

# Securities Trading Floor

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



M.T.C.C Tower, 4th Floor, Male'  
Tel: 336620, Fax: 336624  
www:maldivesstockexchange.com.mv

“Gain profit by  
trading shares  
through the STF”

Stock Market Monthly Report

January 2005.

## Market Review (January 2005)

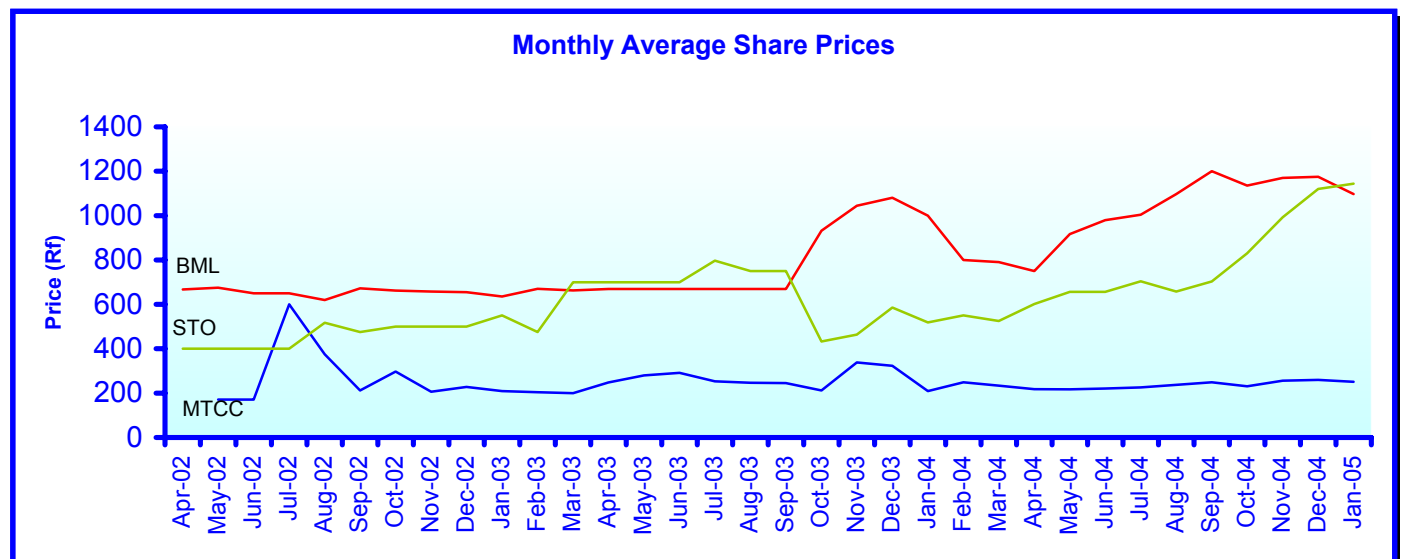
With improving economic activities and market conditions after the tsunami disaster, a strong recovery was also seen in the stock market during the month under review after it came to a halt in late December 2004. As an outcome, the trading turnover of Rf12,377 reflected a boost of 55 percent against the preceding month's trading turnover of Rf72,350.

The MASIX closed at the month at 284.82 points appreciating by 16 percent against the previous month's closing value of 245.83. Inclusive of the month's trading turnover, the total cumulative trading turnover of the STF has reached to Rf3,270,925 while the market capitalization as at 31<sup>st</sup> January 2005 stood high at Rf1,546,680,180.

## Monthly Statistics – January 2005

	MTCC	BML	STO	Total
Number of trades	11	5	5	21
Number of shares traded	106	50	27	183
Turnover (Rf)	26,639	54,860	30,878	112,377

## Share Price Movements



## Company News

BML and STO have decided to waive off the share certificate renewal fees for shareholders who lost their share certificates as a result of the tsunami disaster. According to these companies there will be no charge for the replacement of share certificates up to June 2005.

## **Assessing the merits and performance of listed companies.**

Investors expect the company to deliver profits and give them a good return on their investments. As such, investors should assess the merits and performance of public listed companies before investing in the company's securities. The results of the assessment should indicate whether or not to invest, continue to invest or divest from the company.

Investors may consider the following areas in making their decisions:

### **Core business of the company**

The core business is what the company does best, and investors should recognize that the Board of Directors or management should not venture into new business without careful evaluation of the company's abilities and resources. Common sense prevails that new businesses should be synergistic with the core business.

### **Profile of directors and management committee**

The role of directors is one of stewardship, where the Board is responsible for approving the strategic plans and providing the strategic directions for the company's growth. In addition to a participation in the corporate decision making process, the Board is also responsible for ensuring that the business is being properly managed. Investors should, therefore, be satisfied that the directors and management are sufficiently competent to run and plan for the continued growth of the company's business.

### **Corporate governance practices and internal controls**

Business ethics play a key role in the business environment, and good corporate governance practices instill investors' confidence in the company. There should also be in place a sound system of internal controls to safeguard shareholders' investment and the company's assets. This involves identifying the principal risks along with the implementation of appropriate systems to manage these risks.

### **Annual Report and Annual Accounts**

Financial reports provide investors with some basis to understand and assess the company's ability to generate profits and cash flows. Under the Securities Trading Floor (STF) Listing Rules, listed companies are required to prepare the Annual Report and Annual Accounts within six months from the close of the financial year and make it available to the STF and the shareholders upon request. The Annual report and Annual Accounts of the three listed companies are available from the companies and from the Securities Trading Floor.

### **Related-party transactions**

While related party transactions are not necessarily "evil", prompt disclosure of such transactions would be one way to protect the company's interests. Disclosure would allow shareholders to evaluate related-party transactions to ensure that such transactions are done on terms that are not more advantageous than if done on an arms-length basis. Under the STF Listing Rules, connected persons should not trade on the basis of material information that is unknown to the investing public.

### **Contingent liabilities**

A contingent liability involves the potential loss arising from an uncertain future event. Disclosure of information about contingent liabilities would assist users of financial reports to assess the present and expected financial performance and financial position of a company.

In addition to the information provided in the Annual Reports, listed companies are required prompt release of information which might be reasonably expected to have a material effect on the market activity and price of its quoted securities.

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“MAKE PROFIT BY  
TRADING SECURITIES  
THROUGH THE STOCK  
MARKET”

Stock Market Monthly Report

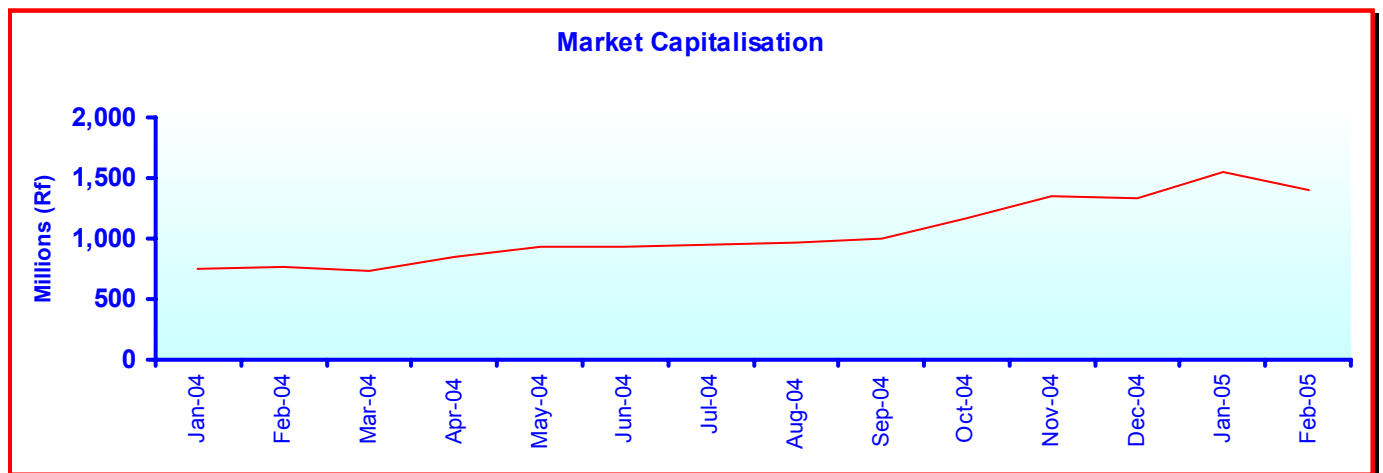
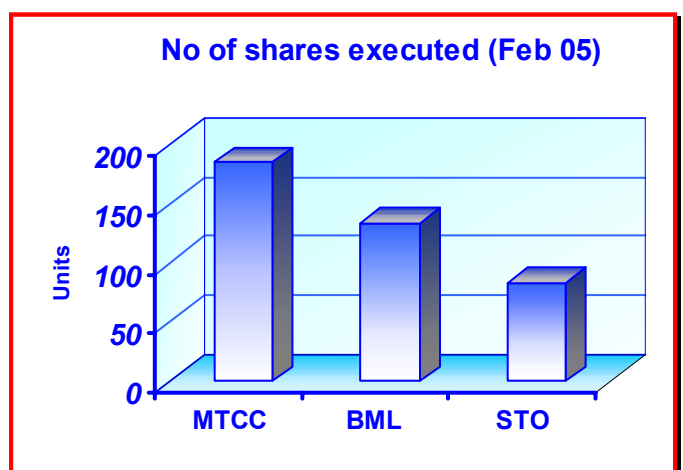
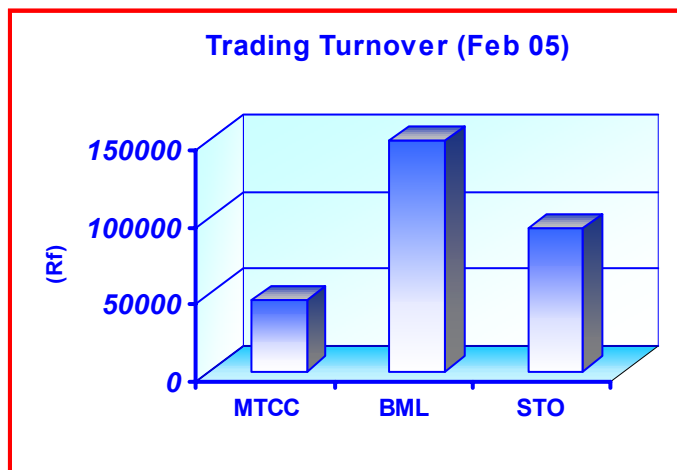
February 2005.

## Market Review (February 2005)

The trading turnover for the month (Rf287,518) reflected a massive boost of 156 percent against the preceding month's turnover of Rf112,377 as the stocks prices increased slightly compared to the last month. The number of trades executed during the month also increased by 81 percent in comparison to the preceding month's trades.

Inclusive of the month's trading turnover, the total cumulative trading turnover of the STF has reached Rf3,558,443 while the market capitalization as at 28<sup>th</sup> February 2005 stood high at Rf1,397,905,500.

## Trading and Market Statistics



## Company News

During the month STO announced its unaudited profit for the year 2004 to be around Rf125 million. However, this is a lesser amount compared to the forecasted profit ( Rf149 million ) previously announced for the same period. According to the STO, the decline in profit is due to the increase of oil price in the world markets which has caused a profit decline in the company's oil business.

## **Training Program on Financial Journalism**

As part of the efforts to instill professionalism in the securities markets, a financial journalism training program organized by the Maldives Monetary Authority in collaboration with the Securities Institute Education (Australia) was held from 13th to 17th February 2005 at the Capital Market Division of the Maldives Monetary Authority. The Securities Institute Education (SIE) is the leading educational body for Australia's financial service sector. The Institute runs professional training programs for banks, Stock Exchanges, brokers, market intermediaries and other participants in the financial markets.

The program was run by two leading financial market practitioners from Securities Institute Education. One resource person is a professional writer and communicator with particular expertise in financial markets, while the other resource person is a financial markets consultant with special expertise in securities and derivatives markets.

The program consisted of a workshop of 5 days of intensive lectures on the financial service industry and financial journalism. The 5 days workshop forms an integral component of the Securities Institute's Diploma of Financial Markets, 'Fundamentals of Securities' subject. The participants are also encouraged to complete a unit of independent study by distance education over 6-8 weeks and sit the relevant examination in April 2005.

Topics covered over the 5 days training program included; the operation and economic benefits provided by stock exchanges, the role of the bond market as a capital raising vehicle for governments and corporations, the development of the mutual funds industry, techniques for portfolio management and the operation and benefits of both exchange traded and over-the-counter (OTC) derivatives market. A live web based securities trading session was also held to demonstrate the techniques of trading and further elaborate the topics covered.

In addition to reviving the financial markets, the course also looked in detail, the techniques for market reporting and writing features on the finance industry. The role that journalists play in the financial markets and the different sources of information that are available to journalists when writing market reports was also examined. Common investment terms were also explained and the participants were given advice as to how such terms should be used when reporting developments in financial markets.

The program therefore gave participants a firm grasp and understanding of the operation of financial markets and the day to day duties of a financial writer, together with the skills to write financial stories and stock market reports.

Financial journalism program 2005 is a follow-up from the first seminar on financial journalism that was held in May 2004. Similar audience attended this year's program, which included journalists, other media personnel, senior management from public companies, companies intending to go public, Lawyers, accountants, financial advisors, as well as facilitators and Regulators of the financial markets. The program was attended by 26 participants.

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**"RAISE FINANCE THROUGH INITIAL PUBLIC OFFERINGS"**

## Stock Market Monthly Report

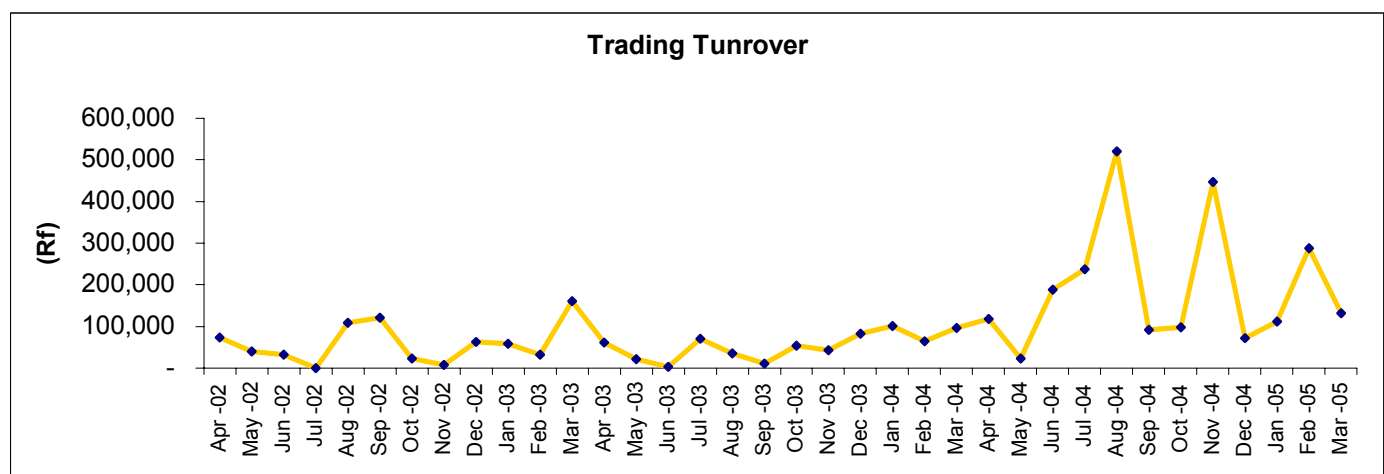
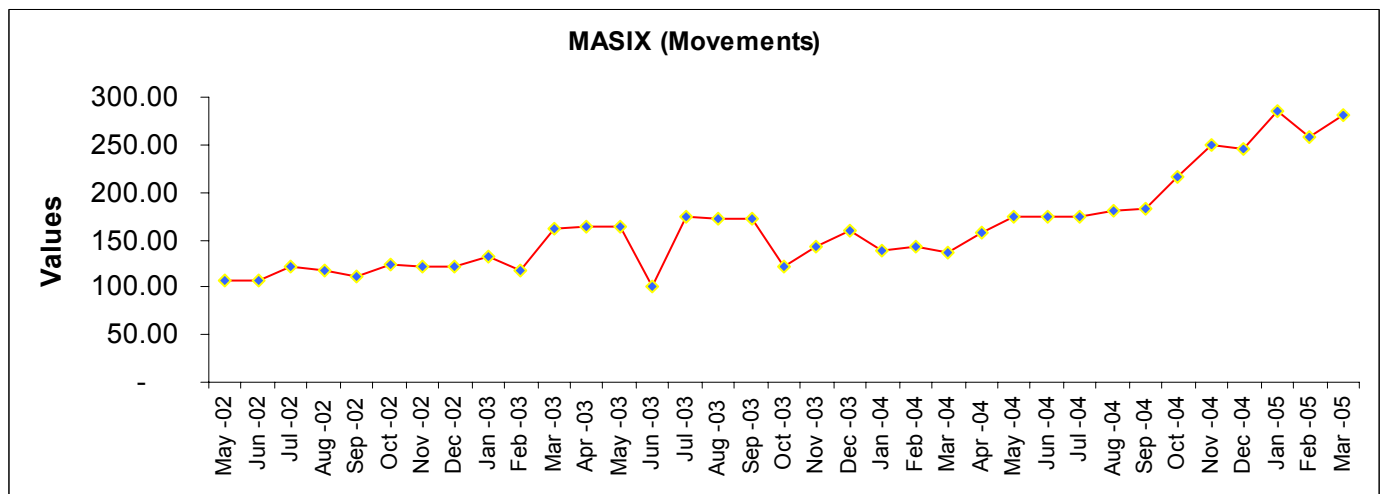
March 2005.

### Trading Performance (March 2005)

The Maldives Stock Exchange Index (MASIX) closed the month at a value 281.54 while the total market capitalization stood high at Rf1,528,854,500. Inclusive of the month's trading turnover, the total cumulative trading turnover of the STF has reached Rf3,689,418.

The month ended by registering a trading turnover of Rf130,975 . This reflects a reduction of 54 percent against the last month's trading turnover of Rf287,518. A sum of 14 trades were concluded during the month. This comprise of 93 shares of MTCC, 44 shares of STO and 40 shares of BML. The BML shares were traded at record prices of Rf1500 and Rf1400 per share. This is recorded as the highest traded price in the history of the Securities Trading floor.

### Statistics (14th April 2002 - 31st March 2005)



### Company News

According to the BML, the minutes of the BML's 21<sup>st</sup> Annual General Meeting which was held on 8<sup>th</sup> September 2004 is available from the main branch of BML from 15<sup>th</sup> March 2005.

## **The Proposed Securities Act and Regulations**

The proposed Securities Act is currently being debated in the People's Majlis. Due to the technical nature of the bill, many members who spoke on the bill so far are proposing the bill to be referred to a special committee of the Majlis.

The proposed Securities Act and Regulations are designed to provide an appropriate legal structure for the development of a capital market in Maldives. The proposed Securities Act also provide a framework for the development of a supervised market for trading of shares and other securities. In brief, the proposed legislation will among others, cover the following matters and areas:

- (a) Recognition of a body appointed and funded by the government to provide appropriate oversight of the capital market and any stock exchange or stock trading facility and the licensing of market intermediaries. The regulatory authority recognized under the Securities Act is to be called the Capital Market Development Authority (the Authority).
- (b) Provisions for the Authority to approve the establishment of an interim stock trading facility or approve the establishment of a Stock Exchange. The stock exchange is to be formed by a company incorporated under the Companies Act and must be licensed by the Authority. The rules of the stock exchange must be approved by the Authority.
- (c) Provisions for the licensing of market intermediaries, and in particular the licensing of dealers (dealers must be companies registered under the Companies Act); dealers' representatives, and investment advisers. The Act also makes provision for financial institutions to hold an underwriter's license and for license to be issued for certain specific purpose such as the provision of custodian services and financial journalists.
- (d) The proposed Act will also provides for transparency on the part of market intermediaries by requiring such persons to keep proper accounting records and make these available for inspection by the Authority and to operate a separate and distinct bank account in relation to securities transactions. The monies held in this account are not to be available for payment of the debts of the dealer and the financial statements of the dealers must be audited.
- (e) The Securities Act also requires transparency in relation to market transaction by requiring disclosure of substantial shareholders and a register kept for this purpose. A substantial shareholder is a person who by himself or a nominee or an associated person, holds more than 5 per cent of aggregate voting shares the company. This provision is designed to ensure that the participants in the market have the means of knowing which are the persons who are in a position to influence the control or direction of companies whose shares are being traded.
- (f) The Securities Regulations encompasses detailed provisions governing the conduct of market intermediaries and provide for the discipline of market intermediaries and the oversight of a disciplinary process by the Authority.
- (g) The Securities Act seeks to prohibit undesirable market practice by penalizing insider trading and creating offences in relation to the making of false statements to the market and in relation to fraud in the market and market manipulation.

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“Celebrating the 3<sup>rd</sup>  
anniversary of  
organized share  
trading in Maldives”

Stock Market Monthly Report

April 2005.

## 3 years of successful share trading

The month of April marks the third anniversary of the Securities Trading Floor. The STF looks back at the past three years with great satisfaction for having had the opportunity to facilitate substantial share trading in Maldives. During the past year (14<sup>th</sup> April 2004 - 2005), a sum of 269 trades (valued at Rf2,359,646) were concluded. This reflected a massive increase of 256 percent against the performance of the 2<sup>nd</sup> year.

During the preceding year the MMA has taken several measures to further improve the overall efficiency of the stock market operations. The setting up of the Maldives Securities Depository, implementing the stock exchange Listing Rules, publishing of MASIX, conducting a Financial Journalism Training Course and other market awareness programmes were steps taken in the right direction towards organizing the market.

## Market Review (April 2005)

The trading turnover for the month has galloped by 75 percent to Rf229,555 in comparison to the preceding month's trading turnover of Rf130,975. The average daily trading turnover for the month has also increased from Rf5,695 to Rf12,753 compared to the last month. During the period, a sum of 26 trades were concluded which consisted of 136 shares of MTCC, 93 shares of STO and 62 shares of BML. The stock exchange index (MASIX) dropped 2 percent to value 277 against the previous month's closing value of 281.54.

Inclusive of the month's trading turnover, the total cumulative trading turnover of the STF has reached Rf3,918,973 while the market capitalization as at 30<sup>th</sup> April 2005 stood high at Rf1,504,189,000.

## Capital Market Division (CMD) News

As part of the efforts to pave the way for the introduction of new instruments that will add liquidity to the stock exchange activity, a seminar was held at the CMD on 14<sup>th</sup> April 2005 to introduce Collective Investments Schemes to Maldives. A follow up meeting with stakeholders is scheduled for late this year.

## Trading Turnover (14th April 2002 – 30th April 2005)



## **Collective Investment Schemes (C.I.S)**

Collective Investment Schemes (Unit Trusts and Open Ended and Closed Ended Investment Companies) are usually operated under strict controls set by Legislation and Regulations set by the Capital Market Regulators. Furthermore, all the functionaries concerned with the operation of C.I.S are licensed by the Regulator.

The attractiveness of C.I.S to investors, regulators and other market participants arises for many reasons which may be summarized as follows:-

### **Access to professional investment management**

All these schemes are managed by duly authorized Asset Managers providing access which an individual (unless very wealthy) would be unable to afford.

### **Ease of investment and redemption**

The general principles applying worldwide in respect of these schemes require that investment may be easily made and that redemption is available on a frequent basis.

### **Economies of scale**

By investing in a C.I.S fund an investor will almost certainly participate in lower dealing commission than can be obtained individually. This is because fund investment transactions which are often large bring with them negotiated maximum dealing commissions.

### **Good Governance**

Generally speaking, the assets of these schemes are held by Corporate Trustees/Depositories who are themselves licensed and who must have legal independence from the scheme operators thus providing a high degree of security in respect of each schemes assets.

### **Regular savings**

These schemes are an ideal vehicle for accepting regular (sometimes relatively small) amounts of investor money. The impact of this is (over a period of time) to smooth out the normal fluctuations in prices and to develop a "nest egg" towards retirement or possibly in respect of some further anticipated capital outlay.

### **Risk Spreading**

These schemes operate under the general principle of "risk spreading" by offering investors (sometimes with relatively small amounts of disposable income) the opportunity for participation in a large fund invested in a wide variety of assets.

By this device (which is mostly controlled through some form of regulation) if one or two investments fail this may well be absorbed by the remaining investments. It would be difficult (if not impossible) for an individual of average means to achieve such a spread of risk.

### **Risk Factors**

As with all investments there is always a risk attached and these investments should always be looked upon as medium to long term. It is a regulatory requirement that all publicity materials should contain risk warnings.

### **Contribution to deepening of Capital Markets**

In addition to providing a vehicle suitable for investors of all classes, these schemes will through their investment activities contribute significantly to capital market development and add liquidity to stock exchange activity.

### **Commercial Opportunities**

Commercial opportunities arise from fees charged by Scheme Operators, Depositories, Corporate Trustees, Corporate Custodians, Asset Managers and Registrars. Opportunities also exist for Lawyers in drawing up legal documentation and legal advice, and also for the banks in terms of processing C.I.S fund cash.



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**“STF TRADING  
TURNOVER HAS  
EXCEEDED OVER  
4 MILLION RUFYAA  
MARK”**

## Stock Market Monthly Report

May 2005

### Trading Performance (May 2005)

The month's trading turnover of Rf159,253 reflected a decline of 31 percent against the preceding month's trading turnover of Rf229,555. Meanwhile, the MASIX closed at 287 reflecting an increase of 4 percent, in comparison to the previous month's closing points of 277. Inclusive of the month's trading turnover, the total cumulative trading turnover of the STF has reached to Rf4,078,226 while the market capitalization as at 31<sup>st</sup> May 2005 stood high at Rf1,559,284,500.

### Capital Market Division News

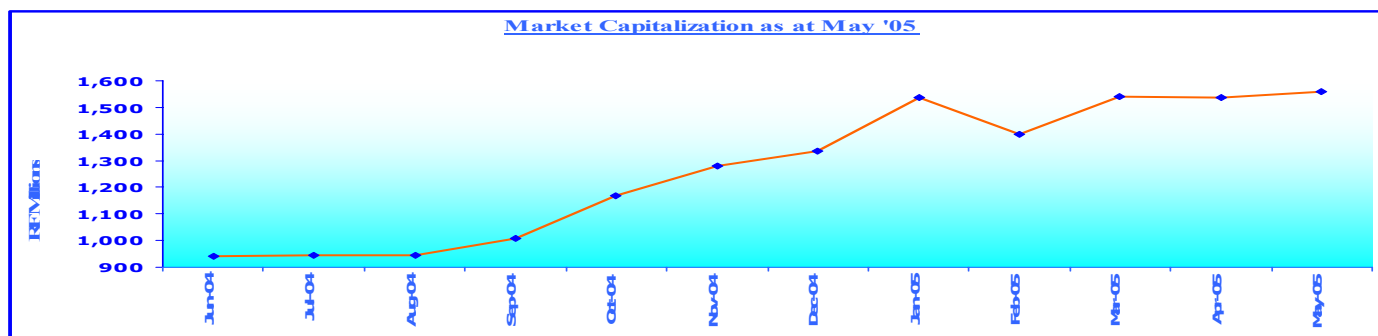
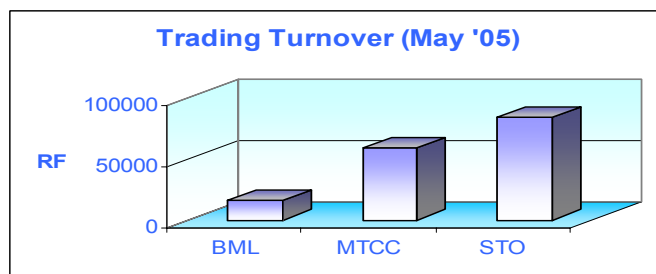
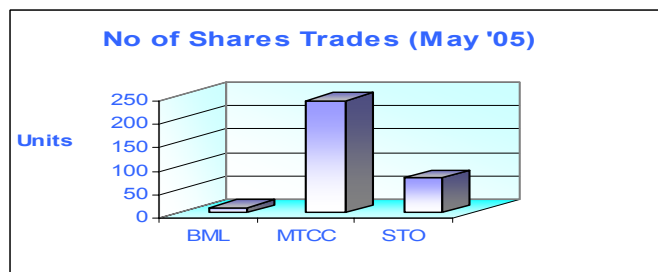
#### 1. The Maldives Stock Exchange (STF) gains membership of SAFE

At the 5<sup>th</sup> Annual General Meeting and 8<sup>th</sup> Theme Conference of the South Asian Federation of Exchanges (SAFE), Maldives Stock Exchange (Securities Trading Floor) was adopted as a new member. The event was hosted by the Islamabad Stock Exchange on 13<sup>th</sup> and 14<sup>th</sup> May 2005. The SAFE meeting ended with the resolve that all members would work closely to integrate their stock markets for enhancing the economic cooperation of member states.

#### 2. CMD participate at the South Asian Securities Regulators Forum

During the 5<sup>th</sup> Annual General Meeting and 8<sup>th</sup> Theme Conference of SAFE, the South Asian Securities Regulators Forum was set up to enhance greater level of co-operation and co-ordination among the Securities Regulators in the region. The Regulators Forum was established by signing a Memorandum of Understanding between the Securities and Exchange Commission of Pakistan and its counterpart regulatory bodies from Bangladesh, Nepal, Bhutan and Mauritius. SEBI India, SEC Sri Lanka and Maldives Monetary Authority are expected to join hands soon.

### Monthly Statistics (May 2005)



## SOUTH ASIAN FEDERATION OF EXCHANGES (SAFE)

The South Asian Federation of Exchanges (SAFE) is an association of Stock Exchanges in the South Asia formed in January 2000. The immediate objectives of SAFE are to encourage cooperation among the members in order to promote the development of their respective securities markets and to work towards common standards and best business practices. Currently, the Chittagong Stock Exchange holds the SAFE secretariat.

With the inclusion of Maldives as the newest member, the Federation currently has 12 member exchanges from 8 countries. The current members are Chittagong Stock Exchange; Colombo Stock Exchange; Karachi Stock Exchange; Islamabad Stock Exchange; National Stock Exchange of India; Nepal Stock Exchange; Stock Exchange of Mauritius; Pune Stock Exchange; Royal Securities Exchange of Bhutan; The Stock Exchange, Mumbai; Dhaka Stock Exchange and the Maldives Stock Exchange (Securities Trading Floor). Appended below is a table showing some key statistics of selected exchanges of SAFE.

<b>Country</b>	<b>Stock Exchange</b>	<b>Year Opened</b>	<b>Listed Stocks</b>	<b>Market Cap. US\$ bn</b>	<b>GDP (Est.) US\$ bn</b>	<b>Population. (Est.) mn</b>
Maldives	Maldives Stock Exchange	2002	3	121.2m	8.2	270(thous.)
Bangladesh	Chittagong Stock Exchange	1995	195	2.14	275.7	144
Bhutan	Royal Securities Exchange	1993	15	0.16	2.9	2.2
Nepal	Nepal Stock Exchange	1993	117	-	39.53	27.7
Mauritius	Stock Exchange of Mauritius	1989	42	2.2	15.68	1.2
Sri Lanka	Colombo Stock Exchange	1985	234	3.22	80.58	20
Pakistan	Karachi Stock Exchange	1947	668	24.44	347.3	162.4
India	National Stock Exchange	1992	1000	213.07	3319	1080

Source: [www.safe-asia.org](http://www.safe-asia.org) (statistics as at January 2004); [www.cia.gov](http://www.cia.gov) (GDP 2005 estimates); and STF Statistics

As seen from the above table, SAFE member exchanges vary greatly in terms of size and development of the market infrastructure ranging from giant exchanges such as the National Stock Exchange of India with over 1000 listed companies and market capitalization of over 213 billion dollars to the Maldives Stock Exchange with only 3 listed companies and a market capitalization of only 121.2 million dollars.

The regulatory regimes of SAFE members also differ substantially. For example the three smallest bourses in SAFE (Nepal, Bhutan and Maldives) are directly owned and regulated by the government, while the other nine stock exchanges are SRO's or self regulating exchanges. The newly established South Asian Securities Regulators Forum will be instrumental to pave the way for consolidation of regulatory structures within SAFE member exchanges.

In line with the SAFE's objective of strengthening the member exchanges' regulatory and supervisory environment, SAFE offers services to its members. The services offered as such include expert advice to the member exchanges in their own and integrated development in the light of international best practices. Furthermore, SAFE also acts as a catalyst for the introduction of standardized procedures for the expansion of capital markets and cooperates to develop member exchange's human resources.

As stated in the joint declaration issued at Islamabad recently, the SAFE members are determined to harness resources and share experiences of each other with the objectivity and optimism for creating a conducive climate for investment towards the growth of the securities markets of the region.

The Maldives Stock Exchange is determined to capitalize on all opportunities that may arise as a result of SAFE membership to create a vibrant stock market for the Maldives.

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Stock Market Monthly Report

June 2005.

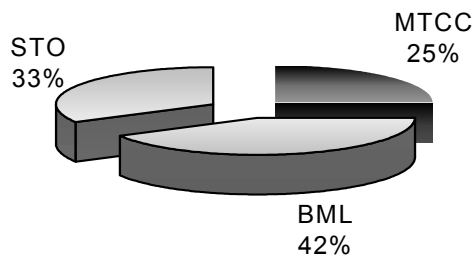
## Trading Performance (June 2005)

The month under review witnessed a sum of 25 trades which comprised of 14 trades of MTCC, 6 trades of STO and 5 trades of BML. Furthermore, a turnover of Rf105,443 was recorded during the month by registering a decline of 34 percent against the preceding month's trading turnover of Rf159,253.

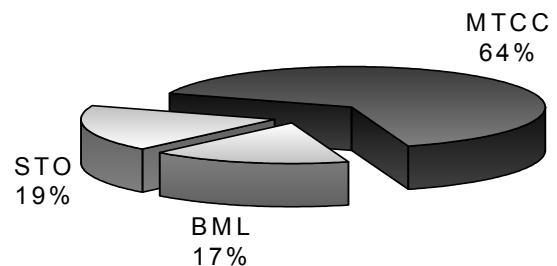
As at the end of the month, the total cumulative trading turnover of the STF has reached to Rf4,183,669 while the market capitalization as at 30<sup>th</sup> June 2005 was registered as Rf1,610,544,000.

## Trading and Market Statistics

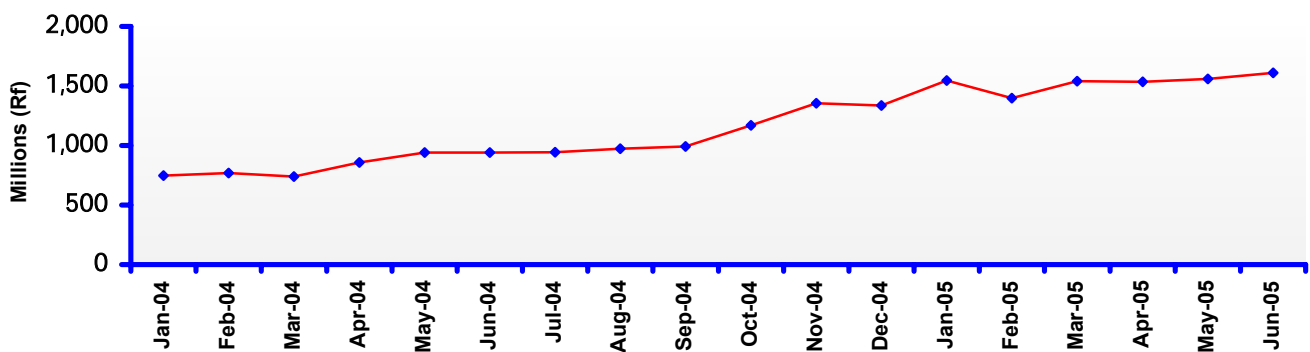
Trading Turnover (June 2005)



Shares Traded (June 2005)



Market Capitalisation



## Company News

The BML held its 22<sup>nd</sup> Annual General Meeting (AGM) on 29<sup>th</sup> June 2005. During the meeting, a dividend of Rf95 per share was declared to be distributed to the existing shareholders of the company. According to the STF's statistics (2004), the highest traded price of a BML share was recorded as Rf1,350 while the lowest traded price was recorded as Rf750. Meanwhile, the weighted average share price of the BML within this period was Rf980.

Furthermore, it is remarkable to note that BML's profit has boosted over 204 percent to Rf76,682,943 in 2004 in contrast to Rf25,213,867 in 2003. Consequently, the earning per share (EPS) showed a massive increase of Rf629.99 in 2004 in comparison to the figure of Rf207.15 in 2003.

## Frequently Used Terms Explained

**Authorized Capital:** The maximum number of shares a company is authorised to issue by reference to its memorandum and articles of association. The amount of issued share capital must be lower or equal to the authorised share capital. (i.e. a company cannot issue more shares than it is authorised to issue in its Articles.)

**Blue Chips:** The ordinary shares of leading companies.

**Bonus Issue:** An issue of shares fully paid to existing holders and with no payment to be made, representing an increase of an issued capital by converting reserves into shares and thus only arising from an accounting change. Also called capitalization issue or script issue.

**Capital:** The total nominee value of all stocks and shares issued by a company.

**Issued Capital:** The amount of the authorized capital of a company which has been issued.

**Index:** A measure of the total value of several stocks against a base value of the same stocks, expressed as a percentage. Index measures the general movement of the stock market prices.

**Loan Capital:** The part of the capital of a company representing debentures, debenture stock or loan.

**Market Capitalisation:** The equity market capitalization is the value at current market price of all of a company's ordinary shares.

**Nominal Value:** The denomination in which stock or shares are issued.

**Ordinary Shares:** The name given to the ordinary capital of a company, since every share gets an equal division of the profit.

**Paid Up:** The amount of calls paid on partly paid shares.

**Par:** The nominal value of stock or shares.

**Portfolio:** The total investments of an individual or fund.

**Preference shares:** Shares with a prior right over ordinary shares to receive a dividend up to a certain fixed figure.

**Premium:** The amount by which the quotation of a new issue exceeds the amount paid up.

**Quotation:** The acceptance of a Stock Exchange permitting dealings to be carried out in the Exchange in that stock or share. Hence the price quoted in the Exchange for that stock or share.

**Share Capital:** Those types of capital of a company ranking after loan capital.

**Stock Exchange:** A recognized market in Stocks, Shares and Bonds.

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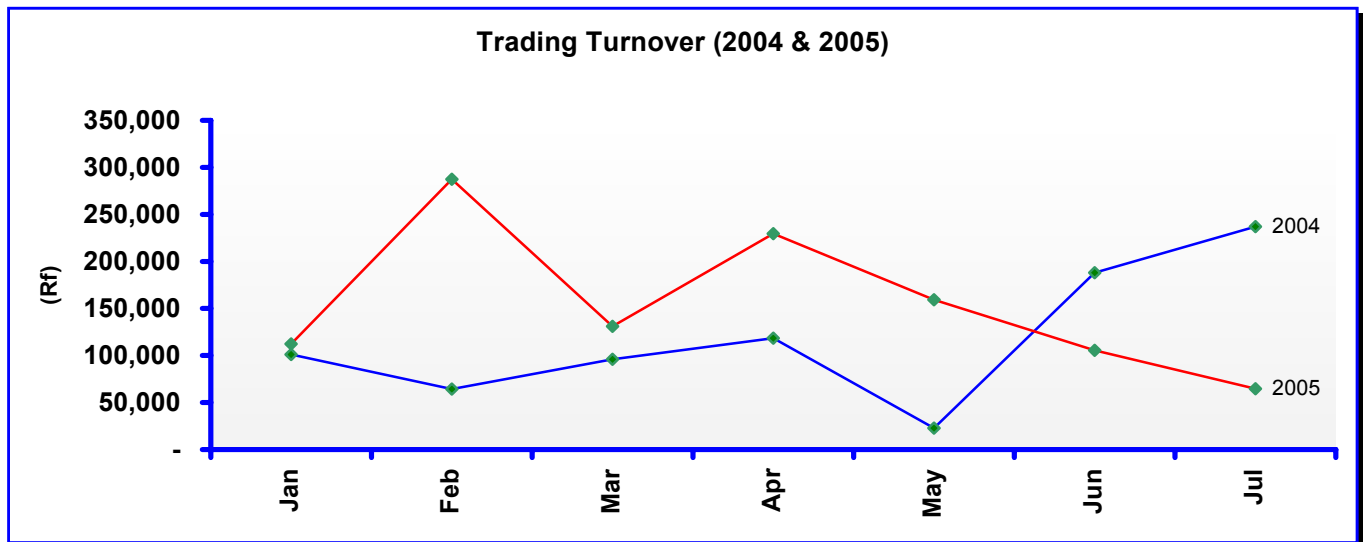
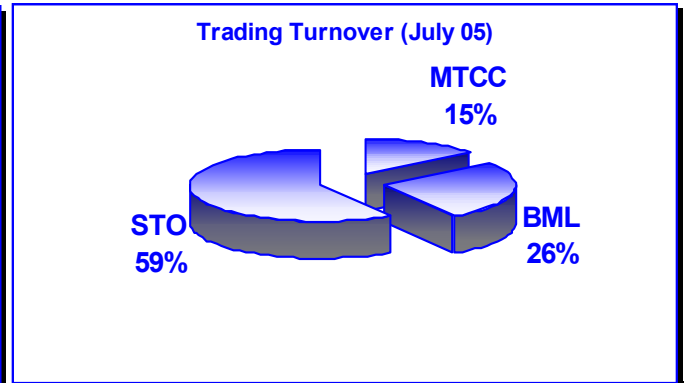
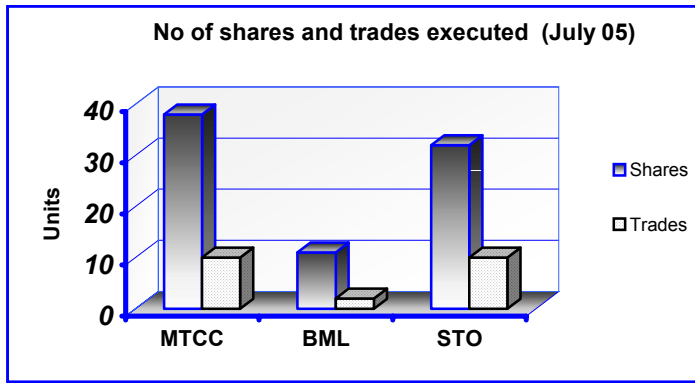
Stock Market Monthly Report

July 2005.

## Market Review (July 2005)

In terms of trading turnover, the trading activity for the month has declined by 39 percent in comparison to the preceding months trading turnover of Rf105,443. During the month under review, a sum of 22 trades were executed through the STF. This comprised of 2 trades of BML and 10 trades of MTCC and 10 trades of STO. A sum of 81 shares changed hands during the period. Inclusive of the months trading turnover, the total trading turnover of the STF has reached to Rf4,248,290. Meanwhile, the total market capitalization of the month stood high at Rf1, 588,554,350.

## Trading and Market Statistics



## Special Thanks

We would like to place on record the contribution of Hon. Mohamed Jaleel, the former Minister for Finance and Treasury and the former Governor of the Maldives Monetary Authority for his untiring efforts towards the development of the Maldives Financial Sector. Hon. Jaleel is a keen supporter of capital market development and has been a source of inspiration, advice and knowledge to the development of the Maldives Stock Exchange. It is hoped that Hon. Jaleel will continue to support the course of capital market development in his present capacity as the Minister of Economic Development and Trade.

## COMPANY SHARE SPLITS

A stock or share split is a type of corporate action that increase or decrease a corporation's total number of shares outstanding without altering the firm's market value or the proportionate ownership interest of existing shareholders. This action, which requires advance approval from the company's Board of Directors, usually involves the issuance of additional shares to existing shareholders. Although this leaves the market capitalization of the company the same, an increase in the number of shares leads to greater liquidity, and therefore a greater volume of trades.

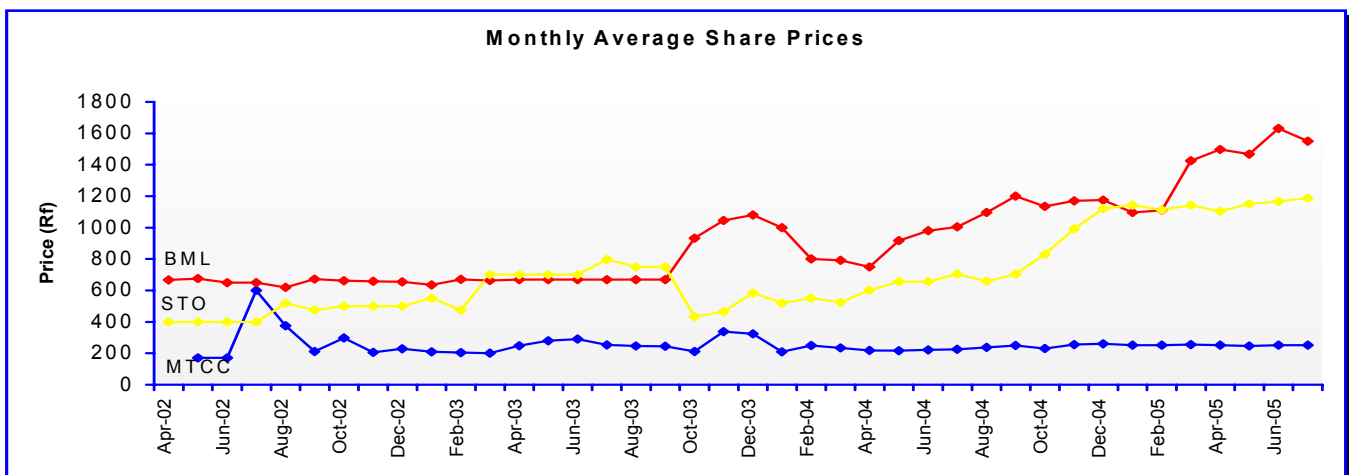
### **The two main types of share splits are “ordinary splits” and “reverse splits”.**

Ordinary splits occur when a company distributes more stock to holders of existing stock. A stock split, say 2-for-1, is when a company simply issues one additional share for every one outstanding. After the split, there will be two shares for every one pre-split share. For e.g. let's assume ABC Ltd, which has two million shares outstanding, and its shares price is Rf30. In this case, the firm's total market value is Rf60 million (2 million\* Rf30 per share). After a two-for-one stock split, the firm's number of shares will double to four million, while the value of those shares will be cut in half to Rf15. However, the company's total market capitalization will remain the same at just Rf60 million (4 million\* Rf15/share).

An easy way to determine the stock price after a split is to divide the previous stock price by the split ratio. In the case, of our example, divide Rf30 by 2 and we get the new trading price of Rf15.

Reverse splits occur when a company wants to raise the price of their stock. It involves reducing the number of a corporation's shares outstanding that increases the par value of its stock or its earnings per share. However, the market value of the total number of shares (market capitalization) remains the same. For example, if a company declares a one-for-ten reverse split, then a person who previously held 20 shares valued by the market at \$1 each will then have 2 shares worth \$10 each.

In the case of the Maldives Stock Exchange, some listed companies share price had already run up to level most investors consider as too high. Currently, BML shares have the highest face value (Rf300) and trading value (Rf1,550) in the market, while STO and MTCC both have shares of face value Rf50, trading at Rf1185 and Rf258 respectively. In developed markets, the trend is to have shares with smaller denominations so as to make the price more attractive to the average retail investor.



STF encourages the listed companies to consider share splits as some listed companies we believe have characteristics of companies that go for share split in the international markets, such as strong market performance, growing earnings, secondary market trading at very high prices. A share split will bring more sophistication to our developing stock market and will be beneficial to issuers and investors.

# Securities Trading Floor

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Stock Market Monthly Report

“Get the stock  
market updates via  
Dhiraagu SMS”

August 2005.

## Market Review (August 2005)

During the month under review, a sum of 21 trades was concluded through the STF. The trades comprised of 12 trades of MTCC, 6 trades of STO and 3 trades of BML. Meanwhile, the trading turnover for the month has increased by 173 percent (from Rf64, 621 to Rf176, 528) compared to previous month. A breakdown of the month's turnover showed that BML holds 60 percent while MTCC and STO hold 24 percent and 16 percent respectively. The average daily trading turnover for the month has also increased by 105 percent and was recorded as Rf7,355.

As at the end of the month, the total cumulative trading turnover of the STF has reached to Rf4,424,818 while the market capitalization as at 31<sup>st</sup> August 2005 stood high at Rf 1,614,891,100

## Market News

### • Appointment of a new Governor and Vice Governor for MMA

It is with pleasure that we note the appointment of Mr. Gasim Ibrahim, as the Minister for Finance and Treasury and the Governor of the Maldives Monetary Authority from 18<sup>th</sup> August 2005. We also welcome Mr. Abdulla Jihad as the Minister of State for Finance and Treasury and the Vice Governor of the MMA.

### • Agreement with Dhiraagu to provide stock market information through SMS

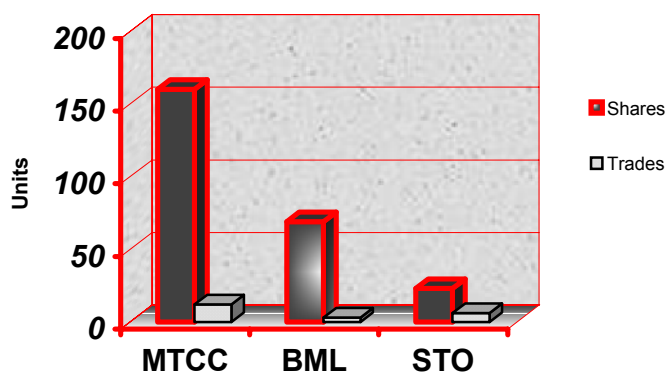
An agreement has been signed between Dhiraagu and MMA to provide the stock market prices and other market updates via Dhiraagu SMS. The agreement was signed at the Capital Market Division on 28<sup>th</sup> August 2005. This is part of CMD plans to use new technology to disseminate stock market information.

### • Company Annual General Meetings

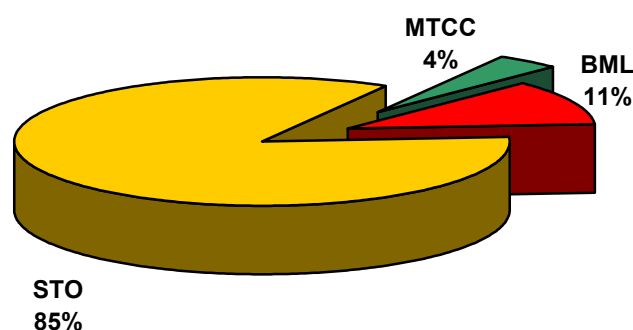
During the month under review, MTCC and STO held their Annual General Meetings and declared dividends for the year 2004. The MTCC declared Rf25 per share while STO declared Rf70 per share. In addition, BML also held its AGM during June 2005 and had declared a dividend of Rf95 per share.

## Market Statistics

No of shares and trades executed (Aug 05)



% breakup of market capitalisation (Aug 05)





## **Regulatory Framework for Public Issue of Shares**

Currently, the main legislation governing the securities market in Maldives is the Companies Act 10/ 96 (the Act). The Act and regulations promulgated under the Act deals with the issue, allotment and transfer of securities together with various other aspects relating to company management and good governance.

The following is a brief summary of the provisions relating to the issue of securities in the primary market.

### **Sale of securities to the public**

Under the Act and Regulations, companies other than those registered as public companies are prohibited from issuing securities to the general public. A public company should have at least 10 share holders and a minimum paid up capital of Rf1(one) million.

A sale of shares to the public shall mean that the company's shares may be purchased by any member of the public. As such the Memorandum and Articles of Association of public companies should incorporate provisions to ensure that shares of the company are freely transferable from one person to another.

### **Issue of prospectus**

Prior to the issuing of securities to the general public, the company should issue a prospectus in accordance with the Act and Regulations. The prospectus shall be approved by the Registrar of Companies before the public offering commences. Furthermore, the Stock Exchange Listing Rules (2004) requires a company seeking a listing on the Stock Exchange to issue a prospectus as per the prospectus requirements of the Act.

The matters to be stated in a prospectus as per the Prospectus Regulations (2003) are as follows:

- Name and other details of the company
- Details of the offer
- Description of the securities and price
- History and nature of company's business
- Financial statements
- Solvency of the issuer
- Preliminary expenses and promoters interests
- Details of materials contracts
- Information relating to directors and promoters.
- Details of underwriters and guarantors
- Risk factors
- Rights of shareholders
- Use of proceeds
- Public inspection and documents
- Extracts of Articles of Association
- Future prospects

Any person who intentionally includes false information in a prospectus for public issue of shares shall be guilty of an offence and shall be liable to a fine. The Board of Directors shall be deemed responsible for preparing the prospectus as per the guidelines and shall be held responsible for the contents of the prospectus.

### **Proposed amendments to the Companies Act 10/96**

A bill providing amendments to the Companies Act 10/96 (The Company's Act Amendment Bill) is currently being debated in the Peoples Majlis. Amendments are proposed to Sections 19, 23, 24, 25, 33, 35, 49 and 58 of the Act. The amendments provide for the strengthening of the regulatory framework for public issue of shares and further facilitate the issue of debt.

For more information on 'going public' call the Capital Market Division Tel No. 336621, or visit [www.maldivesstockexchange.com.mv](http://www.maldivesstockexchange.com.mv). You may also call the Registrar of Companies for more details on the regulatory aspects in relation to 'going public'.



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Stock Market Monthly Report

“MSD computerized System to be launched from 1<sup>st</sup> Oct 05”

September 2005.

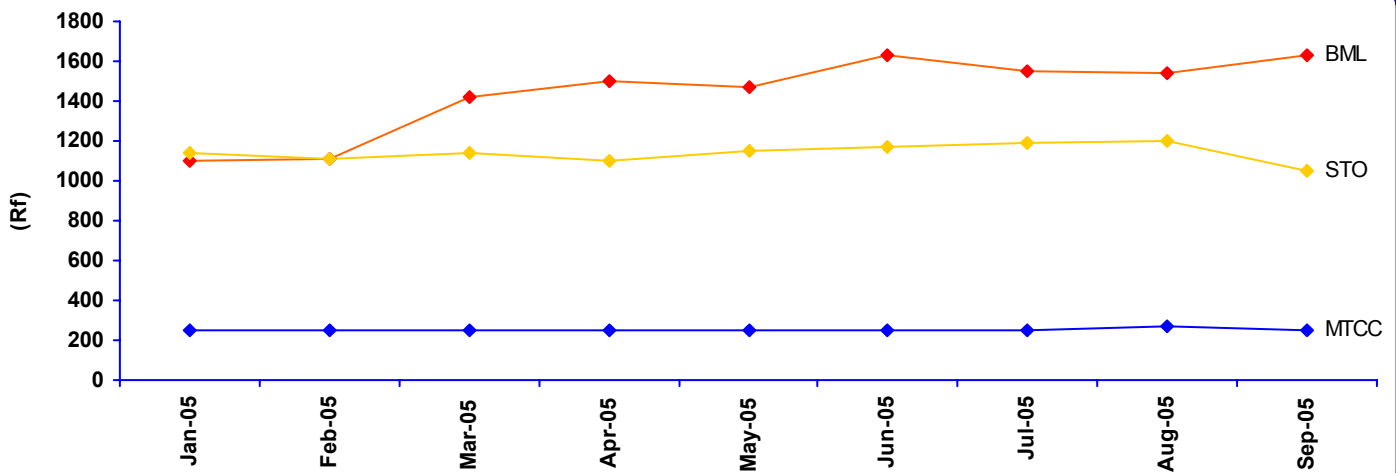
## Market Review (September 2005)

The performance of the stock market in September reflected that investor sentiments remained optimistic as the highest monthly trading turnover (Rf323,643) was recorded for this year. This also reflected an increase of over 83 percent against the preceding month's turnover of Rf176,528. Concurrently, the highest monthly trading volume (471 shares) for this year was noted.

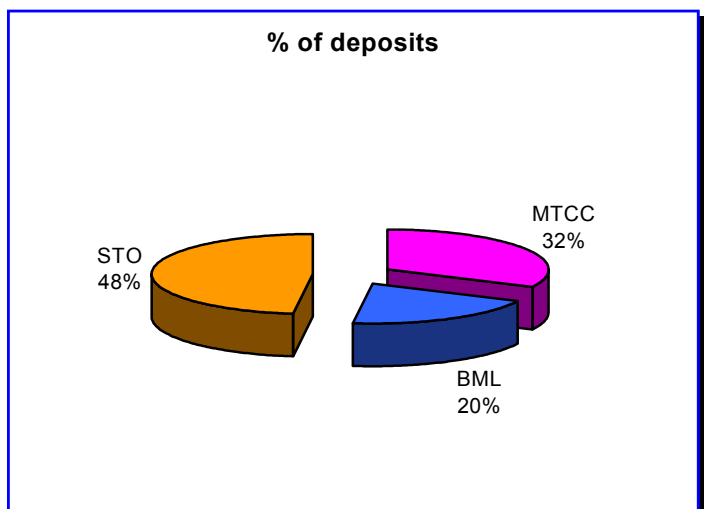
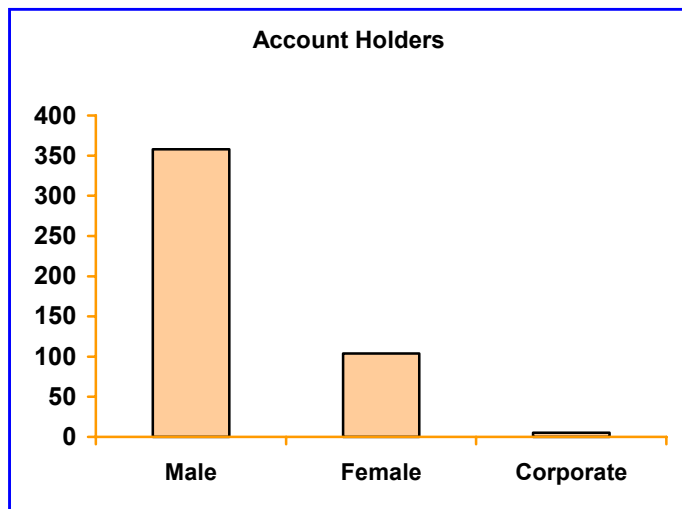
Commensurate with the increased activities, the average daily trading turnover galloped by 110 percent compared to the previous month and was recorded at Rf15,412. The total cumulative trading turnover of the STF has reached to Rf4,748,461 and the market capitalization as at 30<sup>th</sup> September 2005 stood high at Rf1,396,334,000.

MTCC was observed as the most active stock and the prices remained constant, while BML prices were more volatile and showed an upward trend. Although STO prices started declining towards the end of the month, the prices were relatively stable throughout the year.

## Monthly Average Share Prices



## MSD statistics (14/04/04 -30/09/05)



## **Launching of the computerized MSD System**

The Maldives Securities Depository (MSD) which was established on 14<sup>th</sup> April 2004 as a manual depository system will be upgraded to a computerized system starting from 1<sup>st</sup> October 2005. The MSD is managed by the Clearing, Settlement and Depository Section of the Capital Market Division.

MSD system facilitates holding of securities in electronic accounts and provide faster and easier processing of transactions. The implementation of the MSD System is a national project and the benefits accruing from its success will be valuable to all market participants. Introduction of the new system has changed the business procedures of the Stock Exchange.

### **The main functions of the MSD System**

#### **1. Account Opening**

By completing and signing a Securities Account Opening Form, any individual / organization can open an account with the MSD. In the computerized system, account opening is instant and easy. The operator will request with all the details of the investor and the authorizing officer will verify the details through the system and approve the account opening request. Once the account is opened, the "Confirmation Slip" confirming the account opening will be issued through an e-mail or by other means to the account holder.

#### **2. Deposits**

After opening an MSD Account, investors can deposit shares to their account by providing a valid share certificate. The deposit request with the original certificate will be sent to the corresponding company for verification. If the certificate verification is confirmed, the investor's account will be credited with the number of shares from the date of approval. Where the verification is not confirmed the deposit request will not be processed and the share certificates will be returned back to the investor.

#### **3. Transfers (Trading)**

One of the unique rules of MSD is that, share trading can only be executed by the MSD, after the trade is confirmed from the STF. On the trade request, the MSD will check for the seller's account balance. The request will then be queued for the trade executing officer to verify and process. Once the trade is executed the shares will be debited from the respective seller's account and the same will be credited to the respective buyer's account immediately. Transaction details (Bought Note & Sold Note) will be generated for the executed trades and will be made available to investors.

#### **4. Inter account transfers**

The Inter Account Transfer (IAT) function facilitates transfer of shares among the account holders. Upon the inter account transfer request, the MSD will check for the transferor's account balance and the request will be pending for the IAT executing officer. The officer will verify the transfer details to execute the IAT and the shares will be debited from the transferor's account and credited to the transferee's account immediately.

#### **5. Withdrawals**

The account holder can withdraw his/her available shares from the MSD. The account holder makes a request to the MSD stating the stock and quantity of shares to be withdrawn from the MSD. This request will be entered in to the MSD system and will be pending for the executing officer. The officer will verify the withdrawal details and finally approve the withdrawals. After approval the details are sent to the corresponding companies and the company will issue the physical share certificate to the shareholder.

#### **6. Reports**

The activities of an account holder (Account Holder Statement) will be generated and issued upon request. This statement will show the transaction history and current available balance of an account holder for the selected stock. The MSD can also generate reports such as Account Holder Statistics, Activities Report, Trading Statistics, Journal Report, Shareholder List and other information useful for management decisions and analyzing the market.

#### **Future Scalability**

The MSD system will be further scaled and upgraded to a fully functional depository which will include Dealer participation and clearing and settlement function. MSD is designed to accommodate 'equity' as well as 'debt' issues.

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Stock Market Monthly Report

October 2005.

## Market Review (October 2005)

During the month under review, a trading turnover of Rf247,533 was recorded at the stock market. In comparison to the preceding month, this reflected a decline of 24 percent, as the preceding month was a record performance for this year in terms of market activity.

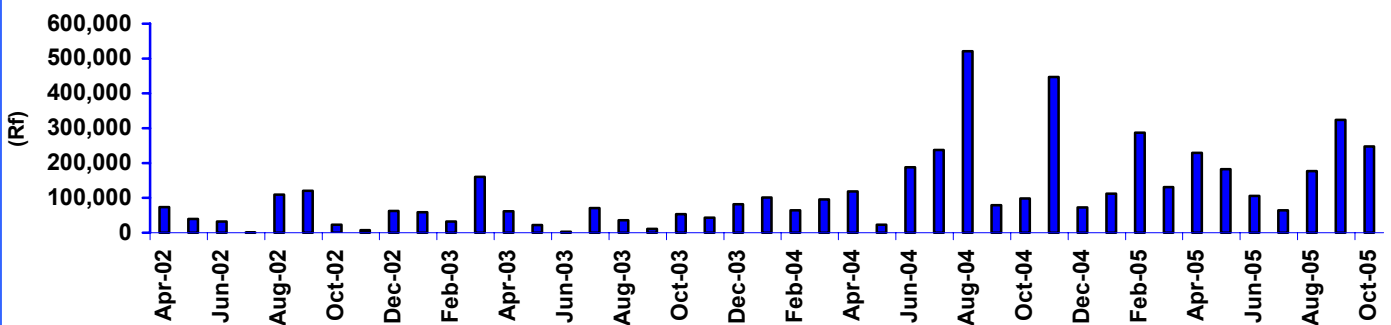
During the review period, a sum of 254 shares was exchanged through the STF and comprised of 209 shares of STO, 40 shares of BML and 5 shares of MTCC. The BML’s share price showed an upward trend over the past 3 consecutive months including October 2005, while STO share prices gradually declined during the last 3 months and was recorded close to its lowest price for this year. Investors took advantage of the fall in STO prices and as a result it was recorded as the most actively traded stock for the month. MTCC share prices as usual reflected a more stable price trend compared to the other 2 companies over the same period.

The turnover (Rf1,837,446) for the first 10 months of this year holds around 37 percent of the total trading turnover of STF since its establishment. As at end of the month the total cumulative trading turnover of the STF has reached to Rf4,995,994 and the market capitalization was recorded at Rf1,373,658,650.

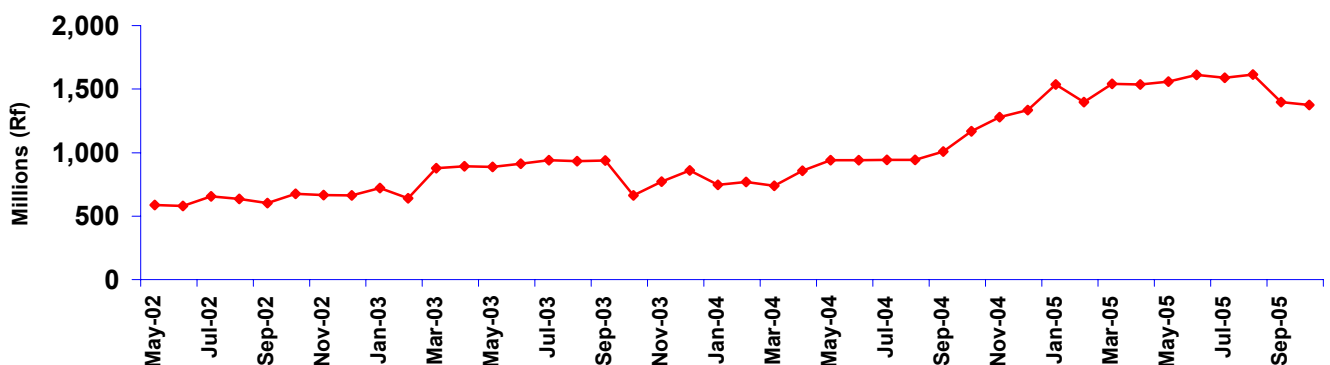
## Electronic Display Board

The manual trading board used by the STF has been replaced by an Electronic Display Board from 16<sup>th</sup> October 2005. This electronic Board will facilitate easy display of share quotes, statistical data, corporate announcements and other useful market information in a timely manner.

### Trading Turnover



### Market Capitalisation



## Rights Issue

A rights issue is considered as an alternative source of new equity funding for publicly quoted companies. In a rights issue, new shares are issued to existing shareholders in proportion to their share holdings. Under modern company law rights issue are usually made before a new issue to the public. This is because existing shareholders have the "right of first refusal" (otherwise known as a "preemption right") on the new shares. By taking these preemption rights, existing shareholders can maintain their existing percentage holding in the company. However, shareholders can waive these rights, by selling them to others in the secondary market (transferable rights) or rescind their preemption rights.

In a rights issue, the price at which the new shares are issued is generally much less than the prevailing market price. The main reason for such a discount is to make the offer relatively attractive to shareholders and encourage them either to take up their rights or sell them so the share issue is "fully subscribed". Companies may also market the rights themselves or choose an underwriter to guarantee a minimum amount of proceeds, thus protecting the firm from under subscription.

The procedures for rights issue under the Listing Rules of the Maldives Stock Exchange requires a company intending to make rights issue to notify the Capital Market Division of the Maldives Monetary Authority (MMA) and submit the application within seven 7 market days from the date of notification. The contents of offering circular for a rights issue sent as such should include a statement or an estimate of the net proceeds of the issue and a statement as to how the proceeds are intended to be used. Other procedures include issues relating to setting of dates for the issue, splitting and renunciation, oversubscription, allotment and processing of applications.

Furthermore, a rights issue once announced cannot be cancelled or varied except with the prior permission of the MMA. Such permission will not be granted except in instances where no trading has taken place in the securities concerned between the date of announcement of the rights issue and the date on which the request for cancellation or variation is made.

The following is an illustrative example to give the reader a basic idea of a rights issue.

Firstly, in a rights issue like in an IPO the company will determine how much it needs to raise. Suppose the company needs to raise Rf50 million and currently have 22 million shares outstanding at a price of Rf25 per share. The next step is to determine a subscription price or the price at which the rights holders purchase the new shares. In this case we assume that the price is Rf15 per share and give a right for each share. Following from the workings below, we see that 3,333,334 new shares should be sold where 22 million rights can be granted. These rights can either be sold or exercised by the investors and depending on their decision the shareholding percentage will increase or decrease.

<b>Number of new shares to issue</b>	<b>(Amount to be raised) / (subscription price)</b>	<b>Rf50,000,000 / Rf15</b>	<b>3,333,334 new shares</b>
<b>Rights needed to buy a single share</b>	<b>(No. of rights granted) / (No. of shares being sold)</b>	<b>22,000,000 / 3,333,334</b>	<b>6.6 rights/ new shares</b>
<b>Overall equity value after issuance</b>	<b>Equity value before issuance + amount raised</b>	<b>(22,000,000 * Rf25) + Rf50,000,000</b>	<b>Rf600,000,000</b>
<b>Price per share</b>	<b>new total market value / new number of shares</b>	<b>Rf600,000,000 / 25,333,334</b>	<b>Rf23.68</b>
<b>Value of each right</b>	<b>Old price - subscription price) / (number of rights per new share + 1)</b>	<b>(Rf25.00 - Rf15.00) / (6.6 + 1)</b>	<b>Rf1.315</b>

Rights issues are a relatively cheap way of raising capital since the costs of preparing a brochure, underwriting commission or press advertising involved in a new issue of shares is largely avoided. Moreover, as most of the costs of the rights issue are fixed, the average cost of the issue falls as the sum raised increases. Unless a large numbers of existing shareholders sell their rights to new shareholders there should be little impact in terms of control of the business by existing shareholders.

STF encourages the listed companies to consider rights issues as we believe this can be structured in a way that is beneficial to the shareholders and the issuers. Furthermore, as the three quoted companies have a good track record of paying high dividends in the past, it is possible that the existing shareholders would like to further invest in these companies. Rights issues can also bring more sophistication to our developing stock market as new ideas and concepts will be introduced.

# Securities Trading Floor

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TURNOVER HAS  
REACHED 5 MILLION  
RUFYAA MARK”

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Stock Market Monthly Report

November 2005.

## MARKET REVIEW (NOVEMBER 2005)

During the month under review, a trading turnover of Rf 139,783 was recorded at the stock market. In comparison to the preceding month, this reflected a decline of 44 percent from Rf 247,533. The weighted average prices of all stocks have remained roughly same compared to the preceding month. The total turnover has reached Rf 5 millions early this month. The total market capitalization stands at Rf 1,086 millions at the end of the month.

## MARKET NEWS

### ▪ Proposed Public Offering of HDFC

Housing Development Finance Corporation (HDFC) is preparing to sell shares to the public during the first half of 2006. The 'book building process' for the IPO has already started and there is substantial interest from the market to participate. During the second half of 2004 CMD conducted a market survey among 200 potential investors, with an income range of over Rf 5,000 and above and high net worth individuals to assess the interest for HDFC offering. The results of the survey showed that all 200 participants of the survey are interested to invest in HDFC.

### ▪ Proposed Public Offering from a resort company

The government has announced its intention to facilitate a resort company whose shares would be sold to the public. CMD will inform the investors and the public of this decision of the government as it progress.

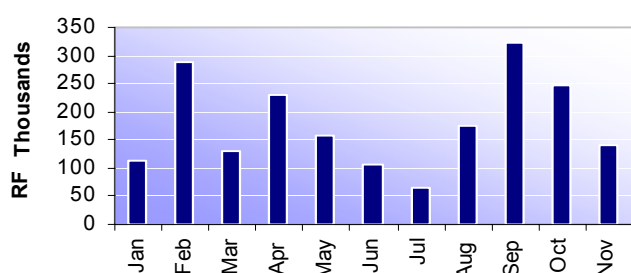
### ▪ Corporate Governance Code

To strengthen the operational and regulatory aspects of the stock market, CMD is working towards introducing a Corporate Governance Code as part of the Listing Rules before the first half of 2006.

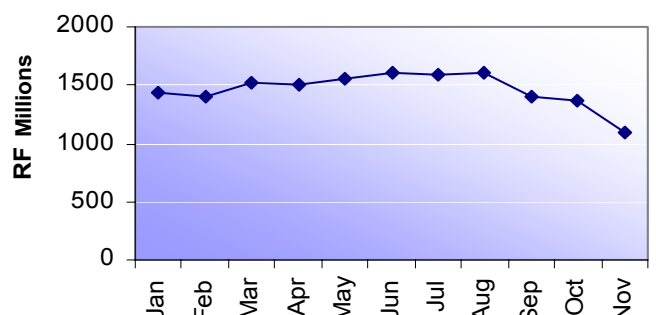
### ▪ Proposed Collective investment Schemes Law and Trust Law

A seminar was held at CMD on 24 November 2005 to facilitate discussions in relation to introducing a Collective Investment Schemes Law and Trust Law to the Maldives. The Law Commission of Maldives will undertake the legal drafting of the laws in Collaboration with the Commonwealth Secretariat.

TURNOVER



Market Capitalization



## TRUST LAW

### **INTRODUCTION AND DEFINITION**

Trusts have a very wide range of both commercial and private applications. The existence of a robust trust law assists in the smooth operation of many commercial and capital markets transactions, as well as enabling private individuals to establish arrangements for the protection of their children and/or to establish funds for charitable or other public purposes.

The common law of trusts applies in any case where property is held by one person for the benefit of another person or persons or for a specified purpose. Trusts can be created over any type of property (e.g. land, shares, cash etc.) and may be created in writing, orally or by conduct.

“A trust exists where a person (known as a trustee) holds or has vested in the person or is deemed to hold or have vested in the person property, for the benefit of any person (known as a beneficiary) whether or not yet ascertained or in existence; and/or for any purpose which is not for the benefit only of the trustee.”

### **SUBSTANTIVE PROVISIONS OF TRUST LAW**

The trust law will generally lay down the duties and powers of trustees. These include a duty on the trustee to exercise due care and attention and observe a duty of good faith in relation to the property in question and the beneficiaries. A trustee must preserve the value of trust property and is generally responsible for the safe keeping of that property. In addition, a trustee must account for any profit that is earned on the trust property. Accordingly, if any dividend or other income is received in respect of any property held on trust, the trustee must keep that money for the benefit of the beneficiary. Trustees will generally have the power to appoint professional custodians, nominees, investment managers and other professionals in relation to any matter, and would be under a duty to appoint such professionals in appropriate circumstances. In most jurisdictions, trustees who provide trustee services by way of business would need to hold the necessary regulatory licenses and/or other approvals.

Trust laws also provide protections to persons dealing with trustees. In particular, any purchaser of an asset who deals with a trustee in good faith, and who does not know of the existence of the trust, can take good title to the relevant assets held by the trustee. Furthermore, where a person dealing with a trust is aware of the trust, then generally they are under no duty to make enquiries to ensure that the amounts paid over to a trustee are applied properly in accordance with the terms of the trust.

### **COMMON USES OF TRUSTS**

Some of the common uses of trust law include arrangements such as: unit trusts; pension funds/provident funds; employee share trusts; depository and nominee arrangements; trusts established on the bankruptcy or insolvency of persons (both individuals and bodies corporate); escrow arrangements; charitable and public purpose trusts; shared ownership schemes; trusts for debenture, stock security and other security arrangements; establishment of foundations for educational and /or research and/or other purposes; and estate planning and trusts for the protection of minors, the infirm and other persons.

Trusts will generally either be of a discretionary nature (i.e. trust funds) where the trustee is managing investments to create profits and income to be applied for the purposes of the trust, or of a more non-discretionary nature where the trustee simply holds property of a particular description for the beneficiaries, such as in the case of bare trusts and nominee arrangements.

### **COMMON ABUSES OF TRUST LAW**

Finally, it must be appreciated that in some circumstances trusts are used for improper purposes. Generally the law will not uphold a trust established for unlawful or immoral purposes. Common examples would include: unlawful tax evasions; money laundering; avoiding property obligations to disclose an interest in securities; seeking to avoid creditors and other debts; and breaches by a trustee of their duty to hold the property for the beneficiaries.

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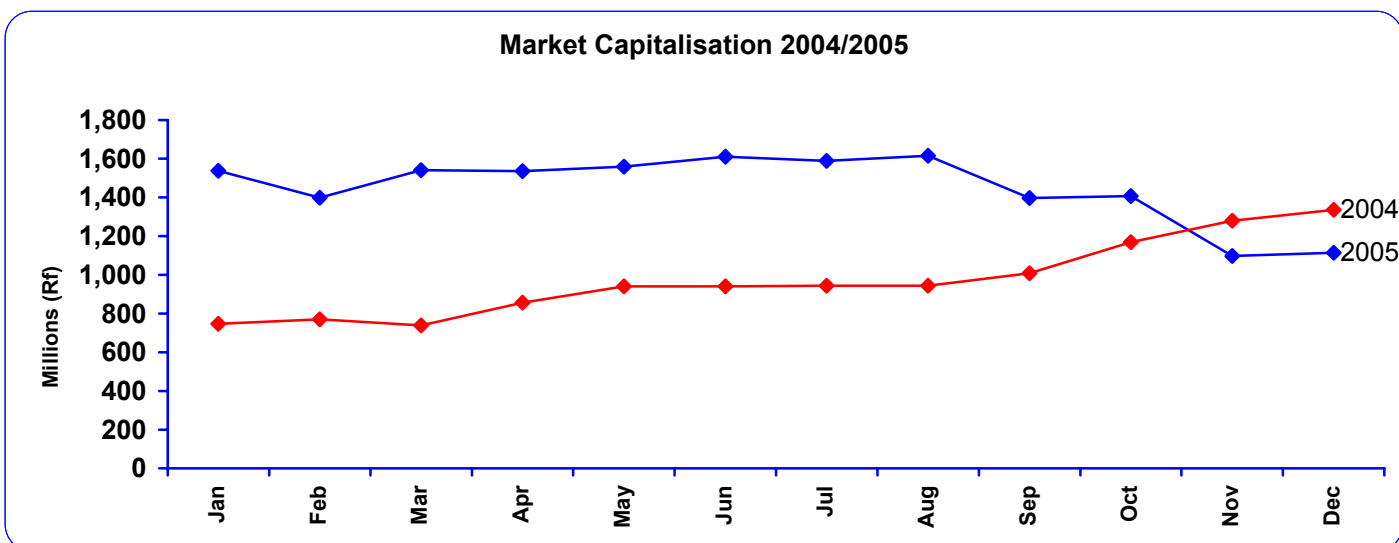
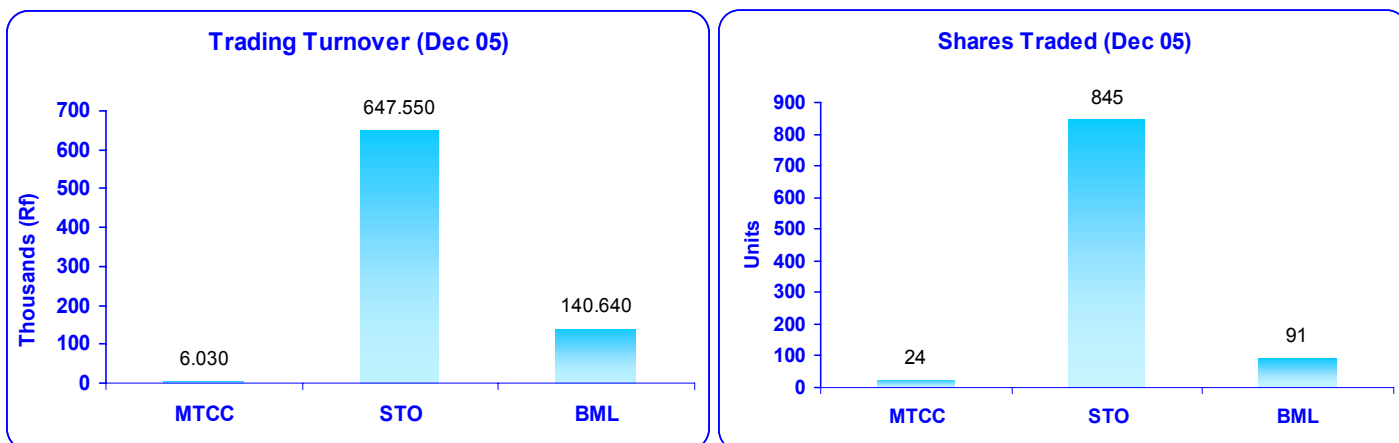
December 2005.

## Market Review (December 2005)

The investor sentiments remained optimistic as the trading turnover for the month posted a record high at Rf794,220, confirming as a record monthly trading turnover since the inception of the STF. The volume traded during the period also has exceeded over the previous record of 865 shares to 960 shares. Moreover, a sum of 21 trades concluded through the STF, with an average daily trading turnover of Rf39,711 showing a significant increase compared to the average daily trading turnover of Rf6,989 reported in the previous month, attests to the buoyancy of the market.

The MASIX closed at 113.24 points appreciating 2.5 percent against the previous month's closing value of 110.50. Inclusive of the months trading turnover, the total cumulative trading turnover of the STF has reached to Rf5,929,997 while the market capitalization as at end of the month was Rf1,113,252,150.

## Market Statistics



## Capital Market News

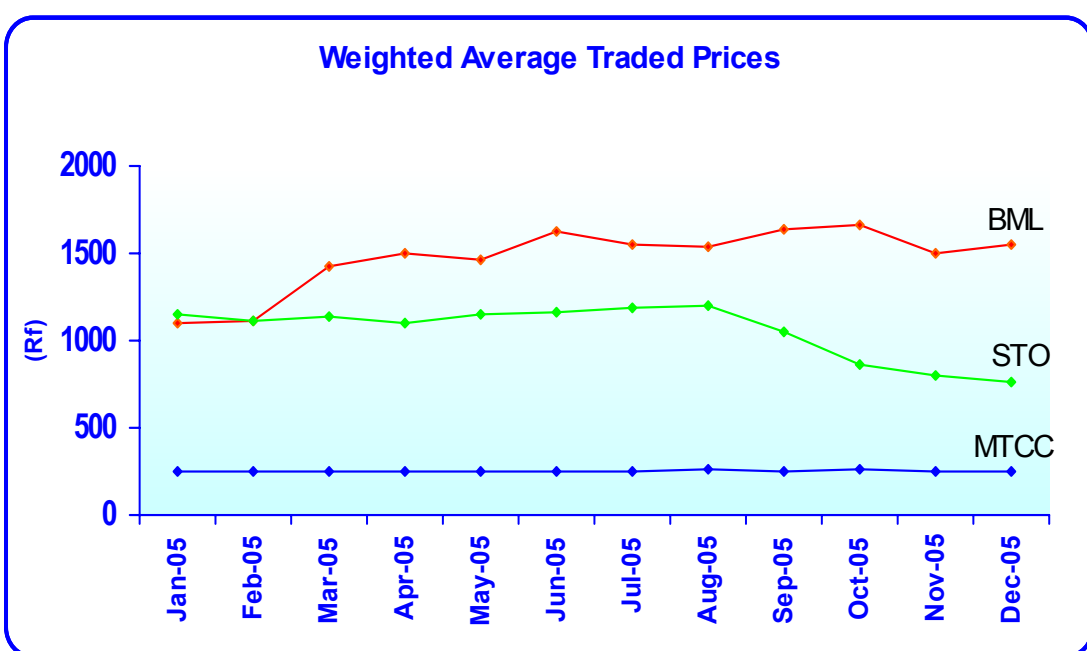
The proposed Securities Bill has been passed by the People's Majlis on 22<sup>nd</sup> December 2005. This Bill will regulate the securities market and related institutions in the Maldives.



## 2005 Review

The year 2005 ended successfully as the major objectives and the key planned targets were met throughout the year. The most significant achievements include gaining the membership of South Asian Federation of Exchangers (SAFE). This would further facilitate the development of a securities market and work towards common standards and best business practices. The introduction of SMS based stock information and an Electronic Display Board would also assist the investors to access the stock quotes and most current information more conveniently. Moreover, computerization of MSD system has a positive impact on the Stock Exchange trading procedures, since it makes trading more efficient and speedy.

The financial year 2005 commenced its trading activity satisfactorily despite the adverse affect on the Maldivian economy by the tsunami disaster late in December 2004. At the end of the financial year 2005, a trading turnover of Rf2,771,449 was achieved, reflecting a boost of around 35 percent compared to the preceding year. A breakdown of this showed that STO holds the majority share of 56.3 percent while BML and MTCC contribute 31.3 percent and 12.4 percent respectively. Moreover, a daily trading turnover of Rf11,266 was recorded, showing an increase of 35 percent against the last year's figure of Rf8,327. The month of December 2005 posted the highest average daily trading turnover of Rf39,711 for the year.



Meanwhile, the volume of shares exchanged through the STF rose by 12 percent, registering 3,722 shares in comparison to the previous year's volume of 3321 shares. Furthermore, this comprised of 1749 shares of STO, 1361 shares of MTCC and 612 shares of BML. The STO stock was observed as being the most popular stock among the investors as it carried 47 percent of the total

volume traded during the year under review. It was also noted that a couple of bulk purchases of STO stock were made late during the year in contrast to the normal buying habit experienced throughout the year. Moreover, the highest number of shares transacted during the year 2005 was witnessed in the month of December 2005.

The STF statistics indicates that the overall Weighted Average Traded Price (WATP) of all the three listed companies has increased over the past year. BML's WATP has increased to Rf1417 from Rf980 while STO WATP has risen to Rf892 from Rf735. Meanwhile, MTCC WATP climbs to Rf253 from Rf234 of the last year. A further deep analysis reflected that MTCC share price trend was stabilized within a band of Rf250 – Rf260 even though the share price of August hit Rf266. Conversely, BML's price was more volatile and fluctuated within a price band of Rf1000 – Rf1700 while STO share price indicated a declining trend in the last quarter of the year after stabilizing its price within a band of Rf1000 – Rf1200 in the previous quarters.

With a slight reduction of STO share price in the last quarter, the market capitalisation as at the end of the year was recorded as Rf1,113,252,150 registering a decline of 22 percent in comparison to the figure recorded at the beginning of the year. A breakdown of the market capitalisation demonstrated that the STO accounts for around 77 percent while BML and MTCC contributes around 17 percent and 6 percent respectively.

The increased trading activities reflected that the investor base is growing at an exceptional rate over the past consecutive years. The number of trades executed during the year reflected an increase of 8 percent against the preceding year's total trades. In conclusion, the overall performance of the stock market has moved forward with the increased awareness programmes and presentations conducted throughout the year.