



**SINGAPORE EXCHANGE LIMITED**  
Company Registration No. 199904940D  
(Incorporated in the Republic of Singapore)

## LETTER TO SHAREHOLDERS

### Directors:

Mr Kwa Chong Seng (Chairman, Non-Executive and Independent)  
Mr Loh Boon Chye (Chief Executive Officer and Non-Independent)  
Mr Thaddeus Beczak (Non-Executive and Independent)  
Ms Chew Gek Khim (Non-Executive and Independent)  
Ms Jane Diplock AO (Non-Executive and Independent)  
Mr Kevin Kwok (Non-Executive and Independent)  
Mr Liew Mun Leong (Non-Executive and Independent)  
Mr Lim Chin Hu (Non-Executive and Non-Independent)  
Ms Lim Sok Hui (Mrs Chng Sok Hui) (Non-Executive and Non-Independent)  
Mr Ng Kok Song (Non-Executive and Independent)

### Registered Office:

2 Shenton Way #02-02  
SGX Centre 1  
Singapore 068804

28 August 2018

To: The Shareholders of Singapore Exchange Limited

Dear Sir/Madam

### 1. Introduction

#### 1.1 Notice of 2018 AGM. We refer to:

- (a) the Notice of Annual General Meeting of Singapore Exchange Limited (the "**Company**") dated 28 August 2018, accompanying the Annual Report 2018, convening the Nineteenth Annual General Meeting of the Company to be held on 20 September 2018 (the "**2018 AGM**");
- (b) Ordinary Resolution 10 relating to the proposed renewal of the Share Purchase Mandate (as defined below); and
- (c) Ordinary Resolution 11 relating to the proposed adoption of the SGX Restricted Share Plan (the "**SGX RSP**").

#### 1.2 Letter to Shareholders. The purpose of this Letter is to provide shareholders of the Company ("**Shareholders**") with information relating to (i) the proposed renewal of the Share Purchase Mandate, and (ii) the proposed adoption of the SGX RSP (collectively, the "**Proposals**").

- 1.3 **MAS.** The Monetary Authority of Singapore (“**MAS**”) takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.
- 1.4 **Advice to Shareholders.** If a Shareholder is in any doubt as to the course of action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

## 2. The Proposed Renewal of the Share Purchase Mandate

- 2.1 **Background.** Shareholders approved the renewal of the mandate (the “**Share Purchase Mandate**”) to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company (“**Shares**”) at the annual general meeting of the Company held on 21 September 2017 (the “**2017 AGM**”). The authority and limitations on the Share Purchase Mandate were set out in the Letter to Shareholders dated 29 August 2017 and Ordinary Resolution 9 set out in the Notice of the 2017 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 9 at the 2017 AGM and will expire on the date of the forthcoming 2018 AGM. Accordingly, Shareholders’ approval is being sought for the renewal of the Share Purchase Mandate at the 2018 AGM.

- 2.2 **Rationale for the Share Purchase Mandate.** The approval of the renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 2.3.1 below at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (a) In managing the business of the Company and its subsidiaries (the “**Group**”), management will strive to increase Shareholders’ value by improving, *inter alia*, the return on equity (“**ROE**”) of the Company. In addition to growth and expansion of the business, share purchases may be considered as one of the ways through which the ROE of the Company may be enhanced.
- (b) In line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner.
- (c) A share repurchase programme will also allow management to effectively manage and minimise the dilution impact (if any) associated with share schemes.

The purchase or acquisition of Shares will only be undertaken if it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full limit as authorised. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the financial condition of the Group as a whole.

- 2.3 **Authority and Limits on the Share Purchase Mandate.** The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2018 AGM, are substantially the same as previously approved by Shareholders at the 2017 AGM, except in relation to the maximum price which may be paid for the Shares in the case of Off-Market Purchases (as defined in paragraph 2.3.3(b) below) which is proposed to be lowered from 110% to 105% of the Average Closing Price (as defined in paragraph 2.3.4 below) of the Shares, excluding related expenses of the purchase or acquisition. This is in order to align the maximum price which may be paid for the Shares in the case of Off-Market Purchases with that for Market Purchases (as defined in paragraph 2.3.3(a) below), so that Shareholders can be treated on an equal footing regardless of the manner of the share repurchase.

The authority and limits on the Share Purchase Mandate are as follows:

2.3.1 **Maximum number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company is limited to that number of Shares representing not more than 10% of the issued Shares as at the date of the 2018 AGM at which the renewal of the Share Purchase Mandate is approved. Treasury shares and subsidiary holdings (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), as amended from time to time (the “Listing Manual”))<sup>(1)</sup> will be disregarded for purposes of computing the 10% limit.

As at 1 August 2018 (the “Latest Practicable Date”), the Company had 1,535,769 treasury shares and no subsidiary holdings.

2.3.2 **Duration of authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2018 AGM, at which the renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
- (c) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

2.3.3 **Manner of purchases or acquisitions of Shares**

Purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases (“Market Purchases”), transacted through the trading system of the SGX-ST or on any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“Off-Market Purchases”), otherwise than on a securities exchange, in accordance with an equal access scheme (“Equal Access Scheme”) pursuant to Section 76C of the Companies Act, Chapter 50 of Singapore as amended from time to time (the “Companies Act”).

<sup>(1)</sup> “Subsidiary holdings” is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

The directors of the Company (the “**Directors**”) may impose such terms and conditions as they consider fit in the interests of the Company and which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, in connection with or in relation to any Equal Access Scheme or Equal Access Schemes. An Equal Access Scheme must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an Equal Access Scheme, it will issue an offer document containing at least the following information:

- (I) the terms and conditions of the offer;
- (II) the period and procedures for acceptances; and
- (III) the information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

#### 2.3.4 **Purchase price**

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed, in the case of both Market Purchases and Off-Market Purchases, 105% of the Average Closing Price of the Shares, excluding related expenses of the purchase or acquisition (the “**Maximum Price**”).

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the five consecutive trading days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

“**date of the making of the offer**” means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the Equal Access Scheme for effecting the Off-Market Purchase.

- 2.4 **Source of Funds.** The Company intends to use its internal sources of funds to finance its purchase or acquisition of the Shares. The Company does not intend to obtain or incur any borrowings to finance its purchase or acquisition of the Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the financial condition of the Group would be materially and adversely affected.
- 2.5 **Status of Purchased Shares.** Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.
- 2.6 **Treasury Shares.** Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:
- 2.6.1 **Maximum holdings**
- The number of Shares held as treasury shares<sup>(2)</sup> cannot at any time exceed 10% of the total number of issued Shares.
- 2.6.2 **Voting and other rights**
- The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.
- In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.
- 2.6.3 **Disposal and cancellation**
- Where Shares are held as treasury shares, the Company may at any time (but subject always to the Singapore Code on Take-overs and Mergers (the "**Take-over Code**")):
- (a) sell the treasury shares for cash;
  - (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
  - (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
  - (d) cancel the treasury shares; or
  - (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

<sup>(2)</sup> For these purposes, "treasury shares" shall be read as including shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act, Chapter 50 of Singapore.

In addition, under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.7 **Financial Effects.** The financial effects on the Company and the Group arising from the purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital and/or retained profits of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled.

2.7.1 ***Purchase or acquisition out of capital and/or profits***

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the capital and/or retained profits of the Company so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, such consideration will not affect the amount available for distribution in the form of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of retained profits, such consideration will correspondingly reduce the amount available for distribution in the form of cash dividends by the Company.

2.7.2 ***Number of Shares purchased or acquired***

Purely for illustrative purposes, on the basis of 1,071,642,400 issued and paid-up Shares as at the Latest Practicable Date (out of which 1,535,769 Shares were held in treasury as at that date), and assuming that on or prior to the 2018 AGM (i) no further Shares are issued or repurchased, or held by the Company as treasury shares, and (ii) no Shares are held as subsidiary holdings, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares (excluding the 1,535,769 Shares held in treasury) will entail a purchase or acquisition of 107,010,663 Shares.

2.7.3 ***Maximum Price paid for Shares purchased or acquired***

In the case of both Market Purchases and Off-Market Purchases by the Company and assuming that the Company purchases or acquires 107,010,663 Shares at the Maximum Price of \$7.88 per Share (being the price equivalent to 105% of the Average Closing Price of the Shares immediately preceding the Latest Practicable Date), the maximum amount of funds required is \$843,244,024, excluding brokerage, commission, applicable goods and services tax and other related expenses.

#### 2.7.4 *Illustrative financial effects*

For illustration purposes, paragraph 2.7.5 below lists four possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, based on the following assumptions:

- (a) The Maximum Price paid for Shares purchased or acquired is as stated in paragraph 2.7.3 above.
- (b) The Company has 1,071,642,400 issued and paid-up Shares as at the Latest Practicable Date (out of which 1,535,769 Shares were held in treasury as at that date), and assuming that on or prior to the 2018 AGM (i) no further Shares are issued or repurchased, or held by the Company as treasury shares, and (ii) no Shares are held as subsidiary holdings.
- (c) The Company has as at 30 June 2018:
  - (i) share capital of approximately \$429,236,000;
  - (ii) retained profits of approximately \$376,534,000; and
  - (iii) cash and cash equivalents of approximately \$413,012,000.

#### 2.7.5 *Scenarios of purchases or acquisitions of Shares*

The following are four possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, with the pro-forma financial effects detailed in paragraphs 2.7.6 to 2.7.9 below:

Share Purchase					Maximum Number of Shares to be Purchased	
Scenario	Out Of	Type	Held as Treasury Shares/ Cancelled	Maximum Price per Share (\$\$)	Number of Shares	Equivalent Percentage of Issued Shares (excluding Treasury Shares)
1(A)	Capital	Market or Off-Market	Held as Treasury Shares	7.88	52,412,690	4.90%
1(B)	Capital	Market or Off-Market	Cancelled	7.88	52,412,690	4.90%
2(A)	Retained profits	Market or Off-Market	Held as Treasury Shares	7.88	47,783,503	4.47%
2(B)	Retained profits	Market or Off-Market	Cancelled	7.88	47,783,503	4.47%

2.7.6 *Pro-forma financial effects on the Group for scenarios of Share purchases or acquisitions by the Company out of capital*

	Per Consolidated Financial Statements as at 30 June 2018	Pro-forma Financial Effects as at 30 June 2018 for Scenario per Paragraph 2.7.5	
		1(A)	1(B)
<b>Equity (\$'000)</b>			
Share Capital	429,236	429,236	16,224
Treasury Shares	(11,363)	(424,375)	(11,363)
Cash Flow Hedge Reserve	(1,405)	(1,405)	(1,405)
Currency Translation Reserve	2,864	2,864	2,864
Fair Value Reserve	111	111	111
Securities Clearing Fund Reserve	25,000	25,000	25,000
Derivatives Clearing Fund Reserve	34,021	34,021	34,021
Share-based Payment Reserve	15,875	15,875	15,875
Retained Profits	441,377	441,377	441,377
Proposed Dividends	160,516	160,516	160,516
<b>Total Equity</b>	<b>1,096,232</b>	<b>683,220</b>	<b>683,220</b>
Net Assets (\$'000)	1,096,232	683,220	683,220
Current Assets (\$'000)	1,680,416	1,267,404	1,267,404
Current Liabilities (\$'000)	986,032	986,032	986,032
Cash and Cash Equivalents (\$'000)	831,587	418,575	418,575
Number of Shares excluding treasury shares ('000)	1,070,107	1,017,694	1,017,694
Weighted Average Number of Shares for basic Earnings per Share ("EPS") ('000)	1,070,534	1,070,534	1,070,534
Weighted Average Number of Shares for diluted EPS ('000)	1,073,575	1,073,575	1,073,575
<b>Financial Ratios</b>			
Net Assets per Share (cents)	102.4	67.1	67.1
Current Ratio (times)	1.7	1.3	1.3
<b>Based on reported net profit attributable to equity holders</b>			
Basic EPS (cents)	33.9	33.9	33.9
Diluted EPS (cents)	33.8	33.8	33.8
Return on Equity (%)	34.1	42.3	42.3



2.7.7 *Pro-forma financial effects on the Company for scenarios of Share purchases or acquisitions by the Company out of capital*

	Per Company Financial Statements as at 30 June 2018	Pro-forma Financial Effects as at 30 June 2018 for Scenario per Paragraph 2.7.5	
		1(A)	1(B)
<b>Equity (\$'000)</b>			
Share Capital	429,236	429,236	16,224
Treasury Shares	(11,363)	(424,375)	(11,363)
Cash Flow Hedge Reserve	(32)	(32)	(32)
Fair Value Reserve	111	111	111
Share-based Payment Reserve	15,875	15,875	15,875
Retained Profits	376,534	376,534	376,534
Proposed Dividends	160,516	160,516	160,516
<b>Total Equity</b>	<b>970,877</b>	<b>557,865</b>	<b>557,865</b>
Net Assets (\$'000)	970,877	557,865	557,865
Current Assets (\$'000)	454,328	41,316	41,316
Current Liabilities (\$'000)	305,064	305,064	305,064
Cash and Cash Equivalents (\$'000)	413,012	–	–
Number of Shares excluding treasury shares ('000)	1,070,107	1,017,694	1,017,694
Weighted Average Number of Shares for basic EPS ('000)	1,070,534	1,070,534	1,070,534
Weighted Average Number of Shares for diluted EPS ('000)	1,073,575	1,073,575	1,073,575
<b>Financial Ratios</b>			
Net Assets per Share (cents)	90.7	54.8	54.8
Current Ratio (times)	1.5	0.1	0.1
<b>Based on reported net profit attributable to equity holders</b>			
Basic EPS (cents)	34.3	34.3	34.3
Diluted EPS (cents)	34.2	34.2	34.2
Return on Equity (%)	39.2	50.3	50.3

2.7.8 *Pro-forma financial effects on the Group for scenarios of Share purchases or acquisitions by the Company out of retained profits*

	Per Consolidated Financial Statements as at 30 June 2018	Pro-forma Financial Effects as at 30 June 2018 for Scenario per Paragraph 2.7.5	
		2(A)	2(B)
<b>Equity (\$'000)</b>			
Share Capital	429,236	429,236	429,236
Treasury Shares	(11,363)	(387,897)	(11,363)
Cash Flow Hedge Reserve	(1,405)	(1,405)	(1,405)
Currency Translation Reserve	2,864	2,864	2,864
Fair Value Reserve	111	111	111
Securities Clearing Fund Reserve	25,000	25,000	25,000
Derivatives Clearing Fund Reserve	34,021	34,021	34,021
Share-based Payment Reserve	15,875	15,875	15,875
Retained Profits	441,377	441,377	64,843
Proposed Dividends	160,516	160,516	160,516
<b>Total Equity</b>	<b>1,096,232</b>	<b>719,698</b>	<b>719,698</b>
Net Assets (\$'000)	1,096,232	719,698	719,698
Current Assets (\$'000)	1,680,416	1,303,882	1,303,882
Current Liabilities (\$'000)	986,032	986,032	986,032
Cash and Cash Equivalents (\$'000)	831,587	455,053	455,053
Number of Shares excluding treasury shares ('000)	1,070,107	1,022,323	1,022,323
Weighted Average Number of Shares for basic Earnings per Share ("EPS") ('000)	1,070,534	1,070,534	1,070,534
Weighted Average Number of Shares for diluted EPS ('000)	1,073,575	1,073,575	1,073,575
<b>Financial Ratios</b>			
Net Assets per Share (cents)	102.4	70.4	70.4
Current Ratio (times)	1.7	1.3	1.3
<b>Based on reported net profit attributable to equity holders</b>			
Basic EPS (cents)	33.9	33.9	33.9
Diluted EPS (cents)	33.8	33.8	33.8
Return on Equity (%)	34.1	41.5	41.5

2.7.9 **Pro-forma financial effects on the Company for scenarios of Share purchases or acquisitions by the Company out of retained profits**

	Per Company Financial Statements as at 30 June 2018	Pro-forma Financial Effects as at 30 June 2018 for Scenario per Paragraph 2.7.5	
		2(A)	2(B)
<b>Equity (\$'000)</b>			
Share Capital	429,236	429,236	429,236
Treasury Shares	(11,363)	(387,897)	(11,363)
Cash Flow Hedge Reserve	(32)	(32)	(32)
Fair Value Reserve	111	111	111
Share-based Payment Reserve	15,875	15,875	15,875
Retained Profits	376,534	376,534	–
Proposed Dividends	160,516	160,516	160,516
<b>Total Equity</b>	<b>970,877</b>	<b>594,343</b>	<b>594,343</b>
Net Assets (\$'000)	970,877	594,343	594,343
Current Assets (\$'000)	454,328	77,794	77,794
Current Liabilities (\$'000)	305,064	305,064	305,064
Cash and Cash Equivalents (\$'000)	413,012	36,478	36,478
Number of Shares excluding treasury shares ('000)	1,070,107	1,022,323	1,022,323
Weighted Average Number of Shares for basic EPS ('000)	1,070,534	1,070,534	1,070,534
Weighted Average Number of Shares for diluted EPS ('000)	1,073,575	1,073,575	1,073,575
<b>Financial Ratios</b>			
Net Assets per Share (cents)	90.7	58.1	58.1
Current Ratio (times)	1.5	0.3	0.3
<b>Based on reported net profit attributable to equity holders</b>			
Basic EPS (cents)	34.3	34.3	34.3
Diluted EPS (cents)	34.2	34.2	34.2
Return on Equity (%)	39.2	49.1	49.1

**Shareholders should note that the financial effects set out above are for illustration purposes only (based on the aforementioned assumptions). In particular, it is important to note that the above pro-forma financial analysis is based on the historical numbers for the financial year ended 30 June 2018, and is not necessarily representative of future financial performance.**

The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase or acquisition before execution. Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of its issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of its issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

2.8 **Listing Rules.** The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 am (a) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an Equal Access Scheme, on the second market day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, the Company, in line with the best practices guide on securities dealings set out in the Listing Manual, would not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company's full-year results and the period of two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year. The Company's decision to purchase or acquire Shares would only be made with an arrangement that could reasonably be expected to ensure that information that is not generally available would not be communicated or informed to the person within the Company who makes the decision to transact.

In the event that the Company appoints a broker, the broker will be given a discretionary mandate to conduct the Share purchase or acquisition.

In line with the best practices guide on securities dealings set out in the Listing Manual, the broker shall not purchase or acquire any Shares during the period of one month immediately preceding the announcement of the Company's full-year results and the period of two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year. The broker will not be advised of or receive any price sensitive information prior to the purchase or acquisition of any Shares.

The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public Shareholders. As at the Latest Practicable Date, approximately 99.90% of the issued Shares (excluding Shares held in treasury) are held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

2.9 **Shareholding Limits.** The Company is an “approved holding company” as defined under the Securities and Futures Act, Chapter 289 of Singapore (“SFA”). Section 81ZE of the SFA provides that no person shall enter into any agreement to acquire shares in an approved holding company by virtue of which he would, if the agreement is carried out, become a substantial shareholder of an approved holding company without first obtaining the approval of the MAS to enter into the agreement. A person is regarded as having a substantial shareholding of an approved holding company if the person has an interest or interests in one or more voting shares (excluding treasury shares) in the approved holding company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares (excluding treasury shares) in the approved holding company (the “5% Limit”). In addition to the 5% Limit, the SFA also prohibits any person (alone or together with his associates, as defined in the SFA) from holding 12% or more or 20% or more of the shares of an approved holding company or controlling 12% or more or 20% or more of the votes in the approved holding company, without first obtaining the approval of the MAS (collectively, the “Prescribed Limits”).

The shareholding percentage of a holder of Shares (whose Shares were not the subject of a share purchase or acquisition by the Company) in the issued Shares immediately following any purchase or acquisition of Shares will increase should the Company cancel the Shares purchased or acquired by the Company. Similarly, the percentage of voting rights of a holder of Shares (whose Shares were not the subject of a share purchase or acquisition by the Company) in the issued capital of the Company immediately following any purchase or acquisition of Shares will increase should the Company hold in treasury the Shares purchased or acquired by the Company.

The Company wishes to draw the attention of Shareholders to the following consequences of a purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate, if the renewal of the Share Purchase Mandate is approved by Shareholders:

**A purchase or acquisition of Shares by the Company may inadvertently cause the interest in the Shares of any person to reach or exceed any of the Prescribed Limits (in particular, a person whose interest in Shares is currently close to such limits).**

Shareholders whose current interests in the Shares are close to any of the Prescribed Limits and whose percentage interests in the Shares may exceed such limits by reason of any purchase or acquisition of Shares by the Company **are advised to seek the prior approval of the MAS** to continue to hold, on such terms as may be imposed by the MAS, the Shares, and/or to have an interest in the Shares representing the number of Shares and/or interests in the Shares which may be in excess of any of the Prescribed Limits, as a consequence of a Share purchase or acquisition by the Company. Shareholders should note that in calculating their shareholding percentages, interests of their associates (as defined in the SFA) will also need to be taken into account in order to determine whether the Prescribed Limits are exceeded.

2.10 **Take-over Implications.** Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

2.10.1 ***Obligation to make a take-over offer***

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in the change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

2.10.2 ***Persons acting in concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, persons who will be presumed to be acting in concert include the following:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of any of (i), (ii), (iii) or (iv);
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
  - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which Shareholders (including the Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### 2.10.3 ***Effect of Rule 14 and Appendix 2***

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, the Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the renewal of the Share Purchase Mandate.

As stated in paragraph 4.2 below, the Company has not received any substantial shareholder notifications under Division 1, Part VII of the SFA as at the Latest Practicable Date. Accordingly, based on this, there are no substantial Shareholders who would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares (excluding treasury shares) as at the Latest Practicable Date.

**Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Share purchases or acquisitions by the Company.**

- 2.11 **Previous Purchases.** As at the Latest Practicable Date, the Company had purchased or acquired an aggregate of 1,097,000 Shares by way of Market Purchases pursuant to the Share Purchase Mandate approved by Shareholders at the 2017 AGM. The highest and lowest price paid was \$7.58 and \$7.32 per Share respectively and the total consideration paid for all purchases was \$8,185,393, excluding commission, brokerage and goods and services tax.

### 3. The Proposed SGX RSP

- 3.1 **Existing SGX PSP 2015.** The Company currently has in place the SGX Performance Share Plan 2015 (the “**SGX PSP 2015**”). The SGX PSP 2015 was adopted at the Sixteenth Annual General Meeting of the Company held on 23 September 2015 to replace the SGX Performance Share Plan, which expired on 21 September 2015 and under which there are no longer any outstanding awards. The duration of the SGX PSP 2015 is 10 years commencing on the date of the adoption, that is, 10 years commencing on 23 September 2015. The Company proposes to adopt the new SGX RSP to supplement the SGX PSP 2015. Details of the SGX RSP are set out in paragraphs 3.4 to 3.10 below.
- 3.2 **Existing PSP 2015 Awards.** As at the Latest Practicable Date, there are outstanding awards granted under the SGX PSP 2015 (“**PSP 2015 Awards**”) in respect of 1,617,800 Shares (representing approximately 0.2% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date), and no Shares have been delivered since the commencement of the SGX PSP 2015 as none of the PSP 2015 Awards have vested.

Details of existing PSP 2015 Awards outstanding and unvested as at the Latest Practicable Date are as follows:

Date of PSP 2015 Award	Number of Shares comprised in PSP 2015 Awards	Number of Participants
30 October 2015	391,600	30
15 August 2016	604,600	34
15 September 2017	621,600	35

Save as disclosed in this Letter, and save for the prescribed performance-based, time-based and/or other conditions attached to the PSP 2015 Awards, the PSP 2015 Awards outstanding as at the Latest Practicable Date are not subject to any material conditions.

As at the Latest Practicable Date:

- (a) PSP 2015 Awards in respect of an aggregate of up to 269,000 Shares have been granted to Mr Loh Boon Chye, the Chief Executive Officer, under the SGX PSP 2015 (comprising PSP 2015 Awards in respect of up to 133,100 Shares granted on 15 August 2016, and PSP 2015 Awards in respect of up to 135,900 Shares granted on 15 September 2017), all of which are outstanding and out of which no Shares have been delivered as none of such PSP 2015 Awards have vested; and
- (b) no PSP 2015 Awards have been granted, and no Shares have been delivered, to any other Director holding office as at the Latest Practicable Date, under the SGX PSP 2015.

No PSP 2015 Awards have been granted to controlling shareholders of the Company or associates of such controlling shareholders, under the SGX PSP 2015.



3.3 **Definitions.** For the purposes of paragraphs 3.4 to 3.10 below and in relation to the SGX RSP, the following expressions shall have the following meanings:

“**Auditor**” means the auditor of the Company for the time being;

“**Award**” means an award of Shares granted under the SGX RSP;

“**Award Date**” means, in relation to an Award, the date on which the Award is granted pursuant to the SGX RSP;

“**Award Letter**” means a letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee;

“**Committee**” means a committee comprising directors of the Company duly authorised and appointed by the board of directors of the Company to administer the SGX RSP;

“**Group**” means the Company and/or its subsidiaries, as applicable;

“**Group Employee**” means any employee of the Group (including any Group Executive Director) selected by the Committee to participate in the SGX RSP;

“**Group Executive Director**” means a director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function;

“**Group Non-Executive Director**” means a director of the Company and/or any of its subsidiaries, as the case may be, other than a Group Executive Director; and

“**Participant**” means a Group Employee or Group Non-Executive Director who has been granted an Award.

3.4 **Rationale.** The following is a summary of the objectives of the SGX RSP:

3.4.1 ***Group Non-Executive Directors***

The new SGX RSP is being proposed to supplement the existing SGX PSP 2015, under which only employees of the Group are eligible to participate. Under the new SGX RSP, grants of fully paid Shares may be made to Group Non-Executive Directors as part of their remuneration in respect of their office as such in lieu of cash, or where the Committee deems appropriate, to give recognition to the contributions made or to be made by such Group Non-Executive Directors to the success of the Group, in order to improve the alignment of the interests of Group Non-Executive Directors with the interests of Shareholders. Grants would not, however, be made to independent Group Non-Executive Directors to such an extent that their independence may be compromised.

Where Awards are to be made to Group Non-Executive Directors under the SGX RSP as part of their directors’ remuneration in lieu of cash, the current intention is that approximately one-quarter of the Chairman’s fee and basic fee will be paid out in the form of Shares comprised in Awards granted under the SGX RSP. The formula for converting the relevant amount from cash to Shares will be disclosed as and when such Awards are intended to be granted. The current intention is that these Awards will consist of the grant of fully paid Shares outright, with no performance conditions attached and no vesting periods imposed. However, in order to encourage the alignment of the interests of such Group Non-Executive Directors with the interests of Shareholders, a retention period, during which the Shares awarded may not be transferred or otherwise disposed of (except to the extent set out in the Award Letter or with the prior approval of the Committee), will be imposed in respect of such Shares.

For information relating to the proposed share component of the Directors' fees for the financial year ending 30 June 2019, please refer to the explanatory notes to Ordinary Resolutions 4 and 5 in the Notice of the 2018 AGM.

#### 3.4.2 **Group Employees**

Another objective of the SGX RSP is to serve as an additional motivational tool to recruit and retain Group Employees whose contributions are essential to the long-term growth and profitability of the Group and to give recognition to outstanding Group Employees who have contributed to the growth of the Group. The SGX RSP will act as an enhancement to the Group's overall compensation packages, and will strengthen the Group's ability to attract and retain high performing talent. For instance, potential senior executive hires who decide on a career switch often have to forego substantial share options/share incentives when they join the Group. Through the SGX RSP, the Company would be able to compensate in shares, in lieu of cash, such new hires for share options or incentives that they may have to forego when they join the Group.

Vesting period(s) may be imposed on Awards granted to Group Employees under the SGX RSP in order to encourage retention. The length of the vesting period(s), if any, will be determined on a case-by-case basis.

The SGX RSP does not require any performance conditions to be set for an Award.

3.5 **Listing of New Shares.** The MAS has granted in-principle approval for the listing and quotation of the new Shares to be issued pursuant to the SGX RSP, subject to compliance with the SGX-ST's listing requirements and guidelines and independent Shareholders' approval being obtained for the SGX RSP. The MAS' in-principle approval is not to be taken as an indication of the merits of the SGX RSP, the new Shares, the Company and/or its subsidiaries.

3.6 **Summary of Rules.** The following is a summary of the principal rules of the SGX RSP:

##### 3.6.1 **Eligibility**

The following persons, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders, shall be eligible to participate in the SGX RSP at the absolute discretion of the Committee:

- (a) Group Employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time; and
- (b) Group Non-Executive Directors.

##### 3.6.2 **Awards**

Awards represent the right of a Participant to receive fully paid Shares, (where applicable) their equivalent cash value or combinations thereof, free of charge, upon expiry of the prescribed vesting period(s) (where applicable).

If a retention period is specified in an Award, Shares which are allotted and issued or transferred to a Participant pursuant to the release of an Award shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during the specified retention period (as prescribed by the Committee in the Award Letter), except to the extent set out in the Award Letter or with the prior approval of the Committee.

### 3.6.3 **Details of Awards**

The Committee shall decide, in relation to each Award to be granted to a Participant:

- (a) the Award Date;
- (b) the number of Shares which are the subject of the Award;
- (c) the vesting period(s) and vesting date(s), if any;
- (d) the release schedule, if any;
- (e) the retention period in relation to any or all of the Shares comprised in the Award, if any; and
- (f) any other condition which the Committee may determine in relation to that Award.

### 3.6.4 **Timing**

The Committee may grant Awards to eligible Group Employees and/or Group Non-Executive Directors, in each case, as the Committee may select, in its absolute discretion, at any time during the period when the SGX RSP is in force. An Award Letter confirming the Award and specifying (*inter alia*) the vesting period(s) (if any) and release schedule (if any), will be sent to each Participant as soon as is reasonably practicable after the making of an Award.

### 3.6.5 **Events prior to vesting**

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

- (a) the misconduct on the part of a Participant as determined by the Committee in its discretion;
- (b) where the Participant is a Group Employee, upon the Participant ceasing to be in the employment of the Group for any reason whatsoever (other than as specified in paragraph (e) below);
- (c) upon an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (d) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;

- (e) the Participant, being a Group Employee, ceasing to be in the employment of the Group by reason of:
  - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
  - (ii) redundancy;
  - (iii) retirement at or after the legal retirement age;
  - (iv) retirement before the legal retirement age with the consent of the Committee;
  - (v) the company by which he is employed ceasing to be a company within the Group or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group;
  - (vi) his transfer to any government ministry, governmental or statutory body or corporation at the direction of any company within the Group; or
  - (vii) any other event approved by the Committee;
- (f) where the Participant, being a Group Non-Executive Director, ceases to be a director of the Company, or as the case may be, the relevant subsidiary of the Company for any reason whatsoever;
- (g) the death of a Participant;
- (h) any other event approved by the Committee; and
- (i) a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in paragraph (c) above or for reconstruction or amalgamation).

Upon the occurrence of any of the events specified in paragraphs (a), (b) and (c) above, an Award then held by a Participant shall, as provided in the rules of the SGX RSP and to the extent not yet released, immediately lapse without any claim whatsoever against the Company.

Upon the occurrence of any of the events specified in paragraphs (d), (e), (f), (g) and (h) above, the Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the vesting period (if any) and subject to the provisions of the SGX RSP. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis.

Upon the occurrence of any of the events specified in paragraph (i) above, the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will (if applicable) have regard to the proportion of the vesting period(s) (as the case may be) which has elapsed.

### 3.6.6 ***Cancellation of Awards***

Notwithstanding anything to the contrary contained in any provision of the SGX RSP or any Award Letter, if before any vesting date in respect of an Award, the Committee in its absolute discretion determines that:

- (a) that Award has been granted on the basis of materially inaccurate financial statements; and/or
- (b) the Participant has been engaged in conduct that has directly or indirectly caused, resulted in and/or contributed to:
  - (i) any financial loss or reputational harm to the Company and/or the Group; and/or
  - (ii) the need for a restatement of the financial results or financial statements of the Company and/or the Group; and/or
  - (iii) any adverse change in the risk profile or (where applicable) the rating of the Company and/or the Group,

or is otherwise detrimental to the Company and/or the Group and/or the businesses conducted by any member of the Group,

then the Committee may at its absolute discretion cancel all or any part of that Award.

### 3.6.7 ***Size and duration***

The total number of new Shares which may be issued pursuant to Awards granted under the SGX RSP on any date, when added to the total number of new Shares issued and issuable in respect of all Awards granted under the SGX RSP and the SGX PSP 2015 (and/or any other share schemes then in force), shall not exceed 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual)) on the day preceding the relevant date of award.

The maximum limit of 10% will provide for sufficient Shares to support the use of Awards in the Company's overall long-term incentive and compensation strategy. In addition, it will provide the Company with the means and flexibility to grant Awards as incentive tools in a meaningful and effective manner to encourage staff retention and to align Participants' interests more closely with those of Shareholders.

The Company may also deliver Shares pursuant to Awards granted under the SGX RSP in the form of existing Shares purchased from the market or from Shares held in treasury. Such methods will not be subject to any limit as they do not involve the issuance of any new Shares.

The SGX RSP shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the SGX RSP is adopted by the Company in general meeting, provided always that the SGX RSP may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the SGX RSP, Awards made to Participants prior to such expiry or termination, whether such Awards have been released (whether fully or partially) or not, will continue to remain valid.

### 3.6.8 **Operation**

Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (a) an issue of new Shares; and/or
- (b) the delivery of existing Shares (including treasury shares).

In determining whether to issue new Shares or to deliver existing Shares to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or delivering existing Shares (including treasury shares).

In order to minimise Shareholders' concerns against dilution, the current intention is that Shares which are to be delivered upon the vesting of Awards will either be delivered by way of treasury shares or, where new Shares are to be issued, out of the non-pro rata sub-limit under any valid general share issue mandate which may be in place at the relevant time.

The financial effects of the above methods are discussed in paragraph 3.10 below. The Company has the flexibility, and if circumstances require, to approve the release of an Award (other than an Award granted to a Group Non-Executive Director as part of his directors' remuneration in lieu of cash), wholly or partly, in the form of cash rather than Shares.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, pursuant to the release of an Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

3.7 **Adjustments and Modifications.** The following describes the adjustment events under, and provisions relating to modifications of, the SGX RSP:

3.7.1 ***Adjustment events***

If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place or if the Company shall make a declaration of a special dividend (whether in cash or in specie), then:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the class and/or number of Shares in respect of which future Awards may be granted under the SGX RSP,

shall be adjusted in such manner as the Committee may determine to be appropriate.

Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditor (acting only as an expert and not as an arbitrator) to be in its opinion, fair and reasonable.

The adjustment must be made in such a way that a Participant will not receive a benefit that a holder of Shares does not receive.

3.7.2 ***Modifications***

The SGX RSP may be modified and/or altered at any time and from time to time by a resolution of the Committee subject to the prior approval of the MAS and such other regulatory authorities as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were released to them in full upon the expiry of all the vesting periods (if any) applicable to their Awards, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested upon release in full of all outstanding Awards upon the expiry of all the vesting periods (if any) applicable to all such outstanding Awards.

No alterations shall be made to the rules of the SGX RSP which relate to matters contained in Rules 844 to 849 and Rules 853 to 854 of the Listing Manual to the advantage of the holders of the Awards except with the prior approval of Shareholders in general meeting.

3.8 **Disclosures in Annual Report.** The Company will make such disclosures or appropriate negative statements (as applicable) in its annual report for so long as the SGX RSP continues in operation from time to time required by the Listing Manual including the following (where applicable):

- (a) the names of the members of the Committee administering the SGX RSP;
- (b) in respect of the following Participants of the SGX RSP:
  - (i) directors of the Company; and
  - (ii) Participants (other than those in paragraph (i) above) who have received Shares pursuant to the release of Awards granted under the SGX RSP and/or the release of awards granted under the SGX PSP 2015 which, in aggregate, represent 5% or more of the total number of new Shares available under the SGX RSP and the SGX PSP 2015 collectively,

the following information:

- (aa) the name of the Participant;
  - (bb) Awards granted during the financial year under review (including terms);
  - (cc) aggregate Awards granted since commencement of the SGX RSP to the end of the financial year under review;
  - (dd) the following particulars relating to Awards released under the SGX RSP and/or awards granted under the SGX PSP 2015 since commencement of the SGX RSP to the end of the financial year under review:
    - (i) the number of new Shares issued to such Participant; and
    - (ii) the number of existing Shares transferred to such Participant; and
  - (ee) aggregate Awards outstanding as at the end of the financial year under review; and
- (c) in relation to the SGX RSP and the SGX PSP 2015, the following particulars:
- (i) the aggregate number of Shares comprised in Awards granted under the SGX RSP and awards granted under the SGX PSP 2015 since the commencement of the SGX RSP and the SGX PSP 2015 respectively to the end of the financial year under review;
  - (ii) the aggregate number of Shares comprised in Awards which have vested under the SGX RSP and awards which have vested under the SGX PSP 2015 during the financial year under review and in respect thereof, the proportion of:
    - (1) new Shares issued; and
    - (2) existing Shares transferred and, where existing Shares were purchased for delivery, the range of prices at which such Shares have been purchased,



upon the release of Awards granted under the SGX RSP and the release of vested awards granted under the SGX PSP 2015; and

- (iii) the aggregate number of Shares comprised in Awards granted under the SGX RSP which have not been released, and awards granted under the SGX PSP 2015 which have not been released as at the end of the financial year under review.

- 3.9 **Role and Composition of the Committee.** The Remuneration & Staff Development Committee of the Company (“**RSDC**”), whose function is to assist the board of directors of the Company in reviewing remuneration and human resource matters in the Company as set out in their terms of reference, will be designated as the Committee responsible for the administration of the SGX RSP, and will comprise directors of the Company to administer the SGX RSP.

In compliance with the requirements of the Listing Manual, a Participant of the SGX RSP who is a member of the RSDC shall not be involved in its deliberations in respect of Awards to be granted to or held by that member of the RSDC.

- 3.10 **Financial Effects Singapore.** Financial Reporting Standards (International) 2, Share-based payment (“**SFRS(I) 2**”) applies to the financial statements of the Company and the Group. Participants may receive Shares or their equivalent cash value, or combinations thereof. In the event that the Participants receive Shares, the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the profit and loss account over the period between the grant date and the vesting date of an Award. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to reserve account. Before the end of the vesting period, at each balance sheet date, the estimate of the number of Awards that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the profit and loss account with a corresponding adjustment to equity. After the vesting date, no adjustment to the charge to the profit and loss account is made.

The amount charged to the profit and loss account would be the same whether the Company settles the Awards using new Shares or existing Shares.

The following sets out the financial effects of the SGX RSP:

#### 3.10.1 **Share capital**

The SGX RSP will result in an increase in the Company’s issued ordinary share capital only if new Shares are issued to Participants. The number of new Shares issued will depend on, *inter alia*, the size of the Awards granted under the SGX RSP. In any case, the SGX RSP provides that the aggregate number of new Shares to be issued pursuant to Awards granted under the SGX RSP on any date, when added to the total number of new Shares issued and issuable in respect of all Awards granted under the SGX RSP and the SGX PSP 2015 (and/or any other share schemes then in force), shall not exceed 10% of the issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding the relevant date of award. If, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants on vesting, the SGX RSP may have an impact on the Company’s ordinary share capital.

### 3.10.2 **Net assets**

As described below in the paragraph on EPS, the SGX RSP is likely to result in a charge to the profit and loss account over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with SFRS(I) 2. If new Shares are issued under the SGX RSP, there would be no effect on the Company and the Group's net assets. However, if instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants or the Company pays the equivalent cash value, the net assets of the Company and the Group would decrease by the cost of the Shares purchased or the cash payment, respectively.

### 3.10.3 **EPS**

The SGX RSP is likely to result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with SFRS(I) 2.

### 3.10.4 **Dilutive impact**

It is expected that the dilutive impact of the SGX RSP on the NTA per Share and EPS of the Company and the Group will not be significant.

- 3.11 **Other Share Plans.** The Company currently also has in place the SGX Deferred Long-Term Incentives Scheme (the "**SGX DLTIS**"). Under the SGX DLTIS, awards may be granted, wholly or partly, in the form of Shares, which will be free of charge, or in the form of cash. If the award is in the form of Shares, the SGX DLTIS only allows delivery of Shares held in treasury by the Company to fulfil its obligations to recipients. If the award is in the form of cash, the amount released is based on the market value of such Shares on the vesting date. The SGX DLTIS does not come within the purview of Chapter 8 of the Listing Manual because it was adopted in June 2006, which was before Rule 255 of the Listing Manual (which provides that Chapter 8 will apply to an issue of shares out of treasury) was introduced in December 2007. Details of awards granted under the SGX DLTIS are contained in the Annual Report 2018.

As at the Latest Practicable Date:

- (a) awards in respect of an aggregate of 269,000 Shares have been granted to Mr Loh Boon Chye, the Chief Executive Officer, under the SGX DLTIS (comprising awards in respect of 133,100 Shares granted on 15 August 2016, and awards in respect of 135,900 Shares granted on 15 August 2017), out of which 224,634 Shares are outstanding and 44,366 Shares have been delivered; and
- (b) no awards have been granted, and no Shares have been delivered, to any other Director holding office as at the Latest Practicable Date, under the SGX DLTIS.

In addition, the Company previously had in place the Singapore Exchange Share Option Plan, which was terminated following the adoption of the SGX Performance Share Plan in 2005. There are no longer any options outstanding under the Singapore Exchange Share Option Plan. As mentioned in paragraph 3.1 above, the SGX Performance Share Plan expired on 21 September 2015 and there are no longer any outstanding awards outstanding thereunder.

#### 4. Directors' and Substantial Shareholders' Interests

4.1 **Directors' Interests.** The interests of the Directors in Shares, as extracted from the Register of Directors' Shareholdings, as at the Latest Practicable Date, are set out below:

Director	Number of Shares				Number of Shares comprised in outstanding options or awards granted by the Company
	Direct Interest	%	Deemed Interest	%	
Mr Kwa Chong Seng	20,000	nm <sup>(1)</sup>	–	–	–
Mr Loh Boon Chye	44,366	nm <sup>(1)</sup>	–	–	538,000 <sup>(2)</sup>
Mr Thaddeus Beczak	–	–	–	–	–
Ms Chew Gek Khim	–	–	–	–	–
Ms Jane Diplock AO	–	–	–	–	–
Mr Kevin Kwok	70,000	nm <sup>(1)</sup>	70,000 <sup>(3)</sup>	nm <sup>(1)</sup>	–
Mr Liew Mun Leong	–	–	–	–	–
Mr Lim Chin Hu	–	–	20,000 <sup>(4)</sup>	nm <sup>(1)</sup>	–
Ms Lim Sok Hui (Mrs Chng Sok Hui)	–	–	–	–	–
Mr Ng Kok Song	–	–	–	–	–

<sup>(1)</sup> "nm" means not meaningful.

<sup>(2)</sup> Comprising (i) a total base allocation of 269,000 Shares granted under the SGX PSP 2015, subject to certain performance conditions being met and other terms and conditions of the SGX PSP 2015; up to 150% of the base allocation may vest if the performance conditions are exceeded, in accordance with the terms of the SGX PSP 2015, and (ii) 269,000 Shares granted under the SGX DLTIS. Details may be found in the Remuneration Report on pages 76 to 80 of the Annual Report 2018.

<sup>(3)</sup> Shares held through spouse.

<sup>(4)</sup> Shares held through OCBC Securities Private Limited.

4.2 **Substantial Shareholders' Interests.** The Company has not received any substantial shareholder notifications under Division 1, Part VII of the SFA as at the Latest Practicable Date.<sup>(3)</sup>

#### 5. Directors' Recommendations

5.1 **Proposed Renewal of Share Purchase Mandate.** The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 10 relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2018 AGM.

5.2 **Proposed Adoption of SGX RSP.** All the Directors will be eligible to participate in the SGX RSP. Accordingly, they have refrained from making any voting recommendation to Shareholders in respect of Ordinary Resolution 11 relating to the proposed adoption of the SGX RSP to be proposed at the 2018 AGM.

<sup>(3)</sup> As at the Latest Practicable Date, SEL Holdings Pte Ltd ("SEL") holds 249,991,184 Shares representing 23.36% of the total number of issued Shares (excluding treasury shares). Pursuant to Section 11(2)(b) of the Exchanges (Demutualisation & Merger) Act 1999 (the "Merger Act"), SEL, being the special purpose company set up under the Merger Act to hold Shares for the benefit of the Financial Sector Development Fund, shall not exercise or control the exercise of votes attached to such Shares. Owing to this restriction, SEL is not regarded as a substantial Shareholder.

## 6. Abstention from Voting

Each of the Directors will abstain from voting his/her holding of Shares (if any) in respect of Ordinary Resolution 11, being the Ordinary Resolution relating to the proposed adoption of the SGX RSP to be proposed at the 2018 AGM, and the Company will disregard any votes cast by any Director in respect of his/her holding of Shares (if any) on Ordinary Resolution 11. Each of the Directors will also not accept nominations to act as proxy, corporate representative or attorney in respect of Ordinary Resolution 11 unless the Shareholder appointing him/her indicates clearly how votes are to be cast in respect of Ordinary Resolution 11.

The Company will procure persons who are eligible to participate in the SGX RSP to abstain from voting their holdings of Shares in respect of Ordinary Resolution 11, and will disregard any votes cast by such persons in respect of their holdings of Shares on Ordinary Resolution 11. The Company will also procure such persons to not accept nominations to act as proxy, corporate representative or attorney in respect of Ordinary Resolution 11 unless the Shareholder appointing them indicates clearly how votes are to be cast in respect of Ordinary Resolution 11.

## 7. Inspection of Documents

The following documents are available for inspection at the registered office of the Company at 2 Shenton Way #02-02, SGX Centre 1, Singapore 068804 during normal business hours from the date of this Letter up to the date of the 2018 AGM:

- (a) the Annual Report of the Company for the financial year ended 30 June 2018;
- (b) the Constitution of the Company;
- (c) the Letter to Shareholders dated 28 August 2017; and
- (d) the proposed rules of the SGX RSP.

The Annual Report of the Company for the financial year ended 30 June 2018, the Letter to Shareholders dated 28 August 2017 and the proposed rules of the SGX RSP may also be accessed at the URL <http://investorrelations.sgx.com/financial-information/annual-reports>.

## 8. Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Proposals, and the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

Yours faithfully  
for and on behalf of the Board of Directors of  
**Singapore Exchange Limited**

**Mr Kwa Chong Seng**  
Chairman