

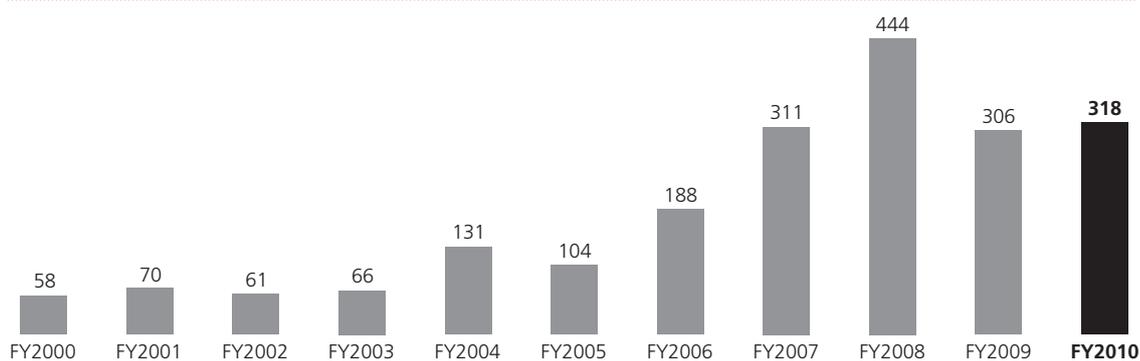


## Our Mission

We aim to offer a highly trusted securities and derivatives marketplace for capital raising, risk transfer, trading, clearing and settlement, and to serve our stakeholders.

## Significant Achievements

Net profit (\$m)



Note: The above excludes non-recurring items.

Net profit after non-recurring items: \$49 million in FY2001; \$16 million in FY2003; \$422 million in FY2007; \$478 million in FY2008; and \$320 million in FY2010.

✓ **FY2010: Second best results since SGX's IPO in November 2000**

✓ **Expanding customer base and product suite**

✓ **Building for the future**

- Redefining business lines: Focus on key growth drivers
- Reach initiative: Fastest trading engine, state-of-the-art data centre and point of presence in global liquidity hubs

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# Our Performance

## FINANCIAL HIGHLIGHTS

	FY2010	FY2009	% Change
Revenue (\$m)	<b>640</b>	595	+7.5
EBITDA (\$m)	<b>404</b>	386	+4.7
Net profit <sup>1</sup> (\$m)	<b>318</b>	306	+4.0
Net profit margin <sup>1</sup> (%)	<b>49</b>	51	-2.0*
Total equity (\$m)	<b>816</b>	778	+4.9
Return on equity <sup>1</sup> (%)	<b>39</b>	39	-0.4*
<b>Per share data (cents)</b>			
Operating cash flow	<b>35.2</b>	26.2	+34.4
Earnings <sup>1</sup>	<b>29.9</b>	28.7	+3.9
Dividend	<b>27.0</b>	26.0	+3.8
No. of shares issued <sup>2</sup> (million)	<b>1,066</b>	1,064	+0.2

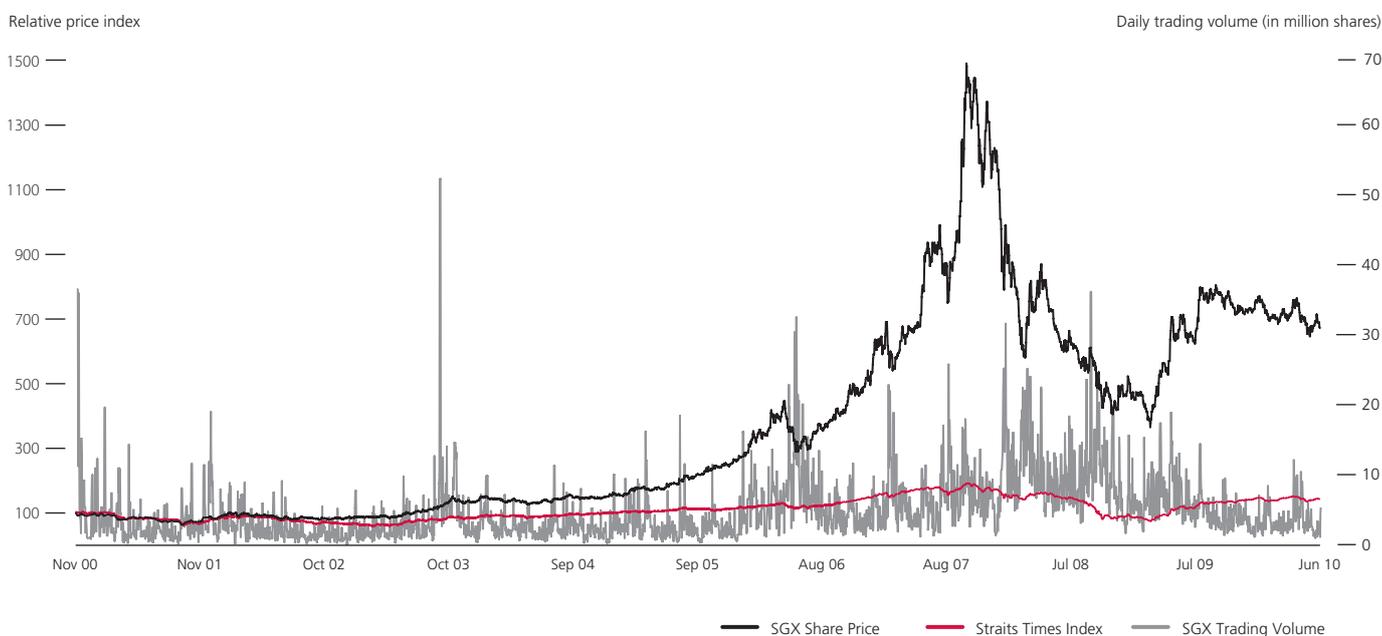
Note:

<sup>1</sup> The above excludes non-recurring items.

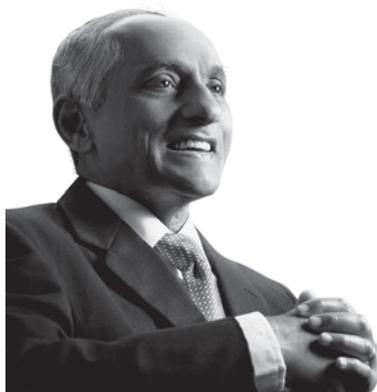
<sup>2</sup> The above number of shares issued excludes treasury shares of 5.2 million (FY2010) and 5.5 million (FY2009).

\* Change is in percentage points.

## SGX SHARE PERFORMANCE VS STRAITS TIMES INDEX (STI)



# Chairman's Statement



**“ We were on course to introduce one of the fastest trading systems in the world, with a response time of 90 microseconds, and offer a co-location facility to members and traders that will permit them to take full advantage of that quantum leap in speed. ”**

Profit after tax

**+5%**

\$320 million from \$306 million in FY2009

Final dividend per share\*

**15.75¢**

Fourth quarter base dividend of 3.75 cents and a variable dividend of 12.00 cents

Total dividend per share\*

**27.00¢**

Base dividend of 15.00 cents and variable dividend of 12.00 cents

\* subject to approval by shareholders

The gloom that pervaded financial markets in 2008 started to lift some three months before the financial year opened on 1 July 2009. Heralded by those trends, the global economy did stage a recovery, however hesitant, as FY2010 unfolded. Meanwhile, in common with regional performances, the Singapore economy gathered speed, breaking into a spirited trajectory in the second half of the financial year.

## MARKET ACTIVITY

Although the ST Index rose convincingly during the year, trading activity did not quite keep pace. The promising spurt in securities that began in the final quarter of FY2009 continued in the first quarter, softened in the second quarter, before recovering some momentum thereafter. The average for the year was \$1.54 billion a day, up 25% from the previous, subdued year. New listings surged 100% from the previous year's admittedly low base, to 42 companies, with an aggregate market cap of \$15.2 billion, excluding two secondary listings with a combined market cap of \$28.9 billion.

Derivatives trading volume rose steadily during the year from a relative sedate activity level, the fruit of major initiatives in infrastructure. High-frequency trading in particular expanded fast, now contributing some 30% of derivatives volume. While clearing of Over-The-Counter (OTC) commodities, and trading of commodity futures rose spectacularly, their share of total volume is still modest. Despite all those advances, trading volume for the entire year fell slightly, to an average of 231,938 contracts a day.

## PROFIT; DIVIDEND

Profit for the year after tax was \$320 million, a rise of 5% from last year.

The Board raised the quarterly base dividend, in the first quarter, to 3.75 cents from 3.50 cents. It maintained the policy of distributing no less than 80% of our profit, subject to the new minimum of 3.75 cents a quarter. Together with a variable dividend of 12 cents, the same as last year's, the total payout this year will be 27 cents, or 91% of our profit. Last year's payout was 26 cents.

## A STEADY YEAR OF CONSOLIDATION AND DEVELOPMENT

It is in the nature of the Exchange business that activity levels, or even sentiment, are difficult to predict. What we can strive for is to develop a reliable and advanced infrastructure for trading, clearing and the other services that we provide; establish the appropriate platforms; and offer the array of products and services that we believe meets the needs of the market.

As an example, at year-end, we were on course to introduce one of the fastest trading systems in the world, with a response time of 90 microseconds, and offer a co-location facility to members and traders that will permit them to take full advantage of that quantum leap in speed.

Increasingly, attracting intermediaries of quality from diverse jurisdictions is gaining in importance. We have achieved some notable successes, and shall persevere. To stimulate the fraternity of Locals, SGX inspired the formation of the Association of Financial and Commodity Traders in July 2009. Results are evident, and should continue to improve.

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**“ All those who laboured in SGX in that decade may take satisfaction from the vast strides we have made since inception. The odds are good that we shall continue to progress briskly in the next decade. ”**

#### **NEW CEO**

On 1 December 2009, we welcomed our new CEO, Magnus Bocker, who replaced the long-serving Hsieh Fu Hua. In his 6½ years with the Company, Mr Hsieh rallied the organisation, raising its competence and performance to a very high level. Notwithstanding our regret at Mr Hsieh's departure, we recognise that he deserves a break. Once again, I express appreciation for his enormous contribution to the Company.

Mr Bocker is settling down well, continuing the momentum that Mr Hsieh had developed, and introducing innovations in keeping with the needs of the time. I am confident he will serve SGX, its people and its array of constituencies well.

#### **COOPERATION AMONG EXCHANGES**

The change in guard came almost on cue with our tenth anniversary as a Company, and our ninth as a listed Company on our own board. That was a decade of intense activity throughout the industry. Mergers and acquisitions were rife among Western exchanges and clearers. The tempo in the East was more subdued, notwithstanding the opportunities provided by corporatisation and listing of exchanges.

Some consolidation may eventually take place. The odds are probably greater that joint ventures and other cooperative moves will spread. In keeping with the outward-looking traditions of our country and the Asian connectivity of SGX, we remain open to whatever possibilities that may come our way.

All those who laboured in SGX in that decade may take satisfaction from the vast strides we have made since inception. The odds are good that we shall continue to progress briskly in the next decade.

#### **NEW DIRECTOR**

We welcome to the Board Mr Thaddeus Beczak, subject to approval at the AGM. Mr Beczak, a resident of Hong Kong, comes with a very distinguished record of service and achievement in the financial sector as well as other industries.

#### **NEW CHAIRMAN**

Now that Mr Bocker is well settled into his incumbency, it is time for me to move on. I shall be stepping down as Chairman at the end of 2010, a good 11 years from my entry into the Board. It has been an exhilarating period. I wish to thank all those with whom I have worked, from the Board to the newest recruit, as well as to our constituencies, for their wholehearted support during my innings.

I shall be handing over the reins to Mr Chew Choon Seng, who hails from one of the most illustrious companies of Singapore. He has served in that company with distinction for four decades, in the last seven difficult years of which he was the CEO. He has sat on our Board since 2004, and now serves in the Nominating Committee and Remuneration Committee. I am confident he will continue to enjoy the full support and cooperation of the Directors, the staff and our stakeholders that I benefited from. The Company will be in good hands.



**J Y Pillay**  
Chairman

2 August 2010

# CEO's Message



**“As a regulator and market operator, we need to ensure that we become better and more nimble at understanding the marketplace to monitor developments effectively. We must continue to make markets more accessible and support financial and product innovation. We also need to heighten investor sophistication.”**

It has been almost a year since I joined Singapore Exchange (SGX). I am pleased to say that my past eight months as CEO have proven to me that I am in the right place. Today, SGX stands as the seventh largest listed exchange in terms of market capitalisation, and we rank 24th and 26th amongst global exchanges based on securities traded value and derivatives traded volume respectively<sup>1</sup>. There is so much potential, besides many challenges, as we move into a new decade.

I had three key reasons for joining SGX. First, is the potential Asia has to offer. Since the 1997/98 financial crisis, the region has emerged far more resilient than anyone would have expected. The fundamental strengths and quality of Asian economies have shown up very well in the recent global financial crisis. It is my firm belief that among global financial markets, we have seen a paradigm shift from the West to the East. Asia will play a far more significant role in the years to come, opening up new opportunities for SGX.

Second, Singapore has been internationally recognised for being the world's easiest place to do business<sup>2</sup> and, according to Bloomberg's Global Poll in 2009, the world's second leading financial centre after New York. This is principally due to the country's open policies, outward-looking stance, pro-business approach and wide connections through trade agreements. Singapore has also developed a strong regulatory framework and tax-friendly policies.

In the commodities space, Singapore is the world's third largest oil refinery centre, top bunker port and Asia-Pacific centre for the pricing and trading of oil and rubber. It is also the second largest Over-The-Counter (OTC) derivatives centre in Asia. These have contributed to Singapore's growth as a commodities hub, creating new opportunities for our financial industry.

Third, SGX's ability to reinvent itself and emerge as a leader in market development was a compelling reason to join SGX. I firmly believe that SGX will continue to thrive as the Asian Gateway, a strategy that we will vigorously continue to pursue. We have emerged as the choice listing venue for both Asian and international companies, as well as issuers of investment products like Real Estate Investment Trusts (REITs), Business Trusts and Exchange Traded Funds (ETFs). More than 40% of our listed companies hail from over 20 countries.

Through our broad suite of Pan-Asian equity derivatives, like the Japanese Nikkei 225 and Indian Nifty index futures, SGX has played a key role in reducing market inefficiencies and enhancing the price discovery process in Asia. We have pioneered the clearing of OTC-traded derivatives and effectively attracted high frequency traders.

However, the last eight months have also highlighted to me the many challenges that lie ahead of us. The sheer pace of growth and financial innovation across the region may result in sporadic pockets of turbulence that can build up and expose Asian markets to demand and supply shocks. As a regulator and market operator, we need to ensure that we become better and more nimble at understanding the marketplace to monitor developments effectively. We must continue to make markets more accessible and support financial and product innovation. We also need to heighten investor sophistication.

<sup>1</sup> Figures as of 30 June 2010.

<sup>2</sup> Based on the World Bank's "Doing Business Report 2010".

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**“ I believe that SGX can do better as there are many opportunities for us to tap on. Our turnover velocity should be double of what it is today. We should be able to launch new products and services much faster, while broadening our membership and distribution bases. We also need to build SGX as a global brand. ”**

SGX is perhaps no longer as prominent as it used to be. In terms of rankings, for example, exchanges in the region as well as alternative trading platforms are rapidly catching up with us. If we consider volume traded, our securities market is small compared to global exchanges, while compared to five years ago, our position in the global derivatives market has also fallen. It is, therefore, vital that we continue to improve and differentiate ourselves in order to remain at the top of the game.

Moving forward, I believe that SGX can do better as there are many opportunities for us to tap on. Our turnover velocity should be double of what it is today. We should be able to launch new products and services much faster, while broadening our membership and distribution bases. We also need to build SGX as a global brand.

To further strengthen our position as the Asian Gateway and achieve our goals, we will focus our efforts on working closer with our customers and other stakeholders. We will organise ourselves to be more efficient in capturing opportunities, and work differently to attain a better understanding of the market and customer needs. Since the beginning of FY2011, our new organisation structure has ten Business Units that will focus on growing every aspect of our business. In addition, seven Support Units will ensure that we are able to execute our plans effectively and successfully deliver to the market. Risk Management and Regulation will continue to provide the regulatory oversight and risk management capability for SGX.

In June 2010, we announced our commitment of \$250 million to create the fastest market access into Asia. Our new trading engine, SGX Reach, is part of this.

We have also opened a new office in London and will be establishing a point of presence at key data centres in Chicago, London, New York and Tokyo. These SGX hubs will radically lower the cost to connect to Singapore to participate in Asia's growing markets. Customers that co-locate their trading applications with SGX will be able to capitalise on new trading opportunities all over the world.

Our recently established partnership with CNBC, a leading provider of business news in Asia-Pacific, is an expression of our commitment to being the Asian Gateway. With CNBC's state-of-the-art studio facility located in our building, SGX will be at the heart of Asian financial news.

I would like to extend my sincere gratitude to the Board of Directors who have provided a warm welcome and immense guidance to me. I especially want to thank our Chairman, Mr J Y Pillay, for his invaluable contributions to SGX in the last 11 years. I wish him all the best as he moves on to his well-earned retirement.

I look forward to building this business along with a strong team of colleagues, whom I have had the privilege of getting to know this year.



**Magnus Bocker**  
Chief Executive Officer  
2 August 2010

# SGX Profile

Singapore Exchange (SGX) is among the world's largest exchanges and Asia's second largest listed exchange. As the Asian gateway, SGX is the market of choice for investors wanting to participate in Asia's vibrant and rapidly-growing economies, and for Asian issuers seeking international capital.

SGX's extensive suite of securities, derivatives and commodities products makes it Asia's most international exchange. SGX's services range from listings, trading, high-speed market access, clearing and settlement to depository services and Central Counter Party services for Over-The-Counter (OTC) traded derivatives. With the region's longest trading hours, and powered by cutting-edge technology, SGX is the unparalleled conduit for investment flows into and out of Asia.

Listed since 2000, SGX is Asia-Pacific's first demutualised and integrated securities and derivatives exchange following the merger of two established and well-respected financial institutions, the Stock Exchange of Singapore (SES) and the Singapore International Monetary Exchange (SIMEX), on 1 December 1999.

We are recognised for our market-leading developments and product innovations, and serve a wide array of customers, from domestic retail investors to some of the world's largest financial institutions, and from large capitalised entities to small, fast-growing companies. With more than 20 years' experience in derivatives clearing, SGX is well-placed to provide central counterparty clearing services through SGX AsiaClear® to serve the growing OTC market. The acquisition of Singapore Commodity Exchange (SICOM), completed on 30 June 2008, further enhances SGX's position to develop a vibrant international commodities market.

Anchored in Singapore, yet firmly plugged into the global markets, SGX provides a sound, transparent and efficient marketplace in an increasingly borderless world.

## AWARDS AND ACCOLADES

### 2000

- Asia Risk
  - Derivatives Exchange of the Year

### 2001

- The Asset Magazine
  - Asia's Best Derivatives Exchange

### 2003

- IR Magazine's IR Awards, Asia
  - Runner-up, Small and Medium Enterprise Grand Prix Category

### 2004

- Business Week's Adaptive Enterprise Awards
  - Overall Winner, Asia Pacific Category for 500 –1000 staff (For SGX QUEST)

### 2005

- Singapore Corporate Awards
  - Best Managed Board Award (Bronze)
  - Best Investor Relations Award (Bronze)

### 2007

- Energy Risk Awards
  - Exchange of the Year, Asia

### 2008

- Asia Risk
  - Derivatives Exchange of the Year
- Singapore Corporate Awards
  - Best Managed Board Award (Gold)
  - Best Investor Relations Award (Gold)
  - Best Annual Report Award (Bronze)
- Energy Business Awards, Asia
  - Gold Award for Excellence in Energy Trading & Risk Management
- IR Magazine S.E. Asia Awards
  - John Gollifer: "Best Investor Relations Officer – Large Cap"

### 2009

- SIMEX founding Chairman Ng Kok Song inducted into the Futures Industry Association (FIA) Futures Hall of Fame
- Ranked 3rd in Governance and Transparency Index Award

### 2010

- Energy Business Awards, Asia
  - Exchange of the Year, Asia
- Ranked 3rd in Governance and Transparency Index Award
- Asian Banker Award
  - Exchange of the Year

# Products and Services

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Singapore Exchange is growing its suite of products and services to meet the needs of international customers and investors globally.

## Securities

- Equities: Mainboard and Catalist
- Business Trusts & Investment Trusts including Real Estate Investment Trusts (REITs), Infrastructure Funds
- Exchange Traded Funds/Notes
- Global Depository Receipts
- Bonds, Debentures and Loan Stock
- Company Warrants

## Derivatives

- Equity Index Futures and Options on Futures
- Dividend Index Futures
- Short-Term Interest Rate Futures and Options on Futures
- Long-Term Interest Rate Futures and Options on Futures
- Commodity Futures
- Structured Warrants
- Certificates
- Extended Settlement Contracts

## Services

- Securities Trading
- Securities Clearing & Settlement
- Derivatives Trading
- Derivatives Clearing & Settlement including central counter party services for Over-The-Counter Traded energy, freight, bulk commodity and container swaps
- Market Data including securities, derivatives and commodities live and historical price information, listed companies data & news
- Securities and Derivatives Connectivity including high-speed trading, proximity hosting and market data access
- Securities Depository including custody, securities borrowing & lending
- Issuer Services including Equity and Debt Securities listings and corporate action services

We have revised our revenue classifications during 3Q2010 to better reflect our business lines. These include: Securities; Derivatives; Market Data; Member Services and Connectivity; Depository Services; and Issuer Services.

## Securities

Revenues in this business area are generated through trading and clearing of securities products, and the related processing services.

## Derivatives

Revenues in this business area are generated through trading, clearing & settlement of derivatives and commodities products, as well as the related services.

## Market Data

Revenues in this business area are generated by selling and distributing market information on SGX-listed securities, derivatives and commodities.

## Member Services and Connectivity

Revenues in this business area are generated through the provision of technology related connectivity services, as well as the different membership categories to access SGX's marketplace.

## Depository Services

Revenues in this business area are generated from depository and settlement services relating to listed and unlisted securities for member firms, depository agents, and retail investors.

## Issuer Services

Revenues in this business area are generated through listing of equity, debt and structured securities and other issuer-related services.

# SGX at a Glance

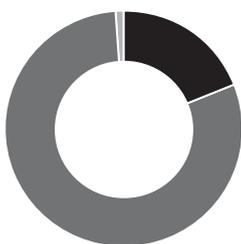
## OUR BUSINESS

### SECURITIES

Revenue

**\$296m**

46% of Group revenue



Access revenue	19%
Securities clearing revenue	80%
Securities related processing revenue	1%

Securities revenues in this business area are generated through trading and clearing of listed securities:

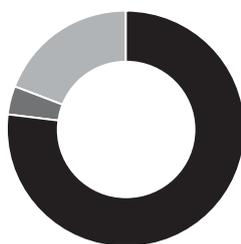
- 763 equity securities including Investment Trusts;
- 80 Company Warrants; and
- 73 Exchange Traded Funds/Notes (ETFs/ETNs)

### DERIVATIVES

Revenue

**\$131m**

21% of Group revenue



Futures & Options revenue	77%
Structured warrants revenue	4%
Interest income, license & other revenue	19%

Derivatives revenues are generated through trading, clearing & settlement of financial and commodities derivatives:

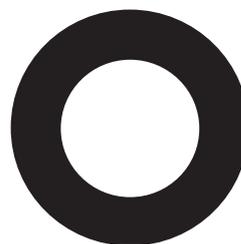
- 31 futures & options contracts;
- 233 structured warrants; and
- 31 Over-The-Counter contracts

### MARKET DATA

Revenue

**\$33m**

5% of Group revenue



Market data revenue	100%
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Market data revenues are generated by sales and distribution of securities, derivatives and commodities market information through:

- 38,567 securities terminals and
- 23,957 derivatives terminals

## BUSINESS KEY DRIVERS

### Securities average daily trading value (\$b)

FY2010	1.5
FY2009	1.2

### Derivatives: Futures & Options average daily volume ('000 contracts)

FY2010	232
FY2009	238

### Securities: No. of terminals

FY2010	38,567
FY2009	36,509

### Trading velocity (%)

FY2010	59
FY2009	67

### High frequency trading (%)

FY2010	27
FY2009	15

### Derivatives: No. of terminals

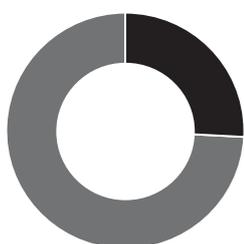
FY2010	23,957
FY2009	26,780

## MEMBER SERVICES AND CONNECTIVITY

Revenue

**\$30m**

5% of Group revenue



Membership revenue	26%
Terminal and connection revenue	74%

Revenues in these business areas are generated through the provision of membership, connectivity and network services to facilitate members' trading and clearing in SGX's markets.

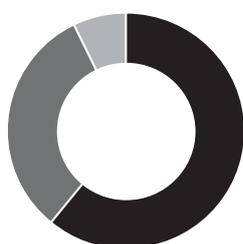
As at 30 June 2010, there were 26 trading members; 26 clearing members and 4,095 trading representatives in the securities market; 30 trading members; 242 trading members (proprietary); 228 trading members (individual) and 26 clearing members in the derivatives market; 20 clearing/non-clearing members (brokers/dealers) and 67 trade/associate members in the SICOM commodities market.

## DEPOSITORY SERVICES

Revenue

**\$82m**

13% of Group revenue



Securities settlement revenue	61%
Contract processing revenue	32%
Depository management revenue	7%

Revenues in this business area are generated from depository and settlement services relating to listed and unlisted securities for depository agents and retail investors.

## ISSUER SERVICES

Revenue

**\$64m**

10% of Group revenue

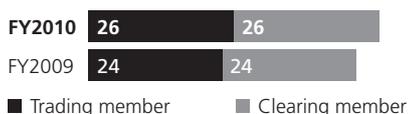


Listing revenue	58%
Corporate action and other revenue	42%

Revenues in this business area are generated through listing of equity, debt and structured securities and corporate action services.

As at 30 June 2010, there were 763 equity issues of which 304 issues were from over 20 different countries; 73 ETFs/ETNs; 80 company warrants; 233 structured warrants; and 1,229 bonds listed on SGX markets.

### Securities: Trading & clearing members



### Derivatives: Trading & clearing members



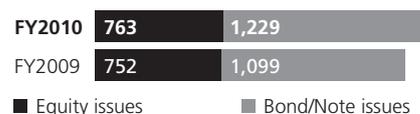
### No. of securities transfers ('000)



### No. of securities contracts processed ('000)



### No. of listings: Equity & bonds



### No. of corporate actions



# SGX Financial Highlights

## SGX KEY FINANCIALS

	FY2010	FY2009	FY2008	FY2007	FY2006
<b>Consolidated Statement of Income (\$m)</b>					
Revenue	<b>640</b>	595	769	576	408
Expenses	<b>262</b>	228	241	211	184
Operating profit	<b>378</b>	367	528	365	224
Earnings before interest, tax, depreciation and amortisation	<b>404</b>	386	588	509	251
Net profit					
<i>Excluding non-recurring items<sup>1</sup></i>	<b>318</b>	306	444	311	188
<i>Including non-recurring items<sup>1</sup></i>	<b>320</b>	306	478	422	188
<b>Consolidated Statement of Cash Flows (\$m)</b>					
Cash from operating activities	<b>375</b>	279	497	364	223
<b>Consolidated Statement of Financial Position (\$m)</b>					
Total assets	<b>1,401</b>	1,417	1,917	1,851	957
<i>Cash &amp; cash equivalent (excluding restricted cash reserves)</i>	<b>537</b>	471	648	524	156
<i>Capital expenditure</i>	<b>55</b>	37	46	14	19
Total liabilities	<b>585</b>	639	1,023	1,021	370
Total equity	<b>816</b>	778	894	830	587
<i>Includes proposed final dividend of</i>	<b>168</b>	165	309	318	123
No. of shares issued (million)	<b>1,071</b>	1,069	1,067	1,061	1,050
No. of shares held as treasury shares (million)	<b>5</b>	5	3	3	–
<b>Performance Indicators (%)</b>					
Revenue growth	<b>7.5</b>	(22.6)	33.4	41.4	48.4
Net profit growth <sup>2</sup>	<b>4.0</b>	(31.2)	42.7	65.9	79.8
Cost-to-income ratio	<b>40.9</b>	38.3	31.4	36.6	45.1
Net profit margin <sup>2</sup>	<b>49.3</b>	51.3	56.7	52.5	44.6
Return on equity <sup>2</sup>	<b>38.9</b>	39.3	49.7	37.5	32.0
<b>Per share data (cents)</b>					
Earnings per share (basic)					
<i>Excluding non-recurring items<sup>1</sup></i>	<b>29.9</b>	28.7	41.9	29.5	18.0
<i>Including non-recurring items<sup>1</sup></i>	<b>30.1</b>	28.7	45.1	40.0	18.0
Operating cash flow per share	<b>35.2</b>	26.2	46.7	34.4	21.2
Dividend per share	<b>27.0</b>	26.0	38.0	36.0	16.2
<i>Base</i>	<b>15.0</b>	14.0	12.0	8.0	6.0
<i>Variable</i>	<b>12.0</b>	12.0	26.0	28.0	10.2
Dividend payout ratio <sup>3</sup>	<b>90.5</b>	90.5	91.0	90.4	90.6
<b>SGX Share Price</b>					
Start for the financial year	<b>7.13</b>	6.94	9.75	3.54	2.09
High	<b>8.85</b>	7.85	16.40	10.30	4.90
Low	<b>6.86</b>	4.02	6.40	3.26	2.08
End for the financial year	<b>7.39</b>	7.10	6.91	9.80	3.52
Average daily volume traded (million)	<b>3.9</b>	8.7	9.2	5.4	5.0
Total shareholder return (%)	<b>7.9</b>	8.5	(25.4)	184.3	71.0

<sup>1</sup> Non-recurring items relate to the following:

- i) \$5.0 million write-back of allowance for impairment on property and \$2.7 million impairment of goodwill in FY2010;
- ii) \$34.0 million distribution from SGX-DT Compensation Fund in FY2008; and
- iii) \$45.0 million write-back of allowance for impairment on SGX Centre, and \$65.5 million gain on disposal of SGX Centre in FY2007.

<sup>2</sup> Excludes non-recurring items.

<sup>3</sup> Excludes the following:

- i) \$5.0 million write-back of allowance for impairment on property and \$2.7 million impairment of goodwill in FY2010; and
- ii) \$34.0 million distribution from SGX-DT Compensation Fund in FY2008.

## FINANCIAL PERFORMANCE

### Revenue contribution (\$m)



Business line	FY2010	FY2009	FY2008	FY2007	FY2006
Securities	296	239	391	285	180
Derivatives	131	156	156	117	96
Market Data	33	35	34	27	23
Member Services and Connectivity	30	27	28	22	19
Depository Services	82	74	74	54	38
Issuer Services	64	61	83	67	48

### Net profit margin<sup>1</sup> (%)



### Earnings per share<sup>1</sup> (cents)



### Return on equity<sup>1</sup> (%)



### Dividend per share (cents)



<sup>1</sup> Excludes non-recurring items.

# Highlights of the Year

**FY2010 saw Singapore Exchange (SGX) developing and launching innovative products, making major investments, forming strategic alliances and partnerships with overseas exchanges, and celebrating new milestones.**

## **08 July 2009**

Signed Memorandum of Understanding (MOU) with Oslo Børs ASA (Oslo Børs) to facilitate the process of secondary listing of companies on each other's exchange

## **14 July 2009**

Announced a new research scheme, SGX Equity Research Insights (SERI), to better address the needs of listed companies and their investors

## **23 July 2009**

Launched the Singapore's Association of Financial and Commodity Traders (AFACT) with Trading Members

## **12 August 2009**

Signed Agreement with Chi-X® Global Inc. (Chi-X) to launch the first exchange-backed dark pool in the Asia-Pacific region. The joint venture aims to offer block crossing facilities for equities listed on SGX, and on an offshore basis for Australia, Hong Kong and Japanese exchanges

## **27 August 2009**

Deutsche Bank and SGX launched Asia's first money market ETF on SGX

## **01 September 2009**

Singapore Press Holdings (SPH), SGX and FTSE Group (FTSE) launched the new FTSE ST Maritime Index, an indicator of the strength of the maritime component of companies in the energy, offshore and shipping industries listed on SGX

## **09 September 2009**

Celebrated SGX's 10th Anniversary

## **18 September 2009**

Admitted Fortis Bank Global Clearing N.V. as the first Bank Trading Member for SGX's derivatives market

## **22 September 2009**

Singapore Commodity Exchange Limited (SICOM) and Sino Rubber Electronic Trading Market Co., Ltd (Sino Rubber) of China signed MOU to grow their natural rubber markets. This includes information sharing and joint development of the settlement process for rubber contracts

## **29 September 2009**

Named Asia's Exchange of the Year by Energy Risk Magazine, in the Over-The-Counter (OTC) derivatives market in Asia

## **01 October 2009**

SGX and SICOM launched a SGX-SICOM clearing arrangement to provide SGX trading members direct trading access into SICOM's commodity derivatives market

## **13 October 2009**

Conducted electronic poll voting for all resolutions passed at the FY2009 AGM. Poll voting works on the principle of one-share-one-vote, as opposed to the previous practice of a 'show of hands' or 'one-person-one-vote'

## **16 October 2009**

SGX and AFACT embarked on a Financial Trading Capabilities Development Plan to enhance the trading skill-sets of financial trading professionals in Singapore through SGX Academy

## **20 November 2009**

Raised \$2.038 million during Bull Charge 2009

## **25 November 2009**

SGX and Taiwan's GreTai Securities Market signed MOU to co-operate towards the development of their respective capital markets

## **30 November 2009**

Launched programmes with Society of Remisiers (Singapore) (SRS) and the Securities Association of Singapore (SAS) to enhance the profile and development of the remisier profession

## **01 December 2009**

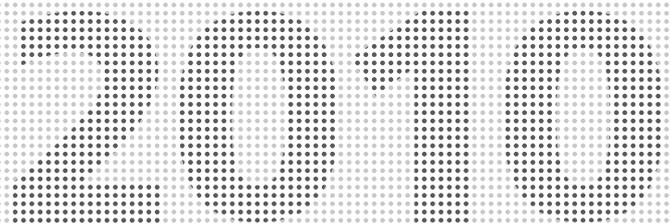
Mr Magnus Bocker joined SGX as Chief Executive Officer

## **07 December 2009**

SGX launched new clearing system, SGXClear, to enhance capabilities in terms of speed and functionality, and increase capacity to support significant growth in the derivatives business

## **15 December 2009**

Barclays Capital listed iPath® Exchange Traded Note (ETN) on SGX, the first ever ETN in Asia outside of Japan



**05 January 2010**

Announced successful transition of 130 companies to Catalist

**09 February 2010**

Citibank N.A. became a new Bank Clearing Member of the SGX securities market

**22 February 2010**

Started trading of new Fuel Oil 380-centistoke futures contract

**23 February 2010**

First two companies agreed to dual listing on Oslo Børs and SGX

Launched "Trading Strategies Series" as part of investor education efforts

**10 March 2010**

Signed MOU with National Stock Exchange of India Limited (NSE) to cooperate in the development of a market for India-linked products

**22 March 2010**

Goldman Sachs Futures Pte Ltd became a Trading and Clearing Member of the SGX securities market

**30 March 2010**

SICOM launched GOLD Deferred Settlement Contract

**01 April 2010**

Singapore Government Securities holdings migrated to Central Depository (CDP)

**07 April 2010**

MF Global Singapore became a Trading Member of the SGX securities market

**22 April 2010**

SICOM launched Robusta Coffee Futures Contract

**15-16 May 2010**

SGX and AFACT launched the inaugural SGX Professional Traders Symposium

**19 May 2010**

Signed Listing MOU with the Financial Affairs Office of the Chongqing Government in China

**25 May 2010**

Prudential, one of the world's leading financial services groups, listed on SGX

**27 May 2010**

SGX Academy's Securities and Derivatives Cross-Trading Training Course accredited by The Institute of Banking & Finance (IBF) under the Financial Industry Competency Standards framework

**01 June 2010**

SICOM and the Tokyo Commodity Exchange (TOCOM) signed Heads of Terms agreement to develop cross-listing collaboration and enhance liquidity of the Singapore and Japan commodity markets

SPH, SGX and FTSE launched the new Supersector and Sector indices to complement the family of FTSE Straits Times (ST) Indices which included the Straits Times Index (STI)

**03 June 2010**

Launched \$250 million Reach initiative to create the world's fastest trading engine, establish a world-class data centre for SGX and seamlessly connect trading communities in global financial hubs to Singapore from the first quarter of 2011

**04 June 2010**

Announced 40% of SGX's broking members and customers, including crossing network operator Chi-East, chose to co-locate at the new SGX data centre

**08 June 2010**

Established a London office to better serve the growing number of European-based customers

**09 June 2010**

BNP Paribas Securities Services joined as a Clearing Member of SGX's derivatives market

**14 June 2010**

CNBC launched new primary studio facility at SGX

Signed a five-year IT infrastructure outsourcing agreement with HCL Technologies

**17 June 2010**

The new SGX Nikkei Dividend Point Index futures began trading, making SGX the first Asian exchange to trade a dividend futures contract

**30 June 2010**

Announced a new organisation structure

# Upholding Corporate Governance





**Robust regulatory standards and corporate governance form the foundation of our marketplace.**



# Board of Directors



## **J Y PILLAY, 76**

### **Chairman**

Non-executive and non-independent Director<sup>1</sup>

Date of first appointment as a director	: 15 November 1999
Date of last re-election as a director	: 13 October 2009
Length of service as a director (as at 30 June 2010)	: 10 years 7 months
Board committee(s) served on	: Nil

Academic & Professional Qualification(s):  
BSc (Hons), Imperial College of Science & Technology, London

### **Present Directorships (as at 30 June 2010)**

#### *Listed companies*

Nil

#### *Others*

Board of Trustees of the Caritas Singapore and Community Council Limited  
Agape Fund (Chairman)

Council of Presidential Advisers of the Republic of Singapore (Chairman)

Lee Kuan Yew School of Public Policy (Adjunct Professor)

Presidential Council for Minority Rights of the Republic of Singapore  
(Member)

SGX Investment (Mauritius) Limited

Singapore Indian Development Association (Life Trustee)

Singapore Management University (Pro-Chancellor)

The Community Foundation of Singapore (Board Member)

### **Major Appointments (other than Directorships)**

Nil

### **Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)**

Assisi Hospice (Chairman)

Council on Corporate Disclosure and Governance (Chairman)

Mount Alvernia Hospital

SGXLink Pte Ltd

Singapore Exchange Derivatives Clearing Limited

Singapore Exchange Derivatives Trading Limited

Singapore Exchange Securities Trading Limited

Singapore Hospice Council

The Central Depository (Pte) Limited



## **MAGNUS BOCKER, 48**

### **Chief Executive Officer**

Executive and non-independent Director

Date of first appointment as a director	: 1 December 2009
Date of last re-election as a director	: N.A.
Length of service as a director (as at 30 June 2010)	: 7 months
Board committee(s) served on	: Nil

Academic & Professional Qualification(s):  
Mr Bocker studied business at the University of Stockholm

### **Present Directorships (as at 30 June 2010)**

#### *Listed companies*

Nil

#### *Others*

Dustin AB (Chairman)

Singapore Commodity Exchange Limited (Chairman)

### **Major Appointments (other than Directorships)**

Nil

### **Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)**

Nasdaq OMX Holding AB

Nasdaq OMX Nordic Ltd

NIR, International Council of Swedish Industry

OMX AB

Orc Software AB

World Federation of Exchanges

<sup>1</sup> With effect from 28 September 2007, Mr Pillay was re-designated to serve as a non-executive Chairman. After 28 September 2010, Mr Pillay will be considered as an independent Director.



### **LOW CHECK KIAN, 51**

Non-executive and lead independent Director

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Date of first appointment as a director	: 20 July 2000
Date of last re-election as a director	: 13 October 2009
Length of service as a director (as at 30 June 2010)	: 9 years 3 months <sup>2</sup>
Board committee(s) served on:	
Nominating Committee (Chairman)	
Remuneration Committee (Member)	
Academic & Professional Qualification(s):	
Bachelor of Science in Economics (First Class Honours) and Master of Science in Economics, London School of Economics	

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#### **Present Directorships (as at 30 June 2010)**

##### *Listed companies*

Fibrechem Technologies Limited<sup>3</sup>

##### *Others*

AWAK Technologies Limited

NewSmith Capital Partners (Asia) Pte Ltd (Chairman)

#### **Major Appointments (other than Directorships)**

Nil

#### **Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)**

Singapore Workforce Development Agency

Singapore Workforce Development Agency Investment Committee  
(Chairman)

### **CHEW CHOON SENG, 63**

Non-executive and independent Director

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Date of first appointment as a director	: 1 December 2004
Date of last re-election as a director	: 28 September 2007
Length of service as a director (as at 30 June 2010)	: 5 years 6 months
Board committee(s) served on:	
Nominating Committee (Member)	
Remuneration Committee (Member)	
Academic & Professional Qualification(s):	
Bachelor of Engineering (Mechanical) (First Class Honours), University of Singapore Master of Science in Operations Research and Management Studies, Imperial College of Science and Technology, University of London	

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#### **Present Directorships (as at 30 June 2010)**

##### *Listed companies*

SIA Engineering Company Limited

Singapore Airlines Limited

##### *Others*

Government of Singapore Investment Corporation Pte Ltd

International Air Transport Association

#### **Major Appointments (other than Directorships)**

Singapore Airlines Limited (CEO)

#### **Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)**

Singapore Airport Terminal Services Limited

<sup>2</sup> Mr Low was appointed lead independent Director in May 2006.

<sup>3</sup> Status of company: Suspended.

## Board of Directors



### **EULEEN GOH, 55**

Non-executive and independent Director

Date of first appointment as a director	: 29 September 2006
Date of last re-election as a director	: 13 October 2009
Length of service as a director (as at 30 June 2010)	: 3 years 9 months

Board committee(s) served on:

Audit Committee (Member)  
Regulatory Conflicts Committee (Member)  
Risk Management Committee (Member)

Academic & Professional Qualification(s):

Institute of Chartered Accountants in England and Wales  
Institute of Taxation, UK  
Institute of Certified Public Accountants of Singapore  
Institute of Bankers, UK

#### **Present Directorships (as at 30 June 2010)**

##### *Listed companies*

Aviva plc  
DBS Group Holdings Ltd  
Singapore Airlines Limited

##### *Others*

DBS Bank Ltd

#### **Major Appointments (other than Directorships)**

Accounting Standards Council (Chairman)  
Northlight School (Chairman/Board of Governors)  
NUS Business School (Management Advisory Board Member)  
Singapore Chinese Girls' School (Board Member)  
Singapore International Foundation (Chairman)

#### **Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)**

CapitaLand Financial Limited (Deputy Chairman)  
Financial Industry Competency Standards Committee (Chairman)  
International Enterprise Singapore (Chairman)  
MediaCorp Pte Ltd  
MOH Holdings Pte Ltd  
Standard Chartered Bank Malaysia Berhad  
Standard Chartered Bank (Thai) Plc  
The Institute of Banking and Finance



### **HO TIAN YEE, 58**

Non-executive and independent Director

Date of first appointment as a director	: 15 November 1999
Date of last re-election as a director	: 13 October 2009
Length of service as a director (as at 30 June 2010)	: 10 years 7 months

Board committee(s) served on:

Audit Committee (Member)  
Nominating Committee (Member)  
Risk Management Committee (Member)

Academic & Professional Qualification(s):

Bachelor of Arts (Honours) Economics (CNA), Portsmouth University

#### **Present Directorships (as at 30 June 2010)**

##### *Listed companies*

Fraser and Neave Limited  
SP AusNet<sup>4</sup>

##### *Others*

Hexa-Team Planners Pte Ltd  
Pacific Asset Management (S) Pte Ltd  
Singapore Power Limited  
Times Publishing Ltd

#### **Major Appointments (other than Directorships)**

Government of Singapore Investment Corporation Pte Ltd  
(Investment Committee Member)  
Mount Alvernia Hospital (Investment Committee Member)

#### **Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)**

Great Eastern Holdings Ltd  
The Great Eastern Life Assurance Company Ltd  
The Overseas Assurance Corporation Limited

<sup>4</sup> SP AusNet, a stapled security, comprises SP Australia Networks (Distribution) Ltd, SP Australia Networks (RE) Ltd and SP Australia Networks (Transmission) Ltd.



### LEE HSIEN YANG, 52

Non-executive and independent Director

Date of first appointment as a director	: 17 September 2004
Date of last re-election as a director	: 3 October 2008
Length of service as a director (as at 30 June 2010)	: 5 years 9 months
Board committee(s) served on:	
Audit Committee (Chairman)	
Remuneration Committee (Member)	
Academic & Professional Qualification(s):	
Bachelor of Arts (Double First), Cambridge University	
Master of Science Management, Stanford University	

#### Present Directorships (as at 30 June 2010)

##### Listed companies

Australia and New Zealand Banking Group Ltd.  
Fraser and Neave Limited (Chairman)

##### Others

Asia Pacific Investment Pte Ltd.  
Civil Aviation Authority of Singapore (Chairman)  
Governing Board of Lee Kuan Yew School of Public Policy  
Kwa Geok Choo Pte Ltd  
The Islamic Bank of Asia Limited

#### Major Appointments (other than Directorships)

Nil

#### Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)

FCL Bridgepoint Pte Ltd.  
FCL Management Services Pte Ltd.  
L & L Services (Pte) Ltd  
Lion (Singapore) Pte Ltd.  
Republic Polytechnic



### LIEW MUN LEONG, 64

Non-executive and independent Director

Date of first appointment as a director	: 1 July 2009
Date of last re-election as a director	: 13 October 2009
Length of service as a director (as at 30 June 2010)	: 12 months
Board committee(s) served on:	
Regulatory Conflicts Committee (Member)	
Academic & Professional Qualification(s):	
Bachelor of Engineering (Civil), University of Singapore	
Registered professional Civil Engineer	

#### Present Directorships (as at 30 June 2010)

##### Listed companies

CapitaLand Limited  
CapitaMalls Asia Limited (Chairman)

##### Others

Ascott Residence Trust Management Limited (Deputy Chairman)  
CapitaCommercial Trust Management Limited (Deputy Chairman)  
CapitaLand China Holdings Pte Ltd (Chairman)  
CapitaLand Commercial Limited (Chairman)  
CapitaLand Financial Limited (Chairman)  
CapitaLand Financial Services Limited (Deputy Chairman)  
CapitaLand Hope Foundation  
CapitaLand ILEC Pte Ltd (Chairman)  
CapitaLand Residential Singapore Pte Ltd (Chairman)  
CapitaLand UK Holdings Limited  
CapitaMall Trust Management Limited (Deputy Chairman)  
CapitaRetail China Trust Management Limited (Deputy Chairman)  
Changi Airport Group (Singapore) Pte Ltd (Chairman)  
China Club Investment Pte Ltd (Chairman)  
Singapore-China Foundation Ltd  
TCC Capital Land Limited (Vice Chairman)  
The Ascott Limited (Deputy Chairman)

#### Major Appointments (other than Directorships)

CapitaLand Limited (President and CEO)  
Centre for Liveable Cities (Board Member)  
Chinese Development Assistance Council (Board Member)  
Human Capital Leadership Institute (Member)  
National Productivity and Continuing Education Council (Member)  
NUS Business School (Management Advisory Board Member)

#### Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)

CapitaLand Industrial & Logistics Holdings Limited  
CapitaLand Residential Limited  
Clarke Quay Pte Ltd  
Royal Thalys Pte Ltd  
The Link Management Limited

## Board of Directors



### LOH BOON CHYE, 46

Non-executive and non-independent Director

Date of first appointment as a director	: 22 October 2003
Date of last re-election as a director	: 3 October 2008
Length of service as a director (as at 30 June 2010)	: 6 years 8 months
Board committee(s) served on:	
Risk Management Committee (Chairman)	
Audit Committee (Member)	
Nominating Committee (Member)	
Academic & Professional Qualification(s):	
Bachelor of Engineering (Mechanical), National University of Singapore	

#### Present Directorships (as at 30 June 2010)

##### Listed companies

Nil

##### Others

BC Capital Pte Ltd  
BC Investments Holdings Ltd  
Gym & Sports Pte Ltd  
Singapore Foreign Exchange Market Committee (Chairman)

#### Major Appointments (other than Directorships)

Financial Sector Development Fund Advisory Committee of MAS (Member)  
The Institute of Banking and Finance (Council Member)  
Wah Hin & Co Investment Committee (Member)

#### Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)

BondsinAsia Limited  
BondsInAsia (Singapore) Pte Ltd  
Deutsche Bank International Asia Ltd  
Deutsche Securities India (Pte) Ltd



### NG KEE CHOE, 66

Non-executive and independent Director

Date of first appointment as a director	: 22 October 2003
Date of last re-election as a director	: 3 October 2008
Length of service as a director (as at 30 June 2010)	: 6 years 8 months
Board committee(s) served on:	
Remuneration Committee (Chairman)	
Nominating Committee (Member)	
Risk Management Committee (Member)	
Academic & Professional Qualification(s):	
Bachelor of Science (Honours), University of Singapore	

#### Present Directorships (as at 30 June 2010)

##### Listed companies

Capitaland Limited  
PT Bank Danamon Indonesia, Tbk (President-Commissioner)  
Singapore Airport Terminal Services Limited  
SP AusNet<sup>5</sup>

##### Others

Fullerton Financial Holdings Pte Ltd  
NTUC Income Insurance Cooperative Limited (Chairman)  
S Daniels Plc  
Singapore Power Limited (Chairman)  
Tanah Merah Country Club (Chairman)

#### Major Appointments (other than Directorships)

International Advisory Council of China Development Bank (Member)  
Temasek Advisory Panel of Temasek Holdings (Pte) Limited (Member)

#### Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)

Nil

<sup>5</sup> SP AusNet, a stapled security, comprises SP Australia Networks (Distribution) Ltd, SP Australia Networks (RE) Ltd and SP Australia Networks (Transmission) Ltd.

# Proposed Director



## ROBERT OWEN, 70

Non-executive and independent Director

Date of first appointment as a director	: 17 September 2004
Date of last re-election as a director	: 13 October 2009
Length of service as a director (as at 30 June 2010)	: 5 years 9 months
Board committee(s) served on:	
Regulatory Conflicts Committee (Chairman)	
Risk Management Committee (Member)	
Academic & Professional Qualification(s):	
Master of Arts (First Class Honours), Oxford University	

### Present Directorships (as at 30 June 2010)

#### Listed companies

Crosby Asset Management Inc. (Chairman)

#### Others

Citibank (Hong Kong) Ltd  
 Crosby China Chips Fund Ltd  
 International Securities Consultancy Ltd. (Chairman)  
 KASB Funds Ltd  
 Repton School Dubai  
 Repton School UK (Governor)  
 Sir John Port's Charity  
 The Dubai Financial Services Authority

### Major Appointments (other than Directorships)

Nil

### Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)

IB Daiwa Corporation (Chairman)  
 Nomura International (HK) Ltd



## THADDEUS BECZAK, 60

Date of first appointment as a director:  
 To be proposed for shareholders' approval at the AGM on 7 October 2010  
 Please refer to the Notice of AGM on page 160

Date of last re-election as a director	: N.A.
Length of service as a director (as at 30 June 2010)	: N.A.

#### Board committee(s) served on:

To be appointed as Regulatory Conflicts Committee member upon appointment as director

#### Academic & Professional Qualification(s):

Bachelor of Science degree in Foreign Service International Affairs,  
 Georgetown University  
 Master of Business Administration degree, Columbia University

### Present Directorships (as at 30 June 2010)

#### Listed companies

Advanced Semiconductor Manufacturing Corp Limited  
 Arnhold Holdings Limited  
 Pacific Online Limited  
 Phoenix Satellite Television Holdings Limited

#### Others

ACR Capital Holdings Pte Limited (Non-executive Chairman)  
 Artisan Du Luxe Holding Limited (Non-executive Chairman)  
 Cowen and Company, LLC (Vice-Chairman)  
 Cowen Latitude Advisors Limited (Chairman)

### Major Appointments (other than Directorships)

Georgetown University School of Foreign Service (Board of Advisors)  
 Hong Kong University of Science and Technology (Adjunct Professor,  
 MBA degree programme)  
 International Advisory Committee of the China Securities Regulatory  
 Commission (Member)

### Past Directorships held over the preceding three years (from 30 June 2007 to 29 June 2010)

LIM Asia Alternate Real Estate Fund  
 Namtai Electronic and Electrical Products Limited  
 Nomura Asia Holdings N.V.  
 Nomura International (HK) Limited

# Executive Committee



From left to right:  
Magnus Bocker, Robert Ian Caisley,  
Yeo Lian Sim, Chew Sutat,  
Benjamin Foo, Chang Kuan Aun,  
Gan Seow Ann, Seck Wai Kwong,  
Muthukrishnan Ramaswami and  
Lawrence Wong Liang Ying

## **MAGNUS BOCKER** Chief Executive Officer

Mr Magnus Bocker joined SGX as CEO on 1 December 2009. He also serves as an Executive and Non-independent director on the SGX board and the Chairman of Singapore Commodity Exchange (SICOM).

Mr Bocker has 24 years of leadership experience in the Exchange Industry, including the creation of OMX (the Nordic Exchanges Company), and subsequently playing a key role in the merger of OMX and Nasdaq in 2008. As the President of NASDAQ OMX during 2008 and 2009, Mr Bocker was responsible for a number of NASDAQ OMX business areas: Corporate Client Group, Corporate Services, Market Technology, Software Development, Global IT Services, and Carpenter Moore.

During his tenure with OMX, Mr Bocker served in various capacities, including CFO, COO and President of the OMX Technology division, before he became CEO of OMX AB in 2003. Under his leadership, OMX became the world's largest provider of technology solutions for exchanges, clearing organisations and securities depositories.

Mr Bocker was a Member of the Board of the World Federation of Exchanges (WFE). He serves as Chairman on the Board of Dustin Group, and in 2000–2006, he was Chairman of Orc Software.



**GAN SEOW ANN**  
Co-President

Mr Gan is, jointly with the CEO, responsible for steering and growing the businesses of SGX.

In this role, Mr Gan drives the growth of SGX's Securities, Derivatives, Commodities and Fixed Income businesses, as well as oversees Sales & Distribution, and Market Data & Access. His responsibilities include the development and improvement of products, services and market participation to augment SGX's Asian Gateway positioning. He also supervises the Listings business which is tasked with attracting companies seeking international capital via equity and bond listings.

Prior to joining SGX on 20 March 2001, Mr Gan held various senior positions in regional capital markets. From 1996 to 2001, he was Managing Director at Merrill Lynch, Singapore, where he oversaw the company's business activities in its South East Asian offices and managed its exchange seats in Indonesia, Malaysia, Philippines, Thailand and Singapore. From 1990 to 1996, he was Managing Director of Crosby Securities, responsible for the equities business in Indonesia, Malaysia and Singapore.

Mr Gan serves on the boards of several organisations, including the Energy Market Authority and National Kidney Foundation. He graduated with a Bachelor of Arts (Economics) with Distinction and holds a Master of Business Administration from McMaster University, Canada.

**MUTHUKRISHNAN RAMASWAMI**  
Co-President

Mr Ramaswami is, jointly with the CEO, responsible for steering and growing the businesses of SGX.

In this role, Mr Ramaswami manages the key functions of the Operations, Technology, and drives the growth and business development of Clearing, Depository and Broker Services. Mr Ramaswami is responsible for the transformation of SGX into a post-trade processing hub and the development of ancillary services arising out of its core trading and clearing activities.

Mr Ramaswami joined SGX on 1 July 2007. Prior to this, he worked with Citigroup from 1986 to 2007. Most recently, he was the Chief Information Officer with the International Consumer Business of Citi's Global Consumer Bank. He also held senior executive positions in Citigroup's international and regional offices, working in Operations, Technology and Transaction Banking roles with Citi in Mumbai, Singapore, Hong Kong, London and New York.

Mr Ramaswami holds a Master degree in Mathematics (Honours) from Birla Institute of Technology and Sciences, and also a Post Graduate Diploma in Management Studies (Masters in Business Administration) from the Indian Institute of Management, Ahmedabad.

## Executive Committee

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### **SECK WAI KWONG**

#### **Chief Financial Officer**

Mr Seck joined SGX on 2 June 2003. He is the Chief Financial Officer overseeing Finance, Investor Relations, Legal and Compliance.

In the first 14 years of his professional career, Mr Seck held senior executive positions in the Monetary Authority of Singapore (MAS) and the Government of Singapore Investment Corporation. Subsequently, he was Managing Director and Head of Fixed Income for Asia ex-Japan at Lehman Brothers from 1995 to 1999, and was also the Adviser to the Investment Company of the People's Republic of China in 1995. From 1999 to 2002, he was Managing Director of DBS Bank where he headed its wealth management business, and prior to that, co-headed its corporate and investment banking activities. He also served as Chairman of DBS Securities and DBS Asset Management.

Mr Seck is a board member of the Philippine Dealing System Holdings Corp. He is currently an Advisory Board member of the Financial Sector Development Fund, Chairman of the Investment Committee and Council member of the Institute of Banking and Finance, Vice Chairman of the Financial Industry Competency Standards Steering Committee and a member of Singapore's takeover panel, the Securities Industry Council. He also chairs the Investment Committee and serves as Trustee of the Home Affairs Uniformed Services INVEST Board, and is a trustee of Ministry of Defence's Savings and Employee Retirement (SAVER) Premium Fund.

Mr Seck holds a Master of Business Administration (with Distinction) from the Wharton School, University of Pennsylvania, USA, and a Bachelor of Economics (First Class Honours) from Monash University, Australia.

### **YEO LIAN SIM**

#### **Chief Regulatory Officer**

As Chief Regulatory Officer, Ms Yeo oversees the Risk Management & Regulation (RMR) that is responsible for maintaining a robust regulatory framework for SGX's operation of a fair, orderly and transparent market. RMR encompasses member supervision, issuer and sponsor regulation, market surveillance, enforcement, risk management, and regulatory policy. The RMR team works closely with the MAS in developing and enforcing rules and regulations for market participants. Ms Yeo has been with SGX since July 2004.

Before SGX, Ms Yeo was at Temasek Holdings where she was responsible for capital resource management. For most of her career, she was at MAS where she held responsibilities in various areas, namely, managing the Singapore dollar exchange rate, money market operations and the investment of foreign reserves, as well as overseeing the regulation of the securities and futures markets.

Ms Yeo serves on the board of Shared Services for Charities Limited, Audit Committee of National Council of Social Service and the Singapore Institute of Directors Council.

Ms Yeo graduated with Honours in Economics and Political Science from the University of Singapore and holds a Master degree from the London Business School, UK. Ms Yeo was awarded the Public Administration Medal (Gold) at the Singapore National Day Honours in 1994.

### **ROBERT IAN CAISLEY**

#### **Executive Vice President and Chief Information Officer**

Mr Caisley is Executive Vice President and Chief Information Officer. He is responsible for managing the Technology group which comprises the functions of IT planning and governance, enterprise architecture, solutions delivery and services management. He also assists the Chief Operations Officer in ensuring a robust and reliable technology infrastructure that reinforces SGX's strategic business and growth plans.

With more than 25 years of experience in IT project management and operations, Mr Caisley provides strategic guidance in technology direction and business development at SGX.

Mr Caisley joined SGX on 14 January 2008. Prior to SGX, he was employed by the Australian Securities Exchange (ASX) as Head of Integrated Trading Systems. In his career, he has been responsible for the successful implementations of key IT projects with ASX, the Kuwait Investment Office and Commercial Union PLC. He was also the project leader for the development and implementation of the UK's electronic funds transfer system under BACS (Banker Automated Clearing Service) Ltd.

### **CHANG KUAN AUN**

#### **Executive Vice President and Chief Human Resource Officer**

Mr Chang is responsible for the management of SGX's human resource and organisational development initiatives. His charter is to align human capital strategy with business priorities.

A veteran in HR, Mr Chang has extensive regional and corporate experience. He has worked in diverse industries, spanning semiconductor, chemical, apparel, sanitaryware, newsprint manufacturing and financial services.

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Prior to joining SGX, Mr Chang was Senior Vice President for Human Resource & Organisational Development with Norke Skog PanAsia. In his more than 20 years in HR, he has developed and deployed corporate initiatives ranging from process re-engineering, productivity enhancement to quality management.

Mr Chang holds a Bachelor of Science degree in Business & Economics from the College of Notre Dame (USA). He currently serves as a Director on the Board of Integrated Plastics Technology Pte Ltd.

### **CHEW SUTAT**

#### **Executive Vice President**

Mr Chew Sutat is Head of Corporate & Market Strategy for the Exchange, and is also responsible for the Securities business.

Mr Chew joined SGX in June 2007 and was appointed to the Executive Committee in May 2008. He was previously Group Head, Investment & Treasury Products at Standard Chartered Bank. He was responsible for the Global Wealth Management investment and treasury products business, strategy and development in the bank's existing geographic franchises as well as new ventures.

Before Standard Chartered Bank, Mr Chew was with OCBC Securities, where he headed the development of non-traditional investment products and services for its customers. He began his career with DBS Bank in the Custody function, and held varying portfolios in strategic planning and business development for institutional banking, as well as private clients.

Mr Chew graduated with a Bachelor of Arts (First Class Honours) degree in Philosophy Politics & Economics (PPE) from Oxford University, Keble College in 1996. He also holds a Master of Arts degree from Oxford.

### **BENJAMIN FOO**

#### **Executive Vice President**

Mr Benjamin Foo is Executive Vice President and Head of Operations. He is responsible for the trading, clearing and settlement operations of the securities and derivatives markets, as well as market control and securities depository functions.

Mr Foo previously headed other functions at SGX including the Clearing and Commodities Business, where he led in the development of SGX AsiaClear® for Over-The-Counter (OTC) oil and freight clearing business. He also oversaw the Intermediaries and Affiliates function where he managed product marketing and the business relationship with securities and derivatives members and their overseas affiliates. Before this, he was responsible for strategy, product development and marketing for the SGX derivatives market.

Prior to joining SGX in March 2001, Mr Foo was Executive Director of Phillip GNI Futures Pte Ltd, a Clearing Member of Singapore Exchange Derivatives Trading Ltd, and also Phillip Trading Pte Ltd, a Clearing Member of the Singapore Commodity Exchange (SICOM), from 1994 to 2001. He was the Vice President for Business Development at the Singapore International Monetary Exchange (SIMEX), where he was responsible for research, product and business development from 1988 to 1994.

Mr Foo holds a Master degree in Business Administration (Finance and Marketing) from Loyola University, Chicago.

### **LAWRENCE WONG LIANG YING**

#### **Executive Vice President**

Mr Wong joined the Exchange in April 2006 as Head of Listings to further develop SGX as an Asian gateway for companies seeking to tap international capital markets.

Prior to joining SGX, Mr Wong was part of the senior management team at OCBC Bank. During his tenure with the bank, his portfolio included corporate finance, securities and futures, trustee and nominee businesses, fund management and private equity.

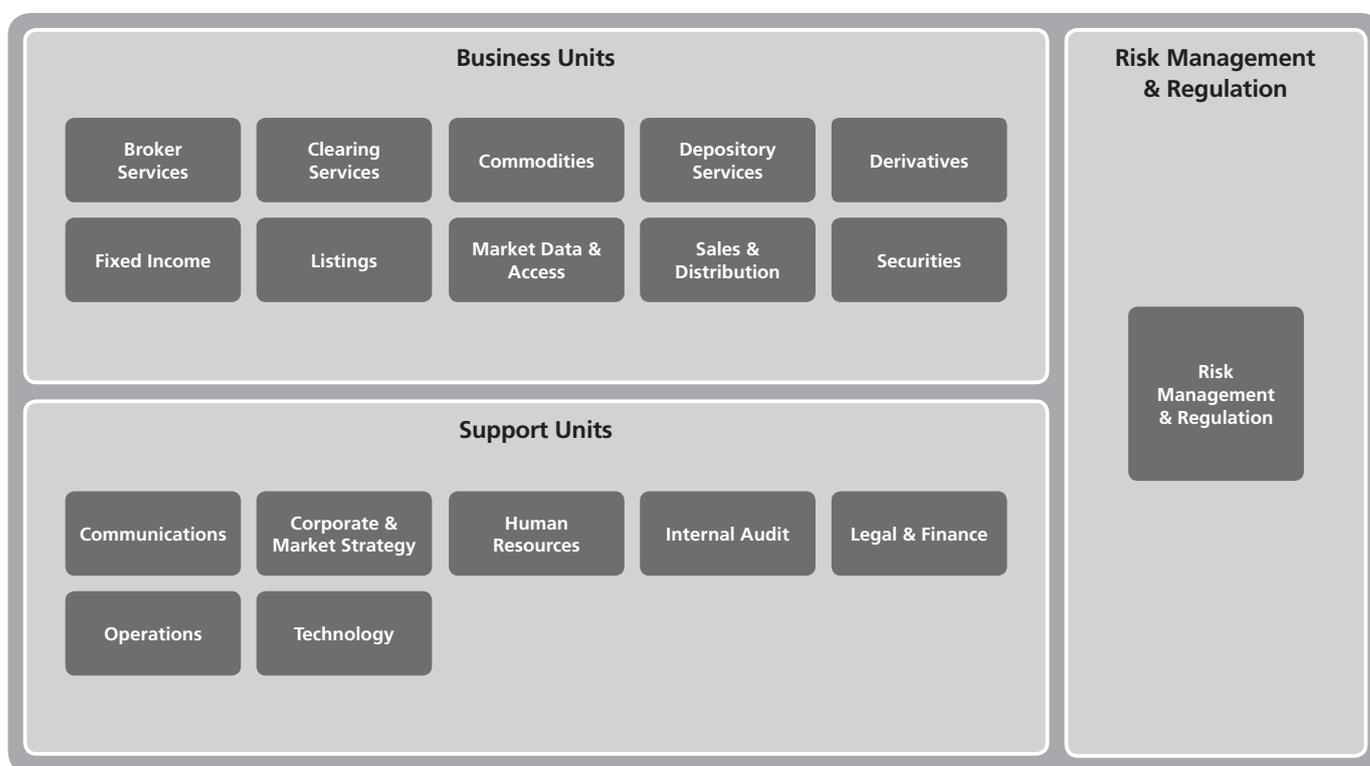
Before OCBC Bank, Mr Wong held several senior positions at Schroders Group, including Head of Corporate Finance for South East Asia and Head of Financial Institutions Group, Asia Pacific. His assignments also included an overseas posting to Shanghai, China, as General Manager of Schroders' joint venture and Head of Corporate Finance for Greater China.

Mr Wong holds a Bachelor degree in Business Administration from the University of Singapore.

# SGX Organisation

Singapore Exchange (SGX) announced a new organisation structure on 30 June 2010 to drive innovation in developing products and services as well as improve its member acquisition and distribution effectiveness.

Under the new organisation structure, there will be 10 Business Units and seven Support Units, all aligned to provide a sharper focus on key products, market segments and the overall responsiveness to customer needs. Risk Management and Regulation continues to provide the regulatory balance and risk governance for SGX. The new organisation structure reaffirms SGX's Asian gateway strategy, helps it to capitalise on Asia's emerging opportunities and paves the way for its continued growth.



# Corporate Information

## BOARD OF DIRECTORS

### Non-executive Chairman

J Y Pillay

### Chief Executive Officer

Magnus Bocker<sup>1</sup>

### Lead Independent Director

Low Check Kian

### Non-executive Directors

Chew Choon Seng

*(Independent Director)*

Euleen Goh

*(Independent Director)*

Ho Tian Yee

*(Independent Director)*

Lee Hsien Yang

*(Independent Director)*

Liew Mun Leong

*(Independent Director)*

Loh Boon Chye

*(Non-independent Director)*

Ng Kee Choe

*(Independent Director)*

Robert Owen

*(Independent Director)*

### COMPANY SECRETARY

Joyce Fong Foong Chao

## EXECUTIVE COMMITTEE

Magnus Bocker

*(Chairman)*

Benjamin Foo<sup>2</sup>

Robert Ian Caisley

Chang Kuan Aun

Chew Sutat

Gan Seow Ann

Lawrence Wong Liang Ying

Muthukrishnan Ramaswami

Seck Wai Kwong

Yeo Lian Sim

### Secretary:

Joyce Fong Foong Chao<sup>3</sup>

## AUDIT COMMITTEE

Lee Hsien Yang

*(Chairman)*

Euleen Goh

Ho Tian Yee

Loh Boon Chye

## REMUNERATION COMMITTEE

Ng Kee Choe

*(Chairman)*

Chew Choon Seng

Lee Hsien Yang

Low Check Kian

## NOMINATING COMMITTEE

Low Check Kian

*(Chairman)*

Chew Choon Seng

Ho Tian Yee

Loh Boon Chye

Ng Kee Choe

## RISK MANAGEMENT COMMITTEE

Loh Boon Chye

*(Chairman)*

Euleen Goh

Ho Tian Yee

Ng Kee Choe

Robert Owen

## REGULATORY CONFLICTS COMMITTEE

Robert Owen

*(Chairman)*

Euleen Goh

Liew Mun Leong

## REGISTERED OFFICE

Singapore Exchange Limited

2 Shenton Way

#19-00 SGX Centre 1

Singapore 068804

Tel : (65) 6236 8888

Fax : (65) 6535 6994

Website: www.sgx.com

## PLACE OF INCORPORATION

Singapore

## COMPANY REGISTRATION NO

199904940D

## DATE OF INCORPORATION

21 August 1999

## SHARE REGISTRAR

Boardroom Corporate &

Advisory Services Pte. Ltd.

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623<sup>4</sup>

*Person-in-Charge:*

Chia Hui Dih

## AUDITOR

PricewaterhouseCoopers LLP

8 Cross Street #17-00

PWC Building

Singapore 048424

*Partner-in-Charge:*

Yeoh Oon Jin<sup>5</sup>

## INVESTOR RELATIONS

John Gollifer

Tel : (65) 6236 8540

Email: johngollifer@sgx.com

## CORPORATE SOCIAL RESPONSIBILITY

Email: csr@sgx.com

<sup>1</sup> Appointed on 1 December 2009.

<sup>2</sup> Appointed on 16 October 2009.

<sup>3</sup> Effective 26 October 2009.

<sup>4</sup> New office address effective 22 February 2010.

<sup>5</sup> Appointed on 1 July 2009.

# Self-Regulatory Organisation Governance Report

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## INTRODUCTION

As a Self-Regulatory Organisation (SRO), the Singapore Exchange (SGX) is responsible for the fair and orderly functioning of its markets as well as ensuring safe and efficient clearing. This is our regulatory mission.

After a period of significant turbulence and uncertainty in the global capital markets, we are in a period of regulatory consolidation as global regulators grapple with the lessons of the recent crisis and its constellation of causes. In this shifting environment, we remain vigilant as we navigate through the many uncertainties and undercurrents in the marketplace. Our robust and transparent regulatory framework provides a reliable anchor for the maintenance of integrity in our marketplace.

This year, SGX devoted significant resources toward assessing the relevance and appropriateness of our rules and regulatory approaches. The focus on regulatory 'soul searching' is timely. It provides assurance that our regulatory responses remain appropriate and effective.

SGX continues to regularly engage key stakeholders on the progress of our regulatory activities. In particular, we work closely with our statutory regulator, the Monetary Authority of Singapore (MAS), to continue upholding high regulatory standards in the marketplace.

## REGULATORY CONFLICTS COMMITTEE

The Regulatory Conflicts Committee (RCC) is a Board Committee which comprises solely independent directors. The SGX Board delegates to the RCC the responsibility for supervising the management of SGX's SRO conflicts and reviewing the adequacy of resources for SGX's regulatory functions. In addition, the RCC may make decisions on specific cases involving SRO conflicts that are referred to it.

This year, the RCC continued to oversee enhancements to SGX's SRO governance framework and reviewed SGX's handling of potential SRO conflicts situations. The RCC is satisfied that SGX has sufficient systems and processes in place to manage SRO conflicts adequately. The RCC maintained especial scrutiny over the adequacy of resources for SGX's regulatory functions in order for SGX to continue its high level of responsiveness to regulatory challenges in the marketplace.

## INCREASING VISIBILITY AND TRANSPARENCY OF SGX'S REGULATORY ACTIVITIES

Visibility of our regulation is a fundamental tenet of our regulatory approach. Regular and constant interaction between the SGX's regulators and market participants results in better transparency; creating a market environment where its constituents are well informed and fully apprised of regulatory developments. This lends credence to our regulatory mission and fosters confidence in our regulatory approach.

- The Regulator's Column is part of SGX's efforts to keep market participants informed of our regulatory philosophy, processes and practices as well as SGX's views of emerging issues and market development. SGX continues to make use of this Column to engage market participants and communicate its regulatory perspective.
- SGX has intensified its communications on matters surrounding regulatory enforcement. Sanctions and reprimands imposed on issuers and market participants are published and accompanied with detailed statements to provide the market with the rationale for the enforcement action taken.
- SGX publishes feedback received from market participants during public consultations and our response to the feedback. This allows market participants to understand the rationale behind regulatory policies which SGX eventually chooses to adopt.

## FOSTERING CLOSER INTERACTION BETWEEN SGX AND THE MARKET

SGX has stepped up its regulatory presence in the marketplace by increasing the intensity of its activities and dialogue sessions with market participants.

The closer engagement between SGX and its external stakeholders provides greater clarity on its regulatory principles and philosophy, improves SGX's understanding of market participants' concerns, and continuously builds trust between SGX and market participants.

As a result, responsiveness of regulation is enhanced as SGX is able to address these concerns early. SGX is also better able to calibrate its regulatory policies through deeper understanding of market practices.

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## **FOSTERING CLOSER INTERACTION BETWEEN SGX AND REGULATORS**

SGX has increased its interaction with MAS and other regulators due to volatile market conditions. These engagements with MAS serve as a forum to align regulatory approaches. Closer engagement with other regulatory organisations such as Accounting and Corporate Regulatory Authority Singapore (ACRA), Commercial Affairs Department (CAD) and International Enterprise Singapore (IES) was also initiated.

The events of the recent past present an opportunity for us to work with other regulatory agencies to examine the appropriateness of various regulatory initiatives in our marketplace. Initiatives considered include the introduction of marking for short sales, the formulation of a complex product framework and the strengthening of corporate governance practices for listed companies. We will continue to develop working relationships with both local and foreign regulators.

## **MONITORING MARKET DEVELOPMENTS**

As a frontline regulator, SGX continuously monitors international developments and regulatory best practices. Regulatory officers participated in various international regulatory conferences and forums organised by international regulatory agencies. These include the IOSCO Annual Conference, Risk Management Symposium and the Inter-Market Surveillance Group meetings.

SGX continues to introduce new products on our trading platform to cater to market demand. All products, including those with new delivery mechanisms, are put through SGX's rigorous due diligence processes before listing.

## **INVESTOR EDUCATION COMMITTEE**

The Investor Education Fund (IEF) was set up to support initiatives that promote investors' understanding and ability to make better-informed investment decisions. The Investor Education Committee (IEC) is constituted by industry practitioners and senior management of SGX. It is tasked with administering the Fund which is derived from fines collected by SGX.

This year, SGX developed new online educational web-clips for investors, available on the SGX website. The series of web-clips, in both English and Mandarin, builds on easy-to-use reference guides to assist investors in understanding annual reports and becoming active participants at annual general meetings. IEF will continue to introduce relevant educational tools and materials to meet the needs of investors in the local and regional markets.

## **SRO CONFLICTS MANAGEMENT**

SGX completed SRO conflicts training for SGX units this year. The organisation-wide SRO conflicts training has been effective in raising awareness of and sensitivity to SGX's regulatory responsibilities and its SRO conflicts policy among all employees. All regulatory staff are required to submit an annual SRO conflicts declaration, as part of SGX's ongoing awareness and compliance efforts. Refinements were also effected to the SRO Escalation Policy in order for issues to be brought to the RCC's attention for discussion where the views of the CEO and Chief Regulatory Officer on a matter of regulatory conflict differ.

In the coming year, we will continue to review and maintain our various SRO conflicts governance tools and policies to ensure that they continue to be relevant and effective in maintaining the integrity of our regulatory decisions.

## **CONCLUSION**

SGX made concerted efforts to build on the strong foundation of the organisation's SRO conflicts governance framework, which has been established over the last few years. SGX expects its SRO governance framework to evolve with the development of the marketplace. Our market engagement activities reinforce the commitment of SGX to high regulatory standards. SGX will continue to maintain its high level of responsiveness to potential and live regulatory issues that surface from time to time.

# Disciplinary and Appeals Committees

Singapore Exchange (SGX) has a total of seven Disciplinary Tribunals, comprising five Disciplinary Committees and two Appeals Committees, as set out below:

- i) SGX Derivatives Trading (SGX-DT) Disciplinary Committee;
- ii) SGX Derivatives Clearing (SGX-DC) Disciplinary Committee;
- iii) SGX Securities Trading (SGX-ST) Disciplinary Committee;
- iv) The Central Depository (CDP) Disciplinary Committee;
- v) SGX Appeals Committee;
- vi) Catalyst Disciplinary Committee; and
- vii) Catalyst Appeals Committee.

The Disciplinary Committees hear charges brought by SGX against Regulated Persons<sup>1</sup> who are alleged to have violated any of SGX's Rules and Regulations (Rules). If the Disciplinary Committees decide that the charges have been established by SGX, they will decide on the appropriate penalty. Penalties that may apply are reprimands, fines, restrictions or conditions on activities, suspension, expulsion, revocation of authorisation, deregistration, undertaking an educational or compliance programme, ordering directors to step down from their day-to-day business, and the confirming, changing or discharging the appointment of a manager by the member.

The Disciplinary Tribunals are managed out of the Legal unit reporting to the Chief Executive Officer, and the General Counsel is the Secretary of all the Disciplinary Tribunals.

## SGX-DT, SGX-DC, SGX-ST AND CDP DISCIPLINARY COMMITTEES

The SGX-ST Disciplinary Committee (SGX-ST DC) heard one case in the year, in July 2009. The respondent, a trading representative, was fined \$25,000, suspended from acting as a trading representative for three months, and was required to undergo a mandatory training programme before he could resume acting as a trading representative by the SGX-ST DC. The respondent did not appeal against the SGX-ST DC's decision.

For purposes of transparency, the Grounds of Decision for each Disciplinary Tribunals hearing is published on the SGX website.

No charges were proffered against any Regulated Person in the SGX-DT, SGX-DC and CDP Disciplinary Committees.

The composition of the respective Disciplinary Committees is as follows:

### SGX-DT and SGX-DC Disciplinary Committee members

Name	Profession
Eddie Tan (Chairman)	Regional Treasurer, Asia Pacific, Citibank N.A.
David Yeow	Lawyer, Rajah & Tann LLP
Tan Kah Gee	Former Futures Broker
George Teo Choa Chee	Former Futures Broker
Steve Ng Kuan Kuen	Chief Executive Officer, Deutsche Futures Singapore Pte Ltd

### SGX-ST and CDP Disciplinary Committee members

Name	Profession
Nels Radley Friets (Chairman)	Consultant
Leong Mun Wai	Chief Executive Officer, Sunmax Capital Pte Ltd
Petrus Huang Yen San	Lawyer, Drew & Napier LLC
Hamidul Haq	Lawyer, Rajah & Tann LLP
Lam Chee Kin	Global Head, Wholesale Banking Compliance, Standard Chartered Bank Ltd

### SGX Appeals Committee

A Regulated Person may appeal to the SGX Appeals Committee from the SGX-DT, SGX-DC, SGX-ST and CDP Disciplinary Committees, against the decision of the respective Disciplinary Committee. The decision of the SGX Appeals Committee is final.

The composition of the SGX Appeals Committee is as follows:

Name	Profession
Michael Sydney Hwang (Chairman)	Lawyer, Senior Counsel, Michael Hwang SC
Lawrence Ang	Former Principal Senior State Counsel, Attorney-General's Chambers
Colin Ng Teck Sim	Lawyer, Colin Ng & Partners
Michael Wong Ping Seng	Futures Broker, Phillip Futures Private Limited
Hugh Young	Fund Manager, Aberdeen Asset Management Asia Limited

<sup>1</sup> Regulated Persons include in the case of the SGX-DT, SGX-DC, SGX-ST and CDP Disciplinary Committees, a trading member or a clearing member registered with SGX under the Rules, or any of the members' directors, trading representatives, officers, employees or agents; and in the case of the Catalyst Disciplinary Committee, a Sponsor or Regulated Person registered with Catalyst.

### Catalist Disciplinary Committee and Catalist Appeals Committee

The Catalist Disciplinary Committee and the Catalist Appeals Committee function to discipline Sponsors<sup>2</sup> and Regulated Persons<sup>2</sup> where there is a violation of the Rules of Catalist in Section B of the Listing Manual (Rules of Catalist).

Catalist is a Sponsor-supervised market, and SGX regulates the Sponsors and Regulated Persons. Sponsors are qualified professional companies experienced in corporate finance and compliance advisory work. If a Sponsor or Regulated Person is the subject of an affirmed or suspected rule breach, SGX will conduct appropriate investigations and the relevant parties may be charged before the Catalist Disciplinary Committee.

No cases have been brought before the Catalist Disciplinary Committee to date. The composition of the Catalist Disciplinary Committee is as follows:

#### Catalist Disciplinary Committee members

Name	Profession
Nels Radley Friets (Chairman)	Consultant
Hamidul Haq	Lawyer, Rajah & Tann LLP
Petrus Huang Yen San	Lawyer, Drew & Napier LLC
Leong Mun Wai	Chief Executive Officer, Sunmax Capital Pte Ltd
Kan Shik Lum	Corporate Finance Practitioner, DBS Bank Ltd
Mah Kah Loon	Corporate Finance Practitioner, CIMB Bank Berhad, Singapore Branch
Lam Chee Kin	Global Head, Wholesale Banking Compliance, Standard Chartered Bank Ltd

The Sponsor or Regulated Person may appeal to the Catalist Appeals Committee against the decision of the Catalist Disciplinary Committee.

The composition of the Catalist Appeals Committee is as follows:

#### Catalist Appeals Committee members

Name	Profession
Michael Sydney Hwang (Chairman)	Lawyer, Senior Counsel, Michael Hwang SC
Lawrence Ang	Former Principal Senior State Counsel, Attorney-General's Chambers
Michael Wong Ping Seng	Futures Broker, Phillip Futures Private Limited
Colin Ng Teck Sim	Lawyer, Colin Ng & Partners
George Lee	Corporate Finance Practitioner, OCBC Bank Ltd
Tracey Woon	Corporate Finance Practitioner, Citigroup Global Markets Singapore Pte Ltd
Hugh Young	Fund Manager, Aberdeen Asset Management Asia Limited

#### Independence of the Disciplinary and Appeals Committees

To ensure independence of the Disciplinary Tribunals and that due process is observed in the hearings,

- The members of the Disciplinary Tribunals are industry experts and professionals;
- No director, officer or employee of SGX may be appointed as a member of the Disciplinary Tribunals; and
- The process of managing the hearings or meetings by the Disciplinary Tribunals is undertaken by the Legal unit, which is a unit separate from the Enforcement unit reporting to the Chief Regulatory Officer. The Enforcement unit proffers the charges against Regulated Persons.

<sup>2</sup> As defined in the Rules of Catalist.

# Corporate Governance Report

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**Singapore Exchange (SGX) is committed to high standards of corporate governance and business integrity in all its activities. We have complied with all provisions of the Code of Corporate Governance 2005 throughout the financial year ended 30 June 2010.**

## **MISSION**

We aim to offer a highly trusted securities and derivatives marketplace for capital raising, risk transfer, trading, clearing and settlement, and to serve our stakeholders.

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SGX's Mission is the foundation upon which the Board has formulated its Corporate Governance (CG) policies to steer SGX in the conduct of its business.

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SGX's CG practices conform with the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005 (SFR 2005) as well as with the Code of Corporate Governance 2005 (Code).

SGX is conscious of its leadership role in setting the standards of CG; that its behaviour and CG practices will be scrutinised by all stakeholders, such as investors, other listed companies and the Monetary Authority of Singapore (MAS). To maintain its reputation as a trusted marketplace, its CG practices must accord with the best practices expected by the market.

Amidst a challenging environment in 2009, SGX achieved yet another milestone: the successful introduction and implementation of electronic poll voting for all resolutions at its Annual General Meeting (AGM) in October 2009, a first for a listed company in Singapore. Poll voting works on the principle of one-share-one-vote, as opposed to the prevailing practice of a 'show of hands' or 'one-person-one-vote'. With an electronic hand-held device, votes are recorded instantly with the results being displayed live-on-screen. Electronic poll voting has introduced near total transparency in the voting process.

As part of its initiatives to strengthen and encourage shareholder participation, SGX developed two Investor Guides to assist shareholders to make better use of annual reports and contribute meaningfully at AGMs. The guides aid investors by highlighting a list of issues and questions that investors should bear in mind when reviewing each section of the annual report and in preparing for the AGM. The guides were sent to all shareholders for its 2009 AGM.

Early this year, SGX also noted with interest the intense debate in the press on the ideal number of directorships each director should be allowed to assume. The Nominating Committee (NC) decided that a limit on directorships was not necessary, as each company required different time commitments. Instead, the NC decided that it was more relevant and practical to seek an annual confirmation from each director on his ability and willingness to devote sufficient time and attention to SGX's affairs, having regard to all his external commitments.

SGX tightened its risk management systems to manage and mitigate the effects of severe market volatility in the 2009 downturn. As a result, the markets continued operating in an orderly manner. Please refer to 'Focusing on Risk Management' in the Annual Report (AR) for further information on risk management activities undertaken in the financial year under review.

The Governance & Transparency Index, launched by the Business Times and the Corporate Governance & Financial Reporting Centre of NUS Business School, National University of Singapore, ranked SGX among Singapore's top three companies, in April 2010.

## **CORPORATE GOVERNANCE FRAMEWORK**

The management of SGX's CG rests on two pillars:

- I) Corporate Governance as a listed company; and
- II) Self-Regulatory Organisation Governance.

This Report describes SGX's CG policies and practices vis-à-vis the Code and the SFR 2005. It is to be read in conjunction with the SRO Governance Report, which sets out SGX's CG as a self-regulatory organisation (SRO).

Unless specified otherwise, references to independence of directors, are references to independence as defined under SFR 2005, which are more stringent than the requirements of independence as set out in the Code.

## BOARD MATTERS

### BOARD'S CONDUCT OF ITS AFFAIRS

#### Principle 1

##### Principal Duties of the Board

The Board oversees SGX's affairs and is accountable to shareholders for the management of SGX's business and its performance. The principal duties of the Board include:

- a) approving broad policies, strategies and objectives of SGX;
- b) approving annual budgets, major funding proposals, investment and divestment proposals;
- c) approving the appointment of the CEO, directors and succession planning process;
- d) approving the adequacy of internal controls, risk management, financial reporting and compliance; and
- e) approving the policy for managing and/or mitigating perceived or actual conflicts of interest between SGX's regulatory accountabilities and commercial interests.

##### Independent Judgement

All directors exercise due diligence and independent judgement and make decisions objectively in the best interests of SGX. The assessment criteria in the Chairman's assessment of directors include intensity of participation at meetings, quality of interventions and special contributions. Based on the results of the Board evaluation, all directors have discharged their duties consistently well.

##### Delegation by the Board

To assist the Board in the discharge of its oversight function, various Board committees, namely the Audit Committee (AC), Nominating Committee (NC), Regulatory Conflicts Committee (RCC), Remuneration Committee (RC) and Risk Management Committee (RMC), have been constituted with clear written terms of references (TOR). The TOR set out the duties, authority and accountabilities of each committee as well as qualifications for committee membership, in line with the SFR 2005 and the Code. The TOR are reviewed on a regular basis to ensure their continued relevance, as are the committee structures and membership. The TOR of Board committees are publicly available on SGX's website at [www.sgx.com](http://www.sgx.com).

The RCC has been appointed by the Board to supervise the management of SGX's SRO conflicts. Please refer to the 'SRO Governance Report' in the AR, for further information on the activities of the RCC.

Please refer to Principle 4 to 5, 7 to 9, 11 and 12 in this Report, for further information on the activities of the AC, NC, RC and RMC respectively.

##### Key Features of Board Processes

The schedule of all Board, Board committee and annual general meetings for the next calendar year is planned well in advance, in consultation with the directors. The Board meets at least four times a year at regular intervals. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Telephonic attendance at Board meetings are allowed under SGX's Articles of Association (Articles). The Board and Board committees may also make decisions by way of circulating resolutions.

Please refer to the 'Directors' Meeting Attendance Report' in this Report for further information on the number of Board and Board committee meetings held in the financial year under review.

##### Board Approval

SGX has adopted internal guidelines setting forth matters that require Board approval. Matters which are specifically reserved to the Board for approval are:

- a) matters involving a conflict of interest for a substantial shareholder or a director;
- b) material acquisitions and disposal of assets;
- c) corporate or financial restructuring;
- d) share issuances, interim dividends and other returns to shareholders;
- e) matters which require Board approval as specified under SGX's interested person transaction policy; and
- g) any investments or expenditures exceeding \$10 million in total.

For expenditures of \$10 million and below, SGX has internal guidelines which set out, among others, the authorisation limits granted to management for approval of capital and operating expenditures, specified financial transactions and supplementary budgets.

While matters relating to SGX's objectives, strategies and policies require the Board's direction and approval, management is responsible for the day-to-day operation and administration of SGX.

##### Board Orientation and Training

A formal letter of appointment is provided to every new director. The formal letter of appointment indicates the amount of time commitment required and the scope of duties. The new director will also receive a manual containing Board and SGX policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving SGX, prohibition on dealings in SGX's securities and restrictions on the disclosure of price-sensitive information.

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SGX conducts a comprehensive orientation programme, which is presented by senior management, to familiarise new directors with its business and governance practices. The orientation programme gives directors an understanding of SGX's businesses to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with senior management, thereby facilitating board interaction, and independent access to, senior management.

The directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance and changes in financial reporting standards, so as to enable them to properly discharge their duties as Board or Board committee members. For example, the NC was briefed on the major proposed changes set out in MAS' March 2010 consultation paper, relating to the CG framework for financial institutions in the banking and insurance sector.

The directors may also attend other appropriate courses, conferences and seminars, at SGX's expense. These include programmes run by the Singapore Institute of Directors. Directors are also welcome to request further explanations, briefings or information on any aspect of SGX's operations or business issues from management.

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## **BOARD COMPOSITION AND GUIDANCE**

### ***Principle 2***

#### **Board Independence**

The SFR 2005 provides that an independent director is one who is independent from any management and business relationship with SGX, and also independent from any substantial shareholder of SGX. Under this stricter definition, a majority of the Board (being eight of the 11 directors) is considered independent. A table setting out each director's independence under the Code and under the SFR 2005 is included in this Report.

Under the SFR 2005, it is mandatory for the NC to determine annually whether a director is independent. Please refer to Principle 4 in this Report for further information on the NC's determination of a director's independence.

#### **Board composition and size**

The Board comprises 11 directors. The CEO is the only executive director. The remaining 10 directors are non-executive directors (NEDs), eight of whom are independent.

Each year, the NC reviews the size and composition of the Board and Board committees, and the skills and core competencies of its members. These competencies include banking, finance, accounting, business acumen, management experience, industry knowledge, familiarity with regulatory requirements and

knowledge of risk management. The Board considers that its directors possess the necessary competencies to lead and govern SGX effectively.

Taking into account the nature and scope of SGX's businesses and the number of Board committees, the Board considers that a board size of between 10 to 12 members as appropriate. The Board believes that the current composition and size provides sufficient diversity without interfering with efficient decision-making.

#### **Board Guidance**

An effective and robust board whose members engage in open and constructive debate and challenge management on its assumptions and proposals, is fundamental to good corporate governance. For this to happen, the Board, in particular NEDs, must be kept well informed of SGX's businesses and affairs and be knowledgeable about the industry in which the businesses operate. To ensure that NEDs are well supported by accurate, complete and timely information, NEDs have unrestricted access to management, and have sufficient resources to discharge their oversight function effectively, NEDs receive periodic information papers and board briefings on latest market developments and trends, and key business initiatives. Regular informal meetings are held for management to brief directors on prospective deals and potential developments at an early stage, before formal Board approval is sought.

An annual Board strategy meeting is also organised for in-depth discussions on strategic issues and directions for SGX.

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## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

### ***Principle 3***

#### **Separation of the Role of Chairman and the Chief Executive Officer**

The roles of Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the CEO.

The Chairman manages the business of the Board and the Board committees, and monitors the translation of the Board's decisions and wishes into executive action. He approves the agendas for the Board meetings. Together with the Chairmen of the Board committees and with input from management, he also reviews the agendas for Board committee meetings. He exercises control over the quality, quantity and timeliness of information flow between the Board and management. In addition, he provides close oversight, guidance, advice and leadership to the CEO and management.

At AGMs and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management.

The CEO manages the businesses of SGX and implements the Board's decisions. He chairs the executive committee (EXCO). EXCO, which comprises senior management executives, meets weekly to discuss, review and approve the day-to-day operations and administration of SGX.

Board interaction with, and independent access to, senior management is encouraged. EXCO members are invited to attend all Board meetings, and relevant Board committee meetings. In addition, Board members have the contact details of each EXCO member.

### Lead Independent Director

Although the Chairman is a NED, he is not considered independent under the SFR 2005 and the Code, for a period of three years from 28 September 2007, the date of his re-designation as non-executive Chairman. The Board appointed Mr Low Check Kian, chairman of the NC, as Lead Independent Director (LID) in May 2006 to lead and co-ordinate the activities of the NEDs of SGX. The terms of reference of the LID are available on SGX's website.

The LID presides at all meetings of the Board at which the Chairman is not present. He develops the agendas for and serves as chairman of the executive session of the NEDs and is the principal liaison on Board issues between the NEDs and the Chairman.

The LID aids the NEDs to constructively challenge and help develop proposals on strategy and to review the performance of the Chairman and management.

The Chairman and the LID facilitate the effective contribution of NEDs in particular, and encourage constructive relations between management and NEDs.

Once a year, two formal sessions are arranged for the NEDs to meet without the presence of management or executive directors. One of the sessions is held without the presence of the Chairman and is chaired by the LID.

## BOARD MEMBERSHIP

### Principle 4

#### NC Composition

The NC is chaired by Mr Low Check Kian, who is the LID. Please refer to the Corporate Information section in the AR, for the composition of the NC. In compliance with the SFR 2005 requirements, the NC has five members, four of whom are independent directors.

### Re-nomination of Directors

The NC is responsible for reviewing all re-nominations of directors and Board committee members, taking into account the MAS' fit and proper criteria for such appointments, the director's independence status, his participation and contributions during and outside board meetings and other relevant factors as may be determined by the NC. All directors of SGX are approved by MAS, based on its fit and proper criteria, before they are appointed by the Board or at the AGM (as the case may be).

SGX's Articles provide that at each AGM, one-third of the directors, including the CEO who also serves on the Board (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Effectively, this results in all directors having to retire at least once in three years or even earlier. All new directors appointed by the Board shall only hold office until the next AGM, and be eligible for re-election at the AGM.

### Annual Review of Directors' Independence

Under the SFR 2005, it is mandatory for the NC to conduct an annual review of each director's independence, based on the SFR 2005 requirements. The NC has ascertained that a majority of the Board members are independent according to these criteria.

Mr J Y Pillay was re-designated to serve as a NED since 28 September 2007. Under the SFR 2005 and the Code, he is deemed non-independent for three years until 28 September 2010, after which he will be considered an independent director. Mr Loh Boon Chye is deemed non-independent under the SFR 2005, as he is employed by Deutsche Bank Group, which wholly-owns Deutsche Futures Singapore Pte Ltd, an SGX member company. He is also involved in the activities of this SGX member company.

Under the SFR 2005, MAS may object to the NC's determination of a director's independence. Ms Euleen Goh is a director of DBS Group Holdings Ltd (DBS Holdings) and DBS Bank Ltd (DBS Bank), which are related companies of an SGX member, DBS Vickers Securities (Singapore) Pte Ltd (DBS Vickers). The NC considers that Ms Goh's ability and willingness to exercise independent business judgement and act in the best interests of SGX is not impeded, as she does not exercise any influence over DBS Vickers and she is a non-executive director of DBS Holdings and DBS Bank. MAS has noted the NC's reasons.

Based on the Code's criteria for independence, nine out of 10 NEDs are independent. A table setting out the independence requirements for the Board under the SFR 2005 and the Code, and SGX's compliance, is set out in this Report.

Although three directors have each served for more than nine years on the Board, namely the Chairman, Mr Ho Tian Yee and Mr Low Check Kian, the Board considers that the new CEO, who was appointed in December 2009, would benefit from their

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experience and wisdom. At an appropriate time, they will retire from the Board, in accordance with the succession planning process.

#### **Directors' Time Commitments**

The NC also considers whether directors, who have multiple board representations, are able to and have been devoting sufficient time to discharge their responsibilities adequately. Starting from FY2011 and on an annual basis thereafter, each director is required to confirm to the NC his ability to devote sufficient time and attention to SGX's affairs, having regard to all his other commitments. The NC is satisfied that all directors have discharged their duties adequately for FY2010, and will continue to do so in FY2011. None of the directors hold more than four listed company directorships.

#### **Succession Planning for the Board and Senior Management**

Succession planning is an important part of the governance process. The NC has adopted a succession plan to ensure the progressive and orderly renewal of Board membership. As part of this plan, the Board appointed an additional director, Mr Liew Mun Leong, on 1 July 2009. After an extensive global search, the Board appointed Mr Magnus Bocker as CEO with effect from 1 December 2009, who will stand for re-election at the 2010 AGM in accordance with SGX's Articles. To step up the pace for refreshing the Board, the NC also recommended, for the Board's approval, the appointment of Mr Thaddeus Beczak, as an additional director at the 2010 AGM. The NC also reviews the succession and leadership development plans for senior management, including the identification and management of talent from among the younger staff.

#### **Criteria and Process for Nomination and Selection of New Directors**

SGX adopts a comprehensive and detailed process in the selection of new directors. An international executive search firm is engaged to propose a list of suitable candidates for the NC's consideration, after an identification of the needs and requirements of SGX. After the NC chairman, the SGX chairman and the other NC members have interviewed the candidates, the candidates are further shortlisted for the NC's formal consideration for appointment to the Board.

The NC complies with the SFR 2005 criteria when reviewing a nomination for a proposed Board appointment. The criteria are as follows: (a) a determination of the candidate's independence; (b) his appointment will not result in non-compliance with any of the SFR 2005 composition requirements for the Board and Board Committees; and (c) whether the candidate is a fit and proper person in accordance with MAS' fit and proper guidelines, taking into account his track record, age, experience and capabilities and such other relevant experience as may be determined by the NC. The MAS' fit and proper guidelines broadly take into account the candidate's honesty, integrity and reputation; his competence and capability; and financial soundness.

Adopting this rigorous selection process, the Board recommends that the shareholders approve the appointment of Mr Thaddeus Beczak at the 2010 AGM. Please refer to page 21 in the AR for key information on Mr Thaddeus Beczak.

#### **Key Information on Directors**

Please refer to the 'Board of Directors' section in the AR for key information on the directors, and the Notice of AGM, for directors proposed for re-election or re-appointment at the AGM. Key information on directors is available on [www.sgx.com](http://www.sgx.com).

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### **BOARD PERFORMANCE**

#### **Principle 5**

##### **Board Evaluation Policy**

The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. Please refer to the Board Evaluation Policy, which is available on [www.sgx.com](http://www.sgx.com).

##### **Board Evaluation Process**

- a) The NC will assess and discuss the performance of the Board as a whole every year, and will ascertain key areas for improvement and requisite follow-up actions; and
- b) Every two years, independent consultants will be appointed to assist in the Board evaluation process. This process includes a questionnaire designed to assess the performance of the Board and enhance the overall effectiveness of directors. The Board and Board committee performance will be evaluated by each director and each EXCO member.

The Board believes that the use of an external independent consultant greatly enhances the quality and objectivity of the evaluation.

During the financial year, the Board engaged an independent consultant to conduct SGX's Board Evaluation for FY2010. Separate questionnaires were administered to EXCO and to the Board. For example, the questionnaire (for the Board) included the evaluation of factors such as board composition, managing company's performance, board processes, committee effectiveness, risk management and succession planning. The EXCO questionnaire focused on evaluation of factors such as the board's development and monitoring of strategy, working with management and management of risk. The Board evaluation results were presented to the NC and to the Board. The results showed an overall improvement in all areas of evaluation from the 2008 board evaluation exercise.

## Board Performance Criteria

The Board reviews its performance against qualitative and quantitative targets on an annual basis.

The Board is required to ensure that a proper balance is maintained between its commercial objectives and its regulatory responsibilities. Therefore, the Board performance criteria include a measure to capture the performance of its regulatory responsibilities as a SRO.

In line with the Code's recommendation of using quantitative financial indicators, the Board has adopted performance measures which align its interests with shareholders' interests, such as (a) absolute minimum SGX Total Shareholder Return (TSR), and (b) SGX's TSR performance against the TSR of the FTSE/MV Exchanges Index, which is an index of 18 listed exchanges, in order to benchmark its relative performance against other exchanges.

## Individual Director Evaluation

There is an individual assessment of each NED's contribution by the Chairman, and the results of the assessment are discussed with the NC chairman. Some factors considered in the individual review are directors' attendance and participation in and outside meetings, the quality of directors' interventions and special skills and contributions made by directors.

The performance of individual directors is taken into account in their re-appointment or re-election. Specific needs which arise from time to time are taken into account in any appointment of new directors.

The assessment of CEO's performance is undertaken by the RC, together with the NC chairman, and the results are reviewed by the Board. The NEDs, led by the LID, assess the Chairman's performance, and the LID provides the feedback to the Chairman.

## ACCESS TO INFORMATION

### Principle 6

#### Complete, Adequate and Timely Information

Management recognises the importance of ensuring the flow of complete, adequate and timely information, on an on-going basis to the Board, as essential to the Board's effective and efficient discharge of its duties. To allow directors sufficient time to prepare for the meetings, all Board and Board committee papers are distributed a week in advance of the meeting to directors. This enables the discussion during the meeting to focus on questions that directors may have. Management's proposals to the Board for decision provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, expected outcomes, conclusions and

recommendations. Staff who can provide additional insight into matters to be discussed, will be present at the relevant time during the Board and Board committee meetings. To facilitate direct access to the senior management, directors are also provided with the names and contact details of the management team. Draft agendas for Board and Board committee meetings are circulated to EXCO and Board committee chairmen respectively, in advance, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda.

In order to keep directors abreast of analysts' views on SGX's performance, the Board is updated twice a year on the market view which includes a summary of analysts' feedback and recommendations following the full-year and half-year results. A monthly financial performance report is also provided to the Board. This report includes the financial and management accounts, accompanied by an analysis of SGX's performance and supporting data. Quarterly financial statements are reviewed and approved by the AC except for the financial year-end statements which are approved by the Board. In addition, the RMC members receive monthly risk reports on clearing, credit and market risk.

#### Company Secretary

Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed and that SGX's memorandum and articles of association, relevant rules and regulations, including requirements of the SFA, Companies Act and Listing Manual, are complied with. She also assists the Chairman and the Board to implement and strengthen CG practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary also assists the Chairman to ensure good information flows within the Board and its committees and between senior management and NEDs, as well as facilitating orientation and assisting with professional development as required. As primary compliance officer for SGX's compliance with its listing rules, the Company Secretary is responsible for training, designing and implementing a framework for management's compliance with the Listing Rules, including advising management to ensure that material information is disclosed on a prompt basis. The Company Secretary attends and prepares minutes for all Board meetings. As secretary to all the other Board committees, she assists to ensure coordination and liaison between the Board committees and the Board.

The appointment and the removal of the Company Secretary is subject to the Board's approval.

#### Independent Professional Advice

The Board has a process for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at SGX's expense.

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## REMUNERATION MATTERS

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### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

#### Principle 7

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##### Remuneration Committee

Mr Ng Kee Choe, an independent director, chairs the RC. Please refer to the Corporate Information section in the AR, for the composition of the RC. Mr Ng has many years of experience in senior management positions and on various boards dealing with remuneration issues.

All four members of the RC, including the RC chairman, are independent non-executive directors. No member of the RC is involved in deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

The RC reviews matters concerning remuneration of the Board, CEO and senior management. The RC approves the framework of remuneration for the entire organisation including the structuring of the long-term incentive plans. The RC also approves the annual salary increment pool and total incentive pool for distribution to staff of all grades. The RC's recommendations are submitted for the Board's discussion or, (as the case may be), approval.

The RC chairman, together with the NC, reviews and recommends to the Board the specific remuneration packages for executive directors and the CEO upon recruitment. Subsequently, annual increments, variable bonuses, performance share grants and other incentive awards, will be reviewed by the RC for recommendation to the Board. Please refer to 'Remuneration Report' in the AR for further information on SGX's compensation philosophy and actual performance targets for the award of long-term incentives.

The RC has access to appropriate advice from the Chief Human Resource Officer, who attends all RC meetings. The RC may seek expert advice inside and/or outside SGX on remuneration of directors and staff.

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### LEVEL AND MIX OF REMUNERATION

#### Principle 8

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The RC administers the Performance Share Plan (PSP). The performance-related elements of remuneration are designed to align interests of executive directors, EXCO and staff with those of shareholders and link rewards to corporate and individual performance. Details of SGX's compensation philosophy and the compensation framework including the PSP awards made thereunder, and the performance conditions for the vesting of the awards, are found in 'Remuneration Report' in the AR.

### Non-executive Directors' Remuneration

The RC reviewed the remuneration of NEDs, considering factors such as the increasing scope and extent of a director's responsibilities and obligations in the aftermath of the global financial crisis, the level of contribution and time spent. Having regard to the increased focus on risk management and regulatory requirements, and the referencing of directors' fees against comparable benchmarks, the Board agreed with the RC's recommendation to propose an increase in the fees for the Committee chairmen and members with effect from 1 October 2010.

#### Fee Structure

Type of Fees	Existing Fees	Proposed Fees
NED – Basic Fee	\$55,000	No change
Audit Committee – Chairman	\$30,000	\$40,000
Audit Committee – Member	\$18,000	\$30,000
Other Committee – Chairman	\$22,000	\$30,000
Other Committee – Member	\$12,000	\$20,000
Attendance Fee (per meeting)	\$1,500	No change

Since 2008, SGX has been seeking shareholders' approval to pay the directors' fees on a current-year basis, at the AGM. With this change, SGX is able to pay the NED fees on a quarterly basis in arrears, instead of 16 months after the past financial year.

The SGX Chairman receives an annual fee plus other benefits, as approved by a separate resolution at each AGM.

#### Executive Directors' Remuneration

Executive directors do not receive directors' fees.

CEO's contract stipulates a three-year fixed term. The service contract does not contain onerous removal clauses.

#### Long-term Incentive Scheme

Please refer to the 'Remuneration Report' and 'Directors' Report' in the AR for further information on the long-term incentive scheme.

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### DISCLOSURE OF REMUNERATION

#### Principle 9

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For disclosure of the remuneration of the executive director and the five top-earning executives and a breakdown of the fees payable to each director, please refer to 'Remuneration Report' in the AR. SGX has also disclosed in the Remuneration Report the remuneration of the five top-earning executives in actual figures, with a breakdown in terms of fixed pay, bonus, long-term incentive and benefits-in-kind.

None of the current staff/directors are related to each other.

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## ACCOUNTABILITY

### Principle 10

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The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within 18 days from the end of the quarter. Annual results are released within 40 days from the financial year-end. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of SGX's position and prospects. For the financial year under review, the CEO and the Chief Financial Officer (CFO) have provided assurance to the Board on the integrity of the financial statements for SGX and its subsidiaries. For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with the Listing Rules. This, in turn, is supported by a negative assurance statement from the CEO and CFO. Management provides directors with a monthly financial performance report either within 10 business days from month-end or on the day when the annual or quarterly financial results are released.

SGX also provides to its regulator, MAS, an annual report on the RCC's activities in relation to SGX's SRO conflicts management, and an annual self-assessment report of its discharge of its responsibilities as an exchange and a clearing house. In February and March 2010, MAS conducted an annual on-site inspection of SGX. MAS was satisfied that SGX's operations were generally well-managed, and complied with its obligations under the SFA and its regulations, in the areas covered under its inspection.

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## AUDIT COMMITTEE

### Principle 11

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#### Composition of the AC

The AC is chaired by Mr Lee Hsien Yang and comprises four members, all of whom are independent NEDs based on the Code's criteria. Please refer to the Corporate Information section in the AR for the composition of the AC.

In compliance with the requirements of SFR 2005, three members of the AC are independent from management and business relationships, and a majority are independent directors.

The Board considers that Mr Lee Hsien Yang, who has extensive and practical financial management knowledge and experience, is well qualified to chair the AC. Ms Euleen Goh, Mr Ho Tian Yee and Mr Loh Boon Chye collectively have strong accounting and related financial management expertise and experience.

#### Authority and Duties of the AC

The AC's primary role is to investigate any matter within its TOR. It has full access to, and the co-operation of, management and full discretion to invite any director or officer to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The AC reviews the scope and results of audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditors. The AC also undertakes quarterly reviews of the nature, extent and costs of non-audit services provided by the external auditors, seeking to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money services.

The AC meets on a quarterly basis to review the integrity of the financial statements including the relevance and consistency of the accounting principles adopted. The AC approves, on behalf of the Board, each of the first three quarterly financial statements and corresponding SGXNET announcements. The AC recommends to the Board for approval the annual financial results and related SGXNET announcements.

The AC reviews and assesses the adequacy and effectiveness of SGX's system of internal controls and regulatory compliance through discussions with management, the Head of Internal Audit, the Head of Legal & Compliance and the external auditor, at its quarterly AC meetings.

The AC met four times during the financial year under review. The Chairman, CEO, CFO, Heads of Internal Audit, Markets, Operations & Technology, Listings, Legal & Compliance, and the external auditors were invited to attend these meetings. The AC considered and reviewed with management, the Head of Internal Audit and the Head of Legal & Compliance (where applicable) the following:

- a) significant internal audit observations and management's responses thereto;
- b) regulatory breaches;
- c) planned scope of the annual internal and external audit plans to ensure that the plans covered sufficiently a review of the internal controls of SGX;
- d) planned scope of the annual compliance plans; and
- e) budget and staffing for Internal Audit and Compliance functions.

#### External Auditors

The AC recommends to the Board the appointment, re-appointment and removal of the external auditors, and approves the remuneration and terms of engagement of the external

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auditors. Shareholders then approve the re-appointment of the external auditors at the AGM.

During the financial year, the external auditors held a meeting with the AC, and separately with the AC chairman, without the presence of management. The AC reviewed the independence and objectivity of the external auditors through discussions with them as well as a review of the volume and nature of non-audit services provided by the external auditors during the financial year under review. Based on this information, the AC is satisfied that the financial, professional and business relationships between SGX and the external auditors will not prejudice their independence and objectivity. Accordingly, the AC has recommended the re-appointment of the external auditors at the coming AGM.

In the review of the financial statements for the year ended 30 June 2010, the AC discussed with management and the external auditors the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. Following the review and discussions, the AC recommended to the Board the release of the full-year financial statements.

#### **Whistleblowing Policy**

During the year, the AC reviewed the revisions to the whistleblowing policy to streamline the reporting channel and extend the coverage of the policy beyond SGX staff to vendors. The revised policy allows a single, confidential line for employees and vendors to report concerns about possible improprieties to the Head of Internal Audit in good faith and in confidence. The policy defines the processes clearly to ensure independent investigation of such matters and appropriate follow-up action, and provides assurance that staff will be protected from reprisals.

#### **Interested Person Transactions Policy**

SGX has procedures in place to comply with the Listing Manual requirements relating to interested person transactions. All new directors are briefed on the relevant provisions that they need to comply with. The AC also reviews any interested person transactions.

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## **INTERNAL CONTROLS**

### ***Principle 12***

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#### **Internal Audit**

On an annual basis, Internal Audit prepares and executes a risk-based audit plan, which complements that of the external auditors, so as to review the adequacy and effectiveness of the system of internal controls of SGX. These include operational, financial and compliance controls. In addition, the external auditors will highlight any material internal control weaknesses

which have come to their attention in the course of their statutory audit. All audit findings and recommendations made by the internal and external auditors are reported to the AC. Significant issues are discussed at AC meetings. Internal Audit follows up on all recommendations by internal and external auditors to ensure management has implemented them in a timely and appropriate fashion and reports the results to the AC every quarter. Separately, the Compliance unit (Compliance) is responsible for putting in place a framework to guide and assist SGX to manage risks that could result in violation of applicable laws and regulations. Compliance reports all breaches, significant issues and their resolutions to the AC every quarter.

#### **Risk Management Committee**

The RMC assists the Board in the oversight of risk management in SGX. Its responsibilities include reviewing and recommending to the Board the type and level of business risk that SGX undertakes on an integrated basis to achieve its business objectives, and the appropriate framework and policies for managing risks that are consistent with SGX's risk appetite. In addition, the RMC also reviews for the Board the adequacy of the SGX's long-term technology strategy and the adequacy of resources required to carry out its risk management functions effectively.

SGX has in place an enterprise-wide risk management framework to enhance its risk management capabilities. This is administered by the Enterprise Risk Management team (ERM), which reports to the Chief Regulatory Officer. The key risks facing SGX have been identified and action plans are in place to mitigate these risks. In addition, the key risks at the process level have been identified via risk self-assessment exercises. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation. Please refer to the 'Risk Management Focus' in the AR for further information on the identification and management of these risks.

Based on the work performed by Internal Audit, ERM and Compliance during the financial year, as well as the statutory audit conducted by the external auditors, the Board, through the AC and RMC, is satisfied that the operational, financial and compliance controls, and the risk management systems, are adequate to meet the needs of SGX in its current business environment.

The system of internal controls and risk management established by SGX provides reasonable, but not absolute, assurance that SGX will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

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## INTERNAL AUDIT

### *Principle 13*

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#### **Line of Reporting and Activities**

Internal Audit is an independent function within SGX. The Head of Internal Audit reports directly to the AC and administratively to the CEO. The AC approves matters relating to the Internal Audit Charter, risk assessment and related audit plans and results and follow up of internal audit activities. The AC approves the hiring, removal, evaluation and compensation of the Head of Internal Audit. The AC Chairman meets the Head of Internal Audit at least four times a year, without the presence of management. Internal Audit has unfettered access to all of SGX's documents, records, properties and personnel including the Chairman and AC.

Internal Audit operates within the framework stated in its Internal Audit Charter which is approved by the AC. The primary role is to assist the Board and senior management to meet the strategic and operational objectives of SGX, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes.

All audit reports are copied to the AC, the CEO, the external auditors and relevant senior management representatives. The progress of corrective actions on outstanding audit issues is monitored monthly through a company-wide issue management system. Information on outstanding issues is categorised according to severity and quarterly reports are sent to senior management and AC. High-risk outstanding issues are escalated to senior management to ensure timely resolution.

#### **Adequacy of the Internal Audit Function**

Internal Audit's annual plan is established in consultation with, but independent of, management and is aligned with the risk management framework of SGX. The plan is submitted to and approved by the AC. The AC is satisfied that Internal Audit has adequate resources to perform its functions, and has appropriate standing within SGX.

#### **Professional Standards and Competency**

Internal Audit is a member of the Singapore Chapter of The Institute of Internal Auditors (IIA) and has adopted the Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA. SGX Internal Audit continues to meet or exceed the requirements of the IIA Standards in all key aspects. Quality assessment reviews are carried out at least once in five years by external qualified professionals.

The professional competence of the internal auditors is maintained or upgraded through training programmes, conferences and seminars that provide updates on auditing techniques,

regulations, financial products and services. Internal Audit is staffed with suitably qualified experienced professionals with diverse operational and financial experience, who are at the level of assistant vice president and above.

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## COMMUNICATION WITH SHAREHOLDERS

### *Principle 14*

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#### **Disclosure of Information on a Timely Basis**

SGX is committed to disclosing as much relevant information as is possible, in a timely, fair and transparent manner, to its shareholders. Material information is disclosed on a comprehensive, accurate and timely basis via SGXNET. The release of such timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in SGX.

SGX adopts the practice of regularly communicating major developments in its businesses and operations through the appropriate media, such as news releases, annual reports, shareholders' circulars, shareholders' meetings, and also directly to other investors, analysts, the media, the public and its staff.

SGX notifies investors in advance of the date of release of its financial results, through an SGXNET announcement, and a media release. Results for the first three quarters are released to shareholders within 18 days from the end of the quarter. Annual results are released within 40 days from the financial year-end.

Briefings to present quarterly and full-year results are held for the media and analysts and through video webcasts.

Annual Investor Relations Open Days are held where shareholders are briefed on the performance and prospects of SGX, and are given the opportunity to meet with senior management.

#### **Corporate Website**

SGX's website has much to offer its shareholders. The latest AR, financial results (including webcasts of the quarterly and full-year results briefings for media and analysts and press releases) and company announcements are posted on the website following their release to the market, to ensure fair and equal dissemination to shareholders. SGX also makes available annual reports to shareholders, speeches and presentations given by the Chairman, CEO, and senior management, and a range of other information considered to be of interest to investors.

SGX's website has a clearly dedicated Investor Relations (IR) link, which features prominently the latest and past financial results and related information. The contact details of the IR team are available on the dedicated IR link, as well as in the AR, to enable shareholders to contact SGX easily. IR has procedures in place for addressing investors' queries or complaints as soon as possible.

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Please refer to 'Fulfilling Our Shareholders' Interests' under the Corporate and Social Responsibility Report in the AR, for further information on SGX's communication with its shareholders.

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## **GREATER SHAREHOLDER PARTICIPATION**

### ***Principle 15***

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Shareholders are informed of shareholders' meetings through published notices and reports or circulars sent to all shareholders. Prior to each AGM, a shareholders' forum is made available at [www.sgx.com](http://www.sgx.com) to facilitate communication with shareholders on matters that concern them. The AGM procedures provide shareholders the opportunity to ask questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage, and openly communicate their views on matters relating to SGX to the directors. The chairman of each of the AC, NC, RC and RMC, external auditors, management and legal advisors (where necessary), are also present to address shareholders' queries.

SGX's articles allow a shareholder to appoint up to two proxies to attend and vote in his place at general meetings. SGX also allows investors, who hold shares through nominees such as CPF and custodian banks, to attend AGM as observers without being constrained by the two-proxy rule, subject to availability of seats.

As the authentication of shareholder identity information and other related integrity issues still remain a concern, SGX has decided, for the time being, not to implement voting in absentia by mail, email or fax.

SGX provides for separate resolutions at general meetings on each distinct issue. All the resolutions at the general meetings are single item resolutions. Detailed information on each item in the AGM agenda is in the explanatory notes to the AGM Notice in the AR.

The Company Secretary prepares minutes of shareholder meetings, a summary of the substantial comments and queries from shareholders and responses to them from the Board and management. These documents are publicly available on [www.sgx.com](http://www.sgx.com).

To have near total transparency in the voting process, effective from 2009 AGM, SGX conducts electronic poll voting for all the resolutions passed at the AGM and EGM. All votes cast for, or against, each resolution will be tallied and displayed live-on-screen to shareholders immediately at the meeting. The total numbers of votes cast for or against the resolutions are also announced after the meeting via SGXNET.

## **SECURITIES DEALING**

To guard against insider trading, SGX's Code of Dealing in Securities (Code of Dealings) adopts more stringent "black-out" policies than prescribed in the Listing Manual. The Code of Dealings prohibits dealings in SGX's securities by directors and staff and their "connected persons" for a period of just over one month before the announcement of its quarterly or half-yearly financial results. For year-end results, the period of prohibition is just over two months.

SGX issues a quarterly circular to its directors and officers informing them that SGX and its officers must not deal in SGX's securities before the release of results and at any time they are in possession of unpublished material price-sensitive information.

In addition to the black-out policy on SGX shares, staff and their "connected persons" who want to trade securities of any company listed on Singapore Exchange Securities Trading Limited (SGX-ST) must seek prior approval from management. In addition, directors and staff are prohibited at all times from trading if they are in possession of material non-public information.

From 2010 onwards, to maintain awareness and compliance with the Code of Dealings, all SGX employees are required to complete an annual online refresher module and submit a certification of their understanding and compliance with the Code of Dealings.

The Board and management believe that SGX has not only complied with the Listing Manual, but with industry best practices.

## **OTHER CODES**

### **Code of Confidentiality**

The SGX group of companies deals with confidential information on a daily basis. Hence, protecting the confidentiality of information is of paramount importance to creating and maintaining the trusted marketplace envisaged in SGX's Mission. SGX is also obligated by law under the SFA to maintain confidentiality of user information, which refers to transaction information of a member or its customer. SGX has a Code of Confidentiality which aims to provide clear guidance to its staff on the proper management, use and disclosure of the different types of confidential information.

### **Code of Conduct & Ethics for Employees**

SGX has a Code of Conduct & Ethics for Employees (Code of Conduct & Ethics) that sets the standards and ethical conduct expected of staff. The Code of Conduct & Ethics covers all aspects of the business operations of SGX such as confidentiality of information, related party transactions, gifts, gratuities or bribes and dishonest conduct. Staff are required to observe and maintain high standards of integrity, as well as compliance with laws and regulations, and company policies.

# Corporate Governance Report

## Composition Requirements for the Board and Board Committees per the SFR 2005

No.	Board/Board Committee	SFR 2005 Reg No.	Composition requirements				
			Independent from management and business relationships	Independent Directors*	Independent from any single substantial shareholder	Additional requirements	Composition requirements fulfilled
1	Board of Directors	6	Majority	One-third	Majority	N.A.	Yes
2	Audit Committee (AC)	14	3 directors	Majority (including AC chairman)	N.A.	Must comprise at least 3 directors	Yes
3	Nominating Committee	9	Majority	One-third	Majority	Must comprise at least 5 directors	Yes
4	Regulatory Conflicts Committee (RCC)	15	3 directors	N.A.	Majority (including RCC chairman)	Must comprise at least 3 directors	Yes
5	Remuneration Committee (RC)	13	Majority (including RC chairman)	One-third	Majority	Matters referred to in regulation 3(3)(c), (d) and (e) do not apply to at least 3 directors	Yes
6	Risk Management Committee	7	N.A.	One-third	Majority	N.A.	Yes

\* Independent from management and business relationships, and from any substantial shareholder.

## DIRECTORS' MEETING ATTENDANCE REPORT

Name of Director	SGX Board		Audit Committee				Nominating Committee			
	Number of meetings held	Number of meetings attended	Chairman	Members	Number of meetings held	Number of meetings attended	Chairman	Members	Number of meetings held	Number of meetings attended
J Y Pillay (SGX Chairman)	6	6			4 <sup>#</sup>	3 <sup>#</sup>			2 <sup>#</sup>	2 <sup>#</sup>
Hsieh Fu Hua <sup>1</sup>	4	4			2 <sup>#</sup>	2 <sup>#</sup>			–	–
Magnus Bocker (CEO) <sup>2</sup>	6	6			4 <sup>#</sup>	4 <sup>#</sup>			2 <sup>#</sup>	2 <sup>#</sup>
Chew Choon Seng	6	5			–	–		√	2	2
Euleen Goh	6	5		√	4	4			–	–
Ho Tian Yee	6	6		√	4	4		√	2	2
Lee Hsien Yang	6	6	√		4	4			–	–
Loh Boon Chye	6	5		√	4	4		√	2	2
Low Check Kian	6	6			–	–	√		–	–
Ng Kee Choe	6	5			–	–		√	2	1
Robert Owen	6	6			–	–			–	–
Liew Mun Leong <sup>3</sup>	6	4			–	–			–	–

# By invitation

<sup>1</sup> Hsieh Fu Hua ceased employment as Chief Executive Officer with the Company with effect from 30 November 2009, and on the same date he resigned as a Director of the Company.

<sup>2</sup> Magnus Bocker was appointed Chief Executive Officer and Executive and Non-independent Director with effect from 1 December 2009.

<sup>3</sup> Liew Mun Leong was appointed to the Board as an Independent Non-executive Director on 1 July 2009.

## ASSESSMENT OF INDEPENDENCE OF INDIVIDUAL DIRECTORS

All references to Regulations are a reference to the SFR 2005, which can be obtained from [www.agc.gov.sg](http://www.agc.gov.sg)

No.	Name of Director	Independence status under the Code	Independence status under the SFR 2005	Reg 3(1)(a) Independent from management relationship	Reg 3(1)(b) Independent from business relationship	Reg 4 Independent from substantial fulfilled
1	J Y Pillay	No	No <sup>1</sup>	No	Yes	Yes
2	Magnus Bocker	No	No <sup>2</sup>	No	No	Yes
3	Chew Choon Seng	Yes	Yes	Yes	Yes	Yes
4	Euleen Goh	Yes	Yes	Yes	Yes	Yes
5	Ho Tian Yee	Yes	Yes	Yes	Yes	Yes
6	Lee Hsien Yang	Yes	Yes	Yes	Yes	Yes
7	Loh Boon Chye	Yes	No <sup>3</sup>	Yes	No	Yes
8	Low Check Kian	Yes	Yes	Yes	Yes	Yes
9	Ng Kee Choe	Yes	Yes	Yes	Yes	Yes
10	Robert Owen	Yes	Yes	Yes	Yes	Yes
11	Liew Mun Leong	Yes	Yes	Yes	Yes	Yes

<sup>1</sup> J Y Pillay was the Executive Chairman of SGX till 28 September 2007. He is non-independent from management by virtue of Reg 3(2)(a), and will be considered independent after 28 September 2010.

<sup>2</sup> Magnus Bocker is the CEO of SGX. He was the President of Nasdaq-OMX, a key technology supplier for SGX. Hsieh Fu Hua, the former CEO who retired on 30 November 2009, was also deemed non-independent.

<sup>3</sup> Loh Boon Chye is non-independent by virtue of Reg 3(1)(b) as he is employed by Deutsche Bank Group which wholly owns Deutsche Futures Singapore Pte Ltd, an SGX member firm.

Remuneration Committee				Risk Management Committee				Regulatory Conflicts Committee				Annual General Meeting	Extra-ordinary General Meeting
Chairman	Members	Number of meetings held	Number of meetings attended	Chairman	Members	Number of meetings held	Number of meetings attended	Chairman	Members	Number of meetings held	Number of meetings attended		
		2 <sup>#</sup>	2 <sup>#</sup>			2 <sup>#</sup>	2 <sup>#</sup>			4 <sup>#</sup>	4 <sup>#</sup>	1	1
		1 <sup>#</sup>	1 <sup>#</sup>			1 <sup>#</sup>	1 <sup>#</sup>			1 <sup>#</sup>	1 <sup>#</sup>	1	1
		2 <sup>#</sup>	2 <sup>#</sup>			2 <sup>#</sup>	2 <sup>#</sup>			4 <sup>#</sup>	4 <sup>#</sup>	1	1
	√	2	2			–	–			–	–	1	1
		–	–		√	2	2		√	4	3	1	1
		–	–		√	2	2			–	–	1	1
	√	2	2			–	–			–	–	1	1
		–	–		√	2	2			–	–	1	1
	√	2	2			–	–			–	–	1	1
	√	2	2		√	2	2			–	–	1	1
		–	–		√	2	2		√	4	4	0	0
		–	–			–	–		√	4	4	1	1

# Remuneration Report

The function of the Remuneration Committee (RC) is to consider and determine, within its terms of reference, all matters concerning the remuneration programme for directors and senior management. RC comprises the following independent directors:

Ng Kee Choe (Chairman)  
Chew Choon Seng  
Lee Hsien Yang  
Low Check Kian

## COMPENSATION PHILOSOPHY

We adopt a pay-for-performance compensation philosophy that links total compensation to organisational and individual performances. For this purpose, both external and internal equity are important in developing, administering and maintaining our reward programmes.

Our total compensation is made up of fixed and variable compensation. The fixed compensation comprises annual basic salary and annual wage supplement for the Non-executives. The variable or "at risk" compensation is subject to performance and includes a cash-based short-term incentive and share-based long-term incentives. The higher the job level, the greater is the proportion of variable compensation to total compensation.

## REMUNERATION MIX

Our remuneration framework is made up of three key components:

- Fixed pay;
- Total incentives; and
- Benefits

### Fixed pay

Fixed pay comprises a base salary, annual wage supplement (for non-executives only) and fixed allowances. Our base salary is pegged to the market pay data of the Singapore banking and financial services industry as follows:

Corporate title	Base salary position
Associate to Assistant Vice President	55th percentile of the reference market
Vice President to Senior Vice President	50th percentile of the reference market

The annual salary review is in July of each year. We benchmark our salary structure with the financial industry and recommend to RC the appropriate salary increments taking into account the profitability of SGX as a whole. We practice a salary cap for Senior Vice President position and above. Employees who have tendered their resignation will not be eligible for salary adjustment.

## Total Incentives

The total incentives pool funds all our short-term and long-term incentive plans and is computed using the following formula:

Total Incentives (TI) Pool = A percentage of [NPAT less Cost of Equity] where NPAT is Net Profit before Tax and Variable Bonus

### (a) Short-term incentive

Short-term incentive takes the form of an annual variable bonus.

RC reviews and approves the variable bonus pool for distribution. The Management moderates and allocates the variable bonus based on the individual performance of employees and their contributions towards the achievement of SGX's performance.

No more than 75% of the TI Pool is allocated for distribution of annual variable bonus.

### (b) Long-term incentives

Following the adoption of the SGX Performance Share Plan (the Plan) at the Extraordinary General Meeting on 22 September 2005, RC terminated the SGX Share Option Plan (the Scheme) with respect to the grant of further options. However, options granted and outstanding prior to termination will continue to be valid and subject to the terms and conditions of the Scheme. The Plan rewards the senior management team and selected heads of functions in SGX.

High-performing and high-potential executives who are not eligible for the Plan will be eligible for the SGX Deferred Long-Term Incentives scheme (the LTI Scheme) based on organisational and individual performances. These incentives serve to enhance SGX's total compensation package and strengthens the company's ability to reward and retain key employees.

A minimum of 25% of the TI pool is allocated for distribution of long-term incentives (comprising the Plan and the LTI Scheme).

## The SGX Performance Share Plan

The Plan is a share-based incentive scheme administered by RC.

It was established with the objective of rewarding, motivating, and retaining key senior executives to achieve superior performance. Through the Plan, SGX will be able to recognise and reward past contributions and services, and motivate Participants<sup>#</sup> to continue to strive for SGX's long-term success.

RC may decide to make an award under the Plan either in the form of SGX shares or in cash (based on the market value of shares on vesting date) or a combination of both.

<sup>#</sup> Defined under the Plan as "A Group Employee or an Associated Company Employee who has been granted an award".

### Restrictions

The total number of new SGX shares which may be issued pursuant to awards granted under the Plan on any date, when added to the total number of new shares issued and issuable in respect of all awards granted under the Plan, and all options granted under the Scheme, shall not exceed 10% of SGX's issued shares on the day preceding the relevant date of award.

Participants are required to retain 50% of the total number of shares that are released to them for at least one calendar year from the vesting date. Failure to comply with this requirement may result in disqualification from further participation in the Plan and other share-based incentive schemes SGX may operate.

Unless otherwise decided by RC, the entitlement to this award is conditional on the Participant remaining in service up to the specified vesting date.

### Eligibility

Selected senior management who have attained the rank of Vice President, job grade 2 and above are eligible to participate in the Plan.

### Performance Share Plans for FY2008, FY2009 and FY2010

RC has approved the Plan for FY2008, FY2009 and FY2010, and has absolute discretion in the granting of performance shares. Details are as follows:

#### a) FY2008 Grant

The FY2008 grant will vest upon achievement of the following measures over a three-year performance period from 1 July 2007 to 30 June 2010:

- (i) Return on Equity (ROE);
- (ii) Absolute Total Shareholder Return (TSR); and
- (iii) SGX TSR against Straits Times Index (STI) TSR.

### FY2008 Grant

Performance level	ROE (Weight = 50%)		+	Absolute TSR (Weight = 25%)		+	SGX TSR against STI TSR (Weight = 25%)	
	Average over 3FYs	Payout (% of base allocation)		Average over 3FYs	Payout (% of base allocation)		Average spread over 3FYs	Payout (% of base allocation)
Above Target	≥ 47.5%	150%		≥ COE*+9%	150%		≥ 10.0% pts	150%
At Target	42.5%	100%		COE*+6%	100%		6.5% pts	100%
Threshold	37.5%	50%		COE*+3%	50%		3.0% pts	50%
Below Threshold	< 37.5%	Nil		< COE*+3%	Nil		< 3.0% pts	Nil

\* COE represents cost of equity.

The shares awarded on the vesting date could range from 50% to 150%, depending on the level of achievement against the performance targets. There shall be no award if the achievement falls below the threshold performance level. For an achievement between the Threshold and Above Target performance levels, the payout percentage will be pro-rated on a straight-line basis.

The performance shares will vest on 1 November 2010. Details of the shares granted to the Participants are as follows:

Participants (as defined under the Plan)	Balance as at 01.07.2009	Shares lapsed during financial year	Balance as at 30.06.2010
<b>EXCO members</b>			
Gan Seow Ann <sup>1</sup>	86,000	–	86,000
Seck Wai Kwong <sup>1</sup>	73,100	–	73,100
Muthukrishnan Ramaswami <sup>1</sup>	64,500	–	64,500
Yeo Lian Sim <sup>1</sup>	64,500	–	64,500
Lawrence Wong Liang Ying <sup>1</sup>	51,600	–	51,600
Chang Kuan Aun	43,000	–	43,000
Chew Sutat	38,700	–	38,700
Benjamin Foo	22,000	–	22,000
<b>Other staff</b>	190,200	(16,000)	174,200
Hsieh Fu Hua <sup>1,2</sup>	225,000	–	225,000
	<b>858,600</b>	<b>(16,000)</b>	<b>842,600</b>

<sup>1</sup> Received more than 5% of the 892,200 shares granted under the FY2008 grant.

<sup>2</sup> Hsieh Fu Hua was SGX's former CEO. His contract ended on 30 November 2009. Under his contract, he will continue to be eligible to receive the award at the vesting date, depending on the level of achievement against the performance conditions.

## Remuneration Report

### b) FY2009 Grant

The FY2009 grant will vest upon achievement of the following measures over a three-year performance period from 1 July 2008 to 30 June 2011:

- (i) ROE;
- (ii) Absolute TSR;
- (iii) SGX TSR against STI TSR; and
- (iv) SGX TSR against FTSE/MV TSR

### FY2009 Grant

Performance level	ROE (Weight = 50%)		Absolute TSR* (Weight = 25%)		SGX TSR against STI TSR (Weight = 12.5%)		SGX TSR against FTSE/MV TSR (Weight = 12.5%)	
	Average over 3FYs	Payout (% of base allocation)	Average over 3FYs	Payout (% of base allocation)	Average spread over 3FYs	Payout (% of base allocation)	Average spread over 3FYs	Payout (% of base allocation)
Above Target	≥ 52.5%	150%	≥ 19.0%	150%	≥ 10.0% pts	150%	≥ 7.0% pts	150%
At Target	47.5%	100%	16.0%	100%	6.5% pts	100%	4.5% pts	100%
Threshold	42.5%	50%	13.0%	50%	3.0% pts	50%	2.0% pts	50%
Below Threshold	< 42.5%	Nil	< 13.0%	Nil	< 3.0% pts	Nil	< 2.0% pts	Nil

\* Absolute TSR is benchmarked against the Cost of Equity of 10%.

The shares awarded on the vesting date could range from 50% to 150%, depending on the level of achievement against the performance targets. There shall be no award if the achievement falls below the threshold performance level. For an achievement between the Threshold and Above Target performance levels, the payout percentage will be pro-rated on a straight-line basis.

The performance shares will vest on 1 September 2011. Details of the shares granted to the Participants are as follows:

Participants (as defined under the Plan)		Balance as at 01.07.2009	Shares lapsed during financial year	Balance as at 30.06.2010
<b>EXCO members</b>				
	Gan Seow Ann <sup>1</sup>	150,800	–	150,800
	Seck Wai Kwong <sup>1</sup>	135,700	–	135,700
	Muthukrishnan Ramaswami <sup>1</sup>	135,700	–	135,700
	Yeo Lian Sim <sup>1</sup>	120,600	–	120,600
	Lawrence Wong Liang Ying <sup>1</sup>	98,000	–	98,000
	Chew Sutat	90,500	–	90,500
	Chang Kuan Aun	82,900	–	82,900
	Robert Ian Caisley	60,300	–	60,300
	Benjamin Foo	45,000	–	45,000
<b>Other staff</b>		417,200	(23,000)	394,200
	Hsieh Fu Hua <sup>1,2</sup>	458,500	–	458,500
		<b>1,795,200</b>	<b>(23,000)</b>	<b>1,772,200</b>

<sup>1</sup> Received more than 5% of the 1,834,000 shares granted under the FY2009 grant.

<sup>2</sup> Hsieh Fu Hua was SGX's former CEO. His contract ended on 30 November 2009. Under his contract, he will continue to be eligible to receive the award at the vesting date, depending on the level of achievement against the performance conditions.

### c) FY2010 Grant

The FY2010 grant will vest upon achievement of the following measures over a three-year performance period from 1 July 2009 to 30 June 2012:

- (i) ROE;
- (ii) Absolute TSR;
- (iii) SGX TSR against STI TSR; and
- (iv) SGX TSR against FTSE/MV TSR

### FY2010 Grant

Performance level	ROE (Weight = 50%)		Absolute TSR* (Weight = 25%)		SGX TSR against STI TSR (Weight = 12.5%)		SGX TSR against FTSE/MV TSR (Weight = 12.5%)	
	Average over 3FYs	Payout (% of base allocation)	Average over 3FYs	Payout (% of base allocation)	Average spread over 3FYs	Payout (% of base allocation)	Average spread over 3FYs	Payout (% of base allocation)
Above Target	≥ 47.5%	150%	≥ 19.0%	150%	≥ 10.0% pts	150%	≥ 7.0% pts	150%
At Target	42.5%	100%	16.0%	100%	6.5% pts	100%	4.5% pts	100%
Threshold	37.5%	50%	13.0%	50%	3.0% pts	50%	2.0% pts	50%
Below Threshold	< 37.5%	Nil	< 13.0%	Nil	< 3.0% pts	Nil	< 2.0% pts	Nil

\* Absolute TSR is benchmarked against the Cost of Equity of 10%.

The shares awarded on the vesting date could range from 50% to 150%, depending on the level of achievement against the performance targets. There shall be no award if the achievement falls below the threshold performance level. For an achievement between the Threshold and Above Target performance levels, the payout percentage will be pro-rated on a straight-line basis.

The performance shares will vest on 1 September 2012. Details of the shares granted to the Participants are as follows:

Participants (as defined under the Plan)		Shares granted during financial year <sup>1</sup>	Shares lapsed during financial year	Balance as at 30.06.2010
<b>EXCO members</b>				
	Gan Seow Ann <sup>2</sup>	96,800	–	96,800
	Muthukrishnan Ramaswami <sup>2</sup>	96,800	–	96,800
	Seck Wai Kwong <sup>2</sup>	82,300	–	82,300
	Yeo Lian Sim <sup>2</sup>	82,300	–	82,300
	Lawrence Wong Liang Ying <sup>2</sup>	62,900	–	62,900
	Chew Sutat <sup>2</sup>	62,900	–	62,900
	Robert Ian Caisley	48,400	–	48,400
	Chang Kuan Aun	43,600	–	43,600
	Benjamin Foo	25,300	–	25,300
<b>Other staff</b>		328,500	–	328,500
	Hsieh Fu Hua <sup>2,3</sup>	310,000	–	310,000
		<b>1,239,800</b>	<b>–</b>	<b>1,239,800</b>

<sup>1</sup> Represents the shares to be awarded to Participants at target achievement of the grant.

<sup>2</sup> Received more than 5% of the 1,239,800 shares granted under the FY2010 grant.

<sup>3</sup> Hsieh Fu Hua was SGX's former CEO. His contract ended on 30 November 2009. Under his contract, he will continue to be eligible to receive the award at the vesting date, depending on the level of achievement against the performance conditions.

### Special Award to the former CEO, Hsieh Fu Hua

A conditional award of 436,485 SGX shares was granted to Hsieh Fu Hua on 30 November 2009. The shares will vest at the end of a three-year period, on 30 November 2012, on condition that he does not, directly or indirectly, carry on or be engaged in, or concerned with any activity or business which SGX may deem to be in competition with the business of the Company and its subsidiaries, for a period of one year from the grant date.

## Remuneration Report

### The SGX Deferred Long-Term Incentives Scheme

The LTI Scheme was approved by the RC in July 2006. It recognises past contributions and services, and strengthens the company's ability to reward and retain high-performing executives who have the potential for higher level jobs.

RC may determine to grant an award, wholly or partly, in SGX shares or in cash, subject to a vesting schedule.

Since the commencement of the LTI Scheme, no Recipient<sup>#</sup> has been awarded 5% or more of the total shares available for each financial year.

#### Restrictions

The entitlement to the award is conditional on the Recipient remaining in service up to the specified vesting date.

#### Eligibility

Selected executives who have attained the rank of Associate, job grade 9 up to Vice President, job grade 2 and who are not Participants of the Plan are eligible to be considered for the award under the LTI Scheme.

#### FY2008 Award

There were two awards in FY2008. Both awards were given in the form of SGX shares. One award has a one-year vesting period which vested on 3 November 2008. Another will vest in three equal instalments over a period of three years with the first instalment vested on 3 November 2008.

Below are the details of shares awarded:

Recipients (as defined under the LTI Scheme)	Balance as at 01.07.2009	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2010
Award with three-year vesting period	275,500	(15,600)	(132,600)	127,300
<b>Total</b>	<b>275,500</b>	<b>(15,600)</b>	<b>(132,600)</b>	<b>127,300</b>

#### FY2009 Award

There were two awards in FY2009. Both awards were given in the form of SGX shares. One award has a one-year vesting period which vested on 3 November 2009. Another will vest in three equal instalments over a period of three years with the first instalment vested on 3 November 2009.

Below are the details of shares awarded:

Recipients (as defined under the LTI Scheme)	Balance as at 01.07.2009	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2010
Award with three-year vesting period	689,300	(47,400)	(219,900)	422,000
Award with one-year vesting period	40,000	–	(40,000)	–
<b>Total</b>	<b>729,300</b>	<b>(47,400)</b>	<b>(259,900)</b>	<b>422,000</b>

#### FY2010 Award

There were two awards in FY2010. Both awards were given in the form of SGX shares. One award has a one-year vesting period which will vest on 3 November 2010. Another will vest in three equal instalments over a period of three years with the first instalment vesting on 3 November 2010.

Below are the details of shares awarded:

Recipients (as defined under the LTI Scheme)	Shares awarded during financial year	Shares lapsed during financial year	Balance as at 30.06.2010
Award with three-year vesting period	414,500	(17,400)	397,100
Award with one-year vesting period	19,000	(2,000)	17,000
<b>Total</b>	<b>433,500</b>	<b>(19,400)</b>	<b>414,100</b>

<sup>#</sup> Defined under the LTI Scheme as "A Group Employee or an Associated Company Employee who has been granted an award".

## DISCLOSURE ON DIRECTORS' REMUNERATION

The tables below show the gross remuneration of the executive directors and non-executive directors of SGX for FY2010.

Executive Directors	Fixed pay \$	Bonus <sup>1</sup> \$	Ex-gratia payment \$	Long-term incentives <sup>2</sup> \$	Benefits-in-kind \$	Total gross remuneration \$
Hsieh Fu Hua <sup>3</sup>	314,195	–	1,500,337	2,826,150	246,169	4,886,851
Magnus Bocker <sup>4</sup>	437,500	1,000,000	2,630,000	–	274,983	4,342,483

<sup>1</sup> The bonus was determined by RC after taking into account the achievement of specific quantitative and qualitative KPIs and objectives set for FY2010.

<sup>2</sup> Vesting of the Plan for FY2007 based on the fair value on grant date. The shares vested on 2 November 2009.

<sup>3</sup> Hsieh Fu Hua ended his contract on 30 November 2009.

<sup>4</sup> Magnus Bocker joined SGX as CEO on 1 December 2009.

Non-Executive Directors	Directors' fees \$
J Y Pillay	750,000*
Chew Choon Seng	95,500
Euleen Goh	121,000
Ho Tian Yee	121,000
Lee Hsien Yang	118,000
Loh Boon Chye	128,000
Low Check Kian	110,424
Ng Kee Choe	119,000
Robert Owen	107,000
Liew Mun Leong	82,000
<b>Total</b>	<b>1,751,924</b>

\* Excluding the provision of a car and a driver.

Directors' fees are subject to shareholders' approval at the annual general meeting.

Please refer to the Corporate Governance Report on page 39 for the remuneration framework of non-executive directors.

## DISCLOSURE ON FIVE TOP-EARNING EXECUTIVES' REMUNERATION

The table below shows the gross remuneration of the five top-earning executives for the financial year ended 30 June 2010.

	Fixed pay \$	Bonus for FY2010 <sup>1</sup> \$	Long-term incentives <sup>2</sup> \$	Benefits-in-kind \$	Total gross remuneration \$
Gan Seow Ann	407,124	1,102,363	1,055,550	–	2,565,037
Seck Wai Kwong	405,549	751,688	1,055,550	150	2,212,937
Yeo Lian Sim	403,168	851,126	681,000	161	1,935,455
Muthukrishnan Ramaswami	405,684	1,102,363	–	182	1,508,229
Lawrence Wong Liang Ying	354,600	676,688	442,650	–	1,473,938

<sup>1</sup> The bonuses for SGX senior management were determined after taking into account the achievement of specific individual and organisational KPIs set for FY2010.

<sup>2</sup> Vesting of the Plan for FY2007 based on the fair value on grant date. The shares vested on 2 November 2009.

## Benefits

Benefits provided for employees are comparable with local market practices. These include medical, dental, and group insurances.

# Caring for our People & Community





**With the Global Reporting Initiative benchmarking, SGX affirms its commitment to building a sustainable future for all its stakeholders.**

# Corporate Social Responsibility

## SGX CSR POLICY

Singapore Exchange (SGX) views Corporate Social Responsibility (CSR) as fulfilling the legal, legitimate and ethical interests of our stakeholders, as a commercial enterprise, employer, market operator and corporate citizen in support of a sustainable future.

Strict legal rights are entitlements of stakeholders that are enshrined in law or binding agreements. Legal rights have the sanction of the law. SGX must protect the legal rights of stakeholders. As a licensed financial institution, SGX continues to abide by all applicable laws.

Legitimate claims are entitlements asserted by stakeholders that are based on norms commonly accepted by agreement or convention. As far as is justified, SGX will uphold legitimate claims.

Ethical expectations are stakeholders' beliefs in entitlements that may be substantiated by moral considerations. Where justified, SGX seeks to meet these ethical expectations to promote stakeholders' interests.

Stakeholders' bases of interest	Action
Legal Rights	To Protect
Legitimate Claims	To Perpetuate
Ethical Expectations	To Promote

The bases of stakeholders' interests guide our CSR initiatives. As SGX continues to protect legal rights and perpetuate legitimate claims, we will use the opportunities presented by ethical expectations to further promote stakeholder interests.

### Our CSR Commitment

SGX views CSR as a key pillar of our corporate culture. As a listed

company and also as a regulator, SGX tries to lead by example when it comes to CSR.

SGX recognises that our accountability extends to the interest of stakeholders through the different roles we fulfill. Stakeholder interests may be based on the law, conventional norms and/or ethical expectations. These demand our attention in different ways.

Stakeholders	SGX's roles		
Shareholders	Commercial Enterprise	Listed Company	Building a Sustainable Future
Employees	Employer		
Marketplace	Market Operator	Market Developer	

In fulfilling the interests of shareholders and employees, we perform the functions of a listed company and promote a corporate culture that believes in CSR. SGX is also committed to actively engaging staff in CSR initiatives and supporting worthy causes.

As market operator, we serve the marketplace by upholding high regulatory standards and maintaining an efficient and robust infrastructure. In this role, SGX is committed to building a highly trusted marketplace.

As a corporate citizen, we further the common good and make a positive impact in our community.

Good CSR practices engender sustainable business practices. Accordingly, SGX seeks to lead and engage our listed companies and business partners in adopting good CSR practices.

## ABOUT THIS CORPORATE SOCIAL RESPONSIBILITY REPORT

The CSR report outlines the various CSR initiatives undertaken by SGX and how these initiatives benefit respective stakeholders. The initiatives include economic policies and practices SGX adopts, activities undertaken to contribute to society and our commitment to caring for our environment.

### Global Reporting Initiative



We have used the Global Reporting Initiative (GRI) G3 Guidelines to prepare this report. Based on its reporting criteria, this report satisfies GRI requirements and GRI has verified this Report as an Application Level "C" report.

### Reporting Period and Scope

This is SGX's second GRI report, and it focuses on the operations of active subsidiaries of the SGX Group in Singapore and covers the period from 1 July 2009 to 30 June 2010. There was no re-statement of information provided in the CSR Report from 1 July 2008 to 30 June 2009.

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This report details our CSR performance in relation to our principal business of providing a broad range of services, including listing, trading, clearing and settlement of securities and derivatives and depository services. We have focused on describing our current CSR practices in fulfilling the interests of our stakeholders. The GRI Content Index outlines the specific GRI reporting elements and indicators to be addressed.

### **FULFILLING OUR SHAREHOLDERS' INTERESTS**

SGX has conscientiously increased and delivered on its dividend commitments to shareholders.

This year marks our 10th year as a listed company. Our shareholder register continues to reflect a good balance across various types of investors. Our retail investor base has tripled from 12,000 as at end-June 2001 to over 37,000 as of 30 June 2010, having grown continuously since we first listed.

As with previous financial years, our Investor Relations (IR) team continues to engage the investment community across numerous platforms, addressing the concerns and questions they have regarding SGX's business and financial performance. These platforms include: conference calls; face-to-face meetings; local and overseas investor conferences and roadshows.

Maintaining our commitment towards increasing corporate transparency, stakeholders are now able to participate in our quarterly results briefings to analysts and the media via a live video webcast on our SGX website. Just like the audience that is physically present at the briefings, analysts and investors viewing the webcast are able to send in their questions as well.

Our annual IR Open Day was held in August 2009 when shareholders were able to interact with and question senior management on various issues. Encompassing the IR Open Day this year, SGX will host an Investor Day in August 2010 that would also include a public exhibition and a series of seminars to educate investors about SGX in a broader context, other than an investment in itself.

Our IR performance and efforts are measured by an independent annual perception study in which our target audience of existing and prospective shareholders, as well as leading research analysts, assesses our performance. SGX has consistently been and continues to be top-ranked in IR among Singapore blue chips and peer exchanges. In the most recent study by Carter Research Consulting, Global Market Barometer 2009, we scored 4.25 (FY2009: 4.40) on a scale from 1 to 5. This compared well with the mean score of 3.42 for other Singapore companies and peer exchanges.

As an exchange and a listed company, SGX takes a keen interest in promoting IR in the broader marketplace.

We continue to be an active Charter Member and supporter of the Investor Relations Professionals Association (Singapore) (IRPAS), which was established in 2006 to develop the IR profession in Singapore and raise the profile of IR among SGX-listed companies.

### **ENSURING A FAIR, ORDERLY AND TRANSPARENT MARKETPLACE**

SGX ensures a fair, orderly and transparent marketplace in three elements of our business; Self-Regulatory Organisation Governance, Corporate Governance (CG) and Advocacy.

#### **Self-Regulatory Organisation Governance**

As a Self-Regulatory Organisation (SRO), SGX ensures that our regulatory decision-making is not compromised by our commercial objectives. SGX works closely with our statutory regulator Monetary Authority of Singapore (MAS) with regard to SRO governance and the maintenance of high regulatory standards.

Full details of our SRO governance practices are reported in the SRO Governance Report section of the Annual Report.

#### **SGX takes the lead in Corporate Governance**

As both market operator and a regulator, SGX is a principal actor in Singapore's financial marketplace. Details of SGX's CG practices are found in the Corporate Governance report of the Annual Report. For further details on risk management please refer to the Risk Management Report of this Annual Report. The Operating and Financial Review of the Annual Report outlines our performance for FY2010.

SGX was ranked third in the 2010 Governance and Transparency Index (GTI). The GTI is a collaboration between the Corporate Governance and Financial Reporting Centre, and The Business Times, sponsored by CPA Australia and supported by the Investment Management Association of Singapore.

The GTI rated 680 Singapore listed companies on their corporate governance, transparency and investor relations practices.

#### **SGX advocates good Corporate Governance**

As a regulator and leading financial institution, SGX promotes high standards of Corporate Governance (CG) for SGX-listed companies. CG sets out the principles, standards, and processes by which companies, through their board of directors and senior management, conduct their business activities. These principles balance safe and sound business operations while complying with relevant laws and regulations.

SGX is active in supporting the strengthening of good CG as a pillar of SGX's disclosure based regime. To that end we have been:

- (1) Conducting seminars in Singapore and China for our listed companies on relevant CG topics.
- (2) Actively working with ACRA on providing relevant information to companies to help them further improve their CG practices.
- (3) Actively supporting Singapore Institute of Directors to launch new director training programmes to help keep existing directors updated on market/CG issues and aid new directors to fully understand their responsibilities in this market.

### Public Policy Development

We maintain a "Regulators Column" to keep market participants informed of our regulatory philosophy, processes and practices as well as our views on emerging issues and market development. Before making rule changes, we typically publish consultation papers to understand market perspectives more comprehensively.

In this financial year, the following consultation papers were issued:

### Investor Education

SGX has always promoted investor education and financial literacy among the general public. In FY2010, SGX Academy ran a total of 181 events, seminars, courses and partnered events, benefiting almost 8,000 individual investors.

In February 2010, SGX launched the "Trading Strategies Series" of articles for investors. Aimed at making professional trading methods accessible to a wider group of investors, the "Trading Strategies Series" is part of investor education efforts by SGX to broaden the knowledge of market participants and over time, enhance market depth. Written in plain English, the articles provide a step-by-step guide on various trading methods.

The Investor Education Committee (IEC) which comprises industry practitioners and senior management of SGX, administers the Investor Education Fund (IEF). Aimed at improving investors' understanding and ability to make better-informed investment decisions, the IEF has published reference guides to equip individual investors with the skills to obtain important information in Annual Reports and ask pertinent questions during Annual General Meetings.

Title of Consultation Paper	Date Issued	Date Closed
Consultation Paper on Amendments to DC Rules for CCP Clearing Services for Over-The-Counter Traded Financial Derivatives	21 Apr 2010	12 May 2010
Consultation Paper on Admission of Banks as Trading Members of SGX-ST	20 Apr 2010	03 May 2010
Consultation Paper on Proposed SGX Nikkei Dividend Point Index Futures Contract	06 Apr 2010	19 Apr 2010
Consultation Paper on Proposed Amendments to DC Rule 6.02A.7 on Matching and Re-novation	25 Feb 2010	10 Mar 2010
Consultation Paper on Proposed Revisions to Mainboard Admission Criteria and the Introduction of SPAC	06 Jan 2010	03 Feb 2010
Consultation Paper on Proposed New Measures and Rule Amendments to Strengthen Corporate Governance Practice	09 Dec 2009	15 Jan 2010
Consultation Paper on Proposed Launch of Fuel Oil 380-centistoke Futures Contracts	07 Sep 2009	24 Sep 2009
Consultation Paper on Amendments to Minimum Bid Sizes and Forced Order Range for SGX Securities Market	01 Sep 2009	21 Sep 2009
Consultation Paper on New Calculation of Final Settlement Price for SGX MSCI Taiwan Index Futures Contracts	20 Aug 2009	31 Aug 2009
Consultation Paper on Proposed Introduction of Catalist Listing Rules for Mineral, Oil and Gas Companies	11 Aug 2009	31 Aug 2009

This year through the IEF, SGX launched online educational web-clips for investors, reaching out to the tech-savvy community. Available on the SGX website, the series of eight short web-clips, in English and Mandarin, builds on the well-received Investor Guides for "Reading Annual Reports" and "Preparing for Annual General Meetings".

**Clear and Factual Communication**

SGX strictly adheres to the Singapore Code of Advertising Practices and the Financial Advisers Act. Upholding a high standard of ethics in our communications and marketing materials, SGX ensures that materials are clear, fair, and reasonable, presenting a balanced picture of products and services provided.

**THE EMPLOYER OF CHOICE**

Our human resources philosophy is grounded in the belief that a fulfilled and motivated employee will work to his or her fullest potential, and produce the best performance possible for himself or herself and the company as a whole.

SGX has mapped out four roles for itself to translate its human resources philosophy into actions and activities. These roles are:

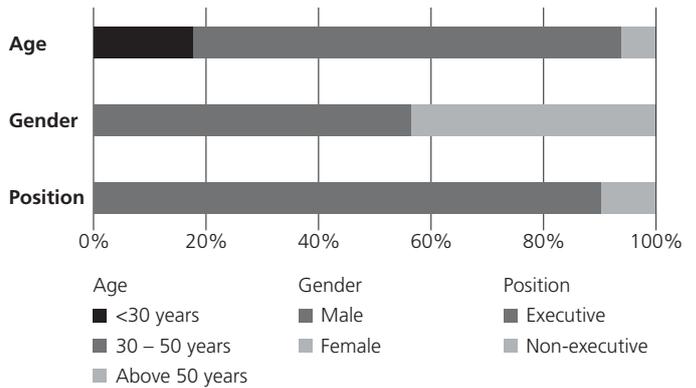
- **Equal Opportunity Employer**
- **Proponent of Learning and Development**
- **Guardian of Staff Welfare**
- **Advocate of Work-Life Balance**

**Equal Opportunity Employer**

At SGX, employees are assured of equal opportunities and benefit from merit-based retention, promotions and rewards. SGX celebrates diversity in the workplace in terms of ethnicity, age and gender. We believe that diversity creates a dynamic environment where new ideas and perspectives, experience and knowledge can be constantly shared and discussed. Employees can also benefit from the continuity, mentoring and leadership which exist as a result of the presence of longer-serving colleagues.

SGX staff are free to join unions. About 10% of our staff are represented by the Singapore Manual and Mercantile Workers' Union (SMMWU).

**SGX Staff Demographics:**



**Scholarship and Management Associate Programmes**

The SGX scholarship programme is currently in its 10th year and was introduced to nurture and develop talented individuals to be the future of SGX. The scholarships are awarded to talented students pursuing their tertiary studies at National University of Singapore, Nanyang Technological University or Singapore Management University. In the year 2010, SGX awarded four students the scholarship which brings the total number of scholars to date to 38.

The Management Associate (MA) Programme was launched in 2006 to engage and develop bright and promising talent through active learning and a mentorship framework. To date, we have offered this fast track programme to 13 management associates with four of them still in the process of completing their programme. Since 2008, we have also introduced an associate programme that targets technology students to build our technology strength for the future. We have six technology associates on this programme.

**Development Framework**

We believe in constant training and development so that our staff can remain competitive by equipping them with the relevant knowledge and skills needed in this environment. We have provided 509 courses to our employees and the average number of training hours per employee was about 30 hours.

Brown Bag sessions were conducted over lunch time to facilitate greater understanding of the functional areas within the Company and provide the context within which every job contributes to SGX's strategic direction. This year we initiated four Brown Bag sessions covering Commodities, the Trading Strategies Series, Fraud Awareness and the Learning Curriculum. We further emphasised in the sessions the importance of fraud awareness and ethical decision-making as it is important that as a SRO, we maintain high CG standards.

In addition to the regular training programmes, we have the Continuous Learning Programme, which refers to courses that lead to academic qualifications such as certificate, diploma, degree and even up to post-degree qualifications. The Financial Scholarship Programme saw us sponsoring an employee to the UK to pursue her Master degree in Finance at University of Cambridge.

### **Performance Management Process**

Managing talent is key to our success. SGX continues to fine-tune our performance management process to enable us to remain competitive, to drive performance improvement and to reinforce our "pay for performance" philosophy.

Performance distributions will commensurate with rewards and will promote transparency by encouraging effective communication and performance feedback between managers and employees.

### **Mandatory Block Leave**

SGX follows the MAS Guidelines on Risk Management and imposes a mandatory block leave requirement on staff at all levels. All employees must utilise their annual leave and be away from the office for a period of seven consecutive calendar days, starting from a working day. Their authority is delegated to a covering officer during this period as an institutionalised internal control policy.

### **Physical Security**

SGX places high importance on security and the safety of our staff. Although security at SGX is outsourced, we take a keen interest in ensuring that security staff are well-trained. Security staff at the SGX premises are required to either be certified with Workforce Skills Qualifications for the Security Industry, or be otherwise exempt due to past employment with the police or other relevant services.

### **Business Continuity Planning**

SGX has a comprehensive Business Continuity Planning programme in place to minimise any disruptions to its critical business activities and ensure the markets continue to function in a fair, orderly and transparent manner in the event of a crisis.

SGX continues to conduct business continuity exercises and simulated disruption scenarios, to validate the overall adequacy of SGX's contingency plans and recovery process.

Playing its part in the wider financial community, SGX is an active member of the Financial District Security Programme (FDSP). Launched in October 2009 by the MAS in partnership with the Singapore Police Force, the FDSP seeks to address safety and security related concerns, and share best practices among the financial industry in Singapore.

## **SUPPORTING OUR COMMUNITY**

### **The Bull Charge® 2009**

The Bull Charge 2009 raised \$2.038 million amid a challenging year for the economy. The charity fun run, in its sixth year, aided a total of 12 beneficiaries representing underprivileged children, the elderly, the disabled, youths, families in need and mental health patients.

Initiated by our management associates, the Bull Rally was held to raise awareness and encourage staff to come together to reach out to beneficiaries. Staff from various units organised outings, movie screenings and dinner parties to raise the spirit of our beneficiaries. Staff also initiated fund-raising activities such as organising a Hong Bao Collection Drive over the Lunar New Year season, Roses For A Lovely Cause during Valentine's Day, and an inter-group Touch Rugby tournament.

For the first time, the Bull Charge was held at The Float @ Marina Bay with anchor races such as the "Fun Run" and the "Management Team Relay". It was also the first time we introduced the "Bulls-on-Wheels" segment featuring top CEOs and management on trishaws painted by the beneficiaries. Over 3,000 professionals from the financial and corporate community participated in the event.

Bull Charge 2009 raised funds for those in need and also gave beneficiaries the opportunity to increase awareness for their various causes amongst the financial and corporate community.

### **The Bull Charge® 2010**

The Bull Charge 2010 will be moving towards a new direction in its seventh year. The event will be making a bigger impact across a variety of charitable groups, with a specific focus on the elderly.

This year, the Bull Charge aims to make a significant impact on Bright Hill Evergreen Home. Funds raised for the Home will be used to enhance residential facilities, medical and nursing care for the elderly sick and those dependent on public assistance. This is in line with this year's motto – "Making an Impact".

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To be held for the second year running at The Float @ Marina Bay, we will be introducing an exciting new route round Marina Bay for the "Fun Run". Coupled with other new features this year, the event promises to be more impactful, memorable and exciting. We believe these initiatives will make a bigger impact on our beneficiaries. At the same time, we expect the bridge between the financial and corporate community, and the beneficiaries to be stronger than ever.

### **Shared Services Charities**

SGX was one of the founding members of the Shared Services for Charities Limited (SSC) in December 2008. SSC was set up to bring subsidised professional shared services to all charities for better governance and organisational excellence.

SGX supports SSC's aims of being a one-stop facilitator and manager of shared professional resources, thereby allowing charities to focus on service delivery to their beneficiaries. This unique and innovative concept seeks to bring charities together to share in the cost of professional resources, such as internal audit, financial and risk management, fund raising and public relations. Through such combined efforts, SSC is able to achieve economies of scale which would lower costs and at the same time result in greater value.

### **The Environment**

SGX continues to drive forward efforts to reduce its carbon footprint by delivering the Annual Report on CD-Roms, to produce the net effect of saving paper, and saving trees. For FY2010, SGX will take its efforts one step further, and produce the EGM shareholders' circular in CD-Rom, saving approximately 434,000 pieces of paper. This is in addition to the savings in paper from the production of the Annual Report in CD-Rom. A total of 3 million pieces of paper, equivalent to 378 trees<sup>1</sup>, will be saved by the delivery of the AGM and EGM documents to shareholders in CD-Rom instead of printed form.

On an industry-wide basis, SGX has been an active proponent of paperless Annual Reports in sending out its Annual Reports in CD-Roms instead of in printed form. Two years ago, SGX sent out its Annual Report in CD-Rom. This has paved the way for greater acceptance amongst the other listed companies to send out their Annual Reports in CD-Rom. The next step in the evolution of paperless Annual Reports is to publish the Annual Report on the website (an 'electronic Annual Report') eliminating the need to send out CD-Roms to shareholders. This year SGX has supported proposals for legislative amendments to the Companies Act to enable the delivery of electronic Annual Report to shareholders. When legislation is enacted, SGX will actively assist its over 700 listed companies to make the switch to delivering electronic Annual Reports.

As an organisation, SGX continues to maintain indoor ambient temperature at 23.5 degrees Celsius.

In FY2010, SGX recycled an average of 500 kg of paper per month, or 6,000 kg of paper for the year. While this does not amount to the total amount of paper used by SGX, the Company is constantly working towards promoting the recycling of paper.

SGX has also engaged a firm to aid in the recycling of printer cartridges. This year SGX recycled a total of 50 printer cartridges.

Mindful of its impact on the environment, SGX used Forest Stewardship Council (FSC) certified paper in the printing of this report. FSC is an independent, non-governmental, not-for-profit organisation established to promote responsible management of the world's forests.

### **BUILDING A SUSTAINABLE FUTURE**

SGX will continue to foster and improve environmental and social initiatives, as well as to promote increased disclosure of Environmental, Social and Governance (ESG) issues by listed companies.

SGX will also continue to partner with agencies to raise awareness of ESG issues.

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<sup>1</sup> One tree makes approximately 8,333.3 sheets of copy paper. Source: conservatree.com.

## G3 & FINANCIAL SERVICES SECTOR SUPPLEMENT CONTENT INDEX

### STANDARD DISCLOSURES PART I: Profile Disclosures

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EC3	Coverage of the organisation's defined benefit plan obligations	Remuneration Report	46–47
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LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Remuneration Report CSR	46–47 57
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LA10	Average hours of training per year per employee by employee category	CSR	57–58
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	CSR	57–58
LA12	Percentage of employees receiving regular performance and career development reviews	Remuneration Report CSR	47–48 57–58
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FS13	Access points in lowly-populated or economically-disadvantaged areas by type	CSR	58–59
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<sup>COMM</sup> Denotes sector commentary on G3 Guidelines performance indicator.

# Focusing on Risk Management





**SGX's risk management strategy seeks to minimise the adverse effects of the unpredictable financial markets.**

# Focusing on Risk Management

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**Singapore Exchange (SGX) is providing clearing services for an expanding suite of products and market participants.**

## **CLEARING AND COUNTERPARTY RISK MANAGEMENT**

### **Providing Clearing Services for an Expanding Suite of Products and Market Participants**

As the events of the global financial crisis gave way to a year less turbulent but characterised by continuing uncertainties, SGX's clearing houses continued to fulfil their critical roles of assuring members and investors that contracts would be performed and trades cleared and settled.

SGX Derivatives Clearing (SGX-DC) and the Central Depository (CDP) supported the derivatives and securities markets respectively by acting as central counterparties to market participants in these markets. The assurance of safe and efficient clearing and settlement underpins the trading of a wide range of products including shares of listed companies, structured warrants, equity index futures and options and commodity futures on the exchanges that SGX operates. SGX-DC also serves as the central counterparty for market participants in the Over-The-Counter (OTC) commodities market, namely in oil, freight and iron ore.

The acquisition of SICOM further expands the range of products that SGX clears. A link between the clearing houses of SICOM and SGX-DT enables SGX-DT members to clear their SICOM trades through SGX-DC with the benefit of generating a consolidated account. This provides market participants with greater flexibility and cost efficiency in managing their positions.

The range of products cleared through SGX's clearing houses is expected to grow, especially from the OTC markets. The financial crisis has highlighted the benefits that a clearing house can provide to OTC market participants, namely reducing counterparty risk by clearing with a regulated entity, providing transparent valuation with daily marking-to-market, and reducing transaction costs through netting and clearing through a single entity. Regulators globally are encouraging OTC products to be cleared through central counterparties. SGX-DC has been preparing to meet the needs of market participants by expanding its central counterparty function to include OTC traded financial derivative contracts.

SGX has also expanded the profile of its clearing members. CDP accepted banks as clearing members for the first time, following SGX-DC which had already admitted banks as clearing members since 2007. The admission of banks provides market participants with a wider choice of clearing members. The expansion of membership reduces concentration risks and strengthens our clearing system.

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### **Enhancing SGX's Risk Management Framework**

The time-tested pillars of SGX's risk management framework continued to support the operation of its clearing houses in the past year. SGX's clearing members meet stringent admission requirements. Clearing members' senior executives meet 'fit and proper' criteria. After admission, SGX monitors the capital adequacy and financial health of clearing members through a risk-based capital framework and conducts periodic audits on clearing members. Daily risk exposure monitoring enables evaluation of developments in key risk areas.

Besides overseeing its clearing members, SGX also manages its exposure to banks which effect settlement on behalf of clearing members. Close attention is paid to the financial health of these banks and our credit exposures are spread across eight major banks.

SGX-DC and CDP maintain separate clearing funds which are individually put through rigorous stress tests for maintenance of prudential adequacy. Both clearing funds have not been called upon since their inception.

SGX continually seeks to improve its core risk management capabilities. The risk thresholds and procedures of our risk management framework are subject to constant review and enhancement over time. Acquisition of a new risk management system that will enhance our capability to accommodate a higher volume of transactions, more sophisticated products, and provide more advanced risk analytics and stress testing in the years to come is being evaluated.

Giving due regard to the risk of clearing default, we completed several desktop exercises simulating various risk scenarios. Arising from these exercises, information and resource requirements have been defined. In FY2011, we intend to gather feedback from clearing members on our default management procedures.

During the year, we refined the risk management framework of SICOM and developed appropriate risk frameworks for the products that SICOM listed in FY2010.

In FY2011 and onwards, SGX anticipates that the volume of transactions and the range of products cleared would continue to increase. To cater for these developments, changes have been made to SGX's clearing funds to enhance their efficiency and effectiveness in different market conditions. Changes to the structure of the SGX-DC clearing fund have increased scalability. The new structure more closely links individual members' clearing contributions to the risks they bring to the clearing house, reinforcing the robustness of the derivatives clearing system. SGX is also reviewing similar changes to the CDP clearing fund and in the interim, steps were taken to improve its liquidity.

SGX has also proposed changes to its risk management framework for the clearing of OTC traded financial derivative contracts. The proposed changes, presented for public consultation in April 2010, include a different set of financial requirements for Bank Clearing Members clearing these contracts and margin methodology tailored for these contracts.

Our ongoing efforts to improve risk management capabilities and enhance the risk management framework enable us to continue to operate safe and efficient clearing houses.

### **ENTERPRISE RISK MANAGEMENT**

#### **Managing risks across the organisation**

In addition to clearing risk, other risks in the areas of strategy, technology, operations and reputation continued to be given importance. SGX has adopted a consolidated approach to managing these risks across the enterprise.

#### **Building a robust enterprise risk management framework**

Our Enterprise Risk Management (ERM) framework encompasses the whole organisation, starting at the highest level. Key risks at the Board level cascade down to the executive level and the functional level.

The Risk Management Committee (RMC), a Board committee, reviews and recommends to the Board the type and level of risks that SGX undertakes to achieve its objectives. As part of its remit, the RMC also assesses the adequacy of resources in the areas of risk management and technology, and approves the risk framework of SGX.

At the management level, the Enterprise Risk Committee (ERC), a subset of the Executive Committee, presides over risk management policy implementation. The ERC comprises the Co-President for Operations and Technology, Chief Financial Officer and Chief Regulatory Officer. The ERC reports to the Chief Executive Officer.

SGX's management reviews the Company's key risks annually, and puts in place action plans to manage them. The progress of these action plans is monitored by a dedicated ERM unit.

In the past year, a formal approach to instil greater risk awareness at the functional level was rolled out organisation-wide. Under the Risk Self Assessment (RSA) approach, each unit identified risks within their functional areas and assessed the adequacy of the controls that had been in place. Action plans were formulated and also closely monitored.

# Delivering Results





**FY2010 secured the second best  
profit level since SGX's listing in  
November 2000.**

# Operating and Financial Review

**SGX remains well positioned with its Asian Gateway strategy.**

## OPERATING ENVIRONMENT

We had an eventful FY2010. The year witnessed a strong rebound of the global equity markets after the trough in March 2009. In the latter part of FY2010, however, markets remained directionless, being overshadowed by the Euro debt crisis, the risk of a double-dip recession given mixed US economic data and a potential slowdown in China, amongst other negative factors. The apparent lack of triggers in the market contributed to a marked decline in volatility from the previous year. Indeed, Singapore's market volatility in FY2009 was 34% and in FY2010 it was 16%. This pattern is similar to other markets where clear market signals have been absent and volatility has effectively halved compared to the previous year. This lack of market activity naturally has a knock on effect on our business.

While the global macro-economic environment is challenging, closer to home, Singapore's benchmark index, Straits Times Index, climbed 22% in FY2010, outperforming most key Asian markets<sup>1</sup>, on the back of a strong economic outlook<sup>2</sup>. It is encouraging to note that on a broader front, Asia is leading the global recovery and with growth estimates in Asia stronger than in other developed economies, Singapore Exchange (SGX) remains well positioned with its Asian Gateway strategy. Indeed, in FY2010, SGX continued to deliver value to its customers with: an expanded membership base and product suite; enhanced trading, clearing and settlement infrastructure and a new organisation to better serve our members and investors.

We recognise that we need to maintain our momentum given an increasingly competitive landscape. Other exchanges continue to look to our markets for their own growth prospects. While our investment in technology has pushed us to the front of the pack for now, we see an increasingly shorter time to market and the possibility of other Asian exchanges following a similar path. Moreover, we see large Western exchanges tying up with Asian ones. The additional threat of alternative trading systems and other electronic communication networks means that we cannot stand still. The demand for block trading services will be met by the launch of our Chi-East joint venture, a pan-Asian crossing network for securities listed in Australia, Hong Kong, Japan and Singapore.

As a new order, post-financial crisis, emerges, new opportunities become clearer. Our customer mix will change as more of our customers increasingly hail from other international markets. These customers will demand increasingly sophisticated facilities, including better access, connectivity, trading and post-trade

<sup>1</sup> China Shanghai Stock Exchange Composite Index -19%; Hong Kong Hang Seng Index +8%; India Sensex Index +20%; Japan Nikkei225 Index -6%; Korea KOSPI Index +22%; Taiwan TAIEX Index +14%; MSCI Asia APEX 50 Index +14%.

<sup>2</sup> Singapore's Gross Domestic Product (GDP) is expected to grow 13.0-15.0% in 2010 (Source: Ministry of Trade and Industry, 14 July 10), compared to International Monetary Fund's GDP growth estimation of 3.3% for the US, 1.0% for the European Union and 1.2% for the UK.

products and services. With regulatory winds blowing from the West, we expect to see our risk management and clearing facilities feature more with the advent of more standardised contracts. Indeed, the development of our Over-The-Counter (OTC) clearing is a priority and we plan to clear financial derivatives and other products in FY2011. Another area of growth in Asia is commodities and our efforts to collaborate with larger commodity houses, like London Metal Exchange and Tokyo Commodity Exchange, signal our intent to quickly develop more products.

The return of primary market activity is evident from the increased number of IPOs (42) in FY2010, double what it was a year ago. Moreover, we have attracted significant international secondary issues to our market, as well as seeing the fixed income side of our business continue to grow. The trend of more international issues coming to Singapore is likely to persist and we expect to be a beneficiary. As the prospect of economic recovery improves, the demand for capital should provide SGX the opportunity to attract more issuers seeking to raise capital. We continue to see interest within Asia as well as from the US and Europe, where issuers wish to access capital from Singapore's growing pool of assets. We will also find other ways to broaden our market reach with a bigger suite of products, such as Depository Receipts, Exchange Traded Funds and Notes, as well as other structured products.

We are committed to becoming one of the leading exchanges in the world. We will continue to expand our distribution network, product and service offering and maintain trust in our marketplace

through high regulatory standards. At the same time, we aim to be as efficient as possible and in doing so, reduce the cost of operating in our markets. Marking this transformation is the Reach initiative<sup>3</sup> – developing one of the world's fastest securities trading engines supported by a state-of-the-art data centre with co-location facilities and establishing point of presence in data centres in four global liquidity hubs.

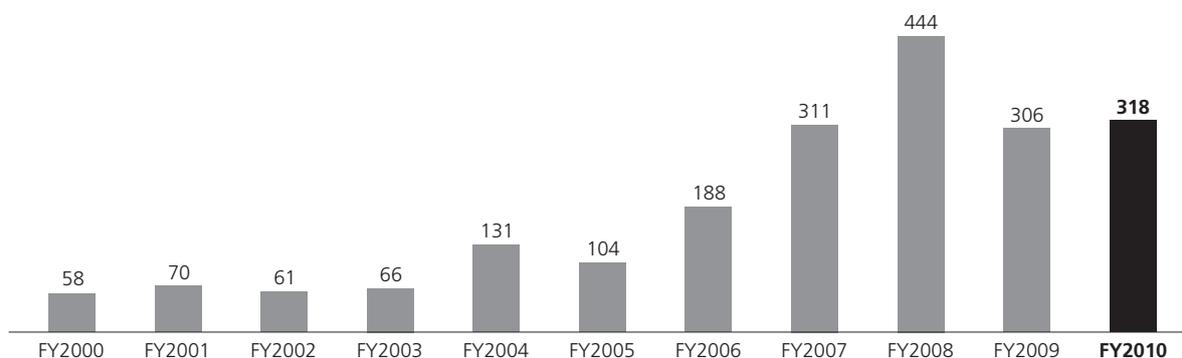
### PERFORMANCE REVIEW

- **Net Profit: Up 5% to \$320 million (\$306 million)**
- **Revenue: Up 8% to \$640 million (\$595 million)**
- **Earnings per Share: 30.1 cents (28.7 cents)**
- **Return on Equity: 39.2% (39.3%)**

SGX recorded a net profit of \$320 million and the return of equity of 39.2% in FY2010. Excluding a goodwill impairment of \$2.7 million and write-back of property impairment of \$5.0 million, the FY2010 net profit was \$318 million, the second best results since SGX's listing in November 2000. This was achieved amidst the challenging environment and lower volatility across key markets globally and an uptake in our technology investments.

Revenue grew 8% to \$640 million in FY2010 (\$595 million) on the back of increased trading in the securities market and the revival of primary market activities. This offsets the lacklustre derivatives performance in the early part of the year before a stronger 4Q FY2010, lifted by increased volatility.

**Fig 1**  
**Net profit (\$m)**



Note: The above excludes non-recurring items.

Net profit after non-recurring items: \$49 million in FY2001; \$16 million in FY2003; \$422 million in FY2007; \$478 million in FY2008; and \$320 million in FY2010.

<sup>3</sup> SGX Reach, the securities trading engine, is established to have an average order response time of 90-micro seconds "door-to-door" based on a benchmark test conducted, on 7 May 2010. SGX's four global liquidity hubs in Chicago, London, New York and Tokyo will significantly reduce cross border connectivity costs to SGX's markets for trading participants in these hubs.

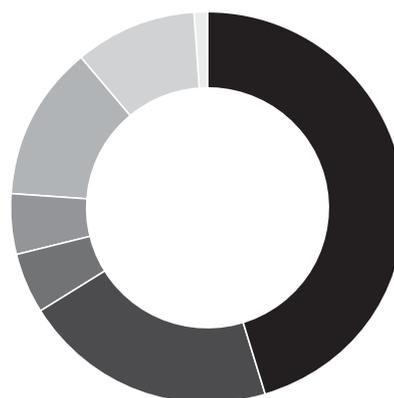
**Fig 2**  
Key financials at a glance

	FY2010	FY2009	% Change
<b>Revenue (\$m)</b>	<b>640</b>	595	8
Securities	<b>296</b>	239	24
Derivatives	<b>131</b>	156	-16
Market data	<b>33</b>	35	-7
Member services and connectivity	<b>30</b>	27	11
Depository services	<b>82</b>	74	12
Issuer services	<b>64</b>	61	5
Others	<b>4</b>	3	17
<b>Earnings before interest, tax, depreciation and amortisation (\$m)</b>	<b>404</b>	386	5
<b>Net profit after tax, excluding non-recurring items (\$m)</b>	<b>318</b>	306	4
<b>Per share data (cents)</b>			
Operating cash flow	<b>35</b>	26	34
Earnings	<b>30</b>	29	4
Dividend (includes proposed final dividend)	<b>27</b>	26	4

## Redefining our business lines

To reinforce accountability and sharpen our focus on key revenue drivers, we have reorganised ourselves into 10 business units, supported by seven support units. The business units are tasked to drive our six key business lines, namely Securities, Derivatives, Market Data, Member Services and Connectivity, Depository Services and Issuer Services. Insights into these business lines are reflected in the revenue contribution statistics and activity description.

**Fig 3**  
Revenue contribution by key business lines (%)



	FY2010	FY2009
■ Securities	<b>46</b>	40
■ Derivatives	<b>21</b>	26
■ Market Data	<b>5</b>	6
■ Member Services and Connectivity	<b>5</b>	4
■ Depository Services	<b>13</b>	12
■ Issuer Services	<b>10</b>	10

<b>Business line</b>	<b>Key activities</b>
Securities	Trading and clearing of listed securities: 763 equity securities including Investment Trusts; 80 Company Warrants; and 73 Exchange Traded Funds/Notes
Derivatives	Trading, clearing & settlement of financial and commodities derivatives: 31 futures & options contracts; 233 structured warrants; and 31 Over-The-Counter (OTC) contracts
Market Data	Sales and distribution of securities, derivatives and commodities market information, through 38,567 securities and 23,957 derivatives terminals
Member Services and Connectivity	Provision of membership, connectivity and network services to facilitate members' trading and clearing in SGX's markets  As at 30 June 2010, there were 26 trading members; 26 clearing members and 4,095 trading representatives in the securities market; 30 trading members; 242 trading members (proprietary); 228 trading members (individual) and 26 clearing members in the derivatives market; 20 clearing/non-clearing members (brokers/dealers) and 67 trade/associate members in the SICOM commodities market
Depository Services	Depository and settlement services relating to listed and unlisted securities for depository agents and retail investors
Issuer Services	Listing of equity, debt and structured securities and corporate action services  As at 30 June 2010, there were 763 equity issues of which 304 issues were from over 20 different countries; 73 ETFs/ETNs; 80 company warrants; 233 structured warrants; and 1,229 bonds listed on SGX markets

### Securities

Securities revenue rose 24% to \$296 million (\$239 million) in FY2010. The securities daily average trading value (SDAV) for the overall market was 25% higher at \$1.5 billion while ETF turnover was approximately 50% higher at \$20 million per day. Turnover velocity was 59% compared to last year's 67%.

**Fig 4**  
**Securities performance**

	<b>FY2010</b>	<b>FY2009</b>	<b>% Change</b>
<b>Securities (\$m)</b>	<b>296</b>	239	24
Access revenue	<b>57</b>	46	23
Securities clearing revenue	<b>237</b>	188	26
Securities related processing revenue	<b>2</b>	5	-54
<b>Key Drivers</b>			
Securities Daily Average Trading Value (\$billion)	<b>1.5</b>	1.2	25
Securities Daily Average Trading Volume (billion shares)	<b>1.7</b>	1.2	37
Volatility: ST Index (%)	<b>16</b>	34	-18*
Turnover Velocity (%)	<b>59</b>	67	-8*
Contract value (%)			
More than \$1.5 million	<b>37</b>	39	-2*
Less than \$1.5 million	<b>63</b>	61	+2*

\* Change is in percentage points.

## Operating and Financial Review

### Derivatives

Derivatives revenue slipped 16% to \$131 million (\$156 million). Futures and options revenue was lower at \$101 million (\$117 million), mainly due to a change in customer mix which led to a decline in yields. Moreover, a 3% depreciation of the US dollar depressed earnings. The daily average futures and options volume was 3% lower at 231,938 contracts (238,446 contracts) with high frequency trading accounting for 27% (15%).

Structured warrants revenue was \$5 million (\$9 million) as the trading value was halved, at \$29 million per day (\$58 million). Interest income, license and other revenue dropped 18% to \$25 million (\$30 million) on lower income from collateral management.

On the other hand, our commodities segment, SICOM and AsiaClear registered record volumes of 597,937 lots and 124,829 contracts, respectively, in FY2010 (343,259 lots and 66,934 contracts).

We have further expanded our product offering in FY2010 with the introduction of Nikkei Dividend Index futures and three other commodities futures, namely fuel oil, coffee and gold. AsiaClear's service offering was extended to 31 OTC-traded derivatives contracts after the launch of Visco and Regrade spread swaps in the last quarter of FY2010.

In the coming financial year, we aim to broaden our derivatives portfolio with Euro STOXX 50<sup>®</sup> Index futures and options, Nifty options as well as the launch of clearing services for OTC-traded interest rate swaps.

**Fig 5**  
**Derivatives performance**

	FY2010	FY2009	% Change
<b>Derivatives (\$m)</b>	<b>131</b>	156	-16
Futures and Options revenue	<b>101</b>	117	-13
Structured warrants revenue	<b>5</b>	9	-42
Interest income, license and other revenue	<b>25</b>	30	-18
<b>Key Drivers</b>			
Futures and Options: Daily Average Trading Volume ('000 contracts)	<b>232</b>	238	-3
Nikkei225 Futures	<b>133</b>	110	21
MSCI Taiwan Futures	<b>64</b>	66	-3
Nifty Futures	<b>36</b>	40	-10
MSCI SG Futures	<b>15</b>	17	-12
Interest rate Futures	<b>3</b>	4	-25
Volatility (%)			
Nikkei225 Index	<b>21</b>	41	-20*
TWSE Index	<b>18</b>	34	-16*
Nifty Index	<b>20</b>	44	-24*
ST Index	<b>16</b>	34	-18*
High frequency trading (%)	<b>27</b>	15	+12*
Structured Warrants			
Daily Average Trading Value (\$m)	<b>29</b>	58	-50

\* Change is in percentage points.

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### Market Data

Market Data revenue was 7% lower at \$33 million (\$35 million). The number of securities terminals increased 6% to 38,567 (36,509 terminals) while the number of derivatives terminals fell 11% to 23,957 (26,780).

### Member Services and Connectivity

Member Services and Connectivity revenue rose 11% to \$30 million (\$27 million) mainly due to increased sign-ups for derivatives connectivity.

Our efforts to expand SGX's membership base across all our markets paid off when nine new securities and derivatives members joined SGX. These included: BNP Paribas; Capital Futures; Citibank; Fortis Bank; Goldman Sachs and MF Global. In addition, we added the following: 33 Derivatives Trading Members (Individual); 18 Derivatives Trading Members (Proprietary); and 366 Securities Trading Representatives. SICOM added six new commodities members.

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**Fig 6**  
**Member Services and Connectivity performance**

	FY2010	FY2009	% Change
<b>Member Services and Connectivity</b> (\$m)	<b>30</b>	27	11
Membership revenue	<b>8</b>	8	1
Terminal and connection revenue	<b>22</b>	19	15
<b>Key Drivers</b>			
<b>Securities</b>			
Trading Representatives	<b>4,095</b>	3,729	10
Trading Members	<b>26</b>	24	8
Clearing Members	<b>26</b>	24	8
<b>Derivatives</b>			
Trading Member (Individual)	<b>228</b>	195	17
Trading Member (Proprietary)	<b>242</b>	224	8
Trading Members	<b>30</b>	30	–
Clearing Members	<b>26</b>	25	4
<b>SICOM</b>			
Trade/Associate Members	<b>67</b>	64	5
Clearing/Non-Clearing Members: Brokers/Dealers	<b>20</b>	17	18
<b>Connectivity</b> (Number)			
Securities Market	<b>88</b>	86	2
Derivatives Market	<b>578</b>	467	24

### Depository Services

Depository Services revenue rose 12% to \$82 million (\$74 million). Securities settlement revenue was 9% higher at \$50 million (\$46 million) due to a 19% increase in the number of settlement instructions but this was partially offset by a reduction in securities transfers. Contract processing revenue increased 19% to \$26 million (\$22 million) on increased market activity. Depository management revenue, on the other hand, remained flat at \$6 million.

### Fig 7

#### Depository Services performance

	FY2010	FY2009	% Change
<b>Depository Services (\$m)</b>	<b>82</b>	74	12
Securities settlement revenue	<b>50</b>	46	9
Contract processing revenue	<b>26</b>	22	19
Depository management revenue	<b>6</b>	6	6
<b>Key Drivers</b>			
<b>Securities settlement</b>			
Settlement instructions ('000)	<b>3,967</b>	3,346	19
Securities transfers ('000)	<b>396</b>	439	-10
<b>Contract processing</b>			
Contract processed ('000)	<b>13,255</b>	10,788	23

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### Issuer Services

Issuer Services revenue increased 5% to \$64 million (\$61 million). Listing revenue rose 8% to \$37 million (\$34 million) as we saw the return of IPO and bond listing activities and an increase in market capitalisation. Our corporate action revenue remained steady at \$27 million (\$27 million) notwithstanding a reduction in corporate actions.

In FY2010, there were 40 new primary listings on SGX Mainboard and Catalyst, raising a total of \$4.6 billion (19 issues and \$442 million). This included: CapitaMalls Asia, one of the largest listed shopping mall owners, developers and managers in Asia; Cache Logistics REIT; K-Green Trust, a "green infrastructure" business trust; Tiger Airways, a budget airline; China Minzhong Food; and Debao Property Development. We also saw an additional \$29 billion in market capitalisation through the secondary listings of Prudential Plc and Golden Ocean Group, a dry bulk carrier.

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**Fig 8**  
**Issuer Services performance**

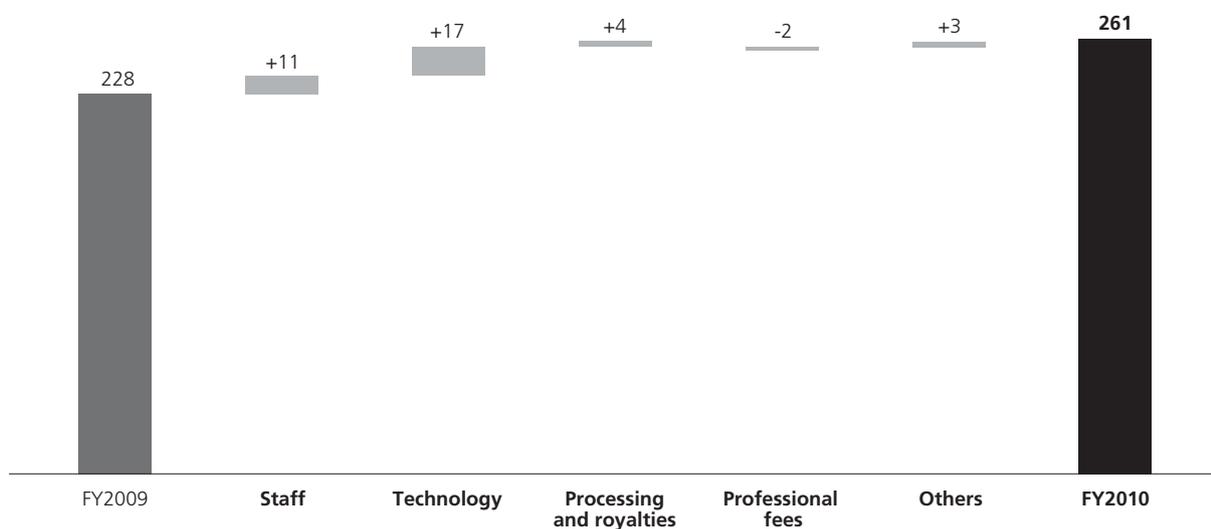
	FY2010	FY2009	% Change
<b>Issuer Services (\$m)</b>	<b>64</b>	61	5
Listing revenue	<b>37</b>	34	8
Corporate action and other revenue	<b>27</b>	27	1
<b>Key Drivers</b>			
<b>Listed issues</b>			
Equity securities	<b>763</b>	752	1
Debt securities	<b>1,229</b>	1,099	12
ETFs/ETNs	<b>73</b>	35	109
Company warrants	<b>80</b>	75	7
Structured warrants	<b>233</b>	312	-25
<b>New listings</b>	<b>42</b>	19	121
Primary listings	<b>40</b>	19	111
(Market capitalisation, \$m)	<b>(15,211)</b>	(3,324)	358
Secondary listings	<b>2</b>	–	
(Market capitalisation, \$m)	<b>(28,885)</b>	–	
<b>Corporate actions</b>	<b>2,023</b>	2,183	-7

## Operating and Financial Review

### Expenses

Expenses increased 15% to \$261 million (\$228 million) mainly due to: staff costs up \$11 million on CEO transition cost and variable bonus provision following improved profitability; processing and royalties costs up \$4 million on increased market turnover; and technology expenses up \$17 million on implementation of new systems<sup>4</sup>. The latter includes a \$1.5 million in accelerated depreciation of our securities and derivatives systems, in view of planned implementation of the Reach initiative announced on 3 June 2010. Staff cost, excluding variable bonus, remained unchanged at \$56 million (\$56 million), with the headcount at 602 (585) on 30 June 2010.

**Fig 9**  
Expenses (\$m)



### Financial Position and Cash Flows

As at 30 June 2010, the total equity was \$816 million (\$778 million) and unrestricted cash reserve, including the proposed final dividend of \$168 million, was \$537 million (\$471 million).

SGX generated \$375 million (\$279 million) in cash from operations and incurred \$55 million (\$37 million) in capital expenditure, in support of our ongoing technology investments: SGXClear; OTC Financial Derivatives project; and the new Reach initiative.

<sup>4</sup> Securities pre-settlement matching system, derivatives data engine and clearing system (SGXClear).

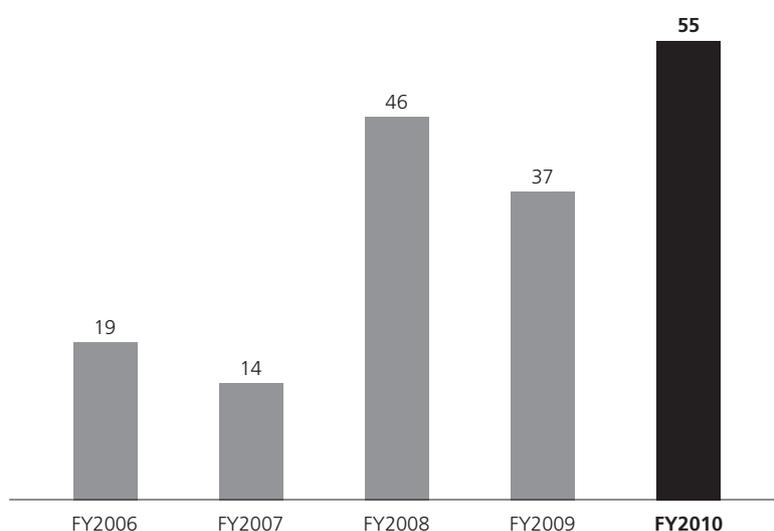
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### Capital expenditure

To anchor SGX as the Asian Gateway, we are committed to further investment in our infrastructure, including the Reach initiative. This will increase our capital expenditure to \$60–\$65 million in FY2011 (\$55 million) while depreciation will be higher, with approximately \$9 million being the full-year impact of SGXClear and accelerated depreciation of current platforms.

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**Fig 10**  
Capital expenditure (\$m)



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### Dividend policy

On the back of earnings per share of 30.1 cents (28.7 cents), the Board has proposed a final dividend of 15.75 cents per share. Subject to shareholders' approval at the annual general meeting on 7 October 2010, this will bring the total dividend for FY2010 to 27.0 cents per share, a 91% payout of FY2010's net profit (26.0 cents per share and 91% payout).

In addition, barring unforeseen circumstances, the Board is pleased to increase SGX's base dividend commitment to 16.0 cents (15.0 cents) per share, payable on a quarterly basis, effective FY2011.

### Accounting policies

The same accounting policies and methods of computation as in the FY2009 audited annual financial statements have been applied for the current reporting period except for the following Financial Reporting Standards (FRS) and Interpretations to FRS (INT FRS) that are effective for the Group's financial year beginning 1 July 2009:

- (i) FRS 1 (R) – Presentation of Financial Statements
- (ii) FRS 107 (Amendment) – Financial Instruments: Disclosures
- (iii) FRS 108 – Operating segments

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's and the Company's accounting policies.

# Promoting Disclosure





**Good governance, transparency  
and ample disclosure underpin  
a sustainable marketplace.**

# Directors' Report

For the financial year ended 30 June 2010

The directors present their report to the shareholders together with the audited financial statements of Singapore Exchange Limited ("the Company" or "SGX") and of the Group for the financial year ended 30 June 2010.

## DIRECTORS

The directors of the Company in office at the date of this report are as follows:

J Y Pillay	(Chairman)
Magnus Bocker	(Chief Executive Officer, appointed on 1 December 2009)
Low Check Kian	(Lead Independent Director)
Chew Choon Seng	
Euleen Goh	
Ho Tian Yee	
Lee Hsien Yang	
Liew Mun Leong	
Loh Boon Chye	
Ng Kee Choe	
Robert Owen	

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share plans" in this report.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company and related corporations, except as follows:

	Number of ordinary shares registered in name of director or nominee		Number of ordinary shares in which a director is deemed to have an interest	
	At 30.06.2010	At 01.07.2009	At 30.06.2010	At 01.07.2009
<b>The Company</b>				
J Y Pillay	–	–	262,000	262,000

b) There are no interests in options to subscribe for ordinary shares of the Company granted pursuant to the SGX Share Option Plan for Group Employees.

c) There are no interests in the shares of the Company granted pursuant to the SGX Performance Share Plan.

d) There was no change in any of the abovementioned interests in the Company or in related corporations between the end of the financial year and 21 July 2010.

## DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements or in this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

## SHARE PLANS

The Company offers the following share plans to its employees:

- a) SGX Share Option Plan
- b) SGX Performance Share Plan
- c) SGX Deferred Long-Term Incentives Scheme

All share plans are administered by the Remuneration Committee ("RC").

### a) SGX Share Option Plan ("the Scheme")

The Scheme was approved at the Extraordinary General Meeting of SGX on 1 November 2000 ("EGM 2000"). At the EGM on 22 September 2005 ("EGM 2005"), the RC terminated the Scheme with regards to grant of further options, following the adoption of the SGX Performance Share Plan. However, options granted and outstanding prior to the aforesaid termination will continue to be valid and be subject to the terms and conditions of the Scheme.

#### Scheme for Group Employees (as defined in the rules of SGX Share Option Plan ("the Rules"))

Options granted to Group Employees may be exercised two years after the date of the grant. The options will have a term of no longer than seven years from the date of grant.

#### Scheme for Non-Executive Directors and Associated Company Employees (both as defined in the Rules)

Options granted to Non-Executive Directors or Associated Company Employees may be exercised one year after the date of the grant. The options granted will have a term of no longer than five years from the date of grant.

#### Restrictions

The total number of new SGX shares over which options may be granted under the Scheme on any date, when added to the total number of new SGX shares issued and issuable in respect of all options granted under the Scheme, and all shares granted under the SGX Performance Share Plan, shall not exceed 10% of SGX's issued share capital on the day preceding the relevant date of grant. The terms and conditions of the options granted are in accordance with the Scheme duly approved by the SGX shareholders at the EGM 2000 and as modified by the RC from time to time. The exercise price of an option shall be equal to or higher than the Market Price.

The Market Price is the average of the closing prices of SGX's ordinary shares on Singapore Exchange Securities Trading Limited ("SGX-ST") over five consecutive market days immediately preceding the date of that option grant.

#### Options granted under the Scheme

As the RC had decided to terminate the Scheme with regards to grant of further options at the EGM 2005, no options were granted to the Group Employees under the Scheme during the financial year.

No options were granted to Non-Executive Directors and Associated Company Employees since the commencement of the Scheme.

The exercise prices of all options granted under the Scheme had been set at the Market Price.

#### Unissued shares under options

The details of the unissued shares under options granted to subscribe for ordinary shares of SGX are as follows:

Date of grant	Balance as at 01.07.2009	Lapsed	Options exercised	Balance as at 30.06.2010	Number of option holders as at 30.06.2010	Exercise price*	Exercise period
01.10.2002	20,000	(2,000)	(18,000)	–	–	\$0.90	01.10.2004 to 30.09.2009
27.01.2004	1,828,200	–	(1,526,200)	302,000	12	\$1.70	27.01.2006 to 26.01.2011
27.01.2004	2,000	(2,000)	–	–	–	\$1.70	13.02.2006 to 01.11.2009
01.11.2004	610,000	–	(287,000)	323,000	15	\$1.60	02.11.2006 to 01.11.2011
	2,460,200	(4,000)	(1,831,200)	625,000			

\* The exercise price had been adjusted following special dividends paid in 2003 and 2005.

## Directors' Report

For the financial year ended 30 June 2010

### SHARE PLANS *(continued)*

#### a) SGX Share Option Plan ("the Scheme") *(continued)*

The options granted by SGX do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

As at 30 June 2010, there were no executives and employees, including executive directors, who have been granted 5% or more of the total options available under the Scheme, except for SGX's former Chief Executive Officer ("CEO"), Hsieh Fu Hua. He has been granted 5% or more of the total options available under the Scheme as follows:

<b>Options granted on 27.01.2004 (exercisable from 27.01.2006 to 26.01.2011)</b>	<b>Number of shares under options</b>
Options granted for the financial year ended 30.06.2010	–
Aggregate options granted since commencement of the Scheme to 30.06.2010	4,000,000
Aggregate options exercised since commencement of the Scheme to 30.06.2010	(4,000,000)
Aggregate options outstanding as at 30.06.2010	–

#### b) SGX Performance Share Plan ("the Plan")

The Plan was approved at the EGM 2005. It recognises and rewards past contributions and services, and motivates key senior management to ensure the long-term success of the Company.

##### Eligibility

Selected senior management who have attained the rank of Vice President, job grade 2 and above are eligible to participate in the Plan.

The RC may determine to grant a reward, wholly or partly, in the form of SGX shares, which will be free of charge, or in the form of cash. The amount released, if in the form of cash, is based on the market value of such shares on vesting date.

Unless otherwise decided by the RC, the entitlement to this award is conditional on the participant remaining in service up to the specified vesting date.

##### Restrictions

The total number of new SGX shares which may be issued pursuant to awards granted under the Plan on any date, when added to the total number of new shares issued and issuable in respect of all awards granted under the Plan, and all options granted under the Scheme, shall not exceed 10% of SGX's issued share capital on the day preceding the relevant date of award.

Participants are required to retain 50% of the total number of shares that are released to them for at least one calendar year from the vesting date. Failure to comply with this requirement may result in disqualification from further participation in the Plan and other share-based incentive plans the Company may operate.

##### Share award grant and vesting

The RC approved every grant of the Plan, and has absolute discretion in the granting and award of performance shares.

The financial year ("FY") 2006 performance shares grant has vested by 30 June 2008.

**SHARE PLANS** (continued)

**b) SGX Performance Share Plan ("the Plan")** (continued)

Share award grant and vesting (continued)

*i) FY2007 Grant*

The number of SGX shares to be awarded to each participant will be based on the achievement of certain prescribed performance targets, over a three-year performance period from 1 July 2006 to 30 June 2009. 1,984,700 shares vested on 2 November 2009 and these performance shares were fulfilled by the delivery of shares purchased from the market.

The details of shares granted to the participants are as follows:

Participants (as defined under the Plan)	Shares granted at grant date	Balance as at 01.07.2009	Shares granted during financial year <sup>1</sup>	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2010
<b>EXCO members</b>						
Gan Seow Ann <sup>2</sup>	155,000	155,000	77,500	–	(232,500)	–
Seck Wai Kwong <sup>2</sup>	155,000	155,000	77,500	–	(232,500)	–
Yeo Lian Sim <sup>2</sup>	100,000	100,000	50,000	–	(150,000)	–
Lawrence Wong Liang Ying <sup>2</sup>	65,000	65,000	32,500	–	(97,500)	–
Benjamin Foo	40,000	40,000	20,000	–	(60,000)	–
Chang Kuan Aun	30,000	30,000	15,000	–	(45,000)	–
<b>Other staff</b>	700,000	376,500	181,700	(13,500)	(544,700)	–
<b>Hsieh Fu Hua<sup>2, 3</sup></b>	415,000	415,000	207,500	–	(622,500)	–
	<b>1,660,000</b>	<b>1,336,500</b>	<b>661,700</b>	<b>(13,500)</b>	<b>(1,984,700)</b>	<b>–</b>

<sup>1</sup> The number of shares awarded during the financial year represents an additional 50% payout as a result of achievement of pre-set performance targets over the performance period.

<sup>2</sup> Received more than 5% of the 1,660,000 shares granted under the FY2007 grant.

<sup>3</sup> Hsieh Fu Hua was SGX's former CEO. His contract ended on 30 November 2009.

*ii) FY2008 Grant*

The number of SGX shares to be awarded to each participant will be based on the achievement of certain prescribed performance targets, over a three-year performance period from 1 July 2007 to 30 June 2010. The performance shares will vest on 1 November 2010.

The details of shares granted to the participants are as follows:

Participants (as defined under the Plan)	Shares granted at grant date	Balance as at 01.07.2009 <sup>1</sup>	Shares lapsed during financial year	Balance as at 30.06.2010
<b>EXCO members</b>				
Gan Seow Ann <sup>2</sup>	86,000	86,000	–	86,000
Seck Wai Kwong <sup>2</sup>	73,100	73,100	–	73,100
Muthukrishnan Ramaswami <sup>2</sup>	64,500	64,500	–	64,500
Yeo Lian Sim <sup>2</sup>	64,500	64,500	–	64,500
Lawrence Wong Liang Ying <sup>2</sup>	51,600	51,600	–	51,600
Chang Kuan Aun	43,000	43,000	–	43,000
Chew Sutat	38,700	38,700	–	38,700
Benjamin Foo	22,000	22,000	–	22,000
<b>Other staff</b>	223,800	190,200	(16,000)	174,200
<b>Hsieh Fu Hua<sup>2, 3</sup></b>	225,000	225,000	–	225,000
	<b>892,200</b>	<b>858,600</b>	<b>(16,000)</b>	<b>842,600</b>

<sup>1</sup> Represents the number of shares required if participants are to be awarded at 100% of the grant. However, the shares to be awarded at the vesting date may range from 50% to 150% of the grant, depending on the level of achievement against the performance conditions. There shall be no award if the achievement falls below the threshold performance condition.

<sup>2</sup> Received more than 5% of the 892,200 shares granted under the FY2008 grant.

<sup>3</sup> Hsieh Fu Hua was SGX's former CEO. His contract ended on 30 November 2009. Under his contract, he will continue to be eligible to receive the award at the vesting date, depending on the level of achievement against the performance conditions.

## Directors' Report

For the financial year ended 30 June 2010

### SHARE PLANS (continued)

#### b) SGX Performance Share Plan ("the Plan") (continued)

Share award grant and vesting (continued)

#### iii) FY2009 Grant

The number of SGX shares to be awarded to each participant will be based on the achievement of certain prescribed performance targets, over a three-year performance period from 1 July 2008 to 30 June 2011. The performance shares will vest on 1 September 2011.

The details of shares granted to the participants are as follows:

Participants (as defined under the Plan)	Shares granted at grant date	Balance as at 01.07.2009 <sup>1</sup>	Shares lapsed during financial year	Balance as at 30.06.2010
<b>EXCO members</b>				
Gan Seow Ann <sup>2</sup>	150,800	150,800	–	150,800
Seck Wai Kwong <sup>2</sup>	135,700	135,700	–	135,700
Muthukrishnan Ramaswami <sup>2</sup>	135,700	135,700	–	135,700
Yeo Lian Sim <sup>2</sup>	120,600	120,600	–	120,600
Lawrence Wong Liang Ying <sup>2</sup>	98,000	98,000	–	98,000
Chew Sutat	90,500	90,500	–	90,500
Chang Kuan Aun	82,900	82,900	–	82,900
Robert Ian Caisley	60,300	60,300	–	60,300
Benjamin Foo	45,000	45,000	–	45,000
<b>Other staff</b>	456,000	417,200	(23,000)	394,200
<b>Hsieh Fu Hua<sup>2, 3</sup></b>	458,500	458,500	–	458,500
	<b>1,834,000</b>	<b>1,795,200</b>	<b>(23,000)</b>	<b>1,772,200</b>

<sup>1</sup> Represents the number of shares required if participants are to be awarded at 100% of the grant. However, the shares to be awarded at the vesting date may range from 50% to 150% of the grant, depending on the level of achievement against the performance conditions. There shall be no award if the achievement falls below the threshold performance condition.

<sup>2</sup> Received more than 5% of the 1,834,000 shares granted under the FY2009 grant.

<sup>3</sup> Hsieh Fu Hua was SGX's former CEO. His contract ended on 30 November 2009. Under his contract, he will continue to be eligible to receive the award at the vesting date, depending on the level of achievement against the performance conditions.

**SHARE PLANS** (continued)**b) SGX Performance Share Plan ("the Plan")** (continued)

Share award grant and vesting (continued)

**iv) FY2010 Grant**

The number of SGX shares to be awarded to each participant will be based on the achievement of certain prescribed performance targets, over a three-year performance period from 1 July 2009 to 30 June 2012. The performance shares will vest on 1 September 2012.

The details of shares granted to the participants are as follows:

Participants (as defined under the Plan)	Shares granted during financial year <sup>1</sup>	Balance as at 30.06.2010
<b>EXCO members</b>		
Gan Seow Ann <sup>2</sup>	96,800	96,800
Muthukrishnan Ramaswami <sup>2</sup>	96,800	96,800
Seck Wai Kwong <sup>2</sup>	82,300	82,300
Yeo Lian Sim <sup>2</sup>	82,300	82,300
Lawrence Wong Liang Ying <sup>2</sup>	62,900	62,900
Chew Sutat <sup>2</sup>	62,900	62,900
Robert Ian Caisley	48,400	48,400
Chang Kuan Aun	43,600	43,600
Benjamin Foo	25,300	25,300
<b>Other staff</b>	328,500	328,500
<b>Hsieh Fu Hua<sup>2, 3</sup></b>	310,000	310,000
	<b>1,239,800</b>	<b>1,239,800</b>

<sup>1</sup> Represents the number of shares required if participants are to be awarded at 100% of the grant. However, the shares to be awarded at the vesting date may range from 50% to 150% of the grant, depending on the level of achievement against the performance conditions. There shall be no award if the achievement falls below the threshold performance condition.

<sup>2</sup> Received more than 5% of the 1,239,800 shares granted under the FY2010 grant.

<sup>3</sup> Hsieh Fu Hua was SGX's former CEO. His contract ended on 30 November 2009. Under his contract, he will continue to be eligible to receive the award at the vesting date, depending on the level of achievement against the performance conditions.

**v) Special award to the former CEO, Hsieh Fu Hua**

A conditional award of 436,485 shares was granted to Hsieh Fu Hua on 30 November 2009. The shares will vest at the end of a three-year period on 30 November 2012 on condition that he does not, directly or indirectly, carry on or be engaged in, or concerned with any activity or business which SGX may deem to be in competition with the business of the Company and its subsidiaries, for a period of one year from the grant date.

## Directors' Report

For the financial year ended 30 June 2010

### SHARE PLANS (continued)

#### b) SGX Performance Share Plan ("the Plan") (continued)

Share award grant and vesting (continued)

##### vi) Summary of the Plan

The summary of the total number of shares granted, lapsed, vested and outstanding as at 30 June 2010 are as follows:

	Shares granted during financial year	Aggregate shares granted since commencement of the Plan to 30.06.2010	Aggregate shares lapsed since commencement of the Plan to 30.06.2010	Aggregate shares vested since commencement of the Plan to 30.06.2010	Aggregate shares outstanding as at 30.06.2010
<b>Participants who received more than 5% of the total grants available</b>					
Hsieh Fu Hua <sup>1</sup>	953,985	2,712,485	–	(1,282,500)	1,429,985
Gan Seow Ann	174,300	806,100	–	(472,500)	333,600
Seck Wai Kwong	159,800	763,600	–	(472,500)	291,100
Yeo Lian Sim	132,300	597,400	–	(330,000)	267,400
<b>Participants who received less than 5% of the total grants available</b>					
Other staff	917,600	4,438,350	(600,900)	(1,868,450)	1,969,000
	<b>2,337,985</b>	<b>9,317,935</b>	<b>(600,900)</b>	<b>(4,425,950)</b>	<b>4,291,085</b>

<sup>1</sup> Hsieh Fu Hua was SGX's former CEO. His contract ended on 30 November 2009. Under his contract, he will continue to be eligible to receive the award at the vesting date, depending on the level of achievement against the performance conditions.

No shares were granted to Associated Company Employees (as defined under the Plan) since the commencement of the Plan.

#### c) SGX Deferred Long-Term Incentives Scheme ("the LTI Scheme")

The LTI Scheme was approved by the RC in July 2006. It recognises past contributions and services, and strengthens the Company's ability to reward and retain high-performing executives who have the potential for higher level jobs.

##### Eligibility

Selected executives who have attained the rank of Associate, job grade 9 up to Vice President, job grade 2 and who are not participants of the Plan are eligible to be considered for the award under the LTI Scheme.

The entitlement to the award is conditional on the recipient remaining in service up to the specified vesting date.

The RC may determine to grant an award, wholly or partly, in the form of SGX shares, which will be free of charge, or in the form of cash. If the award is in the form of SGX shares, the LTI Scheme only allows the delivery of SGX shares held in treasury by the Company to fulfill 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 vesting date.

**SHARE PLANS** (continued)

**c) SGX Deferred Long-Term Incentives Scheme ("the LTI Scheme")** (continued)

Share award and vesting

*i) FY2008 Award*

There were two awards in FY2008. Both awards were in the form of SGX shares. One award has a one-year vesting period which vested on 3 November 2008. Another will vest in three equal instalments over a period of three years with the first instalment vested on 3 November 2008.

The details of shares awarded are as follows:

	Shares awarded at grant date	Balance as at 01.07.2009	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2010
<b>Recipients (as defined under the LTI Scheme)</b>	507,100	275,500	(15,600)	(132,600)	127,300
<b>Total</b>	<b>507,100</b>	<b>275,500</b>	<b>(15,600)</b>	<b>(132,600)</b>	<b>127,300</b>

*ii) FY2009 Award*

There were two awards in FY2009. Both awards were in the form of SGX shares. One award has a one-year vesting period which will vest on 3 November 2009. Another will vest in three equal instalments over a period of three years with the first instalment vested on 3 November 2009.

The details of shares awarded are as follows:

	Shares awarded at grant date	Balance as at 01.07.2009	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2010
<b>Recipients (as defined under the LTI Scheme)</b>	750,200	729,300	(47,400)	(259,900)	422,000
<b>Total</b>	<b>750,200</b>	<b>729,300</b>	<b>(47,400)</b>	<b>(259,900)</b>	<b>422,000</b>

*iii) FY2010 Award*

There were two awards in FY2010. Both awards were in the form of SGX shares. One award has a one-year vesting period which will vest on 3 November 2010. Another will vest in three equal instalments over a period of three years with the first instalment vesting on 3 November 2010.

The details of shares awarded are as follows:

	Shares awarded during financial year	Shares lapsed during financial year	Balance as at 30.06.2010
<b>Recipients (as defined under the LTI Scheme)</b>	433,500	(19,400)	414,100
<b>Total</b>	<b>433,500</b>	<b>(19,400)</b>	<b>414,100</b>

Since the commencement of the LTI Scheme, no recipient has been awarded 5% or more of the total shares available under the LTI Scheme.

## Directors' Report

For the financial year ended 30 June 2010

### AUDIT COMMITTEE

The Audit Committee comprises the following Non-executive Directors:

Lee Hsien Yang (Chairman)  
Euleen Goh  
Ho Tian Yee  
Loh Boon Chye

Based on criteria prescribed in the Singapore Code of Corporate Governance, all the Audit Committee members are independent.

There are, however, additional requirements on directors' independence set out in the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005. Based on these criteria, Loh Boon Chye has been ascertained by the Nominating Committee as non-independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Section 14 of the Securities & Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005, the Singapore Code of Corporate Governance, and the SGX-ST Listing Manual. These functions include a review of the financial statements of the Company and of the Group for the financial year and the independent auditor's report thereon.

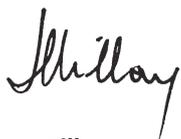
Accordingly, the Audit Committee has also undertaken a review of the nature and extent of non-audit services provided by the firm acting as the auditor. In the opinion of the Audit Committee, these services would not affect the independence of the auditor.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP be nominated for re-appointment at the forthcoming Annual General Meeting.

### INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors



**J Y Pillay**  
Director



**Magnus Bocker**  
Director

30 July 2010

# Statement by Directors

For the financial year ended 30 June 2010

In the opinion of the directors,

- a) the statement of comprehensive income, statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 91 to 158 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 30 June 2010, of the results of the business and changes in equity of the Company and of the Group for the financial year then ended, and of the cash flows of the Group for the financial year then ended; and
- b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors



**J Y Pillay**  
Director



**Magnus Bocker**  
Director

30 July 2010

# Independent Auditor's Report to the Shareholders of Singapore Exchange Limited

We have audited the accompanying financial statements of Singapore Exchange Limited (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 158, for the financial year ended 30 June 2010, which comprise the statements of financial position as at 30 June 2010, statements of comprehensive income, statements of changes in equity of the Group and the Company, and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap. 50) (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- b) selecting and applying appropriate accounting policies; and
- c) making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion,

- a) the accompanying financial statements of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010, and the results and changes in equity of the Company and the Group and the cash flows of the Group for the financial year ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.



**PricewaterhouseCoopers LLP**

Public Accountants and Certified Public Accountants

Singapore, 30 July 2010

# Statements of Financial Position

As at 30 June 2010

	Note	The Group		The Company	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	672,591	645,162	485,611	465,273
Trade and other receivables	4	463,660	543,912	6,995	6,093
Derivative financial instruments	5	–	874	–	673
Securities clearing funds	6	30,000	25,000	–	–
		<b>1,166,251</b>	1,214,948	<b>492,606</b>	472,039
Non-current asset held-for-sale	7	21,700	–	21,700	–
		<b>1,187,951</b>	1,214,948	<b>514,306</b>	472,039
<b>Non-current assets</b>					
Financial assets, available-for-sale	8	73,256	73,256	73,256	73,256
Property, plant and equipment	9	9,590	26,398	8,001	23,224
Software	10	121,032	92,274	8,474	8,963
Club memberships		296	315	296	315
Goodwill	14	–	2,721	–	–
Investments in subsidiaries	11	–	–	405,591	425,418
Investments in joint ventures	12	–	–	–	–
Investments in associated companies	13	4,145	3,813	4,389	4,389
Deferred tax assets	16	4,846	3,279	4,679	3,279
		<b>213,165</b>	202,056	<b>504,686</b>	538,844
<b>Total assets</b>		<b>1,401,116</b>	1,417,004	<b>1,018,992</b>	1,010,883
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	15	500,031	557,808	328,630	317,475
Derivative financial instruments	5	444	–	149	–
Taxation	16	70,112	65,111	2,980	7,556
Provisions	17	7,150	7,284	4,256	4,362
		<b>577,737</b>	630,203	<b>336,015</b>	329,393
<b>Non-current liability</b>					
Deferred tax liabilities	16	7,457	8,696	–	–
<b>Total liabilities</b>		<b>585,194</b>	638,899	<b>336,015</b>	329,393
<b>Net assets</b>		<b>815,922</b>	778,105	<b>682,977</b>	681,490
<b>EQUITY</b>					
<b>Capital and reserves attributable to the Company's equity holders</b>					
Share capital	18	409,777	414,851	409,777	414,851
Treasury shares	18	(41,775)	(42,826)	(41,775)	(42,826)
Cash flow hedge reserve		(245)	595	–	–
Currency translation reserve		(527)	(616)	–	–
Derivatives clearing fund reserve	19	34,021	34,021	–	–
Fair value reserve	8	(3,700)	(3,700)	(3,700)	(3,700)
Securities clearing fund reserve	6	25,000	25,000	–	–
Share-based payment reserve		30,878	23,927	30,878	23,927
Retained profits		194,624	161,974	119,928	124,359
Proposed dividends	28	167,869	164,879	167,869	164,879
<b>Total equity</b>		<b>815,922</b>	778,105	<b>682,977</b>	681,490

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 90.

# Statements of Comprehensive Income

For the financial year ended 30 June 2010

	Note	The Group		The Company	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Operating revenue</b>					
Management fees from subsidiaries		–	–	<b>131,753</b>	116,091
Gross dividends from subsidiaries		–	–	<b>290,556</b>	292,600
Securities	20	<b>295,964</b>	238,827	–	–
Derivatives	20	<b>131,211</b>	156,045	–	–
Market data	20	<b>32,599</b>	35,040	<b>32</b>	36
Member services and connectivity	20	<b>29,468</b>	26,586	–	–
Depository services	20	<b>82,370</b>	73,679	<b>16,848</b>	14,742
Issuer services	20	<b>64,105</b>	61,221	–	–
Others		<b>3,997</b>	3,432	<b>1,192</b>	1,039
<b>Operating revenue</b>		<b>639,714</b>	594,830	<b>440,381</b>	424,508
<b>Operating expenses</b>					
Staff	21	<b>110,770</b>	100,121	<b>82,938</b>	76,431
Technology	22	<b>82,584</b>	65,914	<b>28,528</b>	19,140
Processing and royalties		<b>23,779</b>	20,195	<b>1,074</b>	774
Premises	23	<b>20,278</b>	20,635	<b>15,897</b>	15,494
Professional fees		<b>10,777</b>	12,409	<b>5,598</b>	7,766
Others	24	<b>13,176</b>	8,294	<b>8,948</b>	6,729
<b>Operating expenses</b>		<b>261,364</b>	227,568	<b>142,983</b>	126,334
<b>Profit from operating activities</b>	25	<b>378,350</b>	367,262	<b>297,398</b>	298,174
<b>Other gains/(losses)</b>	26	<b>6,664</b>	1,303	<b>(14,699)</b>	5,622
<b>Profit before tax and share of results of joint ventures and associated companies</b>		<b>385,014</b>	368,565	<b>282,699</b>	303,796
Share of results of joint ventures and associated companies		<b>(1,741)</b>	47	–	–
<b>Profit before tax</b>		<b>383,273</b>	368,612	<b>282,699</b>	303,796
Tax	16	<b>(63,199)</b>	(62,955)	<b>294</b>	(2,209)
<b>Net profit after tax</b>		<b>320,074</b>	305,657	<b>282,993</b>	301,587
Attributable to:					
Equity holders of the Company		<b>320,074</b>	305,657	<b>282,993</b>	301,587
<b>Earnings per share based on net profit attributable to the equity holders of the Company (in cents per share)</b>					
– Basic	27	<b>30.08</b>	28.74		
– Diluted	27	<b>29.92</b>	28.55		

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 90.

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net profit after tax	<b>320,074</b>	305,657	<b>282,993</b>	301,587
<b>Other comprehensive income</b>				
Net currency translation differences of financial statements of associated company	<b>89</b>	(37)	–	–
Fair value (losses)/gains arising from cash flow hedges	<b>(840)</b>	595	–	–
Fair value losses on financial assets, available-for-sale	–	(3,700)	–	(3,700)
<b>Other comprehensive expense for the financial year, net of tax</b>	<b>(751)</b>	(3,142)	–	(3,700)
<b>Total comprehensive income for the financial year</b>	<b>319,323</b>	302,515	<b>282,993</b>	297,887
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	<b>319,323</b>	302,515	<b>282,993</b>	297,887

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 90.

# Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2010

## The Group

Note	Share capital \$'000	Treasury shares \$'000	Cash flow hedge reserve* \$'000	Currency translation reserve* \$'000	Derivatives clearing fund reserve* \$'000	Fair value reserve* \$'000	Securities clearing fund reserve* \$'000	Share-based payment reserve* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
<b>2010</b>											
Balance at 1 July 2009	414,851	(42,826)	595	(616)	34,021	(3,700)	25,000	23,927	161,974	164,879	778,105
Dividends paid											
– Financial year 2009 – Final dividend	–	–	–	–	–	–	–	–	–	(164,879)	(164,879)
– Financial year 2009 – Overprovision of final dividend	–	–	–	–	–	–	–	–	245	–	245
– Financial year 2010 – Interim dividends	–	–	–	–	–	–	–	–	(119,658)	–	(119,658)
– Financial year 2010 – Underprovision of interim dividends	–	–	–	–	–	–	–	–	(142)	–	(142)
Proposed dividend											
– Financial year 2010 – Final dividend 28	–	–	–	–	–	–	–	–	(167,869)	167,869	–
Issue of ordinary shares	3,918	–	–	–	–	–	–	(848)	–	–	3,070
Employee share plan – value of employee services	–	–	–	–	–	–	–	17,445	–	–	17,445
Purchase of treasury shares 18(a)	–	(17,711)	–	–	–	–	–	–	–	–	(17,711)
Vesting of shares under share plans	(8,992)	18,638	–	–	–	–	–	(9,646)	–	–	–
Tax effect on treasury shares ** 18(a)	–	124	–	–	–	–	–	–	–	–	124
	(5,074)	1,051	–	–	–	–	–	6,951	(287,424)	2,990	(281,506)
<b>Total comprehensive income for the financial year</b>	–	–	(840)	89	–	–	–	–	320,074	–	319,323
<b>Balance at 30 June 2010</b>	<b>409,777</b>	<b>(41,775)</b>	<b>(245)</b>	<b>(527)</b>	<b>34,021</b>	<b>(3,700)</b>	<b>25,000</b>	<b>30,878</b>	<b>194,624</b>	<b>167,869</b>	<b>815,922</b>

\* These reserves are not available for distribution as dividends to the equity holders of the Company.

\*\* The tax effect relates to the deferred tax benefit/(liability) on the difference between consideration paid for treasury shares and share-based payment expense.

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 90.

The Group (continued)

	Note	Share capital \$'000	Treasury shares \$'000	Cash flow hedge reserve* \$'000	Currency translation reserve* \$'000	Derivatives clearing fund reserve* \$'000	Fair value reserve* \$'000	Securities clearing fund reserve* \$'000	Share- based payment reserve* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
<b>2009</b>												
Balance at 1 July 2008		409,880	(27,271)	–	(579)	34,021	–	25,000	11,656	132,679	308,546	893,932
Dividends paid												
– Financial year 2008 – Final dividend		–	–	–	–	–	–	–	–	–	(308,546)	(308,546)
– Financial year 2008 – Overprovision of final dividend		–	–	–	–	–	–	–	–	191	–	191
– Financial year 2009 – Interim dividends		–	–	–	–	–	–	–	–	(111,855)	–	(111,855)
– Financial year 2009 – Overprovision of interim dividends		–	–	–	–	–	–	–	–	181	–	181
Proposed dividend												
– Financial year 2009 – Final dividend	28	–	–	–	–	–	–	–	–	(164,879)	164,879	–
Issue of ordinary shares		4,407	–	–	–	–	–	–	(839)	–	–	3,568
Employee share plan – value of employee services		–	–	–	–	–	–	–	14,491	–	–	14,491
Purchase of treasury shares	18(a)	–	(16,488)	–	–	–	–	–	–	–	–	(16,488)
Vesting of shares under share plans		564	817	–	–	–	–	–	(1,381)	–	–	–
Tax effect on treasury shares **	18(a)	–	116	–	–	–	–	–	–	–	–	116
		4,971	(15,555)	–	–	–	–	–	12,271	(276,362)	(143,667)	(418,342)
<b>Total comprehensive income for the financial year</b>		–	–	595	(37)	–	(3,700)	–	–	305,657	–	302,515
<b>Balance at 30 June 2009</b>		<b>414,851</b>	<b>(42,826)</b>	<b>595</b>	<b>(616)</b>	<b>34,021</b>	<b>(3,700)</b>	<b>25,000</b>	<b>23,927</b>	<b>161,974</b>	<b>164,879</b>	<b>778,105</b>

\* These reserves are not available for distribution as dividends to the equity holders of the Company.

\*\* The tax effect relates to the deferred tax benefit/(liability) on the difference between consideration paid for treasury shares and share-based payment expense.

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 90.

# Statement of Changes in Equity

For the financial year ended 30 June 2010

## The Company

Note	Share capital \$'000	Treasury shares \$'000	Fair value reserve* \$'000	Share-based payment reserve* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
<b>2010</b>							
Balance at 1 July 2009	414,851	(42,826)	(3,700)	23,927	124,359	164,879	681,490
Dividends paid							
– Financial year 2009 – Final dividend	–	–	–	–	–	(164,879)	(164,879)
– Financial year 2009 – Overprovision of final dividend	–	–	–	–	245	–	245
– Financial year 2010 – Interim dividends	–	–	–	–	(119,658)	–	(119,658)
– Financial year 2010 – Underprovision of interim dividends	–	–	–	–	(142)	–	(142)
Proposed dividend							
– Financial year 2010 – Final dividend	28	–	–	–	(167,869)	167,869	–
Issue of ordinary shares	3,918	–	–	(848)	–	–	3,070
Employee share plan – value of employee services	–	–	–	17,445	–	–	17,445
Purchase of treasury shares	18(a)	–	(17,711)	–	–	–	(17,711)
Vesting of shares under share plans	18(a)	(8,992)	18,638	–	(9,646)	–	–
Tax effect on treasury shares**	18(a)	–	124	–	–	–	124
		(5,074)	1,051	–	6,951	(287,424)	2,990
<b>Total comprehensive income for the financial year</b>		–	–	–	282,993	–	282,993
<b>Balance at 30 June 2010</b>	<b>409,777</b>	<b>(41,775)</b>	<b>(3,700)</b>	<b>30,878</b>	<b>119,928</b>	<b>167,869</b>	<b>682,977</b>
<b>2009</b>							
Balance at 1 July 2008	409,880	(27,271)	–	11,656	99,134	308,546	801,945
Dividends paid							
– Financial year 2008 – Final dividend	–	–	–	–	–	(308,546)	(308,546)
– Financial year 2008 – Overprovision of final dividend	–	–	–	–	191	–	191
– Financial year 2009 – Interim dividends	–	–	–	–	(111,855)	–	(111,855)
– Financial year 2009 – Overprovision of interim dividends	–	–	–	–	181	–	181
Proposed dividend							
– Financial year 2009 – Final dividend	28	–	–	–	(164,879)	164,879	–
Issue of ordinary shares	4,407	–	–	(839)	–	–	3,568
Employee share plan – value of employee services	–	–	–	14,491	–	–	14,491
Purchase of treasury shares	18(a)	–	(16,488)	–	–	–	(16,488)
Vesting of shares under share plans	18(a)	564	817	–	(1,381)	–	–
Tax effect on treasury shares**	18(a)	–	116	–	–	–	116
		4,971	(15,555)	–	12,271	(276,362)	(143,667)
<b>Total comprehensive income for the financial year</b>		–	–	(3,700)	–	301,587	–
<b>Balance at 30 June 2009</b>	<b>414,851</b>	<b>(42,826)</b>	<b>(3,700)</b>	<b>23,927</b>	<b>124,359</b>	<b>164,879</b>	<b>681,490</b>

\* These reserves are not available for distribution as dividends to the equity holders of the Company.

\*\* The tax effect relates to the deferred tax benefit/(liability) on the difference between consideration paid for treasury shares and share-based payment expense.

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 90.

# Consolidated Statement of Cash Flows

For the financial year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax and share of results of joint ventures and associated companies		385,014	368,565
Adjustments for:			
– Depreciation and amortisation		26,108	18,922
– Net write-off/impairment of property, plant and equipment and software		181	753
– Net gain on disposal of property, plant and equipment and software		(70)	(1,635)
– Write-back of allowance for impairment on property		(5,000)	–
– Share-based payment to employees		17,445	14,491
– Impairment of goodwill		2,721	–
– Impairment of club memberships		–	35
– Net loss on sale of club memberships		16	41
– Dividend income		(1,221)	(366)
– Interest income		(3,997)	(7,903)
Operating cash flow before working capital change		421,197	392,903
Change in working capital			
– Trade and other receivables		81,405	336,584
– Trade and other payables		(57,911)	(353,046)
– Accrual for property, plant and equipment and software		(8,892)	(1,654)
Cash generated from operations		435,799	374,787
Income tax paid		(60,708)	(95,962)
<b>Net cash provided by operating activities</b>		<b>375,091</b>	<b>278,825</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and software		(46,072)	(35,408)
Proceeds from disposal of property, plant and equipment and software		95	3,904
Loan to joint venture		(2,781)	–
Dividend received		1,221	366
Interest received		3,947	8,232
Proceeds from termination of investment in joint venture		–	88
Sale of club memberships		3	22
<b>Net cash used in investing activities</b>		<b>(43,587)</b>	<b>(22,796)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		3,070	3,568
Contribution to securities clearing fund		(5,000)	–
Purchase of treasury shares		(17,711)	(16,488)
Dividends paid		(284,434)	(420,029)
<b>Net cash used in financing activities</b>		<b>(304,075)</b>	<b>(432,949)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>27,429</b>	<b>(176,920)</b>
Cash and cash equivalents at beginning of financial year		470,641	647,561
Decrease in cash set aside for Singapore Exchange Derivatives Clearing Limited's Clearing Fund		38,500	–
<b>Cash and cash equivalents at end of financial year</b>	3	<b>536,570</b>	<b>470,641</b>

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 90.

# Notes to the Financial Statements

For the financial year ended 30 June 2010

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1 GENERAL

The Company is incorporated and domiciled in Singapore. On 23 November 2000, the Company was admitted to the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the registered office is:

2 Shenton Way  
#19-00 SGX Centre 1  
Singapore 068804

The principal activities of the Company are those of investment holding, treasury management, provision of management and administrative services to related corporations and provision of contracts processing services. The principal activities of the subsidiaries are set out in Note 11 to the financial statements. There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") and under the historical cost convention except as disclosed in the accounting policies below. The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions, based on management's best knowledge, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year.

Information about significant areas of estimation uncertainty and critical judgements in applying the accounting policies that have significant effect on the amount recognised in the financial statements are included in the following notes:

Note 8 – Financial assets, available-for-sale  
Note 14 – Goodwill  
Note 16 – Income taxes

From 1 July 2009, the Group has adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are applicable in the financial year ended 30 June 2010. These financial statements have been prepared and amended as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The following are the new or revised FRS that are relevant to the Group:

#### FRS 1 (revised) Presentation of financial statements (effective from 1 January 2009)

The revised standard requires:

- All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;
- Components of comprehensive income not to be included in statement of changes in equity;
- Items of income and expenses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);
- Presentation of restated statement of financial position as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

The Group has adopted the two separate statements approach. The revisions also included changes in the titles of some of the financial statements' primary statements. There is no restatement of the statement of financial position as at 1 July 2008 in the current financial year.

## **2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

### **a) Basis of preparation** *(continued)*

#### **FRS 108 Operating segments (effective from 1 January 2009)**

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources.

There is no material impact on the Group as the business segments currently disclosed is in line with the new operating segments under FRS 108.

#### **Amendment to FRS 107 Improving disclosures about financial statements (effective from 1 January 2009)**

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

### **b) Group accounting**

#### **1) Subsidiaries**

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of non-controlling interest. Please refer to Note 2(i)(1) for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated unless losses cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the non-controlling interest's share of the fair values of the subsidiaries' identifiable assets and liabilities, at the date of acquisition by the Group and the non-controlling interest's share of changes in equity since the date of acquisition, except when the losses applicable to the non-controlling interest in a subsidiary exceed the non-controlling interest in the equity of that subsidiary. In such cases, the excess losses applicable to the non-controlling interest are attributable to the equity holders of the Company, unless the non-controlling interest has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the non-controlling interest are attributable to the equity holders of the Company until the non-controlling interest's share of losses previously absorbed by the equity holders of the Company has been recovered.

Please refer to Note 2(g) for the Company's accounting policy on investments in subsidiaries.

#### **2) Associated companies**

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses. Investments in associated companies in the consolidated statement of financial position includes goodwill (net of any accumulated impairment losses) identified on acquisition. Please refer to Note 2(i)(1) for the Group's accounting policy on goodwill, on acquisition of associated companies.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### b) Group accounting *(continued)*

##### 2) Associated companies *(continued)*

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Please refer to Note 2(g) for the Company's accounting policy on investments in associated companies.

##### 3) Joint ventures

Joint ventures are those equity investments in companies, in which the Group has a long-term interest and has, by way of contractual arrangements, joint control in the companies' operational and financial affairs.

Joint ventures are accounted for under the equity method whereby the Group's share of profit or losses of joint ventures is included in the consolidated statement of comprehensive income and the Group's share of net assets or liabilities is included in the consolidated statement of financial position. Where the accounting policies of joint ventures do not conform with those of the Group, adjustments to the Group's financial statements are made for the amounts which are considered significant to the Group.

Please refer to Note 2(g) for the Company's accounting policy on investments in joint ventures.

##### 4) Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

#### c) Currency translation

##### 1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The presentation currency of the consolidated financial statements is Singapore Dollars ("SGD"), which is also the Company's functional currency.

##### 2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income.

Foreign currency monetary assets and liabilities are translated into the functional currency at the rates of exchange at the balance sheet date. Currency translation differences are recognised in the statement of comprehensive income.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

#### d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks.

#### e) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. An allowance for impairment of trade and other receivables is recognised when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate and is recognised in the statement of comprehensive income.

The allowance for impairment loss is reduced through the statement of comprehensive income in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

## **2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

### **f) Financial assets, available-for-sale**

Investments, which are designated in this category, are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Purchase and sales of investments are recognised on trade date, on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investment have expired or all risks and rewards of ownership have been transferred. Changes in fair values of available-for-sale equity securities are recognised in the fair value reserve, together with the related currency translation differences. The fair values of investments not traded in an active market are determined by using valuation techniques, such as discounted cash flow analysis.

Dividends on available-for-sale equity securities are recognised in the statement of comprehensive income when the Group's right to receive payment is established. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the fair value reserve within equity are included in the statement of comprehensive income.

The Group assesses at each balance sheet date whether there is objective evidence that the financial assets are impaired. A significant or prolonged decline in the fair value of the asset below its cost is considered an indicator that the equity security is impaired. When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve within equity and recognised in the statement of comprehensive income. The cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on available-for-sale financial assets are not reversed through the statement of comprehensive income.

### **g) Investments in subsidiaries, joint ventures and associated companies**

Investments in subsidiaries, joint ventures and associated companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. Impairment losses are recognised in the statement of comprehensive income in the year in which it is determined.

On disposal of an investment, the difference between the net proceeds and its carrying amount is recognised in the statement of comprehensive income.

Please refer to Note 2(t)(2) for the Company's accounting policy on impairment of investments in subsidiaries, joint ventures and associated companies.

### **h) Property, plant and equipment**

#### **1) Land and buildings**

Land and buildings are initially recorded at cost. Freehold land is subsequently stated at cost less accumulated impairment losses. Buildings and leasehold land are subsequently stated at cost less accumulated depreciation and accumulated impairment losses.

#### **2) Other property, plant and equipment**

All other property, plant and equipment are initially recorded at cost and subsequently, stated at cost less accumulated depreciation and accumulated impairment losses.

#### **3) Component of costs**

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is required to be incurred for the purpose of acquiring and using the asset.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### h) Property, plant and equipment (continued)

##### 4) Depreciation of property, plant and equipment

No depreciation is provided on freehold land and work-in-progress.

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives as follows:

	Useful lives
Freehold and leasehold buildings	Lower of 30 years or remaining lease period
Leasehold improvements	Lower of 5 years or remaining lease period
Furniture, fittings and office equipment	3 to 10 years
Computer hardware	1 to 7 years
Motor vehicles	4 years

Fully depreciated assets still in use are retained in the financial statements.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are recognised in the statement of comprehensive income when the changes arise.

##### 5) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. All other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

##### 6) Disposal

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the statement of comprehensive income.

#### i) Intangible assets

##### 1) Goodwill on acquisitions

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiaries and associated companies at the date of acquisition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

##### 2) Software

Costs that are directly associated with identifiable software controlled by the Group that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs incurred for maintaining computer software programmes are recognised as an expense when incurred.

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and to bring the software to use. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Computer software costs and acquired computer software licences are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised using the straight-line method over their estimated useful lives, a period not exceeding 7 years. Where an indication of impairment exists, the carrying cost is assessed and written down immediately to its recoverable amount.

The period and method of amortisation of the software are reviewed at least at each balance sheet date. The effects of any revision of the amortisation period or method are included in the statement of comprehensive income for the period in which the changes arise.

## **2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

### **j) Trade and other payables**

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

### **k) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### **l) Derivative financial instruments and hedging activities**

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Derivatives that are designated as hedging instrument are designated by the Group as cash flow hedge. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the statement of comprehensive income when the changes arise.

#### **Currency forwards – cash flow hedge**

The Group has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in the hedging reserve and transferred to either the cost of a hedged non-monetary asset upon acquisition or the statement of comprehensive income when the hedged forecast transactions are recognised.

The fair value of currency forward contracts purchased or sold is based on the quoted bid price or offer price respectively at the balance sheet date. The notional principal amounts of the currency forward contracts are recorded as off-balance sheet items.

When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in the hedging reserve are transferred to the statement of comprehensive income immediately.

### **m) Share capital and treasury shares**

Ordinary shares are classified as equity.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's equity holders and presented as "treasury shares" within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of the treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the retained profits of the Company, if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the share-based compensation plan, the cost of the treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is taken to the share capital account of the Company.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### n) Dividends

Interim dividends are deducted from retained profits during the financial year in which they are declared payable.

Final dividends are transferred from retained profits to a proposed dividend reserve when they are proposed by the directors. The amount will be transferred from the proposed dividend reserve to dividend payable when the dividends are approved by the shareholders.

#### o) Revenue recognition

Revenue is recognised on the following basis:

- i) securities clearing revenue, futures and options revenue and structured warrants revenue, net of rebates, on a due date basis;
- ii) listing revenue, membership revenue, terminal and connection revenue and rental income on a time proportion basis;
- iii) securities related processing revenue, access revenue, market data revenue, depository services' revenue, corporate action and other revenue, when the services are rendered;
- iv) interest income, on a time proportion basis using the effective interest method;
- v) dividend income is recorded gross in the statement of comprehensive income in the financial year in which a dividend is received; and
- vi) management fees, when the services are rendered.

#### p) Income taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are measured at:

- i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and
- ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax jurisdiction.

#### q) Leases

##### 1) Where a group company is the lessee:

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased property or the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of return on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance charge is charged to the statement of comprehensive income over the lease period. Plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset.

Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the lease period.

When a finance or operating lease is terminated before the expiry of the lease period, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which the lease is terminated.

##### 2) Where a group company is the lessor:

Operating lease rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

## **2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

### **r) Government grants**

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants relating to expenses are offset against the related expenses. Government grants relating to assets are deducted against the carrying amount of the assets.

### **s) Employee benefits**

Employee benefits are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

#### **1) Defined contribution plans**

The Group makes legally required contributions to the Central Provident Fund ("Fund"). The Group's obligation, in regard to the defined contribution plan, is limited to the amount it contributes to the Fund. The Group's contributions are recognised as employee compensation expense when they are due.

#### **2) Employee leave entitlement**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

#### **3) Long-term incentive scheme (cash-based)**

The Group awards long-term incentive to employees. The entitlement to this benefit is conditional on the employee remaining in service up to the specified service period. The expected costs of this benefit are accrued over the specified service period.

#### **4) Share-based compensation**

##### *i) Share options*

The fair value of the employee services received in exchange for the grant of the share options is recognised as share-based payment to employees in the statement of comprehensive income with a corresponding increase in the share-based payment reserve over the vesting period. The amount is determined by reference to the fair value of the share options on grant date and the expected number of shares under options to be vested on vesting date.

The expected number of shares under options to be vested is fixed unless they have been forfeited or have lapsed prior to vesting date. Any changes to the expected number of shares under options to be vested will entail a corresponding adjustment to the share-based payment to employees and share-based payment reserve. The Group assesses this change at the end of each financial reporting period.

The proceeds received net of any directly attributable transaction costs and the related balance previously recognised in the share based payment reserve are credited to share capital when the options are exercised.

##### *ii) Performance share plan/ Deferred long-term incentives scheme (share-based)*

The fair value of the employee services received in exchange for the grant of shares is recognised as share-based payment to employees in the statement of comprehensive income with a corresponding increase in the share-based payment reserve over the vesting period. The amount is determined by reference to the fair value of the shares on grant date and the expected number of shares to be vested on vesting date.

At the end of each financial reporting period, the Company revises its estimates of the expected number of shares that the participants are expected to receive. Any changes to the expected number of shares to be vested will entail a corresponding adjustment to the share-based payment to employees and share-based payment reserve.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### t) Impairment of non-financial assets

##### 1) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in associated company is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the statement of comprehensive income and is not reversed in a subsequent period.

##### 2) Intangible assets

###### Property, plant and equipment

###### Investment in subsidiaries, associated companies and joint ventures

Intangible assets, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling value and its value in use. The impairment loss is recognised in the statement of comprehensive income.

The recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income.

#### u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

#### v) Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in the statement of comprehensive income.

### 3 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank and on hand	<b>38,547</b>	29,677	<b>5,836</b>	9,210
Fixed deposits with banks	<b>634,044</b>	615,485	<b>479,775</b>	456,063
	<b>672,591</b>	645,162	<b>485,611</b>	465,273

For the purposes of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprised the following:

	The Group	
	2010 \$'000	2009 \$'000
Cash and bank balances (as above)	<b>672,591</b>	645,162
Less: Cash set aside for Singapore Exchange Derivatives Clearing Limited ("SGX-DC") Clearing Fund (Note 31)	<b>(136,021)</b>	(174,521)
Cash and cash equivalents per consolidated statement of cash flows	<b>536,570</b>	470,641

The carrying amounts of cash and cash equivalents approximate their fair values.

Fixed deposits have the following average maturity from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2010	2009	2010	2009
Average maturity (days)	<b>98</b>	75	<b>95</b>	87
Effective weighted average interest rate (% per annum)	<b>0.52</b>	0.83	<b>0.36</b>	0.97

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 38.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 4 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade receivables (net) (Note (a))	<b>439,941</b>	535,444	<b>2,587</b>	2,381
Other receivables (Note (b))	<b>22,635</b>	8,468	<b>4,121</b>	3,712
Amount due from joint venture (non-trade)	<b>287</b>	–	<b>287</b>	–
Loan to a joint venture (Note (c))	<b>797</b>	–	–	–
	<b>463,660</b>	543,912	<b>6,995</b>	6,093

a) Trade receivables comprise:

Receivables from clearing members and settlement banks	<b>383,761</b>	451,897	–	–
– Daily settlements of accounts for due contracts and rights				
Trade receivables	<b>57,211</b>	84,211	<b>2,587</b>	2,381
	<b>440,972</b>	536,108	<b>2,587</b>	2,381
Less: Allowance for impairment of trade receivables (Note 38)	<b>(1,031)</b>	(664)	–	–
	<b>439,941</b>	535,444	<b>2,587</b>	2,381

b) Other receivables comprise:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest receivable	<b>1,976</b>	1,588	<b>942</b>	1,050
Prepayments	<b>5,326</b>	4,923	<b>2,934</b>	2,409
Deposits	<b>12,710</b>	216	<b>151</b>	153
Staff advances	<b>123</b>	100	<b>91</b>	54
Government grants receivable	<b>2,354</b>	–	–	–
Others (non-trade)	<b>146</b>	1,641	<b>3</b>	46
	<b>22,635</b>	8,468	<b>4,121</b>	3,712

c) The loan to a joint venture is unsecured, non-interest bearing and repayable on demand.

The carrying amounts of trade and other receivables, amount due from joint venture and loan to a joint venture approximate their fair values.

## 5 DERIVATIVE FINANCIAL INSTRUMENTS

The table below sets out the notional principal amounts of the outstanding currency forward contracts of the Group and the Company, and their corresponding fair values at the balance sheet date:

	Contract notional principal		Fair value asset		Fair value liability	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>The Group</b>						
Currency forwards						
– Cash flow hedges	<b>41,507</b>	38,306	–	717	<b>295</b>	–
– Non-designated hedges	<b>21,105</b>	80,965	–	157	<b>149</b>	–
<b>Total</b>	<b>62,612</b>	119,271	–	874	<b>444</b>	–
<b>The Company</b>						
Currency forwards						
– Non-designated hedges	<b>21,105</b>	70,082	–	673	<b>149</b>	–

As at 30 June 2010, the settlement dates on currency forward contracts range between 1 and 9 months (2009: 1 and 9 months).

Currency forwards designated as cash flow hedges are entered to hedge transactions denominated in United States Dollar (“USD”). Expected future gains and losses recognised in the hedging reserve prior to the occurrence of these transactions are transferred to the statement of comprehensive income in the month the transaction takes place.

The fair value measurement of these derivative financial instruments is disclosed in Note 38.

## 6 SECURITIES CLEARING FUNDS

The securities clearing funds were established under the clearing rules of the securities clearing subsidiaries, The Central Depository (Pte) Limited (“CDP”) and Options Clearing Company (Pte) Limited (“OCC”). The clearing funds are to provide resources to enable CDP and OCC to discharge their respective obligations and the liabilities of defaulting clearing members arising from transactions in approved securities, futures and options.

The CDP clearing fund comprised contributions from both CDP and its clearing members. On 1 January 2010, additional cash contributions to the clearing fund were obtained from both CDP and clearing members. The additional contributions does not increase the total CDP clearing fund size as the fund composition has been changed (Note 6(b)(i)).

The CDP clearing fund structure is under review following the interim change mentioned above.

### a) Contribution by CDP

	The Group	
	2010 \$'000	2009 \$'000
Cash at bank – contributed by CDP	<b>30,000</b>	25,000

Cash contributions by CDP are denominated in SGD and placed in interest bearing accounts with a bank. CDP's cash contribution was increased to \$30 million (2009: \$25 million). A corresponding reserve is recorded as securities clearing funds reserve for the initial \$25 million contribution by CDP into the CDP Clearing Fund.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 6 SECURITIES CLEARING FUNDS (continued)

#### b) Contribution by Clearing Members

The cash contributions from CDP and OCC clearing members are not recorded in the consolidated statement of financial position of the Group as these contributions are held in trust by the Group. The bank guarantees are not recorded in the consolidated statement of financial position of the Group.

	The Group	
	2010 \$'000	2009 \$'000
Contributions by CDP clearing members <sup>a</sup>		
– cash at bank, held in trust	32,065	13,479
– bank guarantees	7,000	4,550
	<b>39,065</b>	<b>18,029</b>
Contributions by OCC clearing members		
– cash at bank, held in trust	–	390

<sup>a</sup> Clearing members' aggregate contribution has been raised to at least \$30 million (from \$15 million) in cash, acceptable assets or an equivalent.

The CDP clearing fund is a trust asset held subject to the trust purposes set out in CDP Clearing Rule 7.1.2.

Payments out of the securities clearing funds shall be made in the following order:

#### i) CDP Clearing Fund

- 1) Contributions by defaulting clearing members;
- 2) Contributions by CDP of \$30 million in cash;
- 3) Contributions by all other non-defaulting clearing members on a pro rata basis in the proportion of each clearing member's turnover to the total turnover of all clearing members at the time of default;
- 4) Deed of undertaking from SGX of up to \$25 million; and
- 5) Standby line of credit provided by CDP of \$75 million.

The deed of undertaking from SGX in favour of CDP, effective from 1 April 2010, replaces the \$45 million insurance cover which expired on 31 March 2010. CDP did not obtain a replacement policy as there were no suitable insurers. The undertaking will remain effective until such time a replacement insurance from a suitable insurer become available or when the changes to the CDP clearing fund changes are implemented.

#### ii) OCC Clearing Fund

- 1) Total deposits of defaulting clearing members;
- 2) Base deposits of all other non-defaulting clearing members on a pro rata basis; and
- 3) Insurance.

The clearing member's clearing fund total deposit shall consist of the aggregate amount of the base and variable deposit paid by the clearing member. Each clearing member is required to contribute a base deposit of an initial amount of \$30,000 in cash to the Clearing Fund. In addition to the base deposit, each clearing member shall be liable to contribute a variable deposit which shall be based upon the amount of business transacted or cleared by the clearing member.

On 30 June 2010, the directors of OCC have approved to close OCC via an application to the Accounting and Corporate Regulatory Authority to strike the name of the company off the Register pursuant to Section 344 of the Singapore Companies Act. The OCC Clearing Fund as stipulated in the OCC Rules, will cease with the closure of the Company. All contributions from the 13 clearing members amounting to \$390,000 were refunded during the financial year.

## 7 NON-CURRENT ASSET HELD-FOR-SALE

	The Group and The Company	
	2010 \$'000	2009 \$'000
Freehold land	17,478	–
Freehold building	4,222	–
	<b>21,700</b>	–

The freehold land and building (“property”) at 18 New Industrial Road is reclassified from property, plant and equipment to a non-current asset held-for-sale following the approval of its sale by the Board of Directors on 27 May 2010.

The property was purchased on 14 June 1996 and is currently used as a business recovery centre and for storage of documents. The decision to sell the property was made as management has decided on an alternative location for the business recovery centre. There is no alternate commercial use for the property.

In July 2010, the Company has appointed an exclusive marketing advisor to manage the sale of the property. The sale is expected to be completed by end of June 2011.

## 8 FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group and The Company	
	2010 \$'000	2009 \$'000
<b>Unlisted equity securities – Bombay Stock Exchange Limited</b>		
Balance at beginning of financial year	73,256	76,956
Fair value losses recognised in fair value reserve	–	(3,700)
Balance at end of financial year	<b>73,256</b>	73,256

As of 30 June 2010, the fair value of the unlisted equity securities has been determined by discounting the future estimated cash flows at the discount rate of 13% (2009: 13%). The discount rate used reflected the specific risks relating to operating an exchange in India. Future cash flows are forecasted based on past financial performance and after considering factors such as macroeconomics, general market and industry-specific conditions and other relevant information.

While the estimated fair value is sensitive to any change in key assumptions and inputs to the valuation model, the change in the fair value estimate is not likely to be material to the overall financial position of the Group or the Company.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 9 PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Leasehold improve- ments \$'000	Furniture, fittings and office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress <sup>a</sup> \$'000	Total \$'000
<b>The Group</b>									
<b>2010</b>									
<b>Cost</b>									
At 1 July 2009	17,478	8,261	433	38,602	4,825	16,362	532	359	86,852
Reclassification	-	-	-	-	-	66	-	(66)	-
Additions	-	-	-	201	166	28	-	2,971	3,366
Reclassified to non-current asset held-for-sale (Note 7)	(17,478)	(8,261)	-	-	-	-	-	-	(25,739)
Disposals	-	-	(433)	-	(52)	(10)	(10)	-	(505)
Write-off	-	-	-	(108)	(2,260)	(346)	-	-	(2,714)
At 30 June 2010	-	-	-	38,695	2,679	16,100	522	3,264	61,260
<b>Accumulated depreciation</b>									
At 1 July 2009	-	3,773	174	33,103	4,034	13,604	532	-	55,220
Depreciation charge	-	266	-	1,320	210	1,590	-	-	3,386
Reclassified to non-current asset held-for-sale (Note 7)	-	(4,039)	-	-	-	-	-	-	(4,039)
Disposals	-	-	(174)	-	(52)	(10)	(10)	-	(246)
Write-off	-	-	-	(108)	(2,243)	(300)	-	-	(2,651)
At 30 June 2010	-	-	-	34,315	1,949	14,884	522	-	51,670
<b>Accumulated impairment charge</b>									
At 1 July 2009	5,000	-	234	-	-	-	-	-	5,234
Write-back	(5,000)	-	-	-	-	-	-	-	(5,000)
Disposals	-	-	(234)	-	-	-	-	-	(234)
At 30 June 2010	-	-	-	-	-	-	-	-	-
<b>Net book value</b>									
At 30 June 2010	-	-	-	4,380	730	1,216	-	3,264	9,590
<b>2009</b>									
<b>Cost</b>									
At 1 July 2008	17,478	8,261	433	35,265	4,542	80,752	532	7,548	154,811
Reclassification	-	-	-	2,645	-	3,508	-	(9,337)	(3,184) <sup>b</sup>
Additions	-	-	-	693	381	428	-	2,209	3,711
Disposals	-	-	-	(1)	(98)	(683)	-	-	(782)
Write-off	-	-	-	-	-	(67,643)	-	(61)	(67,704)
At 30 June 2009	17,478	8,261	433	38,602	4,825	16,362	532	359	86,852
<b>Accumulated depreciation</b>									
At 1 July 2008	-	3,508	156	31,676	3,759	77,325	407	-	116,831
Depreciation charge	-	265	18	1,428	363	4,022	125	-	6,221
Disposals	-	-	-	(1)	(88)	(411)	-	-	(500)
Write-off	-	-	-	-	-	(67,332)	-	-	(67,332)
At 30 June 2009	-	3,773	174	33,103	4,034	13,604	532	-	55,220
<b>Accumulated impairment charge</b>									
At 1 July 2008	5,000	-	-	-	-	-	-	-	5,000
Impairment loss <sup>c</sup>	-	-	234	-	-	-	-	-	234
At 30 June 2009	5,000	-	234	-	-	-	-	-	5,234
<b>Net book value</b>									
At 30 June 2009	12,478	4,488	25	5,499	791	2,758	-	359	26,398

<sup>a</sup> Work-in-progress comprises mainly systems infrastructure under development and leasehold improvements under construction.

<sup>b</sup> There was a reclassification of \$3,184,000 from work-in-progress hardware to work-in-progress software in the financial year 2009 (Note 10).

<sup>c</sup> Impairment loss charged on the leasehold building during the financial year is based on an indicative offer from a third-party.

## 9 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land \$'000	Freehold buildings \$'000	Leasehold improve- ments \$'000	Furniture, fittings and office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress <sup>a</sup> \$'000	Total \$'000
<b>The Company</b>								
<b>2010</b>								
<b>Cost</b>								
At 1 July 2009	17,478	8,261	38,220	1,314	2,858	532	359	69,022
Reclassification	–	–	–	–	66	–	(66)	–
Additions	–	–	201	163	1	–	2,971	3,336
Reclassified to non-current asset held-for-sale (Note 7)	(17,478)	(8,261)	–	–	–	–	–	(25,739)
Disposals	–	–	–	(52)	(10)	(10)	–	(72)
Write-off	–	–	(108)	(632)	(107)	–	–	(847)
At 30 June 2010	–	–	38,313	793	2,808	522	3,264	45,700
<b>Accumulated depreciation</b>								
At 1 July 2009	–	3,773	32,949	912	2,632	532	–	40,798
Depreciation charge	–	266	1,258	128	144	–	–	1,796
Reclassified to non-current asset held-for-sale (Note 7)	–	(4,039)	–	–	–	–	–	(4,039)
Disposals	–	–	–	(52)	(10)	(10)	–	(72)
Write-off	–	–	(108)	(614)	(62)	–	–	(784)
At 30 June 2010	–	–	34,099	374	2,704	522	–	37,699
<b>Accumulated impairment charge</b>								
At 1 July 2009	5,000	–	–	–	–	–	–	5,000
Write-back	(5,000)	–	–	–	–	–	–	(5,000)
At 30 June 2010	–	–	–	–	–	–	–	–
<b>Net book value</b>								
At 30 June 2010	–	–	4,214	419	104	–	3,264	8,001
<b>2009</b>								
<b>Cost</b>								
At 1 July 2008	17,478	8,261	35,085	1,245	19,522	532	421	82,544
Reclassification	–	–	2,645	–	96	–	(2,741)	–
Additions	–	–	490	70	136	–	2,740	3,436
Disposals	–	–	–	(1)	(101)	–	–	(102)
Write-off	–	–	–	–	(16,795)	–	(61)	(16,856)
At 30 June 2009	17,478	8,261	38,220	1,314	2,858	532	359	69,022
<b>Accumulated depreciation</b>								
At 1 July 2008	–	3,508	31,586	796	18,968	407	–	55,265
Depreciation charge	–	265	1,363	117	464	125	–	2,334
Disposals	–	–	–	(1)	(101)	–	–	(102)
Write-off	–	–	–	–	(16,699)	–	–	(16,699)
At 30 June 2009	–	3,773	32,949	912	2,632	532	–	40,798
<b>Accumulated impairment charge</b>								
At 1 July 2008 and 30 June 2009	5,000	–	–	–	–	–	–	5,000
<b>Net book value</b>								
At 30 June 2009	12,478	4,488	5,271	402	226	–	359	23,224

<sup>a</sup> Work-in-progress comprises mainly systems infrastructure under development and leasehold improvements under construction.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 10 SOFTWARE

	Software \$'000	Work- in-progress software <sup>a</sup> \$'000	Total \$'000
<b>The Group</b>			
<b>2010</b>			
<b>Cost</b>			
At 1 July 2009	87,404	37,197	124,601
Reclassification	50,431	(50,431)	–
Additions	6,259	45,339	51,598
Disposals	(55)	–	(55)
Write-off	(4,604)	–	(4,604)
At 30 June 2010	139,435	32,105	171,540
<b>Accumulated amortisation</b>			
At 1 July 2009	32,327	–	32,327
Amortisation charge	22,722	–	22,722
Disposals	(55)	–	(55)
Write-off	(4,486)	–	(4,486)
At 30 June 2010	50,508	–	50,508
<b>Net book value</b>			
At 30 June 2010	88,927	32,105	121,032
<b>2009</b>			
<b>Cost</b>			
At 1 July 2008	46,424	55,835	102,259
Reclassification	50,213	(47,029)	3,184 <sup>b</sup>
Additions	4,909	28,442	33,351
Disposals	(3,372)	–	(3,372)
Write-off	(10,770)	(51)	(10,821)
At 30 June 2009	87,404	37,197	124,601
<b>Accumulated amortisation</b>			
At 1 July 2008	31,685	–	31,685
Amortisation charge	12,701	–	12,701
Disposals	(1,385)	–	(1,385)
Write-off	(10,674)	–	(10,674)
At 30 June 2009	32,327	–	32,327
<b>Net book value</b>			
At 30 June 2009	55,077	37,197	92,274

<sup>a</sup> Work-in-progress comprises mainly software application under development.

<sup>b</sup> There was a reclassification of \$3,184,000 from work-in-progress hardware to work-in-progress software in the financial year 2009 (Note 9).

During the financial year, the Group reviewed and changed the useful lives of three systems used in securities and derivatives trading and clearing. The useful lives of these systems have been reduced to tie in with the implementation of the planned replacement systems.

This change in useful lives resulted in higher depreciation of \$1.5 million for FY2010, which is not material to the financial statements in the current financial year.

## 10 SOFTWARE (continued)

	Software \$'000	Work- in-progress software <sup>a</sup> \$'000	Total \$'000
<b>The Company</b>			
<b>2010</b>			
<b>Cost</b>			
At 1 July 2009	17,145	2,482	19,627
Reclassification	883	(883)	–
Additions	2,420	869	3,289
Write-off	(1,212)	–	(1,212)
At 30 June 2010	19,236	2,468	21,704
<b>Accumulated amortisation</b>			
At 1 July 2009	10,664	–	10,664
Amortisation charge	3,686	–	3,686
Write-off	(1,120)	–	(1,120)
At 30 June 2010	13,230	–	13,230
<b>Net book value</b>			
At 30 June 2010	6,006	2,468	8,474
<b>2009</b>			
<b>Cost</b>			
At 1 July 2008	11,438	4,849	16,287
Reclassification	5,636	(5,636)	–
Additions	1,180	3,320	4,500
Write-off	(1,109)	(51)	(1,160)
At 30 June 2009	17,145	2,482	19,627
<b>Accumulated amortisation</b>			
At 1 July 2008	9,320	–	9,320
Amortisation charge	2,438	–	2,438
Write-off	(1,094)	–	(1,094)
At 30 June 2009	10,664	–	10,664
<b>Net book value</b>			
At 30 June 2009	6,481	2,482	8,963

<sup>a</sup> Work-in-progress comprises mainly software application under development.

## 11 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010 \$'000	2009 \$'000
<b>Equity investments at cost</b>		
Balance at beginning of financial year	425,418	422,418
Capital injection	1,000	3,000
Impairment loss	(20,827)	–
Balance at end of financial year	405,591	425,418

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 11 INVESTMENTS IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

Names of subsidiaries	Note	Principal activities	Country of business and incorporation	Equity held by			
				The Company		Subsidiaries	
				2010 %	2009 %	2010 %	2009 %
Singapore Exchange Securities Trading Limited	(a)	Operating a securities exchange	Singapore	<b>100</b>	100	–	–
Singapore Exchange Derivatives Trading Limited	(a)	Operating a derivatives exchange	Singapore	<b>100</b>	100	–	–
The Central Depository (Pte) Limited	(a)	Providing clearing, counterparty guarantee, depository and related services for securities transactions	Singapore	<b>100</b>	100	–	–
Singapore Exchange Derivatives Clearing Limited	(a)	Providing clearing, counterparty guarantee and related services for derivatives transactions	Singapore	<b>100</b>	100	–	–
Singapore Commodity Exchange Limited	(a)	Operating a commodity exchange	Singapore	<b>100<sup>d</sup></b>	100 <sup>d</sup>	–	–
Singapore Exchange IT Solutions Pte Limited	(a)	Providing computer services and maintenance, and software maintenance	Singapore	<b>100</b>	100	–	–
SGX International Pte. Ltd.	(a)	Providing business management and consultancy services	Singapore	<b>100</b>	100	–	–
Asian Gateway Investments Pte Ltd	(a)	Investment holding	Singapore	<b>100</b>	100	–	–
Joint Asian Derivatives Pte. Ltd.	(a)	Inactive	Singapore	–	–	<b>100</b>	100
SGX America Ltd	(b)	Inactive	United States of America	–	–	<b>100</b>	100
Macronet Information Pte Ltd	(e)	Dormant	Singapore	–	–	<b>100</b>	100
Options Clearing Company (Pte) Limited	(e)	Dormant	Singapore	–	–	<b>100</b>	100
SGX Investment (Mauritius) Limited	(c)	Dormant	Mauritius	<b>100</b>	100	–	–
SGXLink Pte Ltd	(e)	Dormant	Singapore	<b>100</b>	100	–	–
Asia Converge Pte Ltd	(a)	Dormant	Singapore	–	–	<b>100</b>	100
Asiaclear Pte Ltd	(a)	Dormant	Singapore	–	–	<b>100</b>	100
CDP Nominees Pte Ltd	(a)	Dormant	Singapore	–	–	<b>100</b>	100
Globalclear Pte Ltd	(a)	Dormant	Singapore	–	–	<b>100</b>	100
Securities Clearing and Computer Services (Pte) Limited	(a)	Dormant	Singapore	<b>100</b>	100	–	–

a) Audited by PricewaterhouseCoopers LLP, Singapore.

b) Not required to be audited in the United States of America.

c) An application to the Mauritius Registrar of Companies for the removal of this subsidiary from the register was filed on 28 June 2010.

d) International Enterprise Singapore holds one share.

e) Audited by PricewaterhouseCoopers LLP, Singapore. On 30 June 2010, the subsidiary's board of directors approved the cessation of business and to proceed with an application to the Accounting and Corporate Regulatory Authority to strike the name of the company off the Register pursuant to section 344 of the Singapore Companies Act.

## 12 INVESTMENTS IN JOINT VENTURES

	The Group	
	2010 \$'000	2009 \$'000
<b>Investments at cost</b>		
Balance at beginning of financial year	–	121
Loan to a joint venture	<b>1,984</b>	–
Share of results	<b>(1,984)</b>	(33)
Distribution of net assets – termination of joint venture	–	(88)
Balance at end of financial year	–	–

Names of joint ventures	Principal activities	Country of business and incorporation	Equity holding	
			2010 %	2009 %
American Stock Exchange – SGX Pte Ltd (“AMEX”) (note (a))	Promote the listing and trading of exchange traded funds	Singapore	–	50
Chi-East Pte. Ltd. (“Chi-East”) (note (b))	Operate an electronics securities trading platform	Singapore	<b>50</b>	–

- a) On 4 March 2009, the shareholders of AMEX, American Stock Exchange International, LLC and Singapore Exchange Securities Trading Limited (“SGX-ST”) entered into a termination deed to terminate the joint venture. The entire net assets of AMEX as recorded in the audited financial statements as at 30 April 2009 have been distributed equally between the two shareholders. AMEX was struck-off the register of companies on 15 January 2010.
- b) On 29 December 2009, Asian Gateway Investments Pte. Ltd. (“AGI”) acquired 1 share of Chi-East, a joint venture with Chi-X Global Inc., at a consideration of USD1. The Group also extended loans to Chi-East to fund its start-up costs and operating expenses. The loans are unsecured and non-interest bearing.

The following amounts represent the Group’s 50% share of the assets and liabilities and results of the joint ventures which have been equity accounted for in the consolidated statement of financial position and statement of comprehensive income:

	The Group	
	2010 \$'000	2009 \$'000
<b>Statement of financial position</b>		
Assets:		
Current assets	<b>1,525</b>	–
Non-current assets	<b>515</b>	–
	<b>2,040</b>	–
Liabilities:		
Current liabilities	<b>4,024</b>	–
Net liability	<b>(1,984)</b>	–

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 12 INVESTMENTS IN JOINT VENTURES (continued)

	The Group	
	2010 \$'000	2009 \$'000
<b>Income statement</b>		
Revenue	3	–
Expenses	1,987	36
Loss before tax	(1,984)	(36)
Tax	–	–
Loss after tax	(1,984)	(36)
<b>Cash flow</b>		
Operating cash outflows	(649)	(52)
Investing cash outflows	(673)	–
Financing cash in/(out)flows	2,803	(88)
Total cash in/(out)flows	1,481	(140)
Capital commitments in relation to interest in joint ventures	–	–
Proportionate interest in joint ventures' commitments	83	–

### 13 INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Equity investment at cost			4,389	4,389
Balance at beginning of financial year	3,813	3,767		
Currency translation differences	89	(37)		
Share of results	243	83		
Balance at end of financial year	4,145	3,813		
The summarised financial information of associated companies is as follows (Group's proportionate share)				
– Assets	4,044	3,684		
– Liabilities	474	446		
– Revenue	2,447	1,967		
– Net profit/(loss)	243	83		
Share of associated companies contingent liabilities incurred jointly with other investors	–	–		
Contingent liabilities in which the Group is severally liable	–	–		

### 13 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Goodwill amounting to \$575,000 (2009: \$575,000) is included in the carrying amount of investments in associated companies.

Details of the associated companies held by the Group are as follows:

Names of companies	Principal activity	Country of business and incorporation	Equity holding	
			2010 %	2009 %
Philippine Dealing System Holdings Corp.*	Investment holding	Philippines	20	20
Webinops Pte. Ltd.	Software development	Singapore	–	10

\* Audited by SyCip Gorres Velayo & Co, Philippines

Webinops Pte. Ltd. (“Webinops”) has been dissolved through a members’ voluntary winding up in the current financial year. There is no recoverable amount from the investment in Webinops.

### 14 GOODWILL

#### Goodwill arising from consolidation

	The Group	
	2010 \$'000	2009 \$'000
<b>Cost</b>		
Balance at beginning and end of financial year	2,721	2,721
<b>Accumulated impairment loss</b>		
Impairment charge	2,721	–
Balance at end of financial year	2,721	–
Net book value	–	2,721

#### Impairment test for goodwill

The goodwill relates to the acquisition of SICOM, the subsidiary operating a commodity exchange.

The recoverable amount of the goodwill was determined based on value-in-use calculation, using a discounted cash flow model. The key variables of the computation are as follows:

	Key variables	Basis
Cash flow projections	Based on financial budgets and forecasts over a ten-year period, as approved by management	Based on past performance and its expectations of the market development
Terminal growth rate	2% (2009: 5%)	Did not exceed the long-term average growth rate for the market in which SICOM operates
Discount rate	10%	Reflected the specific risks relating to operating a commodity exchange in Singapore

A period greater than five years was used as it is indicative of SICOM’s overall performance. As SICOM was only acquired on 30 June 2008, the first five-year period is expected to be an expansionary phase focusing on development of new products, extending distribution and alliances growth. The business performance is expected to stabilise and strengthen in the following five-year period.

Based on the value-in-use calculations, a full impairment charge of \$2,721,000 on the goodwill was recognised within “Other gains/(losses)” in the statement of comprehensive income. The goodwill was fully impaired upon a downward revision of forecast cash flows and growth assumptions.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 15 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade payables (Note (a))	<b>410,464</b>	476,827	–	–
Other payables (Note (b))	<b>89,567</b>	80,981	<b>48,210</b>	41,823
Amount due to subsidiaries (non-trade) (Note (c))	–	–	<b>280,420</b>	275,652
	<b>500,031</b>	557,808	<b>328,630</b>	317,475
a) Trade payables comprise:				
Payables to clearing members and settlement banks – daily settlements of accounts for due contracts and rights	<b>383,761</b>	451,897	–	–
Other trade payables	<b>26,703</b>	24,930	–	–
	<b>410,464</b>	476,827	–	–
b) Other payables comprise:				
Accrual for operating expenses	<b>44,185</b>	35,159	<b>19,689</b>	12,510
Accrual for bonus	<b>36,618</b>	36,199	<b>25,338</b>	26,505
Central Provident Fund payable	<b>67</b>	824	–	512
Advance receipts	<b>4,549</b>	4,276	<b>78</b>	6
Others (non-trade)	<b>4,148</b>	4,523	<b>3,105</b>	2,290
	<b>89,567</b>	80,981	<b>48,210</b>	41,823

c) The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand. The carrying amounts approximate their fair values.

The carrying amounts of trade and other payables approximate their fair values.

### 16 INCOME TAXES

#### a) Income tax expense

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tax expense attributable to profit is made up of:				
– current income tax	<b>66,690</b>	58,734	<b>982</b>	3,926
– deferred income tax	<b>(2,510)</b>	4,210	<b>(1,276)</b>	(1,717)
	<b>64,180</b>	62,944	<b>(294)</b>	2,209
(Over)/under provision in preceding financial years:				
– current income tax	<b>(981)</b>	11	–	–
	<b>63,199</b>	62,955	<b>(294)</b>	2,209

## 16 INCOME TAXES (continued)

### b) Tax reconciliation

The tax expense on profit differs from the amount that would arise using the Singapore rate of income tax due to the following:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Profit before tax and share of results of joint ventures and associated companies	<b>385,014</b>	368,565	<b>282,699</b>	303,796
Tax calculated at a tax rate of 17% (2009: 17%)	<b>65,452</b>	62,656	<b>48,059</b>	51,645
Tax effect of:				
Different tax rates in other countries	–	(80)	–	–
Singapore statutory income exemption	<b>(150)</b>	(175)	<b>(26)</b>	(26)
Income not subject to tax	<b>(1,427)</b>	(135)	<b>(50,772)</b>	(49,877)
Expenses not deductible for tax purposes	<b>1,135</b>	364	<b>3,888</b>	353
Changes in tax rate	–	(175)	–	(28)
Others	<b>(830)</b>	489	<b>(1,443)</b>	142
	<b>64,180</b>	62,944	<b>(294)</b>	2,209

On 22 January 2009, the Government announced a 1% reduction in statutory tax rate from Year of Assessment 2010.

### c) Movements in provision for tax

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	<b>65,111</b>	102,328	<b>7,556</b>	7,493
Income tax paid	<b>(60,708)</b>	(95,962)	<b>(5,558)</b>	(3,863)
Tax expense on profit for the financial year	<b>66,690</b>	58,734	<b>982</b>	3,926
(Over)/under provision in preceding financial years	<b>(981)</b>	11	–	–
Balance at end of financial year	<b>70,112</b>	65,111	<b>2,980</b>	7,556

In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses.

The Group has open tax assessments at the year end. As management believes that the tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain positions.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 16 INCOME TAXES (continued)

#### d) Deferred income tax

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred tax assets:				
– to be recovered within 12 months	9,704	1,547	2,858	1,547
– to be recovered after more than 12 months	2,833	2,743	2,833	2,743
	<b>12,537</b>	4,290	<b>5,691</b>	4,290
– Effect of offsetting	<b>(7,691)</b>	(1,011)	<b>(1,012)</b>	(1,011)
	<b>4,846</b>	3,279	<b>4,679</b>	3,279
Deferred tax liabilities:				
– to be settled within 12 months	4,001	2,847	569	408
– to be settled after more than 12 months	11,147	6,860	443	603
	<b>15,148</b>	9,707	<b>1,012</b>	1,011
– Effect of offsetting	<b>(7,691)</b>	(1,011)	<b>(1,012)</b>	(1,011)
	<b>7,457</b>	8,696	–	–

The movements in the gross deferred tax assets and liabilities during the financial year are as follows:

#### The Group – deferred tax assets

	Cash flow hedge reserve		Unutilised capital allowance		Others		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	–	–	–	–	4,290	2,071	4,290	2,071
Credited to statement of comprehensive income	–	–	6,796	–	1,277	2,103	8,073	2,103
Credited/(charged) to equity	50	–	–	–	124	116	174	116
Balance at end of financial year	50	–	6,796	–	5,691	4,290	12,537	4,290

#### The Group – deferred tax liabilities

	Cash flow hedge reserve		Unutilised capital allowance		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	122	–	9,585	3,272	9,707	3,272
Charged to statement of comprehensive income	–	–	5,563	6,313	5,563	6,313
(Credited)/charged to equity	(122)	122	–	–	(122)	122
Balance at end of financial year	–	122	15,148	9,585	15,148	9,707

**16 INCOME TAXES** (continued)**d) Deferred income tax** (continued)**The Company – deferred tax assets**

	Others	
	2010 \$'000	2009 \$'000
Balance at beginning of financial year	4,290	2,071
Credited to statement of comprehensive income	1,277	2,103
Credited to equity	124	116
Balance at end of financial year	<b>5,691</b>	4,290

**The Company – deferred tax liabilities**

	Accelerated tax depreciation	
	2010 \$'000	2009 \$'000
Balance at beginning of financial year	1,011	625
Charged to statement of comprehensive income	1	386
Balance at end of financial year	<b>1,012</b>	1,011

Deferred tax assets have not been recognised in respect of the following items:

	The Group	
	2010 \$'000	2009 \$'000
Tax losses	<b>22,516</b>	20,353
Unutilised wear and tear allowances	<b>615</b>	615

These items principally relate to three entities within the Group which are dormant. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The tax losses and unutilised wear and tear allowances are subject to the relevant provisions of the Singapore Income Tax Act and confirmation by the tax authorities.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 16 INCOME TAXES (continued)

#### e) Tax effects on other comprehensive income

	The Group			The Company		
	Before tax \$'000	Tax benefit/ (liability) \$'000	Net of tax \$'000	Before tax \$'000	Tax benefit/ (liability) \$'000	Net of tax \$'000
<b>2010</b>						
<b>Other comprehensive income</b>						
Net currency translation differences of financial statements of associated company	89	–	89	–	–	–
Fair value (losses)/gains arising from cash flow hedges	(1,012)	172	(840)	–	–	–
	<b>(923)</b>	<b>172</b>	<b>(751)</b>	–	–	–
<b>2009</b>						
<b>Other comprehensive income</b>						
Net currency translation differences of financial statements of associated company	(37)	–	(37)	–	–	–
Fair value gains/(losses) arising from cash flow hedges	717	(122)	595	–	–	–
Fair value losses on financial assets, available-for-sale	(3,700)	–	(3,700)	(3,700)	–	(3,700)
	<b>(3,020)</b>	<b>(122)</b>	<b>(3,142)</b>	<b>(3,700)</b>	–	<b>(3,700)</b>

### 17 PROVISIONS

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Provision for SGX-MAS Market Development Scheme (Note (a))	2,234	2,284	–	–
Provision for unutilised leave (Note (b))	2,000	2,000	1,340	1,362
Provision for dismantlement, removal or restoration of property, plant and equipment (Note (c))	2,916	3,000	2,916	3,000
	<b>7,150</b>	<b>7,284</b>	<b>4,256</b>	<b>4,362</b>

#### a) Provision for SGX-MAS Market Development Scheme

Provision for SGX-MAS Market Development Scheme is used to fund projects that will raise awareness of the securities and derivatives market among investors.

Movements in this provision are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	2,284	2,435	–	–
Utilisation of provision	(50)	(151)	–	–
Balance at end of financial year	<b>2,234</b>	<b>2,284</b>	–	–

## 17 PROVISIONS (continued)

### b) Provision for unutilised leave

Provision for unutilised leave is the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Movements in this provision are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	2,000	1,800	1,362	1,342
(Utilisation)/provision made during the financial year (net)	–	200	(22)	20
Balance at end of financial year	2,000	2,000	1,340	1,362

### c) Provision for dismantlement, removal or restoration of property, plant and equipment

Provision for dismantlement, removal or restoration is the estimated costs of dismantlement, removal or restoration of leased premises, which are capitalised and included in the cost of property, plant and equipment. The provision is expected to be utilised upon return of the leased premises at SGX Centre.

Movements in this provision are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	3,000	3,000	3,000	3,000
Utilisation of provision	(84)	–	(84)	–
Balance at end of financial year	2,916	3,000	2,916	3,000

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED

#### a) Share capital and treasury shares

##### The Company

	Number of shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital \$'000	Treasury shares \$'000
<b>2010</b>				
Balance at beginning of financial year	1,069,197	5,463	414,851	(42,826)
Issue of shares under employee share option plans	1,831	–	3,918	–
Tax effect on treasury shares	–	–	–	124
Purchase of treasury shares	–	2,109	–	(17,711)
Vesting of shares under share plans	–	(2,377)	(8,992)	18,638
Balance at end of financial year	1,071,028	5,195	409,777	(41,775)
<b>2009</b>				
Balance at beginning of financial year	1,067,023	3,070	409,880	(27,271)
Issue of shares under employee share option plans	2,174	–	4,407	–
Tax effect on treasury shares	–	–	–	116
Purchase of treasury shares	–	2,551	–	(16,488)
Vesting of shares under share plans	–	(158)	564	817
Balance at end of financial year	1,069,197	5,463	414,851	(42,826)

Pursuant to the Share Purchase Mandate approved by shareholders, the Company purchased 2,109,500 (2009: 2,550,200) of its ordinary shares by way of on-market purchases, ranging from \$7.96 to \$8.62 per share (2009: \$5.97 to \$6.83 per share). The total amount paid to purchase the shares was \$17,711,000 (2009: \$16,488,000) and this is shown as a component within shareholders' equity as a reduction of total shareholders' equity. The Company holds the shares bought back as treasury shares and plans to use the shares to fulfil its obligations under the Company's share-based compensation plans.

#### b) Share options

##### i) Outstanding options

Share options are granted to executive directors and employees.

At the EGM on 22 September 2005 ("EGM 2005"), the Remuneration Committee terminated the SGX Share Option Plan ("the Scheme"), with regards to grant of further options, following the adoption of the SGX Performance Share Plan. However, options granted and outstanding prior to the aforesaid termination will continue to be valid and be subject to the terms and conditions of the Scheme.

Upon the aforesaid termination, no options were granted to the Group Employees under the Scheme during the financial year.

## 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (continued)

### b) Share options (continued)

#### i) Outstanding options (continued)

Movements in the number of unissued ordinary shares under options which are outstanding at the balance sheet date are as follows:

	The Group and The Company	
	2010	2009
Balance at beginning of financial year	2,460,200	4,652,200
Lapsed	(4,000)	(18,000)
Exercised	(1,831,200)	(2,174,000)
Balance at end of financial year	625,000	2,460,200

All outstanding options have vested as at 30 June 2010 and the average share price of SGX's ordinary shares for the financial year is \$8.00 (2009: \$5.90).

As at 30 June 2010, the outstanding options granted to an executive director and employees to subscribe for ordinary shares were as follows:

Number of ordinary shares under options	Exercise price \$	Exercise period	
		From	To
302,000	1.70	27.01.2006	26.01.2011
323,000	1.60	02.11.2006	01.11.2011
625,000			

The terms of the exercise of options are set out in the Directors' Report under the caption "SGX Share Option Plan".

#### ii) Options exercised during the year

During the financial year ended 30 June 2010, options for 1,831,200 (2009: 2,174,000) shares were exercised as follows:

Number of ordinary shares under options	Exercise price \$	Proceeds \$'000	Exercise month
1,000	1.70	1,700	August 2009
12,000	0.90	10,800	September 2009
25,000	1.70	42,500	September 2009
6,000	0.90	5,400	October 2009
91,000	1.60	145,600	October 2009
200	1.70	340	October 2009
23,000	1.60	36,800	November 2009
200,000	1.70	340,000	December 2009
10,000	1.60	16,000	January 2010
20,000	1.60	32,000	February 2010
3,000	1.60	4,800	March 2010
1,300,000	1.70	2,210,000	April 2010
30,000	1.60	48,000	April 2010
10,000	1.60	16,000	May 2010
100,000	1.60	160,000	June 2010
1,831,200		3,069,940	

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (continued)

#### b) Share options (continued)

##### iii) Fair value of share options

The fair value of the options was estimated by adopting the Cox-Ross-Rubinstein (1979) binomial tree model, based on the following information and assumptions on expected dividend yield, risk-free interest rate, expected volatility and time to maturity:

Date of grant	Exercise period	Number of unissued shares under options	Fair value of option at grant date \$	Exercise price* \$	Expected dividend yield %	Risk-free interest rate %	Expected volatility rate %
27.01.2004	27.01.2006 to 26.01.2011	302,000	0.48	1.70	3.03	2.84	29.86
01.11.2004	02.11.2006 to 01.11.2011	323,000	0.43	1.60	3.15	2.64	27.94

\* The exercise price has been adjusted following a special dividend paid in 2005.

#### c) Performance share plans ("the Plan")

##### i) Outstanding performance shares

Details of performance shares awarded to participants at the balance sheet date are as follows:

Number of shares	The Group and The Company					Total
	FY2007 grant*	FY2008 grant**	FY2009 grant**	FY2010 grant**	FY2010 Special award to Hsieh Fu Hua	
<b>2010</b>						
Balance at beginning of financial year	1,336,500	858,600	1,795,200	–	–	3,990,300
Granted	661,700	–	–	1,239,800	436,485	2,337,985
Vested	(1,984,700)	–	–	–	–	(1,984,700)
Lapsed	(13,500)	(16,000)	(23,000)	–	–	(52,500)
Balance at end of financial year	–	842,600	1,772,200	1,239,800	436,485	4,291,085
<b>2009</b>						
Balance at beginning of financial year	1,375,000	866,400	–	–	–	2,241,400
Granted	–	–	1,834,000	–	–	1,834,000
Lapsed	(38,500)	(7,800)	(38,800)	–	–	(85,100)
Balance at end of financial year	1,336,500	858,600	1,795,200	–	–	3,990,300

\* The number of shares awarded are based on achievement of pre-set performance targets over the performance period.

\*\* Represents the shares to be awarded to participants at 100% of the grant. However, the shares awarded at the vesting date may range from 50% to 150% of the grant, depending on the level of achievement against the performance conditions. There shall be no award if the achievement falls below the threshold performance conditions.

## 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (continued)

### c) Performance share plans ("the Plan") (continued)

#### ii) Fair value of performance shares

The fair value of performance shares at grant date and the key assumptions of the fair value model for the grants were as follows:

	FY2010 grant	FY2009 grant	FY2008 grant	FY2007 grant
Date of grant	02.07.2009	07.07.2008	01.11.2007	01.11.2006
Vesting date	01.09.2012	01.09.2011	01.11.2010	02.11.2009
Number of performance shares at grant date	1,239,800	1,834,000	892,200	1,660,000
Fair value per performance share at grant date	\$6.52	\$5.52	\$17.17	\$4.54
<b>Assumption under Monte-Carlo Model</b>				
<b>Expected volatility</b>				
Shares of Singapore Exchange Limited	46.75%	44.15%	31.59%	21.77%
Straits Times Index	28.59%	16.56%	11.44%	9.91%
FTSE Mondo Visione	34.64%	28.68%	NA	NA
Historical volatility period	36 months	36 months	36 months	36 months
<b>Risk-free interest rate</b>				
	0.81%	1.49%	2.19%	3.05%
Date on which yield of Singapore government bond was based	01.07.2009	04.07.2008	31.10.2007	31.10.2006
Term	3	3	3	3
<b>Cost of funding</b>				
Fixed deposit/risk-free interest rate	0.81%	1.49%	2.5%	NA
<b>Expected dividend yield based on management's forecast</b>				
	2.75%	5.41%	1.67%	4.00%
<b>Share price reference</b>				
	\$7.40	\$6.68	\$15.60	\$4.50

NA: Not Applicable

#### *FY2010 Special award to Hsieh Fu Hua*

Fair value of the performance shares was estimated by present value of the share price adjusted for future expected dividends and funding cost. The fair value of shares at grant date and the key assumptions of the fair value model for the grants were as follows:

Date of grant	30.11.2009
Vesting date	30.11.2012
Number of performance shares at grant date	436,485
Fair value per performance share at grant date	\$6.95
<b>Assumption used in fair value model</b>	
<b>Risk-free interest rate</b>	
Date on which yield of Singapore government bond was based	0.78% 26.11.2009
<b>Cost of funding</b>	
Risk-free interest rate	0.78%
<b>Expected dividend yield based on management's forecast</b>	
	4.53%
<b>Share price reference</b>	
	\$7.90

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (continued)

#### d) Deferred long-term incentives scheme ("the LTI Scheme")

##### i) Outstanding deferred long-term incentives shares

Details of deferred long-term incentives shares awarded to recipients at the balance sheet date are as follows:

	The Group and The Company			Total
	FY2008 grant	FY2009 grant	FY2010 grant	
<b>Number of shares</b>				
<b>2010</b>				
Balance at beginning of financial year	275,500	729,300	–	1,004,800
Granted	–	–	433,500	433,500
Lapsed	(15,600)	(47,400)	(19,400)	(82,400)
Vested	(132,600)	(259,900)	–	(392,500)
Balance at end of financial year	127,300	422,000	414,100	963,400
<b>2009</b>				
Balance at beginning of financial year	462,600	–	–	462,600
Granted	–	750,200	–	750,200
Lapsed	(29,000)	(20,900)	–	(49,900)
Vested	(158,100)	–	–	(158,100)
Balance at end of financial year	275,500	729,300	–	1,004,800

##### ii) Fair value of deferred long-term incentives shares

Fair value of deferred long-term incentives shares was estimated by present value of the share price adjusted for future expected dividends and funding cost. The fair value of shares at grant date and the key assumptions of the fair value model for the grants were as follows:

#### FY2010 Grant

Date of grant	←.....05.08.2009.....→		
Vesting date	03.11.2010	03.11.2011	03.11.2012
Number of shares at grant date	157,000	138,000	138,500
Fair value per performance share at grant date	\$8.39	\$8.10	\$7.71

#### Assumption used in fair value model

<b>Risk-free interest rate</b>	0.48%	0.55%	0.67%
Date on which yield of Singapore government bond was based	04.08.2009	04.08.2009	04.08.2009

#### Cost of funding

Fixed deposit/risk-free interest rate	0.48%	0.55%	0.67%
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<b>Expected dividend yield based on management's forecast</b>	3.26%	4.17%	5.57%
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<b>Share price on day preceding date of grant</b>	\$8.62	\$8.62	\$8.62
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**18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED** (continued)

**d) Deferred long-term incentives scheme ("the LTI Scheme")** (continued)

ii) Fair value of deferred long-term incentives shares (continued)

**FY2009 Grant**

Date of grant	←.....14.08.2008.....→		
Vesting date	03.11.2009	03.11.2010	03.11.2011
Number of shares at grant date	272,900	235,400	241,900
Fair value per performance share at grant date	\$6.62	\$6.31	\$5.95

**Assumption used in fair value model**

<b>Risk-free interest rate</b>	1.03%	1.19%	1.53%
Date on which yield of Singapore government bond was based	13.08.2008	13.08.2008	13.08.2008

**Cost of funding**

Fixed deposit/risk-free interest rate	1.03%	1.19%	1.53%
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**Expected dividend yield based on management's forecast**

4.44%	5.39%	6.38%
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**Share price on day preceding date of grant**

\$6.72	\$6.72	\$6.72
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**FY2008 Grant**

Date of grant	←.....21.08.2007.....→		
Vesting date	03.11.2008	02.11.2009	01.11.2010
Number of shares at grant date	175,500	155,500	158,400
Fair value per performance share at grant date	\$8.48	\$8.14	\$7.78

**Assumption used in fair value model**

<b>Risk-free interest rate</b>	2.29%	2.22%	2.36%
Date on which yield of Singapore government bond was based	20.08.2007	20.08.2007	20.08.2007

**Cost of funding**

Fixed deposit/risk-free interest rate	2.25%	2.47%	2.50%
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**Expected dividend yield based on management's forecast**

3.88%	3.96%	4.38%
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**Share price on day preceding date of grant**

\$8.90	\$8.90	\$8.90
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Date of grant	←.....01.11.2007.....→		
Vesting date	03.11.2008	02.11.2009	01.11.2010
Number of shares at grant date	5,700	6,000	6,000
Fair value per performance share at grant date	\$15.64	\$15.30	\$14.94

**Assumption used in fair value model**

<b>Risk-free interest rate</b>	2.02%	2.02%	2.19%
Date on which yield of Singapore government bond was based	31.10.2007	31.10.2007	31.10.2007

**Cost of funding**

Fixed deposit/risk-free interest rate	2.25%	2.47%	2.50%
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**Expected dividend yield based on management's forecast**

2.21%	2.26%	2.50%
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**Share price on day preceding date of grant**

\$15.60	\$15.60	\$15.60
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## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 19 DERIVATIVES CLEARING FUND RESERVE

Upon the dissolution of the SGX-DT Compensation Fund on 24 November 2007, the cash proceeds of \$34,021,000 were set aside as the Group's derivatives clearing fund reserve to support the SGX-DC Clearing Fund (Note 31). This reserve is not available for distribution as dividend.

### 20 OPERATING REVENUE

Operating revenue comprised the following:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Securities</b>				
– Securities clearing revenue	236,882	187,442	–	–
– Securities related processing revenue	2,384	5,179	–	–
– Access revenue	56,698	46,206	–	–
	<b>295,964</b>	<b>238,827</b>	–	–
<b>Derivatives</b>				
– Futures and options revenue	101,229	116,845	–	–
– Structured warrants revenue	5,297	9,058	–	–
– Interest income, license and other revenue	24,685	30,142	–	–
	<b>131,211</b>	<b>156,045</b>	–	–
<b>Market data</b>	<b>32,599</b>	<b>35,040</b>	<b>32</b>	<b>36</b>
<b>Member services and connectivity</b>				
– Terminal and connection revenue	21,926	19,133	–	–
– Membership revenue	7,542	7,453	–	–
	<b>29,468</b>	<b>26,586</b>	–	–
<b>Depository services</b>				
– Securities settlement revenue	50,606	46,316	–	–
– Contracts processing revenue	25,800	21,722	16,848	14,742
– Depository management revenue	5,964	5,641	–	–
	<b>82,370</b>	<b>73,679</b>	<b>16,848</b>	<b>14,742</b>
<b>Issuer services</b>				
– Listing revenue	36,967	34,312	–	–
– Corporate action and other revenue	27,138	26,909	–	–
	<b>64,105</b>	<b>61,221</b>	–	–

## 21 STAFF COSTS

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Salaries	53,024	52,183	38,274	36,416
Employer's contribution to Central Provident Fund on salaries	4,143	4,230	2,634	2,690
Variable bonus	35,682	30,729	24,773	24,218
Employer's contribution to Central Provident Fund on variable bonus	1,880	(585)	1,216	(457)
	37,562	30,144	25,989	23,761
Jobs credit by the Singapore Government	(1,412)	(1,003)	(1,412)	(1,003)
Retrenchment benefits	8	76	8	76
Share-based payment to employees	17,445	14,491	17,445	14,491
	110,770	100,121	82,938	76,431

Included in staff costs is remuneration of key management and directors under the employment of the Group and the Company (Note 37).

## 22 TECHNOLOGY EXPENSES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
System maintenance and rental	54,761	46,026	22,087	13,940
Depreciation and amortisation	24,312	16,723	3,830	2,902
Communication charges	3,511	3,165	2,611	2,298
	82,584	65,914	28,528	19,140

## 23 PREMISES EXPENSES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rental and maintenance of premises	18,482	18,561	14,245	13,749
Depreciation of furniture and fittings, buildings and leasehold improvements	1,796	2,074	1,652	1,745
	20,278	20,635	15,897	15,494

## 24 OTHER OPERATING EXPENSES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Marketing	3,677	2,378	2,251	1,262
Travelling	2,181	1,660	1,330	888
Allowance for impairment of trade receivables (net)	396	426	–	–
Net foreign exchange loss/(gain)	218	(1,793)	260	(468)
Net write-off/impairment of property, plant and equipment and software	181	753	155	223
Net gain on disposal of property, plant and equipment and software	(70)	(1,635)	(15)	–
Directors' fee	1,852	2,105	1,752	1,987
MAS regulatory fee	1,500	1,500	350	350
Miscellaneous	3,241	2,900	2,865	2,487
	13,176	8,294	8,948	6,729

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 25 PROFIT FROM OPERATING ACTIVITIES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Profit from operating activities is arrived at after:</b>				
Charging:				
Audit services by auditor of the Company				
– current year	<b>288</b>	443	<b>120</b>	185
– overprovision in prior years	–	(29)	–	–
Other services by auditor of the Company				
– current year	<b>39</b>	91	<b>2</b>	16
Rental expenses – operating leases	<b>14,578</b>	14,557	<b>11,018</b>	10,532
(Utilisation)/provision for unutilised leave	–	200	<b>(22)</b>	20
Depreciation and amortisation	<b>26,108</b>	18,922	<b>5,482</b>	4,772
And crediting:				
Grants received from Financial Sector Development Fund	<b>813</b>	4,623	<b>214</b>	84
Interest income on margin deposits held in trust (net)	<b>6,768</b>	13,631	–	–

### 26 OTHER GAINS

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Impairment loss on investment in subsidiary (Note (a))	–	–	<b>(20,827)</b>	–
Interest income and other income/(loss) (Note (b))	<b>4,385</b>	1,338	<b>1,128</b>	5,657
Impairment of club memberships	–	(35)	–	(35)
Impairment of goodwill (Note 14)	<b>(2,721)</b>	–	–	–
Write-back of allowance for impairment on property (Note (c))	<b>5,000</b>	–	<b>5,000</b>	–
	<b>6,664</b>	1,303	<b>(14,699)</b>	5,622

a) The impairment loss on investment in subsidiary reflect the write-down of the carrying amount of the Company's investment in SGX (Mauritius) ("SGXM") to the net asset value of the subsidiary, following the repatriation of dividends from SGXM to the Company.

b) Interest income and other income/(loss)

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest income:				
– Fixed deposits	<b>3,884</b>	6,962	<b>3,002</b>	3,804
– Current accounts	<b>31</b>	145	<b>10</b>	30
– Others	<b>82</b>	108	<b>4</b>	8
Dividend income	<b>1,221</b>	366	<b>1,221</b>	366
Realised/unrealised (loss)/gain from currency forwards	<b>(1,141)</b>	(6,387)	<b>(3,093)</b>	1,490
Others	<b>308</b>	144	<b>(16)</b>	(41)
	<b>4,385</b>	1,338	<b>1,128</b>	5,657

c) As a result of improved property market conditions, allowance for impairment on industrial building, 18 New Industrial Road, was written back in the current financial year as the allowance was no longer required.

## 27 EARNINGS PER SHARE

	The Group	
	2010 \$'000	2009 \$'000
Net profit attributable to the equity holders of the Company	<b>320,074</b>	305,657
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	<b>1,064,125</b>	1,063,460
Adjustments for ('000)		
– Share options	<b>496</b>	1,764
– Shares granted under the Plan and the LTI Scheme	<b>5,024</b>	5,539
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>1,069,645</b>	1,070,763
Earnings per share (in cents per share)		
– Basic	<b>30.08</b>	28.74
– Diluted	<b>29.92</b>	28.55

Basic earnings per share is calculated by dividing the net profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options granted under the Scheme and shares granted under the Plan and the LTI Scheme (Note 18).

For share options granted under the Scheme, the adjustment made to weighted average number of shares on issue represents the number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds.

For the Plan and the LTI Scheme, the adjustment made represents the number of shares expected to vest.

## 28 DIVIDENDS

	The Group and The Company	
	2010 \$'000	2009 \$'000
Interim tax exempt one-tier dividends of 11.25 cents per share (2009: 10.5 cents)	<b>119,800</b>	111,674
Proposed final tax exempt one-tier dividends of 15.75 cents per share (2009: 15.5 cents)	<b>167,869</b>	164,879
	<b>287,669</b>	276,553

The directors have proposed a final tax exempt one-tier dividend for 2010 of 15.75 cents (2009: 15.5 cents) per share amounting to a total of \$167,869,000 (2009: \$164,879,000). The proposed dividend has been transferred from retained profits to a proposed dividend reserve.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 29 SEGMENT INFORMATION

Management determines the operating segments based on the reports reviewed and used by the Executive Committee ("Exco") for performance assessment and resources allocation. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into three main business segments as follows:

- i) Securities market – providing listing, trading, clearing, depository, market data, member services and connectivity and issuer services for the securities market.
- ii) Derivatives market – providing trading, clearing, market data, member services and connectivity for the derivatives market.
- iii) Other operations – providing other services apart from those listed in (i) and (ii) above.

The Group operates only in Singapore.

The Group's interest income on the cash balances and income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to external parties for similar services. Those transfers are eliminated on consolidation.

Expenses which are common and cannot be meaningfully allocated to the business segments are presented under unallocated expenses.

	Securities market \$'000	Derivatives market \$'000	Other operations \$'000	The Group \$'000
<b>2010</b>				
<b>SEGMENT REVENUE</b>				
External revenue	472,690	163,945	3,079	639,714
Inter-segment revenue	267	(14)	–	253
	472,957	163,931	3,079	639,967
Less: Consolidation elimination	(267)	14	–	(253)
Segment revenue	472,690	163,945	3,079	639,714
<b>RESULTS</b>				
Segment results	343,569	61,369	2,353	407,291
Unallocated costs				(28,941)
Profit from operating activities				378,350
Other gains/ (losses)				
– Impairment of goodwill				(2,721)
– Write-back of allowance for impairment on property				5,000
– Unallocated				4,385
Share of results of joint ventures and associated companies				(1,741)
Tax				(63,199)
Net profit after tax				320,074
<b>SEGMENT ASSETS</b>				
Segment assets	577,617	245,666	8,120	831,403
Unallocated assets				569,713
Consolidated total assets				1,401,116
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	434,486	66,149	2,584	503,219
Unallocated liabilities				81,975
Consolidated total liabilities				585,194
<b>OTHER INFORMATION</b>				
Additions to property, plant and equipment and software	23,899	31,065	–	54,964
Depreciation and amortisation	13,237	12,871	–	26,108

## 29 SEGMENT INFORMATION (continued)

	Securities market \$'000	Derivatives market \$'000	Other operations \$'000	The Group \$'000
<b>2009</b>				
<b>SEGMENT REVENUE</b>				
External revenue	399,312	193,121	2,397	594,830
Inter-segment revenue	203	–	–	203
	399,515	193,121	2,397	595,033
Less: Consolidation elimination	(203)	–	–	(203)
Segment revenue	399,312	193,121	2,397	594,830
<b>RESULTS</b>				
Segment results	279,218	113,824	1,777	394,819
Unallocated costs				(27,557)
Profit from operating activities				367,262
Other gains/ (losses)				
– Unallocated				1,303
Share of results of joint ventures and associated companies				47
Tax				(62,955)
Net profit after tax				305,657
<b>SEGMENT ASSETS</b>				
Segment assets	641,628	195,619	5,582	842,829
Unallocated assets				574,175
Consolidated total assets				1,417,004
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	521,610	38,339	772	560,721
Unallocated liabilities				78,178
Consolidated total liabilities				638,899
<b>OTHER INFORMATION</b>				
Additions to property, plant and equipment and software	7,596	29,465	1	37,062
Depreciation and amortisation	11,550	7,302	70	18,922

Management monitors the operating results of its business units separately for the purpose of making decisions on performance assessment and resource allocation. Segment performance is evaluated based on operating profit or loss and excludes the impairment of goodwill and write-back of allowance for impairment on property.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 29 SEGMENT INFORMATION (continued)

#### Other information on segment assets and liabilities

Assets and liabilities which are common and cannot be meaningfully allocated to the business segments are presented as unallocated assets and liabilities. All assets and liabilities are allocated to the reportable segments except for the following:

	The Group	
	2010 \$'000	2009 \$'000
Segment assets for reportable segments	<b>831,403</b>	842,829
Unallocated:		
Cash and cash equivalents	<b>487,170</b>	490,117
Financial assets, available-for-sale	<b>73,256</b>	73,256
Investment in associated companies	<b>4,145</b>	3,813
Deferred tax assets	<b>4,846</b>	3,279
Derivative financial instruments	–	673
Others	<b>296</b>	3,037
<b>Total assets</b>	<b>1,401,116</b>	1,417,004
Segment liabilities for reportable segments	<b>503,219</b>	560,721
Unallocated:		
Taxation	<b>70,112</b>	65,111
Deferred tax liabilities	<b>7,457</b>	8,696
Derivative financial instruments	<b>149</b>	–
Others	<b>4,257</b>	4,371
<b>Total liabilities</b>	<b>585,194</b>	638,899

### 30 SECURITIES AND DERIVATIVES FIDELITY FUNDS

The Fidelity Funds are administered by Singapore Exchange Securities Trading Limited ("SGX-ST") and Singapore Exchange Derivatives Trading Limited ("SGX-DT"), as required by Section 176 of the Securities and Futures Act. The assets of the Funds are kept separate from all other assets, and are held in trust for the purposes set out in the Securities and Futures Act. The balances of the Fidelity funds are as follows:

	2010 \$'000	2009 \$'000
Securities Exchange Fidelity Fund	<b>34,421</b>	34,286
Derivatives Exchange Fidelity Fund	<b>23,418</b>	23,242
	<b>57,839</b>	57,528

The purposes of the fidelity funds pursuant to Section 186 of the Securities and Futures Act are as follows:

- a) to compensate any person (other than an accredited investor) who has suffered a pecuniary loss from any defalcation committed
  - i) in the course of, or in connection with, dealing in securities, or the trading of a futures contract;
  - ii) by a member of a securities exchange or a futures exchange or by any agent of such member; and
  - iii) in relation to any money or other property entrusted to or received:
    - by that member or any of its agents; or
    - by that member or any of its agents as trustee or on behalf of the trustees of that money or property.
- b) to pay the Official Assignee or a trustee in bankruptcy within the meaning of the Bankruptcy Act (Cap. 20) if the available assets of a bankrupt, who is a member of SGX-ST or SGX-DT, are insufficient to satisfy any debts arising from dealings in securities or trading in futures contracts which have been proved in the bankruptcy by creditors of the bankrupt member.
- c) to pay a liquidator of a member of SGX-ST or SGX-DT which is being wound up if the available assets of a member are insufficient to satisfy any debts arising from dealings in securities or trading in futures contracts which have been proved in the liquidation of the member.

### 30 SECURITIES AND DERIVATIVES FIDELITY FUNDS (continued)

Any reference to dealing in securities or trading of a futures contract refers to such dealing or trading through the exchange which establishes, keeps and administers the fidelity fund or through a trading linkage of the exchange with an overseas securities exchange or an overseas futures exchange.

No further provision has been made in the financial year ended 30 June 2010 for contribution to be paid to the securities and derivatives fidelity funds as the minimum sum of \$20 million for each fund as currently required under the Securities and Futures Act has been met.

	2010 \$'000	2009 \$'000
The assets and liabilities of the Funds are as follows:		
<b>Assets</b>		
Fixed deposits with banks	51,172	51,066
Quoted bonds	–	6,105
Interest receivable	71	143
Bank balance	6,851	656
	<b>58,094</b>	<b>57,970</b>
<b>Liabilities</b>		
Other payables and accruals	9	10
Taxation	234	408
Deferred tax liabilities	12	24
	<b>255</b>	<b>442</b>
<b>Net assets</b>	<b>57,839</b>	<b>57,528</b>

The assets and liabilities of the Funds are not included in the consolidated statement of financial position of the Group as they are held in trust.

### 31 SINGAPORE EXCHANGE DERIVATIVES CLEARING LIMITED ("SGX-DC") CLEARING FUND

Changes to the structure of the SGX-DC Clearing Fund were implemented on 10 May 2010. The rules of SGX-DC enable SGX-DC to mobilise resources should any derivatives clearing member be unable to meet its obligations to SGX-DC. Under the revised SGX-DC Clearing Fund structure, the resources available to SGX-DC would be utilised in the following priority:

- a) the defaulting derivatives clearing member's margin deposits, security deposits, letters of credit and/or all other assets and securities of that derivatives clearing member;
- b) contributions of SGX-DC of an amount not less than 15% of the clearing fund size or \$136,000,000, whichever is higher;
- c) security deposits of non-defaulting derivatives clearing members based on each member's risk margin, and the amounts applied will be in direct proportion of each member's security deposit requirement relative to other non-defaulting members' security deposit requirement; and
- d) further assessments on non-defaulting derivatives clearing members, which is set at a multiple of respective clearing member's security deposit requirement.

The Group has set aside cash amounting to \$136,021,000 (2009: \$174,521,000) (Note 3) to support the SGX-DC Clearing Fund in relation to the following:

- i) SGX-DC capital, \$68,000,000;
- ii) Company's financial guarantee to SGX-DC, \$34,000,000 (2009: \$72,500,000); and
- iii) Derivatives clearing fund reserve, \$34,021,000 (Note 19).

Except for the \$136,021,000 (2009: \$174,521,000) mentioned above, the other resources available for the SGX-DC Clearing Fund are not included in the consolidated statement of financial position of the Group. These are third-party obligations towards the SGX-DC Clearing Fund and where they are held by SGX-DC, these resources are held in trust.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 32 SICOM CLEARING FUND

The rules of SICOM enable it to mobilise resources should any clearing member be unable to meet its obligations to SICOM. The resources available to SICOM would be utilised in the following priority:

- a) the defaulting clearing member's margin deposits, security deposits and/or all other assets and securities of that clearing member which SICOM has ready access to and is able in its discretion, to realise and appropriate towards discharge of such clearing member's obligations to SICOM;
- b) such surplus funds of SICOM as the management may determine are in excess of funds necessary for normal operations;
- c) security deposits in equal amounts from each non-defaulting clearing member;
- d) further assessments on clearing members based on a formula that takes into consideration their capital requirements and share of volume and open interest on SICOM (capped at their capital requirements).

SICOM has not pledged any resources to the Clearing Fund because it has been assessed that the Fund has adequate resources to cover default of the member with the largest potential loss under simulated extreme but plausible market conditions.

### 33 SECURITY, MARGIN AND OTHER DEPOSITS

The Group, in its normal course of business, through subsidiaries operating as clearing houses, holds assets in trust or contingent assets such as irrevocable letters of credit or on-demand guarantees. None of these assets or contingent assets, together with the corresponding liabilities, are included in the consolidated statement of financial position of the Group.

#### a) Singapore Exchange Derivatives Clearing Limited ("SGX-DC")

As the clearing house for futures and options traded on SGX-DT and over-the-counter ("OTC") contracts, SGX-DC becomes the novated counterparty for these derivative instruments.

The rules of SGX-DC require its clearing members to deposit, as security for their derivatives clearing obligations to SGX-DC, the higher of US\$500,000 or 3.0% of the average risk margin during the preceding three-month period, in cash or irrevocable letter of credit.

In addition, the rules also require its clearing members to provide collateral in the form acceptable to SGX-DC as margin deposits to guarantee the performance of the obligations associated with futures or option positions. The total margins required by SGX-DC at 30 June 2010 were approximately \$2,079,107,000 (2009: \$2,948,500,000).

As at that date, clearing members had lodged the following collateral with SGX-DC for security deposits, further assessments and margin deposits purposes:

	2010 \$'000	2009 \$'000
<b>Security deposits and collateralised further assessments for clearing fund requirements</b>		
Cash	95,210	103,682
Irrevocable letters of credit	161,076	194,580
<b>Margin deposits</b>		
Cash	2,673,911	3,414,926
Quoted government securities, at fair value	1,008,010	1,741,131
Irrevocable letters of credit	30,251	145,062

All cash deposits are placed in interest bearing accounts with banks. Interest earned on the cash deposits is credited to the derivatives clearing members, with a portion retained by SGX-DC.

The Chicago Mercantile Exchange had lodged irrevocable letters of credit amounting to approximately \$116,781,000 (FY2009: \$47,883,000) with SGX-DC for the requirement relating to the Mutual Offset Settlement Agreement.

### 33 SECURITY, MARGIN AND OTHER DEPOSITS (continued)

#### b) The Central Depository Pte Ltd ("CDP")

As the clearing house for securities and marginable futures contracts traded on SGX-ST, CDP becomes the novated counterparty for these instruments.

The rules of CDP require its clearing members to provide collateral in the form acceptable to CDP as margin deposits to guarantee the performance of the obligations associated with marginable futures contracts. The total margins required by CDP at 30 June 2010 were approximately \$202,000 (2009: \$595,000).

In addition, the CDP Clearing Rules provides that CDP may request its clearing members to place collateral with CDP in respect of its securities clearing activities.

As at that date, clearing members had lodged the following collateral with CDP:

	2010 \$'000	2009 \$'000
<b>Margin deposits</b>		
Cash	3,468	5,102
<b>Other collateral</b>		
Cash	20,012	15,012
Irrevocable letters of credit	20,000	20,000

#### c) Singapore Commodity Exchange Limited ("SICOM")

Clearing members had lodged the following collateral with SICOM for security, margin and performance deposit purposes:

	2010 \$'000	2009 \$'000
<b>Security deposits</b> (Note (i))		
Cash	3,000	2,000
Irrevocable letters of credit/on-demand guarantees	16,000	14,000
<b>Margin deposits</b> (Note (ii))		
Cash	44,805	30,388
Irrevocable letters of credit	5,150	9,648
<b>Performance deposits</b> (Note (iii))		
Cash	1,268	964

The total margins required by SICOM at 30 June 2010 were approximately \$29,884,000 (2009: \$16,469,000).

##### i) Security deposits

The rules of SICOM require each clearing member to deposit with SICOM as security for its obligations to SICOM, the sum of \$1 million in the form of cash, an irrevocable letter of credit or an on-demand guarantee.

##### ii) Margin deposits

Margin requirements are prescribed under the rules of SICOM for outstanding futures contracts. Margins can be in the form of cash or letters of credit.

##### iii) Performance deposits

These relate to cash deposited by clearing members as performance deposits against delivery obligations on matured futures contracts.

iv) All cash deposits are placed in interest bearing accounts with banks. Interest earned on the cash deposits placed as margin and performance deposits with SICOM are credited to the clearing members, with a portion retained by SICOM.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 34 FINANCIAL REQUIREMENTS

#### a) SGX-DC

The rules of SGX-DC impose financial requirements on its clearing members. As at 30 June 2010, clearing members had lodged the following with SGX-DC to support their financial requirements:

	2010 \$'000	2009 \$'000
Cash	44,301	–
Irrevocable letters of credit	70,125	114,669
Quoted government securities, at fair value	52,380	75,264

#### b) CDP

The rules of CDP impose financial requirements on its clearing members. As at 30 June 2010, clearing members had lodged the following with CDP to support their financial requirements:

	2010 \$'000	2009 \$'000
Irrevocable letters of credit	–	10,000

None of these assets or contingent assets, together with the corresponding liabilities, are included in the consolidated statement of financial position of the Group.

### 35 CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company have contingent liabilities as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Unsecured guarantees by the derivatives clearing subsidiary to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange for members' open positions on these exchanges. These guarantees are supported by members' margin deposits (Note 33(a))	107,636	72,500	–	–
Standby line of credit obtained by CDP to the Clearing Fund to be utilised in accordance with CDP's Clearing Rules (Note 6)	75,000	75,000	–	–
Cash set aside to support SGX-DC Capital for the Clearing Fund to be utilised in accordance with SGX-DC's Clearing Rules (Note 31)	68,000	68,000	–	–
Cash-backed guarantee provided to SGX-DC for the Clearing Fund (Note 31)	34,000	72,500	34,000	72,500
Cash set aside for Derivatives clearing fund reserve to support SGX-DC Clearing Fund (Note 31)	34,021	34,021	–	–
Undertaking to replace the default insurance component of the CDP Clearing Fund (Note 6)	25,000	–	25,000	–
Guarantee provided to SGX-DC and SICOM in consideration of SGX-DC and SICOM's agreement to waive margin requirements in respect of positions held by each other	–	–	4,000	–
	<b>343,657</b>	<b>322,021</b>	<b>63,000</b>	<b>72,500</b>

### 36 COMMITMENTS

#### a) Operating lease commitments – where a group company is a lessee

The Company leases its office premises, data centre and equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments payable under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Not later than one financial year	15,987	14,410	15,981	14,404
Later than one financial year but not later than five financial years	58,361	61,537	58,349	61,519
Later than five financial years	9,484	–	9,484	–
	<b>83,832</b>	75,947	<b>83,814</b>	75,923

#### b) Operating lease commitments – where a group company is a lessor

The Company leases out office premises to non-related parties under non-cancellable operating lease. The future aggregate minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Not later than one financial year	28	342	28	342
Later than one financial year but not later than five financial years	–	28	–	28
	<b>28</b>	370	<b>28</b>	370

#### c) Capital commitments

Capital commitments contracted for at year end but not recognised in the financial statements are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Property, plant and equipment and software	31,509	8,016	18,371	249

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 37 RELATED PARTY TRANSACTIONS

#### Directors' fees and key management's remuneration

Key management's remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or the Company did not incur any costs, the value of the benefit is included. The amounts disclosed below include the bonuses payable to the Chief Executive Officer ("CEO") for the financial year which have been approved by the Board of Directors and the actual bonuses paid to other key members of the management relating to the preceding financial year. The directors' fees and key management's remuneration, including those paid to SGX's former CEO, are as follows:

	The Group	
	2010 \$'000	2009 \$'000
Salaries and other short-term employee benefits	16,888	16,525
Employer's contribution to Central Provident Fund	61	65
Share-based payment to employees	9,786	8,029
	<b>26,735</b>	<b>24,619</b>

Included in the above is total remuneration to directors of the Company amounting to \$12,440,000 (2009: \$8,783,000).

There were no share options granted to key management of the Group during the financial year (2009: nil).

During the financial year, 1,827,785 shares (2009: 1,333,000 shares) under performance share plan were granted to key management (including the former CEO) of the Group. The performance shares, excluding the special award to the former CEO, were granted under the same terms and conditions as those offered to other employees of the Company.

### 38 FINANCIAL RISK MANAGEMENT

#### Financial risk management objectives and policies

The Group is exposed to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk arising from its business activities. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors has overall responsibility for the oversight of financial risk management for the Group. To assist the Board in discharging its oversight responsibility, a board committee, the Risk Management Committee ("RMC") was established. The RMC's primary function is to review, recommend to the Board for approval, and where appropriate approve:

- the type and level of business risks (risk appetite) that the Group undertakes on an integrated basis to achieve its business strategy; and
- the policies and frameworks for managing risks that are consistent with its risk appetite.

The management is responsible for identifying, monitoring and managing the Group's financial risk exposures.

The main financial risks that the Group is exposed to and how they are managed are set out below.

#### Market risk – Currency risk

The Group managed its main currency exposure as follows:

##### a) Revenue receivable from clearing of derivative products

The Group's revenue from the clearing of derivative products are mainly in Singapore Dollars ("SGD") and United States Dollars ("USD"). For revenue denominated in USD, the Group manages the currency exposure through currency forward contracts. Upon settlement of the currency forward contracts and payment obligations denominated in foreign currency, any excess foreign currencies are converted back to SGD in a timely manner to minimise currency exposure. As at 30 June 2010 and 30 June 2009, there are no significant currency risk exposure arising from receivables. These receivables are also exposed to counterparty and credit risk.

### 38 FINANCIAL RISK MANAGEMENT (continued)

#### Market risk – Currency risk (continued)

##### b) Investment in financial assets, available-for-sale

The Company has invested in unlisted equity securities in Bombay Stock Exchange Limited (“BSE”). This investment is denominated in Indian Rupee (“INR”) and forms part of the Group’s long-term strategic investments in line with its strategy to position SGX as an Asian Gateway. Management monitors the Group’s currency exposure by tracking the INR currency movement on a regular basis. As this investment is long-term in nature, the Group does not hedge the currency exposure of this investment. This investment is also exposed to price risk.

##### c) Cash and cash equivalents

As at 30 June 2010, the cash balances of the Group and the Company are mainly denominated in SGD and USD. USD cash balances placed in bank and fixed deposits to meet the short-term USD payment obligations were not hedged. The currency risk of other USD cash balances that are placed on a longer term has been fully hedged through USD forward sale contracts. The cash balances are also exposed to counterparty and credit risk.

The Group and Company’s currency exposure as at 30 June are as follows:

	The Group At 30 June 2010				
	SGD <sup>b</sup> \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	650,160	21,692	–	739	672,591
Trade and other receivables					
– Daily settlement of accounts for due contracts and rights	333,749	48,209	–	1,803	383,761
– Others	66,574	13,134	–	191	79,899
Securities clearing funds	30,000	–	–	–	30,000
Financial assets, available-for-sale	–	–	73,256	–	73,256
<b>Financial liabilities</b>					
Trade and other payables					
– Daily settlement of accounts for due contracts and rights	(333,749)	(48,209)	–	(1,803)	(383,761)
– Others	(98,435)	(17,403)	–	(432)	(116,270)
Net financial assets	648,299	17,423	73,256	498	739,476
Less: Currency forward contracts <sup>a</sup>	–	(62,612)	–	–	(62,612)
Currency exposure	648,299	(45,189)	73,256	498	676,864

<sup>a</sup> Currency forward contracts entered by the Group is to hedge future revenue receivable arising from clearing of various derivative products denominated in USD and bank deposits denominated in USD.

<sup>b</sup> The SGD balances have been included for completeness.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 38 FINANCIAL RISK MANAGEMENT (continued)

#### Market risk – Currency risk (continued)

	The Group At 30 June 2009				
	SGD <sup>b</sup> \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	572,799	71,711	–	652	645,162
Trade and other receivables					
– Daily settlement of accounts for due contracts and rights	407,524	42,523	–	1,850	451,897
– Others	79,424	12,512	–	79	92,015
Securities clearing funds	25,000	–	–	–	25,000
Financial assets, available-for-sale	–	–	73,256	–	73,256
<b>Financial liabilities</b>					
Trade and other payables					
– Daily settlement of accounts for due contracts and rights	(407,524)	(42,523)	–	(1,850)	(451,897)
– Others	(96,389)	(9,352)	–	(170)	(105,911)
Net financial assets	580,834	74,871	73,256	561	729,522
Less: Currency forward contracts <sup>c</sup>	–	(119,271)	–	–	(119,271)
Currency exposure	580,834	(44,400)	73,256	561	610,251

<sup>b</sup> The SGD balances have been included for completeness.

<sup>c</sup> Currency forward contracts entered by the Group was to hedge future revenue receivables arising from clearing of various derivative products denominated in USD and bank deposits denominated in USD.

	The Company At 30 June 2010				
	SGD <sup>b</sup> \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	480,241	5,315	–	55	485,611
Trade and other receivables	6,524	443	–	28	6,995
Financial assets, available-for-sale	–	–	73,256	–	73,256
<b>Financial liabilities</b>					
Trade and other payables	(328,196)	(317)	–	(117)	(328,630)
Net financial assets	158,569	5,441	73,256	(34)	237,232
Less: Currency forward contract <sup>d</sup>	–	(21,105)	–	–	(21,105)
Currency exposure	158,569	(15,664)	73,256	(34)	216,127

<sup>b</sup> The SGD balances have been included for completeness.

<sup>d</sup> Currency forward contract entered by the Company is to hedge the currency risk of bank deposits denominated in USD entered by the Group.

### 38 FINANCIAL RISK MANAGEMENT (continued)

#### Market risk – Currency risk (continued)

	The Company At 30 June 2009				
	SGD <sup>b</sup> \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	395,688	69,492	–	93	465,273
Trade and other receivables	5,321	747	–	25	6,093
Financial assets, available-for-sale	–	–	73,256	–	73,256
<b>Financial liabilities</b>					
Trade and other payables	(315,556)	(1,898)	–	(21)	(317,475)
Net financial assets	85,453	68,341	73,256	97	227,147
Less: Currency forward contract <sup>e</sup>	–	(70,082)	–	–	(70,082)
Currency exposure	85,453	(1,741)	73,256	97	157,065

<sup>b</sup> The SGD balances have been included for completeness.

<sup>e</sup> Currency forward contracts entered by the Company was to hedge the currency risk of bank deposits denominated in USD.

No currency risk sensitivity analysis is provided as the Group and the Company is not expected to have significant currency exposure.

The currency risk sensitivity analysis for financial assets, available-for-sale is included within the price risk sensitivity analysis.

#### Market risk – Price risk

The Group manages the price risk of its investment in financial assets, available-for-sale as follows:

The investment in Bombay Stock Exchange Limited (“BSE”) is an unlisted long-term strategic investment. The management maintains regular dialogue with the management of BSE on the latest development of the business, regularly monitors the business performance relating to this investment and assesses the financial performance of BSE on an on-going basis.

The impact on profit after tax and equity would be as follows should the price of BSE change by 3% (2009: 3%) with all other variables including tax rate being held constant:

	2010 Increase/(decrease)		2009 Increase/(decrease)	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<b>The Group and The Company</b>				
Price of BSE				
– increased	–	2,198	–	2,198
– decreased	–	(2,198)	–	(2,198)

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 38 FINANCIAL RISK MANAGEMENT (continued)

#### Market risk – Interest rate risk

The Group is not subject to significant interest rate risk as the Group's fixed deposit placements are mainly short-term in nature. Fixed deposits are placed with banks that offer the most competitive interest rate.

The tables below set out the Group's and the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						Total \$'000
	Variable rates		Fixed rates			Non- interest bearing \$'000	
	Less than 6 months \$'000	6 to 12 months \$'000	Less than 6 months \$'000	6 to 12 months \$'000	Over 1 year \$'000		
<b>At 30 June 2010</b>							
<b>Financial assets</b>							
Cash and cash equivalents	21,417	–	248,642	385,402	–	17,130	672,591
Trade and other receivables	–	–	32	17	74	463,537	463,660
Securities clearing funds	–	–	–	30,000	–	–	30,000
Financial assets, available-for-sale	–	–	–	–	–	73,256	73,256
<b>Financial liabilities</b>							
Trade and other payables	–	–	–	–	–	(500,031)	(500,031)
<b>Net financial assets</b>	<b>21,417</b>	<b>–</b>	<b>248,674</b>	<b>415,419</b>	<b>74</b>	<b>53,892</b>	<b>739,476</b>
<b>At 30 June 2009</b>							
<b>Financial assets</b>							
Cash and cash equivalents	28,462	–	615,485	–	–	1,215	645,162
Trade and other receivables	–	–	12	12	76	543,812	543,912
Securities clearing funds	–	–	25,000	–	–	–	25,000
Financial assets, available-for-sale	–	–	–	–	–	73,256	73,256
<b>Financial liabilities</b>							
Trade and other payables	–	–	–	–	–	(557,808)	(557,808)
<b>Net financial assets</b>	<b>28,462</b>	<b>–</b>	<b>640,497</b>	<b>12</b>	<b>76</b>	<b>60,475</b>	<b>729,522</b>

### 38 FINANCIAL RISK MANAGEMENT (continued)

#### Market risk – Interest rate risk (continued)

	The Company						Total \$'000
	Variable rates		Fixed rates			Non- interest bearing \$'000	
	Less than 6 months \$'000	6 to 12 months \$'000	Less than 6 months \$'000	6 to 12 months \$'000	Over 1 year \$'000		
<b>At 30 June 2010</b>							
<b>Financial assets</b>							
Cash and cash equivalents	4,649	–	246,925	232,850	–	1,187	485,611
Trade and other receivables	–	–	22	11	58	6,904	6,995
Financial assets, available-for-sale	–	–	–	–	–	73,256	73,256
<b>Financial liabilities</b>							
Trade and other payables	–	–	–	–	–	(328,630)	(328,630)
<b>Net financial assets</b>	<b>4,649</b>	<b>–</b>	<b>246,947</b>	<b>232,861</b>	<b>58</b>	<b>(247,283)</b>	<b>237,232</b>
<b>At 30 June 2009</b>							
<b>Financial assets</b>							
Cash and cash equivalents	8,947	–	456,063	–	–	263	465,273
Trade and other receivables	–	–	5	5	44	6,039	6,093
Financial assets, available-for-sale	–	–	–	–	–	73,256	73,256
<b>Financial liabilities</b>							
Trade and other payables	–	–	–	–	–	(317,475)	(317,475)
<b>Net financial assets</b>	<b>8,947</b>	<b>–</b>	<b>456,068</b>	<b>5</b>	<b>44</b>	<b>(237,917)</b>	<b>227,147</b>

As the Group is not exposed to significant interest rate risks, no sensitivity analysis is provided for this risk.

#### Counterparty and credit risk

The Group manages its main counterparty and credit exposure as follows:

##### a) Trade receivables (excluding balances arising from clearing and settlement of trade)

Trade receivables of the Group and the Company comprise receivables from trading and clearing members, listed companies and other entities. The trade receivable exposure is continuously monitored and followed up by Finance and relevant business units.

Management believes that the credit risk with respect to trade receivables is limited. Impairment allowances are made for debts that are outstanding above 360 days and debtors that are under judicial management, scheme of arrangement or other financial difficulties. Management believes that there is no other additional credit risk beyond the amount of allowance for impairment made in these financial statements.

The Group, excluding the balances arising from clearing and settlement of trade, has no significant concentration of credit risk on its trade receivables.

The Company, excluding the receivable from the Inland Revenue Authority of Singapore, has 7 (2009: 6) debtors that represented 66% (2009: 69%) of the remaining trade receivables.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 38 FINANCIAL RISK MANAGEMENT *(continued)*

#### Counterparty and credit risk *(continued)*

##### b) Cash deposits

Cash balances of the Group and the Company are mainly placed in fixed deposits with financial institutions with high credit quality. The Board has approved policies that limit the maximum credit exposure to each financial institution. Exposure and compliance with counterparty limits set by the RMC are monitored by the relevant business units and reported by the Risk Management unit to the RMC. The Group placed 81% (2009: 84%) of its cash and cash equivalents with 4 (2009: 4) banks. The Company placed 86% (2009: 84%) of its cash and cash equivalents with 5 (2009: 4) banks.

The maximum exposure to credit risk for trade receivables and cash deposits is the carrying amount of the financial assets presented on the statement of financial position as the Group and the Company do not hold any collateral against these financial assets.

##### c) Clearing and settlement

In the normal course of business as clearing houses, SGX-DC and CDP act as central counterparties ("CCP") for every transaction received by or matched through the Group's facilities. As CCP, each clearing house substitutes itself as the buyer to the selling clearing member, and seller to the buying clearing member, and assume all rights and obligations to the counterparty. As a result, each clearing house faces considerable credit risk exposure should any of its clearing member be unable to meet its settlement obligations, resulting in a default on the clearing house. The Group has in place a sound and transparent regulatory framework governing the operations of securities and derivatives markets. On an on-going basis, the Group mitigates its counterparty risk through active monitoring and management of its exposure to clearing members and has in place a system of financial safeguards.

#### *Credit risk management practices*

The Group mitigates its exposures to risk by admitting clearing members which meet prescribed capital and financial requirements and have risk management systems to monitor their exposures. On an on-going basis, a clearing member must continue to comply with the financial requirements, and also set aside capital that commensurate with its risk exposures. In addition, it must ensure that it has the necessary systems and procedures to preserve sound liquidity and financial position at all times.

Both SGX-DC and CDP have well-established risk management systems to monitor and measure the risk exposures of its members. In addition, SGX-DC and CDP require all derivative positions and marginable futures contracts to be collateralised by sufficient margins at all times and these collaterals protect SGX-DC and CDP against potential losses. The SGX-DC also revalues and settles the daily mark-to-market variations with clearing members to prevent losses from accumulating. The CDP requires all positions in Extended Settlement Contracts, being marginable futures contracts, to be collateralised by sufficient margins and these collaterals protect the CDP against cumulative mark-to-market and potential losses. The CDP also requires clearing members to monitor compliance with risk management measures such as monitoring for large exposures.

#### *Financial safeguards*

A clearing fund has been established for each of the securities and derivatives markets to be used in support of the clearing houses' roles as CCP. The Group and the relevant clearing members are required to contribute to the respective clearing funds.

#### *Trade receivables arising from settlement of securities trade*

Settlement for all securities transactions of securities clearing members are effected through the Group's subsidiary, CDP. Such settlements can be effected through designated settlement banks.

The "receivables from clearing members and settlement banks" included in trade receivables represent the aggregate of net settlement obligations of each of the clearing members and settlement banks to CDP for the last three trading days of the financial year. At 30 June 2010, there were 26 (2009: 24) securities clearing members and 6 (2009: 6) designated settlement banks. The Group may have concentration risk exposure to these securities clearing members and settlement banks with regards to their net settlement obligations to CDP. The settlement exposure of CDP to each securities clearing member or settlement bank fluctuates daily according to the net trading position (net buy or net sell) of each securities clearing member and the extent to which these settlement obligations are effected through the settlement banks.

### 38 FINANCIAL RISK MANAGEMENT (continued)

#### Counterparty and credit risk (continued)

##### d) Financial assets that are neither past due nor impaired

All of the Group's cash deposits are not impaired as the deposits are placed with banks of high credit quality.

Trade receivables that are neither past due nor impaired comprise companies with good payment track record with the Group. As at 30 June 2010, 99.7% (2009: 99.4%) and 88.8% (2009: 95.9%) of the Group's and the Company's trade receivables fall into this category.

##### e) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Past due up to 90 days	688	2,418	235	97
Past due 91 days to 360 days	157	672	55	1
	<b>845</b>	<b>3,090</b>	<b>290</b>	<b>98</b>

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gross amount	1,031	664	–	–
Less: Allowance for impairment	(1,031)	(664)	–	–
	–	–	–	–
Balance at beginning of financial year	664	344	–	–
Allowance made	884	634	–	–
Allowance utilised	(19)	(67)	–	–
Allowance written back	(498)	(247)	–	–
Balance at end of financial year	<b>1,031</b>	<b>664</b>	–	–

#### Liquidity risk

##### a) Liabilities related risk

The Group has minimal liquidity risk as it maintains sufficient cash for daily operations through prudent liquidity risk management. The Group has no external borrowings.

The financial liabilities of the Group and Company are analysed into the relevant maturity buckets based on their contractual maturity dates in the table below:

#### The Group

	Up to 3 months \$'000	> 3 months to 1 year \$'000	Above 1 year \$'000	Total \$'000
<b>At 30 June 2010</b>				
<b>Financial liabilities</b>				
Trade and other payables <sup>f</sup>	500,031	–	–	500,031

<sup>f</sup> Included \$383,761,000 payable to clearing members and settlement banks for daily settlement of accounts for due contracts and rights with a corresponding amount in trade receivables.

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 38 FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk (continued)

##### a) Liabilities related risk (continued)

###### The Group

	Up to 3 months \$'000	> 3 months to 1 year \$'000	Above 1 year \$'000	Total \$'000
<b>At 30 June 2009</b>				
<b>Financial liabilities</b>				
Trade and other payables <sup>9</sup>	557,808	–	–	557,808

<sup>9</sup> Included \$451,897,000 payable to clearing members and settlement banks for daily settlement of accounts for due contracts and rights with a corresponding amount in trade receivables.

###### The Company

	Up to 3 months \$'000	> 3 months to 1 year \$'000	Above 1 year \$'000	Total \$'000
<b>At 30 June 2010</b>				
<b>Financial liabilities</b>				
Trade and other payables	48,093	280,537	–	328,630
<b>At 30 June 2009</b>				
<b>Financial liabilities</b>				
Trade and other payables	41,823	275,652	–	317,475

As at 30 June 2010, the gross notional value of outstanding currency forward contracts held by the Group was \$62,612,000 (2009: \$119,271,000). The Group's outstanding currency forward contracts that would be settled on a gross basis are analysed into relevant maturity buckets based on the remaining contractual maturity dates as follows:

	At 30 June 2010			At 30 June 2009		
	Up to 3 months \$'000	> 3 months to 1 year \$'000	Total \$'000	Up to 3 months \$'000	> 3 months to 1 year \$'000	Total \$'000
<b>The Group</b>						
<b>Currency forward contracts</b>						
– gross outflows	38,031	24,581	62,612	90,034	29,237	119,271
– gross inflows	37,547	24,180	61,727	90,135	29,691	119,826
<b>The Company</b>						
<b>Currency forward contracts</b>						
– gross outflows	21,105	–	21,105	70,082	–	70,082
– gross inflows	20,820	–	20,820	70,556	–	70,556

The amounts disclosed above are contractual undiscounted cash flows, which are different from the carrying amount disclosed in these financial statements.

### 38 FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk (continued)

##### b) Contingent liabilities related risk

At the balance sheet date, the following contingent liabilities may impact the Group and the Company's liquidity position:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Unsecured guarantees by the derivatives clearing subsidiary to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange	107,636	72,500	–	–
Cash-backed guarantee provided to SGX-DC for the Clearing Fund	34,000	72,500	34,000	72,500
Undertaking to replace the default insurance component of the CDP Clearing Fund	25,000	–	25,000	–
Guarantee provided to SGX-DC and SICOM in consideration of SGX-DC and SICOM's agreement to waive margin requirements in respect of positions held by each other	–	–	4,000	–
	166,636	145,000	63,000	72,500

The settlement obligation of the above contingent liabilities is not determinable as the obligation arises from the occurrence of future events that are not within the control of the Group and the Company. The guarantee provided for the Clearing Fund is supported by cash set aside by the Group and the Company.

##### c) Clearing and settlement-related risk

The clearing houses of the Group, CDP and SGX-DC, act as the novated counterparty for transactions of approved securities and derivatives. The Group is exposed to liquidity risk should any Clearing Member default. The Group has secured sufficient committed bank credit facilities of \$450,000,000 (2009: \$450,000,000), comprising \$200,000,000 (2009: \$200,000,000) committed share financing and \$250,000,000 (2009: \$250,000,000) committed unsecured credit lines, to meet the expected liquidity requirement arising from clearing members' default.

#### Fair value measurements

Effective 1 July 2009 the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 38 FINANCIAL RISK MANAGEMENT (continued)

#### Fair value measurements (continued)

The following table presents our assets and liabilities measured at fair value at 30 June 2010.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>The Group</b>				
<b>Assets</b>				
Financial assets, available-for-sale	–	–	73,256	73,256
<b>Liabilities</b>				
Derivative financial instruments	–	(444)	–	(444)
<b>The Company</b>				
<b>Assets</b>				
Financial assets, available-for-sale	–	–	73,256	73,256
<b>Liabilities</b>				
Derivative financial instruments	–	(149)	–	(149)

The fair values of currency forward contracts have been calculated using the rates quoted by the Group's and the Company's bankers to terminate the contracts at the balance sheet date. This liability falls into Level 2 category.

The fair value of financial asset, available-for-sale, that are not traded in an active market is determined by using valuation technique, discounted cash flow analysis. The Group makes assumptions that are based on market conditions existing at each balance sheet date. As the valuation technique for the asset is based on significant unobservable inputs, this asset is included in Level 3. There were no transfers, purchases or gains and losses recognised in the statement of comprehensive income in Level 3 instruments for the financial year ended 30 June 2010.

### 39 CAPITAL REQUIREMENT AND MANAGEMENT

The Group's capital management objectives are to optimise returns to shareholders whilst supporting the growth requirements of the business and fulfilling its obligations to the relevant regulatory authorities and other stakeholders.

Effective 1 July 2008, the Group is required, under the Regulatory Capital Framework ("the Framework") formalised by the Monetary Authority of Singapore ("MAS") to maintain adequate financial resources to meet prudential requirements that commensurate with the operational risk, investment risk and the counterparty default risk arising from its central counterparty clearing and settlement activities. With respect to the counterparty default risk, each of the Group's clearing house subsidiaries is required to contribute capital to maintain a clearing fund that is sufficient to cover simultaneous default of three members including the member with the largest potential loss under simulated extreme but plausible market conditions. The Group has been in compliance with the Framework since 1 July 2008.

Given the dynamic nature of the Group's business and the new framework, the Group regularly reviews and monitors its capital position to ensure that the business activities and growth are prudently funded. In addition, the Group will seek opportunities to optimise shareholder returns by creating a more efficient capital structure to reduce the overall cost of capital. On dividend policy, SGX maintains a base dividend commitment which had risen over time, reflecting the Group's growing sustainable core earnings.

Separately, SICOM is required to meet the Base Capital Requirements imposed by the MAS and the International Enterprise Singapore for operating as a Recognised Market Operator under the Securities and Futures Act (Cap. 289) and operating as a Commodity Market under the Commodity Trading Act (Cap. 48A) respectively. SICOM has been in compliance with the requirement since the effective date imposed by the authorities.

SICOM is planning to establish an investor compensation fund, to be called SICOM Compensation Fund. The amount to be set aside for the establishment of this Fund is still being assessed. Nonetheless, SICOM does not expect the amount to be set aside for this purpose to have a material impact on SICOM's financial position.

#### 40 EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Company holds a 5% shareholding of Bombay Stock Exchange Limited (“BSE”), recorded as a financial asset, available-for-sale. In May 2010, BSE’s shareholders approved a preferential allotment of new shares and the Board of BSE has decided to issue and allot one million new shares. The allotment of shares is pending Indian regulatory approvals. However, in line with the Company’s entitlement to anti-dilution rights, BSE has offered SGX to subscribe for additional shares to maintain our stake at 5%. The subscription of the new shares is approximately \$1.5 million and SGX has expressed our interest in accepting the share offer on 27 July 2010.

#### 41 COMPARATIVES

##### Statement of Comprehensive Income

Certain comparative figures have been reclassified within operating revenue and operating expenses to conform to changes in the current year’s presentation. The reclassification has been made to better reflect the business lines of the Group. The restatement of prior year’s figures is as follows:

##### Operating revenue – The Group

New classification	As restated 2009 \$’000	Previous classification	As previously disclosed 2009 \$’000
<b>Securities</b>			
– Securities clearing revenue	187,442	Securities clearing fees	187,442
– Securities related processing revenue <sup>a</sup>	5,179	Securities related processing fees <sup>a</sup>	64,965
– Access revenue	46,206	Access fees	46,205
	238,827		
<b>Derivatives</b>			
– Futures and options revenue	116,845	Net derivatives clearing revenue	156,031
– Structured warrants revenue	9,058		
– Interest income, license and other revenue	30,142		
	156,045		
<b>Market data</b>			
	35,040	Price information fees	30,158
<b>Member services and connectivity</b>			
– Terminal and connection revenue	19,133	Terminal and connection fees	22,966
– Membership revenue	7,453	Membership fees	7,452
	26,586		
<b>Depository services</b>			
– Securities settlement revenue	46,316	Account maintenance and corporate action fees <sup>b</sup>	32,568
– Contracts processing revenue	21,722	Sale of software and other computer services <sup>c</sup>	8,921
– Depository management revenue	5,641		
	73,679		
<b>Issuer services</b>			
– Listing revenue	34,312	Listing fees	34,312
– Corporate action and other revenue	26,909		
	61,221		
<b>Others</b>			
	3,432	Others	3,810
<b>Operating revenue</b>	594,830	<b>Total operating revenue</b>	594,830

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 41 COMPARATIVES (continued)

#### Statement of Comprehensive Income (continued)

##### Operating revenue – The Company

New classification	As restated 2009 \$'000	Previous classification	As previously disclosed 2009 \$'000
Management fees from subsidiaries	116,091	Management fees from subsidiaries	116,091
Dividends from subsidiaries	292,600	Dividends from subsidiaries	292,600
<b>Securities</b>			
– Securities related processing revenue <sup>a</sup>	–	Securities related processing fees <sup>a</sup>	10,690
<b>Market data</b>	36		
<b>Depository services</b>		Account maintenance and corporate action fees <sup>b</sup>	1,392
– Contracts processing revenue	14,742	Sale of software and other computer services <sup>c</sup>	2,696
<b>Others</b>	1,039	Others	1,039
<b>Operating revenue</b>	424,508	<b>Total operating revenue</b>	424,508

##### Operating expenses – The Group

New classification	As restated 2009 \$'000	Previous classification	As previously disclosed 2009 \$'000
<b>Staff</b>		<b>Staff costs</b>	
– Salaries <sup>d, f, i</sup>	52,183	– Wages and salaries	50,621
– Employer's contribution to Central Provident Fund on salaries	4,230	– Employer's contribution to Central Provident Fund on salary and wages	4,230
– Variable bonus	30,729	– Variable bonus	30,729
– Employer's contribution to Central Provident Fund on variable bonus	(585)	– Employer's contribution to Central Provident Fund on variable bonus	(585)
– Jobs credit by the Singapore Government	(1,003)		
– Retrenchment benefits	76	– Retrenchment benefits	76
– Share-based payment to employees	14,491	– Share-based payment to employees	14,491
	100,121		99,562
<b>Technology</b>		<b>System maintenance and rental</b>	
– System maintenance and rental <sup>e</sup>	46,026		44,316
– Depreciation and amortisation <sup>f</sup>	16,723	<b>Depreciation and amortisation</b>	18,922
– Communication charges <sup>g</sup>	3,165	Communication charges	3,447
	65,914		
<b>Processing and royalties</b>	20,195	Cost of processing and royalties	20,195
<b>Premises</b>		<b>Rental and maintenance of premises</b>	
– Rental and maintenance of premises <sup>e</sup>	18,561		16,710
– Depreciation of furniture and fittings, buildings and leasehold improvements <sup>f</sup>	2,074		
	20,635		
<b>Professional fees<sup>d</sup></b>	12,409	Professional charges	16,254

#### 41 COMPARATIVES (continued)

##### Statement of Comprehensive Income (continued)

##### Operating expenses – The Group (continued)

New classification	As restated 2009 \$'000	Previous classification	As previously disclosed 2009 \$'000
<b>Others</b>		<b>Other operating expenses</b>	
– Marketing <sup>h</sup>	2,378	– Marketing and travelling	4,038
– Travelling <sup>h</sup>	1,660		
– Allowance for impairment of trade receivables (net)	426	– Allowance for impairment of trade receivables (net)	426
– Net foreign exchange loss/(gain)	(1,793)	– Net foreign exchange (gain)/loss	(1,793)
– Net write-off/impairment of property, plant and equipment and software	753	<b>Net write-off/impairment of property, plant and equipment and software</b>	753
– Net gain on disposal of property, plant and equipment and software	(1,635)	– Net (gain)/loss on disposal of property, plant and equipment and software	(1,635)
– Directors' fee	2,105	– Disclosed as part of others under other operating expenses	–
– MAS regulatory fee	1,500	– Disclosed as part of others under other operating expenses	–
– Miscellaneous <sup>i</sup>	2,900	– Others	6,373
	8,294		
<b>Operating expenses</b>	<b>227,568</b>	<b>Total operating expenses</b>	<b>227,568</b>

##### Operating expenses – The Company

New classification	As restated 2009 \$'000	Previous classification	As previously disclosed 2009 \$'000
<b>Staff</b>		<b>Staff costs</b>	
– Salaries <sup>d, f, i</sup>	36,416	– Wages and salaries	34,975
– Employer's contribution to Central Provident Fund on salaries	2,690	– Employer's contribution to Central Provident Fund on salary and wages	2,690
– Variable bonus	24,218	– Variable bonus	24,218
– Employer's contribution to Central Provident Fund on variable bonus	(457)	– Employer's contribution to Central Provident Fund on variable bonus	(457)
– Jobs credit by the Singapore Government	(1,003)		
– Retrenchment benefits	76	– Retrenchment benefits	76
– Share-based payment to employees	14,491	– Share-based payment to employees	14,491
	76,431		75,993
<b>Technology</b>		<b>System maintenance and rental</b>	13,872
– System maintenance and rental <sup>e</sup>	13,940	<b>Depreciation and amortisation</b>	4,772
– Depreciation and amortisation <sup>f</sup>	2,902	Communication charges	2,448
– Communication charges <sup>g</sup>	2,298		
	19,140		
<b>Processing and royalties</b>	774	Cost of processing and royalties	774
<b>Premises</b>		<b>Rental and maintenance of premises</b>	12,397
– Rental and maintenance of premises <sup>e</sup>	13,749		
– Depreciation of furniture and fittings, buildings and leasehold improvements <sup>f</sup>	1,745		
	15,494		
<b>Professional fees<sup>d</sup></b>	<b>7,766</b>	Professional charges	9,460

## Notes to the Financial Statements

For the financial year ended 30 June 2010

### 41 COMPARATIVES (continued)

#### Statement of Comprehensive Income (continued)

#### Operating expenses – The Company (continued)

New classification	As restated 2009 \$'000	Previous classification	As previously disclosed 2009 \$'000
<b>Others</b>		<b>Other operating expenses</b>	
– Marketing <sup>h</sup>	1,262	– Marketing and travelling	2,150
– Travelling <sup>h</sup>	888		
– Net foreign exchange loss/(gain)	(468)	– Net foreign exchange (gain)/loss	(468)
– Net write-off/impairment of property, plant and equipment and software	223	<b>Net write-off/impairment of property, plant and equipment and software</b>	223
– Directors' fee	1,987	– Disclosed as part of others under other operating expenses	–
– MAS regulatory fee	350	– Disclosed as part of others under other operating expenses	–
– Miscellaneous <sup>i</sup>	2,487	– Others	4,713
	6,729		
<b>Operating expenses</b>	126,334	<b>Total operating expenses</b>	126,334

<sup>a</sup> Revenue relating to security transfers, contract charges, printing of contracts (CAS related revenue) and settlement of securities transactions have been reclassified to Depository services. Revenue remaining in Securities related processing revenue relates to the processing of other securities transactions.

<sup>b</sup> Revenue generated from services provided to issuers have been reclassified to Corporate action and other revenue under Issuer services.

<sup>c</sup> Sale of software and other computer services has been reclassified mainly to Contracts processing revenue and Depository management revenue under Depository services.

<sup>d</sup> Expenses incurred on group staff insurance previously classified under Professional charges have been reclassified to Staff costs.

<sup>e</sup> Non-capitalised assets and maintenance of office equipment have been reclassified from System maintenance and rental to Rental and maintenance of premises.

<sup>f</sup> Depreciation and amortisation has been categorised by its nature into Technology (depreciation on hardware and amortisation on software), Premises (depreciation of furniture and fittings, buildings and leasehold improvements) and Staff (depreciation of motor vehicles).

<sup>g</sup> Postages and courier charges have been reclassified to Miscellaneous.

<sup>h</sup> Marketing and Travelling expenses are disclosed separately.

<sup>i</sup> Upkeep of company motor vehicles used by staff have been reclassified to Staff costs.

The revised presentation does not result in a change in the Group and the Company's total operating revenue, total operating expenses and net profit before and after tax.

### 42 NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain new accounting standards, amendments and interpretations to existing standards have been published and are mandatory for companies with accounting periods beginning on or after 1 January 2010 or later periods and which the companies have not early adopted.

The Group has assessed the impact of adopting those new accounting standards, amendments and interpretations that are relevant to the Group and expects that the adoption will have no material impact on the financial statements in the period of initial application, except for Revised FRS 24 as indicated below:

#### Revised FRS 24: Related Party Disclosures

The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party entity has control or joint control over the entity, or has significant influence over the entity. The Group is currently determining the impact the expanded definition has on the disclosure of related party transactions. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

### 43 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue by the Board of Directors on 30 July 2010.

# Statistics of Shareholdings

As at 17 August 2010

Share Capital	: 1,071,117,900
Number of Issued and Paid-up Shares	: 1,071,117,900
Class of Shares	: Ordinary shares
Voting Rights	: One vote per share. The Company cannot exercise any voting rights in respect of shares held by it as treasury shares.

## DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares)	%*
1 – 999	138	0.36	30,819	0.00
1,000 – 10,000	34,758	89.83	101,269,418	9.50
10,001 – 1,000,000	3,760	9.72	157,877,844	14.81
1,000,001 and above	36	0.09	806,744,969	75.69
<b>Total</b>	<b>38,692</b>	<b>100.00</b>	<b>1,065,923,050</b>	<b>100.00</b>

Based on information available to the Company as at 17 August 2010, approximately 99.63% of the issued ordinary shares of the Company are held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%*
1	SEL Holdings Pte Ltd <sup>1</sup>	249,991,184	23.45
2	Citibank Nominees Singapore Pte Ltd	168,534,164	15.81
3	DBS Nominees Pte Ltd	83,684,747	7.85
4	DBSN Services Pte Ltd	63,893,067	5.99
5	HSBC (Singapore) Nominees Pte Ltd	53,923,195	5.06
6	Nomura Singapore Limited	53,141,000	4.99
7	United Overseas Bank Nominees Pte Ltd	29,369,115	2.76
8	Raffles Nominees (Pte) Ltd	28,260,514	2.65
9	Phillip Securities Pte Ltd	10,377,615	0.97
10	BNP Paribas Securities Services Singapore	8,207,549	0.77
11	UOB Kay Hian Pte Ltd	6,549,452	0.61
12	DB Nominees (S) Pte Ltd	4,162,894	0.39
13	Leong Khuen Nyeon	3,700,000	0.35
14	BNP Paribas Nominees Singapore Pte Ltd	3,673,929	0.34
15	DBS Vickers Securities (S) Pte Ltd	3,288,878	0.31
16	OCBC Nominees Singapore Pte Ltd	3,078,082	0.29
17	OCBC Securities Private Ltd	2,800,000	0.26
18	Wong Kong Choo	2,620,000	0.25
19	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,505,286	0.24
20	Lee Shiu	2,148,000	0.20
	<b>Total</b>	<b>783,908,671</b>	<b>73.54</b>

<sup>1</sup> Pursuant to Section 11(2)(b) of the Exchanges (Demutualisation & Merger) Act 1999 (the "Merger Act"), SEL Holdings Pte Ltd ("SEL"), being the special purpose company set up under the Merger Act to hold the SGX shares for the benefit of the Financial Sector Development Fund, shall not exercise or control the exercise of votes attached to the SGX shares. Owing to the restriction in the exercise of votes attached to the shares, SEL is not regarded as a substantial shareholder of SGX.

## TREASURY SHARES

Number of ordinary shares held in treasury: 5,194,850

Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury): 0.49%\*

## SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders maintained by the Company, the Company had no substantial shareholders as at 17 August 2010.

\* Percentage is calculated based on the total number of issued shares, excluding treasury shares of the Company.

## Singapore Exchange Limited

Company Registration No. 199904940D  
(Incorporated in the Republic of Singapore)

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of Singapore Exchange Limited (the "Company") will be held at **NTUC Auditorium, One Marina Boulevard, Level 7, Singapore 018989** on Thursday, 7 October 2010 at 10.00 am to transact the following business:

- |  | <b>ORDINARY<br/>RESOLUTION</b> |
|--|--------------------------------|
| <b>A) ORDINARY BUSINESS</b>  |                                |
| 1 To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2010 and the Auditor's Report thereon.  | <b>Resolution 1</b>            |
| 2 To declare a one-tier tax exempt final dividend amounting to 15.75 cents per share for the financial year ended 30 June 2010.<br>(FY2009: 15.5 cents per share)  | <b>Resolution 2</b>            |
| 3 To re-appoint the following directors pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company:  |                                |
| i) Mr J Y Pillay   | <b>Resolution 3</b>            |
| ii) Mr Robert Owen   | <b>Resolution 4</b>            |
| 4 To re-elect the following directors retiring by rotation under Article 99A of the Company's Articles of Association (the "Articles") and who, being eligible, offer themselves for re-election:  |                                |
| i) Mr Chew Choon Seng  | <b>Resolution 5</b>            |
| ii) Mr Loh Boon Chye   | <b>Resolution 6</b>            |
| iii) Mr Ng Kee Choe  | <b>Resolution 7</b>            |
| (Mr Loh will, upon re-election as a director, remain as a member of the Audit Committee and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.)  |                                |
| 5 To re-elect Mr Magnus Bocker, who will cease to hold office under Article 104 of the Articles and who, being eligible, offers himself for re-election.   | <b>Resolution 8</b>            |
| 6 To approve the sum of \$750,000 to be paid to the Chairman as director's fees, and the provision to him of transport benefits, including a car and a driver, for the financial year ending 30 June 2011.<br>(FY2010: up to \$750,000 and transport benefits, including a car and a driver) | <b>Resolution 9</b>            |
| 7 To approve the sum of up to \$1,200,000 to be paid to all directors (other than the Chairman and the Chief Executive Officer) as directors' fees for the financial year ending 30 June 2011.<br>(FY2010: up to \$1,200,000) <i>(Please see explanatory notes)</i>                          | <b>Resolution 10</b>           |
| 8 To re-appoint Messrs PricewaterhouseCoopers LLP as auditor of the Company and to authorise the directors to fix their remuneration.  | <b>Resolution 11</b>           |
| <b>B) SPECIAL BUSINESS</b>   |                                |
| To consider and, if thought fit, to pass with or without modifications, the following resolutions which will be proposed as Ordinary Resolutions:  |                                |
| 9 That Mr Thaddeus Beczak be and is hereby appointed as a director of the Company pursuant to Article 104 of the Articles.   | <b>Resolution 12</b>           |
| 10 That authority be and is hereby given to the directors of the Company to:   | <b>Resolution 13</b>           |
| a) i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or   |                                |
| ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,         |                                |
| at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and   |                                |
| b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,  |                                |

provided that:

- 1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph 2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph 2) below);
- 2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph 1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
  - i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - ii) any subsequent bonus issue or consolidation or subdivision of shares;
- 3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the Monetary Authority of Singapore) and the Articles of Association for the time being of the Company; and
- 4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

**C) TO TRANSACT ANY OTHER BUSINESS AS MAY PROPERLY BE TRANSACTED AT AN ANNUAL GENERAL MEETING**

By Order of the Board

**Joyce Fong Foong Chao**  
Company Secretary  
Singapore Exchange Limited

16 September 2010

## Notice of Annual General Meeting

### EXPLANATORY NOTES

**Ordinary Resolution 10** is to seek approval for the payment of up to \$1,200,000 to all directors (other than the Chairman and the Chief Executive Officer) as directors' fees for the financial year ending 30 June 2011.

An increase in the fees for chairmen and members of Board committees is being proposed for the financial year ending 30 June 2011, in order to bring them in line with market norms. The increase will take effect as from 1 October 2010. There is no change to the directors' basic fees and attendance fees. The current and proposed fee structures for Board committees are set out below.

	Current Fee (per financial year)	Proposed Fee (per financial year)	Increase (per financial year)
Audit Committee – Chairman	\$30,000	\$40,000	\$10,000
Audit Committee – Member	\$18,000	\$30,000	\$12,000
Other Board Committee – Chairman	\$22,000	\$30,000	\$8,000
Other Board Committee – Member	\$12,000	\$20,000	\$8,000

There is no change to the aggregate amount of directors' fees being proposed for all directors (other than the Chairman and the Chief Executive Officer) for the financial year ending 30 June 2011 from the corresponding amount for the financial year ended 30 June 2010, as the amount being proposed is sufficient to accommodate the above increase. The directors' fees are calculated based on, amongst other things, the number of expected Board and Board committee meetings for the financial year ending 30 June 2011 and the number of directors expected to hold office during the course of that year, at the fee rates shown in page 39 of the Annual Report, and taking into account the above increase, as well as any unforeseen circumstances, for example, the appointment of an additional director or additional unscheduled Board and/or Board committee meetings.

**Ordinary Resolution 12** is to appoint Mr Thaddeus Beczak as an additional director pursuant to Article 104 of the Articles. Key information on Mr Beczak is found on page 21 of the Annual Report. Upon Mr Beczak's appointment, he will be a member of the Regulatory Conflicts Committee and will be considered by the Nominating Committee to be an independent director.

**Ordinary Resolution 13** is to empower the directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (the "50% Limit"), with a sub-limit ("Sub-Limit") of 10 per cent for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Ordinary Resolution 13 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 13 is passed, and (b) any subsequent bonus issue or consolidation or sub-division of shares.

Although the Listing Manual of the Singapore Exchange Securities Trading Limited enables the Company to seek a mandate to permit its directors to issue shares up to the 50% Limit if made on a pro rata basis to shareholders, and up to a Sub-Limit of 20 per cent if made other than on a pro rata basis to shareholders, the Company is nonetheless only seeking a Sub-Limit of 10 per cent. The Company believes that the lower limit sought for the issue of shares made other than on a pro rata basis to shareholders is adequate for the time being and will review this limit annually.

#### Notes:

- 1) The Chairman of the Annual General Meeting will be exercising his right under Article 66(a) of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members at the Annual General Meeting and at any adjournment thereof. Accordingly, each resolution at the Annual General Meeting will be voted on by way of a poll.
- 2) An ordinary shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote on his behalf.
- 3) A proxy need not be a member of the Company.
- 4) The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof) must be deposited at the registered office of the Company at 2 Shenton Way, #19-00, SGX Centre 1, Singapore 068804 not less than 48 hours before the time appointed for holding the Annual General Meeting.

### **BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND**

Subject to the approval of the shareholders to the final dividend at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 14 October 2010 (Thursday) after 5.00 pm to 15 October 2010 (Friday), both dates inclusive, for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 18 October 2010 (Monday). Duly completed registered transfers of ordinary shares in the capital of the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 before 5.00 pm on 14 October 2010 (Thursday), will be registered in the Register of Members and the Transfer Books of the Company to determine shareholders' entitlements to the final dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the final dividend will be paid by the Company to CDP which will, in turn, distribute the entitlements to the final dividend to CDP account-holders in accordance with its normal practice.

The final dividend, if approved by shareholders, will be paid on 26 October 2010 (Tuesday).

*This page has been intentionally left blank.*

### **SGX Logo**

The corporate logo is the cornerstone of the identification system for Singapore Exchange (SGX) and the foremost expression of its brand voice. It combines a contemporary type treatment of the brand name with a dynamic "E" monogram. The design of the logo expresses the concept of "exchange" through the sense of movement suggested by the five interlocking gradient bands. The square shape complements SGX's vision by offering a more traditional image of security and stability.

More than just a logo, this distinctive mark is a visual metaphor of SGX's brand positioning suggesting an innovative exchange offering a wide range of fully integrated services and a willing business partner. SGX will serve as an Asian Gateway for international investments into Asia and links up investors in Asia to the rest of the World.

### **Creative Concept**

As the Asian Gateway, SGX has the advantage of being strategically located. Coupled with our progressive stance, it enhances SGX's global reach and accessibility. This is depicted in the global map as the anchor graphic for the cover and the key dividers while the enlarged red dot on the cover symbolises SGX's growing presence and Singapore's strong corporate governance and rule of law.

All rights reserved. Some of the information in this report constitute 'forward looking statements' which reflect SGX's current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which may be outside SGX's control. You are urged to view all forward looking statements with caution. No information herein should be reproduced without the express written permission of Singapore Exchange Limited. All information herein are correct at the time of publication. For updated information, please contact our Registered Office.

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