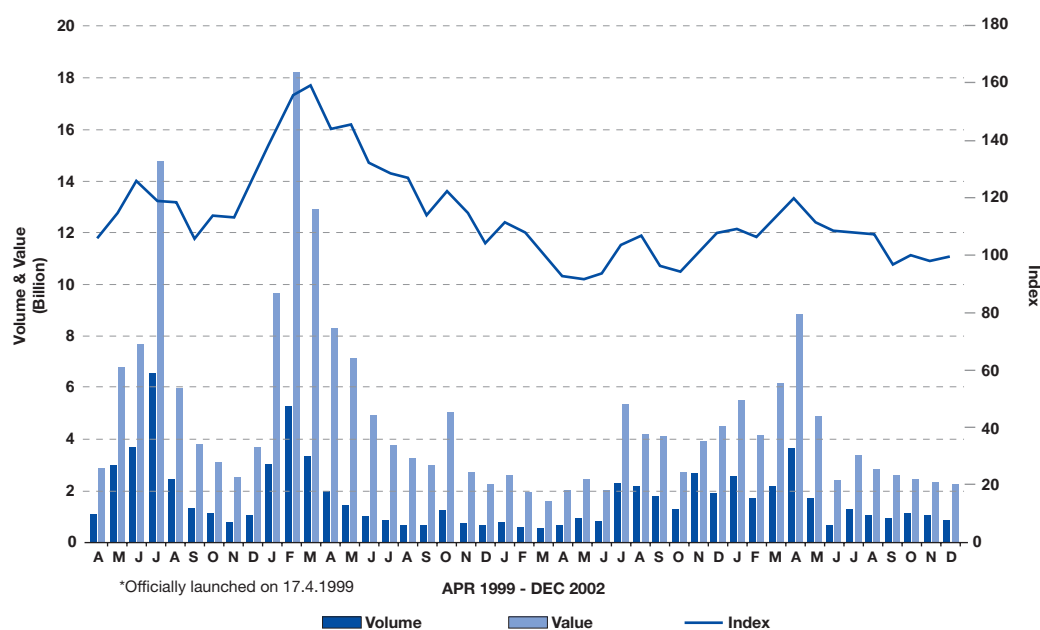


	Opening Index	Closing Index
2000	109.85	53.63
2001	50.59	54.84
2002	55.35	45.04

	FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
Technology Index	166.05	129.35	137.54	38.46	70.75	39.65
Volume (mil)	10	4	30	2	120	23
Value (RM mil)	207	76	227	17	546	105

KLSE SYARIAH INDEX*, VOLUME & VALUE

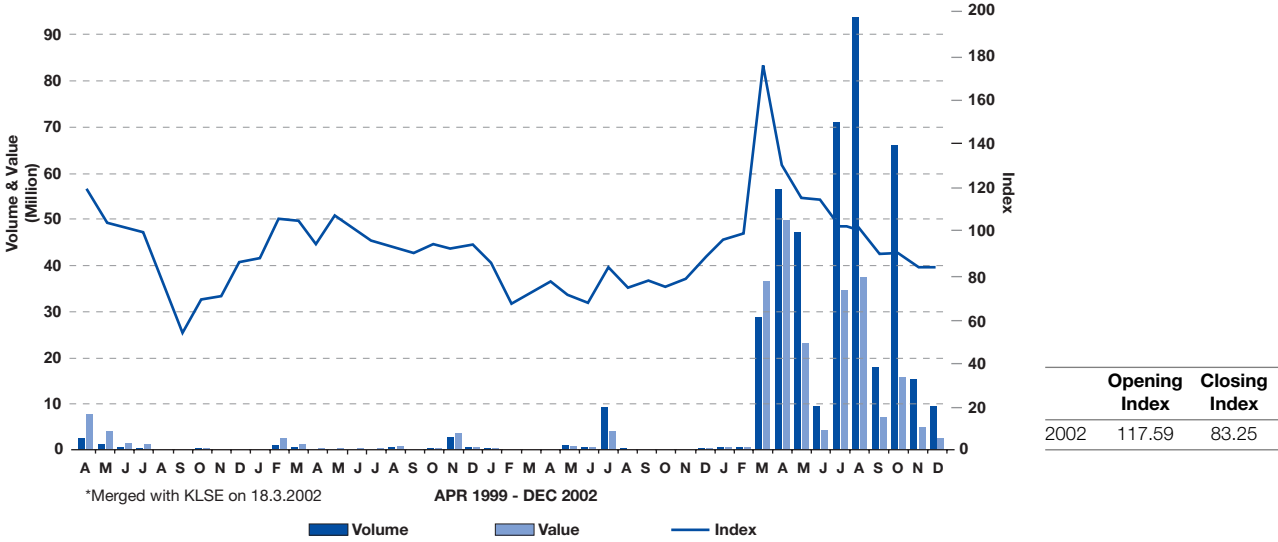
MONTHLY CLOSING



	Opening Index	Closing Index
1999	98.53	127.74
2000	131.50	104.64
2001	101.98	107.65
2002	105.87	99.73

	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
Syariah Index	123.89	102.74	160.50	106.26	137.54	88.96	119.56	94.17
Volume (mil)	220	51	2,129	123	436	32	3,605	601
Value (RM mil)	487	127	6,043	443	1,633	114	8,798	2,200

KLSE MESDAQ MARKET INDEX*, VOLUME & VALUE
MONTHLY CLOSING



	FYE 1999		FYE 2000		FYE 2001		FYE 2002	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
MESDAQ Market Index	119.38	103.13	106.25	53.44	95.00	66.84	174.75	73.64
Volume (mil)	2	0.4	0.8	0.01	2	0.003	93	0.01
Value (RM mil)	8	1.4	2	0.01	3	0.004	50	0.01