



# The Asian Gateway

SINGAPORE EXCHANGE ANNUAL REPORT 2012  
JULY 2011–JUNE 2012



SGX CENTRE

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## Setting the Stage 01

# Welcome to The Asian Gateway

Connecting investors in search of Asian growth  
to issuers in search of global capital

As Asia's most internationalised exchange, SGX is the definitive gateway for managing capital and investment exposure in Asia. Through SGX, clients gain access to the world's largest offshore market for Asian equity derivatives, with coverage across Asia's largest economies—China, India, Indonesia, Japan and Taiwan.

SGX offers a fully integrated value chain of services ranging from trading and clearing to settlement and depository, and is also Asia's pioneering central clearing house. Headquartered in Asia's most globalised city, and centred within the AAA strength and stability of Singapore's island nation, SGX is a peerless counterparty for the clearing of financial and commodity products.







# Letter to Shareholders

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We reaffirm our commitment to safeguarding the interests of investors, and operating a fair, orderly and transparent marketplace.

//

## Dear SGX Shareholders

We are all familiar with the challenges faced by global financial markets in the past year. Appetite for risk-taking was subdued and companies shied away from raising capital through financial markets worldwide. With an open economy, Singapore was not unaffected by the global uncertainties and this was reflected in SGX's performance for 2011–2012. Nevertheless, we are encouraged by bright spots of success in our efforts to grow market activity and elevate trust in our exchange.

## Global turbulence had a mixed effect on business performance

Amid the challenging operating environment, we expanded SGX's suite of products and services and diversified our revenue mix, while keeping costs under control.

Securities accounted for 38% of our revenue, down from 44% last year but remained the largest contributor to our business.

The IPO market saw a sharp downturn with \$825 million raised from 23 new listings, compared with \$14 billion from 34 listings in the preceding year. On the fixed income front, we ended the year with a respectable total of \$161 billion raised through 300 bond issues, even if less than the prior year's \$170 billion from 355 issues.

On the other hand, our derivatives market gained from increased levels of risk management activities. SGX became the world's largest offshore market for Asian equity derivatives. The revenue contribution of the derivatives business rose to 26% from 21% previously. Average month-end open interest, that is, the average amount of open positions maintained on our exchange at the end of the month, also grew substantially at 53% up from the year before.

We believe this increase demonstrates market participants' confidence and trust in the standards and risk management practices of our well-capitalised clearing house.

Group Operating Revenue for the year of report totalled \$648 million, a drop of 2% from the prior year. Group Operating Expenses at \$284 million were also 1% lower. Consequently, Group Net Profit After Tax of \$292 million was very close to that in the preceding year.

## Ensuring SGX remains relevant and competitive

We recognise that sustaining and strengthening our Asian Gateway positioning is a journey requiring persistent effort in many areas.

Over the past year, we instituted continuous all-day securities trading, allowing investors to respond to news-flow throughout the trading day. Minimum bid sizes for securities were reduced, lowering market participation costs for investors. The successful roll-out of our technology initiative gathered further momentum with the introduction of Reach, the world's fastest trading engine, in our securities market. We started clearing OTC trades of Asian foreign exchange forwards of seven currencies, introduced dual currency trading in our securities market, and launched the world's only offshore Indonesian equity futures, the MSCI Indonesia Index futures in our derivatives market.

To sharpen our ability to leverage growth opportunities, our organisation was streamlined into five Business Units. Securities, Derivatives, Listings, Market Data & Access, and Post-Trade will now collectively drive the expansion of products and services, attraction of more and larger listings, growth of retail and professional participation and building of the post-trade business, with support from the Sales & Clients unit.

## Enhancing our home market

Retail investors are central to the dynamism and development of our securities market. Since the global financial crisis in 2008, we have observed a phenomenon of risk averseness among retail investors worldwide. Our market has reflected a similar cautiousness—only 10,000 to 15,000 CDP accounts trade daily today, compared to an average of 40,000 in 2007.

We are acutely aware that this relatively low participation rate needs to be addressed and have embarked on a wide-ranging plan to stimulate retail activity.

This plan includes the launch of My Gateway ([www.sgx.com/mygateway](http://www.sgx.com/mygateway)), a new portal aimed at making investing know-how accessible and understandable to retail investors. A free online education programme was introduced on Specified Investment Products, in support of the Monetary Authority of Singapore's (MAS) new classification of more complex investment products. SGX's own school, SGX Academy, added educational programmes to its curriculum. We also cooperated with the Securities Investors Association (Singapore), our Members and other partners to introduce joint programmes to train market participants.

## Regional cooperation advances

Southeast Asian economies remained among the world's most robust amid on-going global uncertainties. As part of the ASEAN Capital Markets Forum initiative, the MAS and SGX joined counterparts from Malaysia and Thailand in signing a memorandum of understanding to expedite the review process for secondary listings within ASEAN. This is expected to further enhance intra-regional access to ASEAN listings and diversify fund-raising sources for ASEAN companies.

## Governance remained a high priority

We reaffirm our commitment to safeguarding the interests of investors and operating a fair, orderly and transparent marketplace. Timely and accurate disclosure is a pre-requisite for such a market. Errant companies, while few in number, need to be rigorously pursued to fulfil their listing obligations, in order to protect and uphold the quality of the entire marketplace.

As financial markets evolve, our regulatory framework needs to progress in parallel. To this end, our Listing Rules were amended in various areas during the year, including amendments concerning the role of Boards of directors, key executive officers and auditors; the strengthening of corporate governance and safeguarding of shareholders' interests; and the clarification and codification of current practices.

Ensuring our regulatory framework remains efficient, relevant and effective is a never-ending process. We understand the importance of keeping our constituents apprised of developments in the regulatory landscape through regular dialogue. And we remain steadfast in our drive to improve disclosure and transparency so as to advance Singapore's position as a leading financial centre.

## Vigilance rewarded

The effectiveness of our regulatory and operating framework was evident during the failure of international broker MF Global. Our vigilance and swift action preceding the MF Global Singapore situation served our investors well. MF Global Singapore customers who had positions that were cleared and settled on SGX successfully transferred their positions to alternative clearing members within four weeks of the appointment of provisional liquidators by the company. The timely conclusion to the situation attested to the strength and rigour of our settlement and clearing system.

## Our sustainability agenda

We believe that for a company to be well-positioned for the future, it has to meld sustainability into all aspects of its business. During the year, we initiated stakeholder interviews, formalised our sustainability strategy and set targets for ourselves in three areas—governance, social and environmental sustainability. More about our sustainability agenda and related efforts can be found in our Sustainability Report on page 61.

## Continuing the SGX journey

Prospects for SGX will, as ever, be related to global events and developments. Even as it seems likely that investors and corporate leaders will be preoccupied with the uncertainty in the operating environment, we will continue to build and broaden our businesses to meet market needs.

The outlook for capital formation and IPO activity in Asia remains positive over the long term. To grow SGX's share of fund-raising in the region, we need to step up the transformation of the Singapore stock market and prepare to benefit from more stable market conditions. We are raising Mainboard admission standards to improve the quality of IPOs and draw larger companies to SGX. We will also look into increasing the proportion of IPO tranches allocated to retail investors.

In ensuring that we remain one of the most relevant and competitive exchanges in Asia, SGX will also be alert to opportunities for new businesses, alliances and collaborations that support our strategy.

## Dividend

With Group Net Profit After Tax for 2011–2012 just 1% off the prior year, the Board has recommended a final dividend of 15 cents per share, adding up to a total dividend of 27 cents per share for the year. The amounts are the same as for last year's dividend, and keep faith with the proclaimed dividend policy.

## Acknowledgements

Two members of the Board, Mr Loh Boon Chye and Ms Euleen Goh, will be stepping down at the upcoming AGM, and will not be offering themselves for re-election. Mr Loh has served as a Director since October 2003, and Ms Goh since September 2006. Mr Loh was Chairman of the Risk Management Committee, and, like Ms Goh, had served on various Board Committees.

On behalf of all stakeholders, we thank Mr Loh and Ms Goh for their valuable contributions, wise counsel and conscientious attention to SGX, and wish them the best for the future.

Mr Davinder Singh and Mr Quah Wee Ghee joined the Board in October 2011, following their election by shareholders at last year's AGM.

At this year's AGM, we will be introducing Mr Kwa Chong Seng and Mr Kevin Kwok for election to become new members of the Board. Mr Kwa was Chairman and Managing Director of ExxonMobil Asia Pacific Private Limited until his retirement last year following a 42-year career at the oil giant. He was a Director of DBS Bank and is presently the Chairman of Neptune Orient Lines. Mr Kwok is a Chartered Accountant and, until his recent retirement, he was a senior partner at Ernst & Young LLP, where his career spanned 35 years. Mr Kwa and Mr Kwok will add relevant knowledge, skills and experience to the Board.

We register our thanks and appreciation to our customers, shareholders, business colleagues and members of our staff for their support, help, understanding and cooperation in the past year. We look forward to working together in the coming year to execute our business strategy and grow the business.



Chew Choon Seng  
Chairman

27 July 2012



Magnus Böcker  
CEO

27 July 2012

# Key Information for Shareholders

## Key Performance Indicators:

**\$292m**

**Reported Net Profit**  
Reported Net Profit down  
1% from \$295 million

**\$304m**

**Underlying Net Profit<sup>1</sup>**  
Underlying Net Profit  
fell 3% from \$312 million

**\$648m**

**Revenue**  
Revenue fell 2% from  
\$661 million

**\$364m**

**Operating Profit**  
Operating Profit down  
3% from \$374 million

**27.3 cents**

**Reported Earnings per Share**  
Reported Earnings per Share  
down by 1% from 27.6 cents

**27.0 cents**

**Dividend per Share**  
Dividend per Share, including  
Proposed Final Dividend of  
15 cents per Share, remains  
unchanged

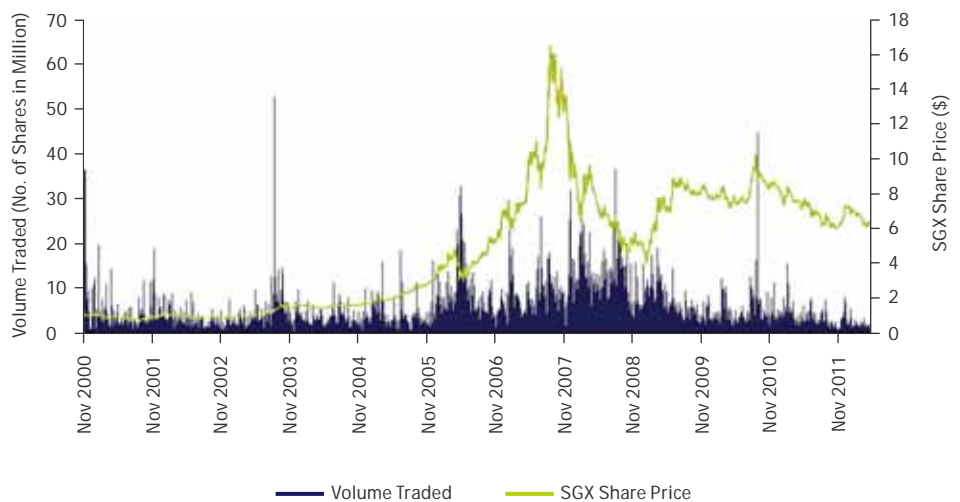
<sup>1</sup> Excludes one-off items: (i) FY 2011: ASX-SGX transaction related costs (\$18.6 million) and net gain on disposal of premises (\$1.7 million); and, (ii) FY2012: Impairment losses on investment in Bombay Stock Exchange (\$11.0 million) and Chi-East joint venture (\$1.1 million).

## Total Shareholder Return

Total shareholder return since IPO was 20% per annum.

## SGX's Share Price Performance since IPO

Share Price and Volume Traded



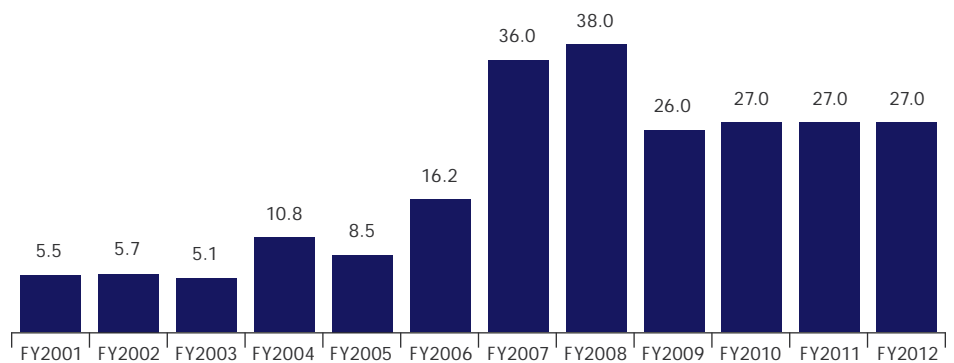
## Dividend Policy

We aim to pay a base dividend of 4 cents per share every quarter in FY2013. For each financial year, we aim to pay dividends of no less than (a) 80% of the annual net profit after tax; or (b) 16 cents per share, whichever is higher.

In FY2012, we paid dividends of 4 cents per share for each of the first three quarters. We are proposing a final dividend of 15 cents per share, bringing the total dividend to 27 cents per share, unchanged from FY2011. This represents a 99% payout of the reported profit in FY2012.

## Dividend Payout History

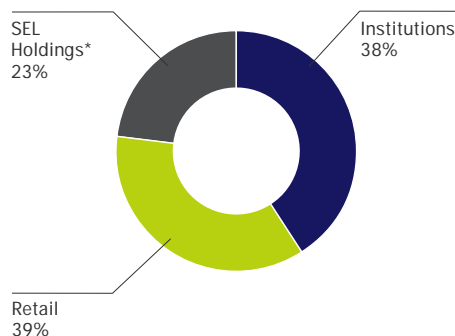
Dividend per Share (cents)



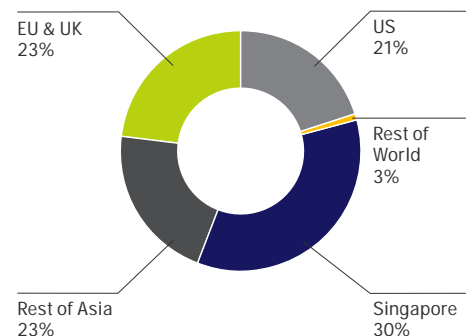
## Our Shareholders

The profile of our shareholders continued to be diversified. Our investor base stood at over 47,963.

SGX's Shareholders as on 30 June 2012



SGX's Institutional Shareholders by Geography



\* SEL Holdings is a special purpose company set up under the Exchanges (Demutualisation & Merger) Act 1999 (the Merger Act) to hold SGX shares for the benefit of the Financial Sector Development Fund. Under the Merger Act, SEL Holdings shall not exercise or control the exercise of votes attached to the SGX shares. Owing to this restriction, SEL Holdings is not regarded as a substantial shareholder of SGX.

Highlights of the Year 02

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# 2012

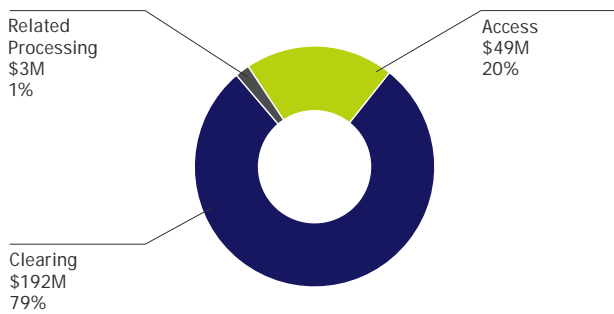
## Business Highlights

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## Securities: 38% of Revenue

Trading and clearing of listed securities including equity securities, investment/business trusts, debt securities, exchange traded funds/notes and company warrants.



Markets may have swung wildly this year but investing in stocks, bonds and ETFs as part of an overall portfolio approach is still the more prudent way to preserve and grow your long-term savings. We want to ensure more investors know this as they plan for their needs, including retirement.



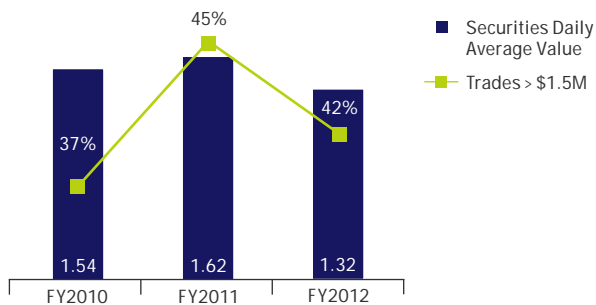
**Nels Friets**  
Head of Securities

### Highlights of the Year:

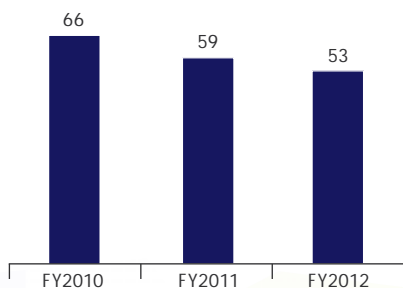
- Launched Reach trading engine; Commenced continuous all-day trading; reduced bid-ask spreads.
- Expanded ETF suite and introduced dual currency trading.
- Enhanced education programme through SGX Academy and launched "My Gateway" portal ([www.sgx.com/mygateway](http://www.sgx.com/mygateway)).

### Key Drivers

Securities Daily Average Value (\$B) & Trades above \$1.5M (%)

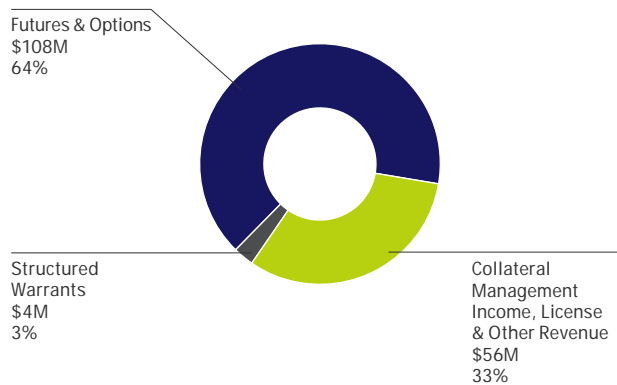


Turnover Velocity (%)



## Derivatives: 26% of Revenue

Trading and clearing of Asian Derivatives covering China, India, Indonesia, Japan, Singapore and Taiwan; Clearing of Over-the-Counter (OTC) Commodities and Financial Derivatives.



Risk management is now a top priority for many investors. This global shift towards trust and quality has benefitted SGX tremendously. Our unique suite of Asian equity index derivatives, including the new MSCI Indonesia futures, makes us the preferred access point for investors managing Asian equities exposure.



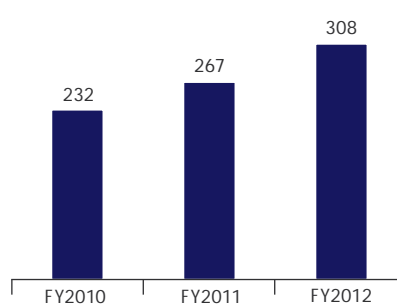
**Michael Syn**  
Head of Derivatives

### Highlights of the Year:

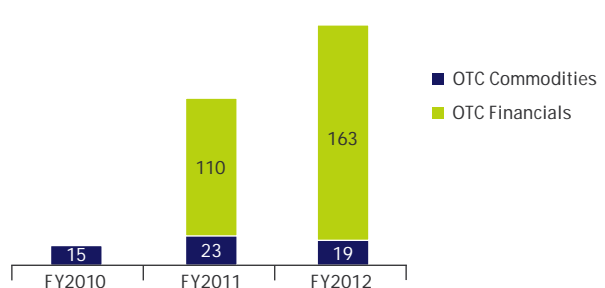
- Record volume of 76 million contracts.
- Successful incubation of newer contracts: China A50 volume tripled to 5.6 million contracts.
- Launched MSCI Indonesia futures contract.
- Average month-end open interest grew 53% to 1.4 million contracts.
- Started clearing OTC Asian Foreign Exchange Forwards.

### Key Drivers

Futures & Options Daily Average Volume ('000 contracts)

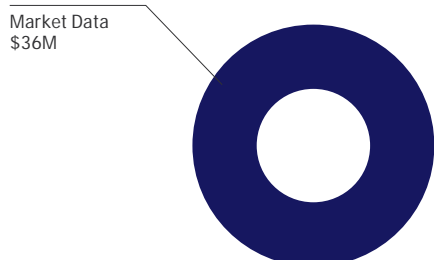


OTC Derivatives Cleared (Notional Value in \$B)



## Market Data: 6% of Revenue

Sales and distribution of market price data and other information to market users.



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This year, we introduced ultra-high speed market data feeds and became the first exchange in Asia to offer direct market access. We will continue to launch such leading products and services to serve customer needs.

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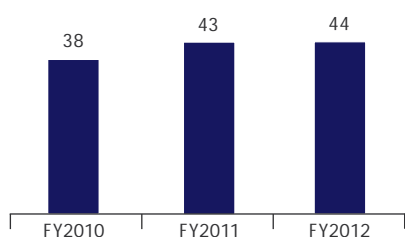
**Tinku Gupta**  
Head of Market Data

### Highlights of the Year:

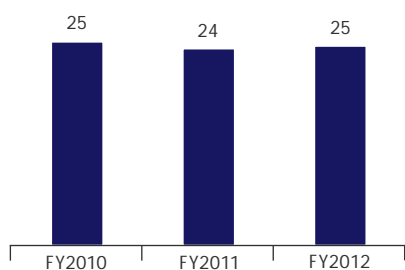
- Launched low latency market data feeds.
- Partnership with media channels to expand distribution.
- Number of terminals for Securities data increased 3% to 43,677.
- Number of terminals for Derivatives data increased 4% to 24,734.

### Key Drivers

No. of terminals for Securities data ('000) average for the year

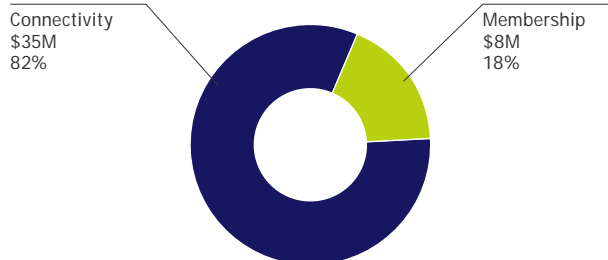


No. of terminals for Derivatives data ('000) average for the year



## Member Services & Connectivity: 7% of Revenue

Access and connectivity to our trading and clearing platforms in Securities and Derivatives markets.



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We strengthened the Asian Gateway with 11 new members from China, France, Taiwan and the UK, bringing capital liquidity and new investors—especially from North Asia—into our markets.

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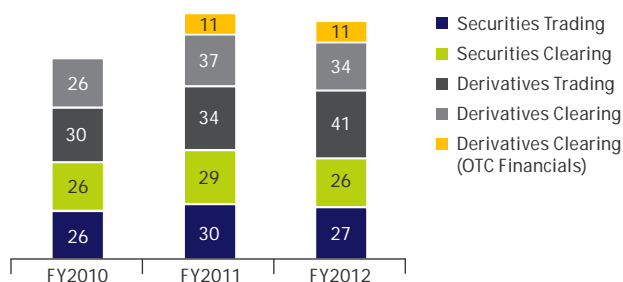
**Rama Pillai**  
Deputy Head of Sales & Clients

### Highlights of the Year:

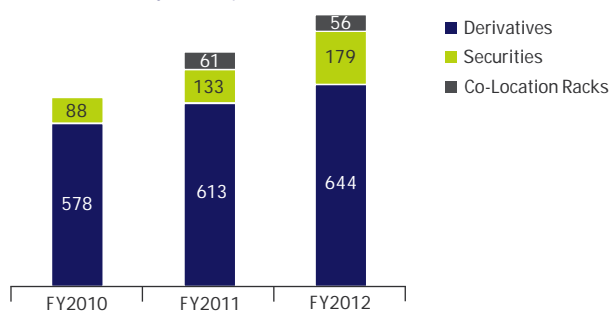
- Welcomed 11 new Derivatives members including 5 futures brokers from Taiwan.
- First exchange in Asia to offer hubs in Chicago and London.
- Collaborated with Ong First, Phillip Futures, UOB Bullion and CIMB Securities to launch Professional Traders Development programmes.

### Key Drivers

No. of Memberships as at year-end

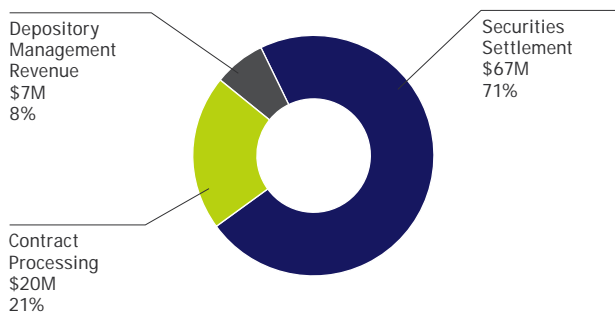


No. of Connectivity Subscriptions



## Depository Services: 14% of Revenue

Settlement and custody services relating to securities listed on SGX and unlisted securities.



Our settlement and depository services began supporting trading of dual currency securities this year. We look forward to adding more service enhancements in the coming year.



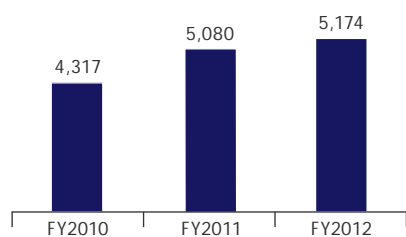
**Lai Kok Leong**  
Head of Depository Services

### Highlights of the Year:

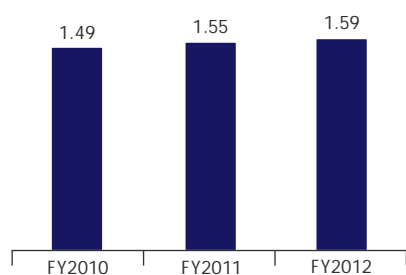
- Increased institutional usage of SGX Prime.
- Enabled settlement capabilities for dual currency securities.
- Extended custody services to Singapore Government Securities.

### Key Drivers

No. of Securities Settlement Instructions ('000)



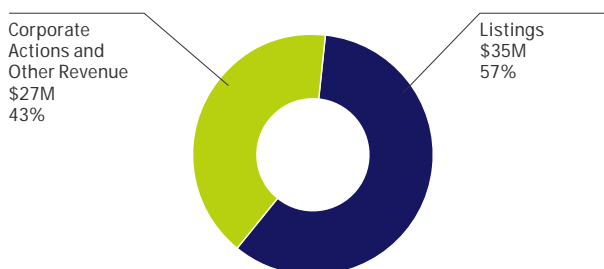
No. of Depository Accounts (M) as at year-end



## Issuer Services: 9% of Revenue

Equity and debt capital raising platforms for companies in search of global funds.

Corporate action services and corporate solutions to listed issuers.



This was a difficult year for capital raising worldwide. Nevertheless, we see strong interest in listing on SGX, and we look forward to our efforts coming to fruition when more stable market conditions prevail.



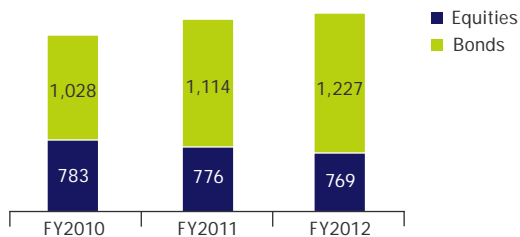
**Lawrence Wong**  
Head of Listings

### Highlights of the Year:

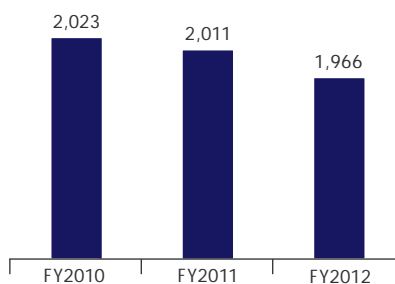
- 23 new equity listings raising \$825 million and \$5.2 billion in secondary fund raising.
- 300 new bond issues raising \$161.3 billion.

### Key Drivers

No. of Listings, Equities and Bonds as at year-end



No. of Corporate Actions



# 2012

## Corporate Milestones



SGX appoints  
Christine Lie to  
head listings  
business in China  
Jul 2011



SGX's Reach,  
world's fastest  
trading engine,  
goes live  
Aug 2011



GF Futures joins  
SGX as first  
Chinese member  
Aug 2011



SGX enhances listing  
rules to strengthen  
Corporate Governance  
practices  
Sep 2011



SGX successfully  
launches clearing  
service for OTC  
Traded Asian FX  
Forwards  
Oct 2011



SGX appoints  
Neena Prasad  
to lead listings  
business in India  
Nov 2011



SGX completes the  
transfer of margins  
and positions for  
customers of MF  
Global Singapore  
Dec 2011



**SGX introduces  
'My Gateway'  
portal to enhance  
investor education**  
Jan 2012



**U.S. CFTC approves  
FTSE China A50  
and MSCI Asia APEX  
50 futures contracts**  
Jan 2012



**SGX enters connectivity  
partnerships with NYSE  
Technologies and Eurex**  
Mar 2012



**MAS and SGX  
join Malaysia and  
Thailand to expedite  
review process for  
secondary listings  
within ASEAN**  
Mar 2012



**SGX starts dual  
currency trading in  
its Securities market**  
Apr 2012



**SGX opens Chicago  
and London hubs**  
Jun 2012



**SGX starts trading  
MSCI Indonesia  
Futures**  
Jun 2012

# Group Financial Performance

	FY2008	FY2009	FY2010	FY2011	FY2012
Consolidated Statement of Comprehensive Income (\$M)					
Revenue	769	595	640	661	648
Expenses	241	229	261	287	284
Operating profit	528	366	379	374	364
Earnings before interest, tax, depreciation and amortisation	540	384	405	411	404
Profit before tax	576	369	385	358	358
Profit attributable to equity holders					
- reported	478	306	320	295	292
- underlying <sup>1</sup>	444	306	318	312	304
Consolidated Statement of Cash Flows (\$M)					
Cash flows from operating activities	497	279	375	349	345
Consolidated Statement of Financial Position (\$M)					
Total assets	1,917	1,417	1,402	1,901	1,729
- Cash & cash equivalent (excluding restricted cash reserves)	648	471	537	545	548
Total liabilities	1,023	639	586	1,077	896
Interest of equity holders	894	778	816	824	833
Includes proposed final dividend of:	309	165	168	160	160
- Capital expenditure	46	37	55	57	41
No. of shares issued (million)	1,067	1,069	1,071	1,072	1,072
No. of shares held as treasury shares (million)	3	5	5	4	4

	FY2008	FY2009	FY2010	FY2011	FY2012
Financial Indicators					
Revenue growth (%)	33.4	(22.6)	7.5	3.3	(1.9)
Cost-to-income ratio (%)	31.3	38.6	40.8	43.5	43.8
Operating cash flow per share (cents)	46.7	26.2	35.2	32.7	32.3
Net asset value per ordinary share as at 30 June (cents)	84.0	73.2	76.6	77.2	78.0
(a) Based on reported net profit attributable to equity holders					
Operating profit margin (%)	68.7	61.4	59.2	56.5	56.2
Net profit margin (%)	61.1	51.1	49.7	44.5	44.6
Return on equity (%)	55.5	36.6	40.2	36.0	35.2
Basic earnings per share (cents)	45.1	28.7	30.1	27.6	27.3
(b) Based on underlying <sup>1</sup> net profit					
Net profit margin (%)	56.8	51.1	49.4	47.1	46.5
Return on equity (%)	51.5	36.6	39.9	38.0	36.7
Basic earnings per share (cents)	41.9	28.7	29.9	29.2	28.5
Dividend per share (cents)					
- Base	12.0	14.0	15.0	16.0	16.0
- Variable	26.0	12.0	12.0	11.0	11.0
Dividend payout ratio (%)					
- Based on reported net profit	84.5	90.5	89.9	97.7	98.8
- Based on underlying <sup>1</sup> net profit	91.0	90.5	90.5	92.4	94.9
SGX Share Performance					
Start for the financial year	9.75	6.94	7.13	7.37	7.53
High	16.40	7.85	8.85	10.12	7.68
Low	6.40	4.02	6.86	7.09	5.93
End for the financial year	6.91	7.10	7.39	7.53	6.31
Average daily volume traded (million)	9.2	8.7	3.9	4.0	2.1
Total shareholder return (%)	(25.4)	8.5	7.9	5.7	(12.6)

<sup>1</sup> Underlying net profit excludes the following:

- \$11.0 million impairment loss on investment in Bombay Stock Exchange and \$1.1 million impairment loss on investment in Chi-East Pte. Ltd. in FY2012;
- \$18.6 million ASX-SGX transaction related costs and \$1.7 million net gain on disposal of freehold property in FY2011;
- \$5.0 million write-back of allowance for impairment on property and \$2.7 million impairment of goodwill in FY2010; and
- \$34.0 million distribution from SGX-DT Compensation Fund in FY2008.

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Our People 03

# Board of Directors

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## Chew Choon Seng, 65

Chairman  
Non-Executive and Independent Director

Date of first appointment as a director: 1 December 2004  
Date of last re-election as a director: 7 October 2010  
Length of service as a director (as at 30 June 2012): 7 years 7 months

Board committee(s) served on:  
Remuneration Committee (Chairman)<sup>1</sup>  
Regulatory Conflicts Committee (Member)<sup>2</sup>  
Nominating 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

Present Directorships (as at 30 June 2012)  
*Listed companies*  
Nil

*Others*  
Government of Singapore Investment Corporation Pte Ltd  
Singapore Tourism Board (Chairman)

Major Appointments (other than Directorships)  
Nil

Past Directorships held over the preceding three years  
(from 30 June 2009 to 29 June 2012)  
International Air Transport Association  
SIA Engineering Company Limited  
Singapore Airlines Limited



## Magnus Böcker, 50

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: 7 October 2010  
Length of service as a director (as at 30 June 2012): 2 years 7 months

Board committee(s) served on:  
Nil

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

Present Directorships (as at 30 June 2012)  
*Listed companies*  
Nil

*Others*  
Singapore Commodity Exchange Limited (Chairman)  
Singapore Exchange Derivatives Clearing Limited  
Singapore Exchange Derivatives Trading Limited  
Singapore Exchange Securities Trading Limited  
Stockad Asia Ltd Hong Kong  
The Central Depository (Pte) Limited

Major Appointments (other than Directorships)  
Financial Sector Development Fund Advisory Committee of MAS (Advisor)  
Intellectual Property Steering Committee (Sub-committee Co-Chairman)  
Intellectual Property Steering Committee of Ministry of Law (Member)  
SMU Sim Kee Boon Institute for Financial Economics Advisory Board (Member)  
The Institute of Banking and Finance (Council Member)

Past Directorships held over the preceding three years  
(from 30 June 2009 to 29 June 2012)  
Dustin AB (Chairman)  
NASDAQ OMX Holding AB  
NASDAQ OMX Nordic Ltd  
NIR, International Council of Swedish Industry  
OMX AB  
World Federation of Exchanges

<sup>1</sup> Appointed on 6 October 2011

<sup>2</sup> Appointed on 1 April 2012



## Thaddeus Beczak, 61

Non-Executive and Independent Director

Date of first appointment as a director:	7 October 2010
Date of last re-election as a director:	N.A.
Length of service as a director (as at 30 June 2012):	1 year 8 months

Board committee(s) served on:  
Risk Management Committee (Member)<sup>1</sup>

Academic & Professional Qualification(s):  
Bachelor of Science (Foreign Service International Affairs), Georgetown University  
Master of Business Administration, Columbia University

Present Directorships (as at 30 June 2012)

*Listed companies*

Advanced Semiconductor Manufacturing Corp 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)  
China Renaissance Holdings Limited (Vice Chairman)  
China Renaissance Securities (Hong Kong) 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 2009 to 29 June 2012)

Arnhold Holdings Limited  
Cowen and Company (Asia) Limited (Chairman)  
Cowen and Company, LLC (Vice-Chairman)  
LIM Asia Alternate Real Estate Fund



## Jane Diplock AO, 63

Non-Executive and Independent Director

Date of first appointment as a director:	25 July 2011
Date of last re-election as a director:	6 October 2011
Length of service as a director (as at 30 June 2012):	11 months

Board committee(s) served on:  
Regulatory Conflicts Committee (Member)<sup>1</sup>

Academic & Professional Qualification(s):  
Bachelor of Arts (Honours), LLB, Dip Ed., Sydney University  
Dip. Int. Law, Australian National University

Present Directorships (as at 30 June 2012)

*Listed companies*

Nil

*Others*

Australian Financial Services Group Pte Limited  
International Integrated Reporting Council

Major Appointments (other than Directorships)

International Advisory Board of the Securities and Exchange Board of India (Member)  
International Advisory Committee of the China Securities Regulatory Commission (Member)  
International Advisory Council of the International Center for Financial Regulation (Member)  
Public Interest Oversight Board (Member)

Past Directorships held over the preceding three years  
(from 30 June 2009 to 29 June 2012)

International Organisation of Securities Commissions  
(Executive Committee Chairman)  
New Zealand Securities Commission (Chairman)

<sup>1</sup> Appointed on 6 October 2011

<sup>1</sup> Appointed on 6 October 2011



## Euleen Goh, 57

Non-Executive and Non-Independent Director

Date of first appointment as a director:	29 September 2006
Date of last re-election as a director:	13 October 2009
Date of next re-election as director:	N.A. <sup>1</sup>
Length of service as a director (as at 30 June 2012):	5 years 9 months

Board committee(s) served on:  
Regulatory Conflicts Committee (Member)<sup>2</sup>  
Risk Management Committee (Member)

Academic & Professional Qualification(s):  
Chartered Institute of Taxation, UK  
Institute of Certified Public Accountants of Singapore  
Institute of Chartered Accountants in England and Wales  
ifs School of Finance, UK

Present Directorships (as at 30 June 2012)

*Listed companies*

Aviva plc  
CapitaLand Limited  
DBS Group Holdings Ltd  
Singapore Airlines Limited

*Others*

DBS Bank Ltd  
Singapore Chinese Girls' School (Chairman)

Major Appointments (other than Directorships)  
Northlight School (Chairman/Board of Governors)  
NUS Business School (Management Advisory Board Member)  
Singapore Institute of International Affairs (Adviser)  
Singapore International Foundation (Chairman)

Past Directorships held over the preceding three years

(from 30 June 2009 to 29 June 2012)

Accounting Standards Council (Chairman)  
MediaCorp Pte Ltd



## Lee Hsien Yang, 54

Non-Executive and Independent Director

Date of first appointment as a director:	17 September 2004
Date of last re-election as a director:	6 October 2011
Length of service as a director (as at 30 June 2012):	7 years 9 months

Board committee(s) served on:  
Audit Committee (Chairman)  
Nominating Committee (Member)<sup>1</sup>  
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 2012)

*Listed companies*

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

*Others*

Asia Pacific Investment Pte Ltd (Chairman)  
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 (Chairman<sup>2</sup>, Independent Director)

Major Appointments (other than Directorships)

Nil

Past Directorships held over the preceding three years

(from 30 June 2009 to 29 June 2012)

Republic Polytechnic

<sup>1</sup> Due to retire by rotation at the 13th Annual General Meeting and will not be seeking re-election

<sup>2</sup> Stepped down on 1 April 2012

<sup>1</sup> Appointed on 6 October 2011

<sup>2</sup> Appointed on 4 May 2012



## Liew Mun Leong, 66

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
Date of next re-election as a director:	20 September 2012
Length of service as a director (as at 30 June 2012):	3 years

Board committee(s) served on:  
Audit Committee (Member)  
Remuneration Committee (Member)

Academic & Professional Qualification(s):  
Bachelor of Engineering (Civil), University of Singapore  
Registered Professional Engineer

Present Directorships (as at 30 June 2012)

*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

CapitaLand Hope Foundation

CapitaLand ILEC Pte Ltd (Chairman)

CapitaLand Residential Singapore Pte Ltd (Chairman)

CapitaMall Trust Management Limited (Deputy Chairman)

CapitaRetail China Trust Management Limited (Deputy Chairman)

CapitaValue Homes Limited (Chairman)

Changi Airport Group (Singapore) Pte Ltd (Chairman)

China Club Investment Pte Ltd (Chairman)

LFIE Holding Limited

Singapore-China Foundation Ltd

Surbana Corporation Pte Ltd

The Ascott Limited (Chairman)

Major Appointments (other than Directorships)

CapitaLand Limited (President and CEO)

Centre for Liveable Cities (Board Member)

Chinese Development Assistance Council (Member, Board of Trustees)

NUS Business School (Management Advisory Board Member)

Past Directorships held over the preceding three years

(from 30 June 2009 to 29 June 2012)

CapitaLand Industrial & Logistics Holdings Limited

CapitaLand UK Holdings Limited

Clarke Quay Pte Ltd

TCC Capital Land Limited



## Loh Boon Chye, 48

Non-Executive and Non-Independent Director

Date of first appointment as a director:	22 October 2003
Date of last re-election as a director:	7 October 2010
Date of next re-election as a director:	N.A. <sup>1</sup>
Length of service as a director (as at 30 June 2012):	8 years 8 months

Board committee(s) served on:  
Risk Management Committee (Chairman)  
Audit Committee (Member)<sup>2</sup>  
Nominating Committee (Member)

Academic & Professional Qualification(s):  
Bachelor of Engineering (Mechanical), National University of Singapore

Present Directorships (as at 30 June 2012)

*Listed companies*

Nil

*Others*

BC Capital Pte Ltd

BC Investments Holdings Ltd

Gym & Sports Pte Ltd

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 2009 to 29 June 2012)

Nil

<sup>1</sup> Due to retire by rotation at the 13th Annual General Meeting and will not be seeking re-election

<sup>2</sup> Stepped down on 1 April 2012



## Ng Kee Choe, 68

Non-Executive and Independent Director

Date of first appointment as a director: 22 October 2003  
 Date of last re-election as a director: 7 October 2010  
 Date of next re-election as a director: 20 September 2012  
 Length of service as a director (as at 30 June 2012): 8 years 8 months

Board committee(s) served on:  
 Nominating Committee (Chairman)<sup>1</sup>  
 Audit Committee (Member)  
 Remuneration Committee (Member)

Academic & Professional Qualification(s):  
 Bachelor of Science (Honours), University of Singapore

Present Directorships (as at 30 June 2012)  
*Listed companies*  
 CapitaLand Limited (Chairman)  
 PT Bank Danamon Indonesia, Tbk (President-Commissioner)  
 Singapore Airport Terminal Services Limited  
 SP AusNet (Chairman)

*Others*  
 Fullerton Financial Holdings Pte Ltd  
 NTUC Income Insurance Cooperative 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 2009 to 29 June 2012)  
 S Daniels Plc  
 Singapore Power Limited (Chairman)



## Robert Owen, 72

Non-Executive and Independent Director

Date of first appointment as a director: 17 September 2004  
 Date of last re-election as a director: 6 October 2011  
 Date of next re-appointment as a director: 20 September 2012<sup>1</sup>  
 Length of service as a director (as at 30 June 2012): 7 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 2012)  
*Listed companies*  
 Crosby Capital Limited

*Others*  
 Citibank (Hong Kong) Ltd  
 International Securities Consultancy Ltd (Chairman)  
 KASB Funds Ltd  
 Repton Dubai  
 Sir John Port's Charity  
 Stanhill Capital Ltd  
 The Dubai Financial Services Authority

Major Appointments (other than Directorships)  
 Repton School UK (Governor)

Past Directorships held over the preceding three years  
 (from 30 June 2009 to 29 June 2012)  
 Crosby Asset Management Inc. (Chairman)  
 Crosby China Chips Fund Ltd  
 IB Daiwa Corporation (Chairman)

<sup>1</sup> Appointed on 6 October 2011

<sup>1</sup> Pursuant to Section 153(6) of the Companies Act (Cap 50)



## Quah Wee Ghee, 51

Non-Executive and Non-Independent<sup>1</sup> Director

Date of first appointment as a director: 6 October 2011  
Length of service as a director (as at 30 June 2012): 8 months

Board committee(s) served on:  
Remuneration Committee (Member)<sup>2#</sup>  
Risk Management Committee (Member)<sup>2</sup>

Academic & Professional Qualification(s):  
Bachelor of Engineering (Civil) (First Class Honours),  
National University of Singapore  
Chartered Financial Analyst, Association For Investment Management  
& Research (United States)  
Stanford Executive Program, Stanford University

Present Directorships (as at 30 June 2012)  
*Listed companies*  
OCBC Ltd

*Others*  
Cypress Holdings  
Economics Development Board Investment Pte Ltd  
Investment Committee of the Singapore Labour Foundation (Chairman)  
GIC Asset Management Pte Ltd  
Government of Singapore Investment Corporation Pte Ltd  
Grand Alpine Enterprise Ltd  
Great Eastern Life Assurance Company Ltd  
SLF Strategic Advisers Pte Ltd (Chairman)

Major Appointments (other than Directorships)  
MOH Holdings Pte Ltd (Chairman of Investment Committee  
& Evaluation Committee)  
Singapore University Technology & Design (Co-Chairman of Endowment  
and Member of Board of Trustee and Investment Committee)

Past Directorships held over the preceding three years  
(from 30 June 2009 to 29 June 2012)  
Central Provident Fund Board  
Equivest Pte Ltd  
Euthalia Real Strategies Pte Ltd



## Davinder Singh, 55

Non-Executive and Non-Independent<sup>1</sup> Director

Date of first appointment as a director: 6 October 2011  
Length of service as a director (as at 30 June 2012): 8 months

Board committee(s) served on:  
Nominating Committee (Member)<sup>2</sup>  
Regulatory Conflicts Committee (Member)<sup>2#</sup>

Academic & Professional Qualification(s):  
LL.B. (Honours), National University of Singapore

Present Directorships (as at 30 June 2012)  
*Listed companies*  
Petra Foods Limited  
Singapore Technologies Engineering Ltd

*Others*  
Drew & Napier LLC  
DrewCorp Services Pte Ltd  
PSA International Pte Ltd

Major Appointments (other than Directorships)  
Best Lawyers (Member of Advisory Board)  
Kuala Lumpur Regional Centre for Arbitration (Member of Panel of Arbitrators)  
National University of Singapore (Member of Board of Trustees)  
Singapore Academy of Law Commissioning Panel (Representative  
of the Law Society of Singapore)  
Singapore International Arbitration Centre (Member of Panel of Arbitrators)  
Supreme Court of Singapore (Member of the Disciplinary Committee)

Past Directorships held over the preceding three years  
(from 30 June 2009 to 29 June 2012)  
Nil

<sup>1</sup> Non-independent with effect from 9 January 2012

<sup>2</sup> Appointed on 6 October 2011

<sup>#</sup> Stepped down on 1 April 2012

<sup>1</sup> Non-Independent with effect from 9 March 2012

<sup>2</sup> Appointed on 6 October 2011

<sup>#</sup> Stepped down on 1 April 2012



**Kwa Chong Seng, 65**

Proposed Director

Proposed date of appointment as a director: 20 September 2012

Academic & Professional Qualification(s):  
Bachelor of Engineering (Mechanical), National University of Singapore

Present Directorships (as at 30 June 2012)

*Listed companies*

Neptune Orient Lines Ltd (Chairman)

*Others*

Delta Topco Limited

Seatown Holdings Pte Ltd

Neptune Orient Lines' subsidiaries:

APL (Bermuda) Ltd (Chairman)

APL Co Pte Ltd (Chairman)

APL Limited (Chairman)

APL Logistics Ltd (Chairman)

Automar (Bermuda) Ltd (Chairman)

Major Appointments (other than Directorships)

Public Service Commission (Member)

Past Directorships held over the preceding three years

(from 30 June 2009 to 29 June 2012)

DBS Bank (Hong Kong) Ltd (Chairman)

DBS Bank Ltd

DBS Group Holdings Ltd

Energy Studies Institute (Member of Management Board)

Esso China Inc. (Chairman and President)

ExxonMobil Asia Pacific Pte Ltd (Chairman and Managing Director)

ExxonMobil Oil Singapore Pte Ltd

Sinopec SenMei (Fujian) Petroleum Co. Ltd.

Temasek Holdings Pte Ltd (Deputy Chairman)



**Kevin Kwok, 56**

Proposed Director

Proposed date of appointment as a director: 20 September 2012

Academic & Professional Qualification(s):  
Bachelor of Arts (Honours), University of Sheffield  
ACA—Associate, Institute of Chartered Accountants in England & Wales  
FCPA—Fellow, Institute of Certified Public Accountants of Singapore  
FSID—Fellow, Singapore Institute of Directors

Present Directorships (as at 30 June 2012)

*Listed companies*

Nil

*Others*

NTUC ElderCare Co-Operative Ltd

The Circadian Advisors Pte Ltd<sup>1</sup>

The Circadian Associates Pte Ltd<sup>1</sup>

The Circadian Group Pte Ltd<sup>1</sup>

Major Appointments (other than Directorships)

Singapore Institute of Directors (Council Member)

Past Directorships held over the preceding three years

(from 30 June 2009 to 29 June 2012)

Ernst & Young Corporate Finance Pte Ltd

<sup>1</sup> Inactive

# Executive Committee



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1. Magnus Böcker  
Chief Executive Officer
2. Muthukrishnan Ramaswami  
President
3. Gan Seow Ann  
Co-President
4. Yeo Lian Sim  
Chief Regulatory & Risk Officer
5. Chng Lay Chew  
Chief Financial Officer
6. Bob Caisley  
Executive Vice President and  
Chief Information Officer
7. Chew Sutat  
Executive Vice President
8. Arulraj Devadoss  
Executive Vice President
9. Benjamin Foo  
Executive Vice President
10. Lawrence Wong Liang Ying  
Executive Vice President



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## Magnus Böcker

Chief Executive Officer

Mr Magnus Böcker joined SGX as Chief Executive Officer on 1 December 2009. He currently serves as a non-independent director on the SGX Board.

Mr Böcker has over two decades of leadership experience in the exchange industry, including being president of NASDAQ OMX during 2008 and 2009, spearheading the creation of OMX (the Nordic Exchanges Company), and subsequently playing a key role in the merger of OMX and Nasdaq in 2008.

During his tenure with OMX, Mr Böcker 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 Böcker is currently a member of The Mount Sinai Hospital Surgery Advisory Board in New York and a council member of the Institute of Banking and Finance in Singapore. He is also a member of the Advisory Board of the Sim Kee Boon Institute for Financial Economics at Singapore Management University.



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## Muthukrishnan Ramaswami

President

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

In this role, Mr Ramaswami drives the growth and development of SGX's core businesses—Securities, Derivatives, Market Data & Access and Post-Trade services which include Depository & Settlement, Broker Services and Over-The-Counter (OTC) Financial Derivatives Clearing. He is responsible for overseeing the development of products and services underpinning SGX's Asia Gateway position and serving SGX's key customers and members. Pending the appointment of a permanent Chief Operations and Technology Officer, he is also, in the interim, managing these functions.

Mr Ramaswami joined SGX on 1 July 2007 to manage SGX's Operations & Technology functions and was subsequently also responsible for the development of the company's post trade processing and ancillary services, supporting SGX's trading and clearing members. Prior to SGX, he worked with Citigroup from 1986 to 2007 where he was most recently the Chief Information Officer with the International Consumer Business of Citigroup'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 Citigroup in Mumbai, Singapore, Hong Kong, London and New York. Mr Ramaswami serves on the board of the Infocomm Development Authority of Singapore.

Mr Ramaswami holds a Master's 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.

## Gan Seow Ann\*

Co-President

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

In this role, Mr Gan drove the growth of SGX's Securities, Derivatives, Commodities and Fixed Income businesses. He also oversaw Sales & Clients, and Market Data & Access. His responsibilities included the development and improvement of products, services and market participation to augment SGX's Asian Gateway positioning. He also supervised 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) Degree with Distinction and holds a Master of Business Administration from McMaster University, Canada.

\* Mr Gan resigned from his post as Co-President and his last day of service with SGX was 25 May 2012.



### Yeo Lian Sim

Chief Regulatory & Risk Officer

Ms Yeo oversees 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 Development & Policy. They work closely with the Monetary Authority of Singapore (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, Singapore Land Authority, 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's Degree from the London Business School, UK.

Ms Yeo was awarded the Public Administration Medal (Gold) at the Singapore National Day Honours in 1994.

### Chng Lay Chew

Chief Financial Officer

Mr Chng Lay Chew joined SGX on 29 December 2011 and oversees Finance, Treasury, Corporate & Market Strategy and Investor Relations. In his role, he also manages the Legal and Company Secretary, and Facilities Management units.

Mr Chng has a 32-year track record in accounting and financial management, including leadership positions in leading local and international banks. In his previous role, he was responsible for the finance functions of DBS Group's operations in all countries outside Singapore. He was also previously CFO of the bank's Greater China business, supporting the integration and growth of the Hong Kong operations and the expansion into China. His earlier roles include senior finance positions in JP Morgan's Singapore, Tokyo and New York offices.

Mr Chng is a member of the New Zealand Institute of Chartered Accountants and the Institute of Certified Public Accountants of Singapore. He holds a Bachelor of Commerce and Administration Degree from New Zealand's Victoria University.

### Bob Caisley

Executive Vice President and Chief Information Officer

Mr Caisley is responsible for managing the technology business which comprises the functions of IT planning and governance, enterprise architecture, testing, solutions delivery and service management. The primary purpose of the team is to provide a robust and reliable technology infrastructure that reinforces SGX's strategic business and growth plans.

He provides strategic IT leadership and oversees the development and delivery of IT services and new technologies. He is also responsible for the roll-out of the SGX Reach initiative to create the world's fastest trading engine, establish a world-class data centre and connect trading communities in global financial hubs to Singapore.

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 responsible for the management of the Australian Securities Exchange's (ASX) business solutions projects. In his career, he has been responsible for the successful implementations of key IT projects with 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.

### Chew Sutat

Executive Vice President

Mr Chew Sutat is Head of Sales & Clients and is responsible for the Exchange's international distribution network including growing market participation and the membership base in securities, derivatives, commodities and data products.

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 (1st 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.

### Arulraj Devadoss

Executive Vice President

Mr Devadoss joined the Exchange on 1 December 2011 as Head of Human Resources and was appointed to the Executive Committee in May 2012.

Mr Devadoss is an industry veteran with more than 26 years in human resources management, and comes with a rich global experience from the banking and financial industry. In his 20 years with Standard Chartered Bank, he worked in roles across several businesses and spanning various aspects of human resources. In his last role, he was the Global Human Resources Head for the Client Relationship Business of Standard Chartered Bank.

Mr Devadoss graduated with a Bachelor of Arts Degree in Economics from University of Madras, India in 1982. He also holds a Honours Diploma in Personnel Management and Industrial Relations from Xavier Labour Relations Institute, Jamshedpur.

### Benjamin Foo

Executive Vice President

Mr Benjamin Foo is 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, and 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 in Business Administration in 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 nominees businesses, fund management and private equity.

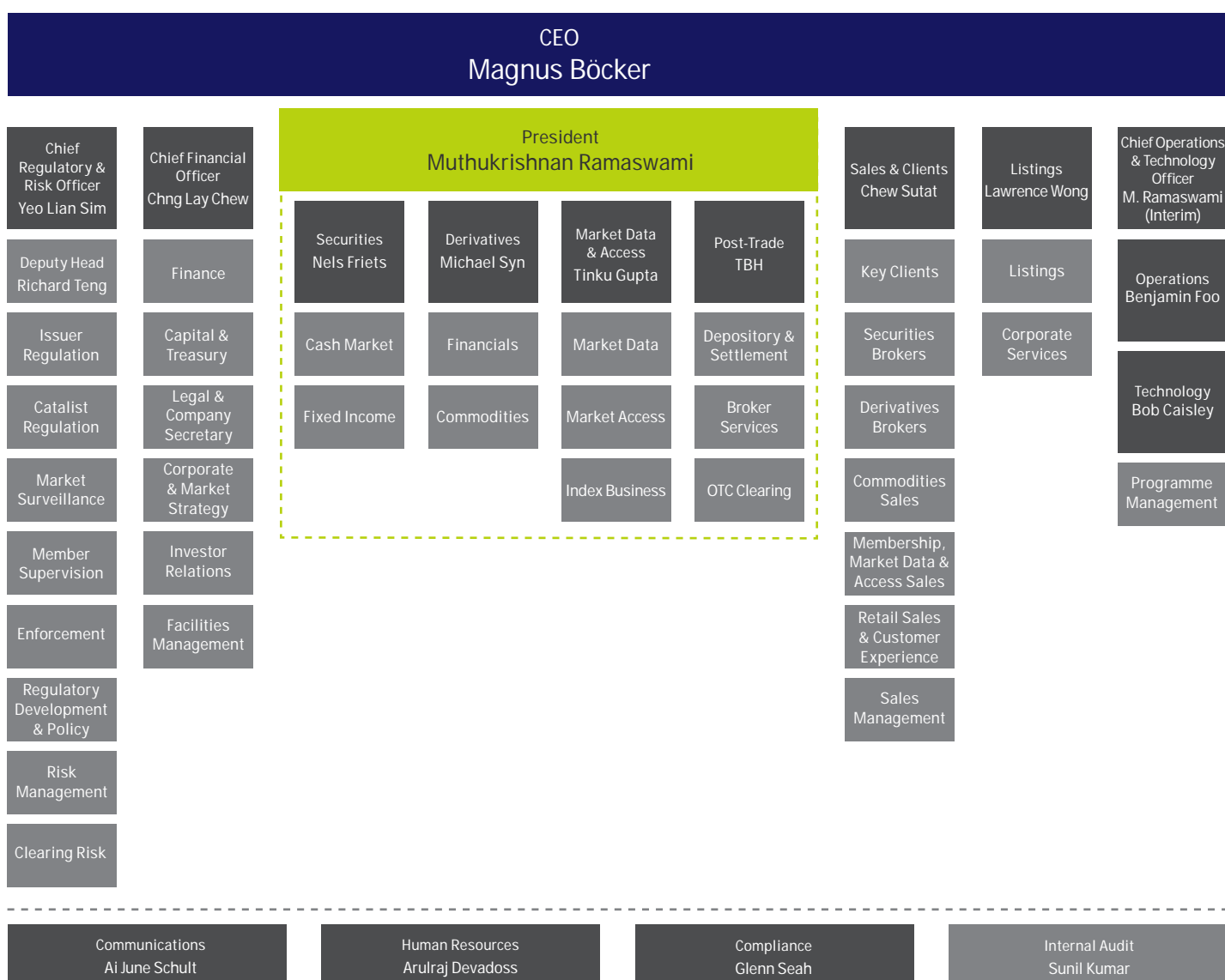
Before OCBC Bank, Mr Wong held several senior positions at Schroders Group, including Head of Corporate Finance for South East Asia and Head of Financial Institutions Group, Asia Pacific. His assignments also included an overseas posting to Shanghai, China, as General Manager of Schroders' joint venture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

Mr Wong is a member of various collaboration councils set up by Singapore with Guangdong, Jiangsu, Liaoning, Shandong, Sichuan, Tianjin and Zhejiang to promote economic, trade and investment activities.

# Organisation

SGX announced a new organisation structure for SGX that took effect from 1 May 2012. The reorganisation is to improve efficiency and better capitalise on our investment opportunities. It is designed to generate agility and speed in incubation and to grow new opportunities, achieve economies of scale and increase productivity across all business and support units.

The reorganisation has also resulted in the creation of two senior positions: Head of Post-Trade, and Chief Operations & Technology Officer.



## Governance and Management 04

# Self-Regulatory Organisation Governance Report

SGX, as operator of its markets, clearing houses and depository, also performs the function of a front-line regulator. As a self-regulatory organisation (SRO), we are committed to high regulatory and risk management standards.

Strong SRO governance and ongoing building of our regulatory capacity continued to be a priority. In this respect, our regulatory processes were further refined during the year to raise the quality of our regulatory assessments. The Risk Management and Regulation (RMR) function was also reorganised to augment its robustness, capability in risk management and additional legal expertise. We continue to employ more technology to increase our effectiveness in areas such as SRO education and resource allocation.

In FY2012, SGX instituted various initiatives to safeguard the integrity of our clearing operations, enhance transparency and robustness in our markets, and equip investors to make prudent and informed investment decisions.

As financial markets develop and innovate, the challenges facing regulators have become increasingly varied and complex. Globally, regulatory bodies have begun to implement the regulatory reforms and examinations occasioned by the financial crisis in 2008–2009. There is growing clarity on regulatory principles worldwide in areas such as prudential standards, centralised clearing for over-the-counter derivatives, and regulation of systemically important financial institutions.

SGX has kept pace with these developments. Appropriate measures have been taken to align with global standards in a way that is relevant to our market.

## A Strong SRO Governance Framework

The Regulatory Conflicts Committee (RCC), a Board committee comprising independent directors, assists the SGX Board in supervising the management of SRO conflicts and in reviewing the adequacy of resources allocated to SGX's regulatory functions. The RCC also makes decisions on specific cases of SRO conflicts, as needed. The RCC assists the Board in seeking to ensure that SGX's SRO conflicts management processes are functioning appropriately and that resources are sufficient to allow SGX to meet its regulatory obligations and objectives. In the year under review, the RCC implemented further enhancements to SGX's SRO governance framework, which include the following:

- In order to assure the balanced development of the regulatory and commercial aspects of SGX's markets and clearing services, the RCC expanded its scope of duties to include the review of regulatory implications of SGX's strategic initiatives. Under this mandate, the RCC will give an assessment of potential SRO conflicts, reputational risks and the adequacy of regulatory resources supporting the development of all major initiatives.
- An online training platform was launched to facilitate mandatory annual training of all SGX staff in SRO Conflicts management. In addition to increasing training efficiency, the online training assures a continued awareness of SGX's regulatory responsibilities throughout the organisation.
- Specific regulatory performance objectives were extended to business unit heads, in addition to senior management positions previously covered.

- To continue meeting current regulatory challenges, a reorganisation of RMR functions was instituted, and Mr Richard Teng was appointed as Deputy Chief Regulatory Officer. In the area of risk management, the dual key structure of separate units undertaking risk model formulation and independent validation progressed, with the engagement of a new head of Risk Management to buttress organisational capability in this area. The Regulatory Development and Policy unit also expanded its scope by incorporating related legal functions. With the increase in its capabilities and expertise, RMR will be well placed to meet varied demands in its regulatory support for SGX's initiatives.
- Enhancements have also been made to our regulatory processes to ensure, in particular, the continued robustness of our regulatory assessments and submissions. The enhancements continue to keep our process in line with global best practices and standards related to systemically important financial institutions.
- The increased use of technology in regulatory and risk management will continue into the coming year. Key points include the introduction of an automated submission system for listed companies and member applications, progress in the development of our new Risk Management System and deployment of an electronic solution for resource and workflow management.

The Compliance unit reviews SGX's compliance with the SRO Conflicts Handbook. An internal audit was also conducted on the SRO Conflicts Management Framework.



SGX conducted comprehensive self-assessments of its compliance with the relevant Principles and Standards, and provided detailed responses to the MAS.

## Improving the Quality of the Marketplace

During FY2012, SGX introduced several initiatives to enhance the transparency and robustness of our securities and derivatives markets. We consulted the public on changes to the error trade policy and on the introduction of circuit breakers for our securities market. Both of these measures provide a safeguard for investors in the event of sudden and rapid price movements. We also consulted on enhancements to the regulatory framework governing direct access to both of our markets, in order that participants granted direct trading access are subject to clear and appropriate regulatory requirements.

Enhancements were made to the opening and closing routines in the securities market including the implementation of indicative price publication and random ends to the auction routines. These improve the integrity of the opening and closing prices in our securities market.

Changes being made to our listing rules will similarly enhance information disclosure for investors, assisting them to make informed and prudent investment decisions. SGX adopted the revised Code of Corporate Governance released by the MAS with necessary amendments to the listing rules. The amended rules will strengthen corporate governance practices and foster greater corporate disclosure. Key measures include requiring an issuer to disclose loan agreements that make reference to control or controlling

shareholder interest; prohibiting the transfer of securities during a trading suspension; requiring audit firms appointed by the issuer to be registered with and/or regulated by ACRA or an independent audit oversight body exercising disciplinary powers over their members and codifying SGX's powers to object to the appointment of Board members of the issuer where the person is under investigation.

We also consulted the public on new mainboard listing rules relating to mineral, oil and gas companies in the exploration stage. These rules conform to international standards and are similar in nature to those implemented on the Catalist Board last year. The rules are calibrated to ensure the provision of relevant information and disclosures to the investing public.

SGX can issue warnings and public reprimands and, in egregious cases, de-list an offending company for breaches of its listing rules. We continue to uphold the requirements of our listing rules vigorously and do all that is within our powers to bring wrongdoers to book.

On 19 October 2011, the former Executive Chairman and the CFO of Daka Designs (a company formerly listed on SGX) were convicted in Hong Kong of fraud offences arising from their dealings while in the company. Daka had been suspended by SGX in 2006 after a special audit commissioned by SGX uncovered serious financial irregularities. It was subsequently delisted in 2008. SGX

actively assisted in the investigations and court prosecution by the Hong Kong authorities, with a member of SGX staff appearing as a prosecution witness in the Hong Kong courts in the trial of the former Executive Chairman and the CFO.

Another case which has attracted public attention is that of China Sky Chemical Fibre Co Ltd, which was publicly reprimanded (together with each of its directors) in December 2011 for failing to comply with a directive from the Exchange to appoint a Special Auditor to investigate certain issues, including interested party transactions, about which SGX has concerns. One of the directors (who subsequently resigned) applied to the High Court to have the Exchange's reprimand quashed. The Court dismissed the former director's application, finding that SGX-ST fully and substantively accorded the individual a fair hearing by giving him notice of its intention to reprimand, particulars of the case against him and full opportunities to be heard. The company's failure to comply with the Exchange's directive to appoint a Special Auditor persists. Shares in the company remain suspended pending such appointment which will allow a proper determination of the affairs of the company for disclosure. The disclosure obligations set out in the listing rules are also backed by statutory provisions in the Securities and Futures Act (SFA), breaches of which can be pursued by the empowered authorities.

## Enhancing Clearing Robustness to Promote Systemic Stability

The robustness of our clearing operations is key to systemic stability. SGX implemented refinements to the clearing procedures and enhanced the default management powers of its derivatives clearing house. This included the development of policies to safeguard the clearing house and its participants against potential systemic fallout arising from multiple defaults occurring in a short period of time. We are also currently assessing our clearing operations for alignment with the new and more exacting standards released in April 2012 by the Committee on Payment and Settlement Systems and International Organisation of Securities Commissions (IOSCO) for Financial Market Infrastructures.

SGX further developed policies to deal with potential disruptions to its clearing and settlement functions. The robustness of our risk management procedures was illustrated during the collapse of MF Global and its subsequent filing for bankruptcy protection in the US. There was a direct effect on SGX, with the presence of its local subsidiary as a clearing member of our derivatives clearing house. SGX was alert to the financial distress faced by MF Global and took pre-emptive risk management measures, prior to its official filing for bankruptcy protection in the US. Close co-operation with the provisional liquidators of MF Global Singapore and the MAS enabled SGX to transfer customer positions, together with the associated margins of identified accounts, smoothly; thereby achieving full portability for customers. It allowed SGX to close out residual positions within two to three days of the bankruptcy filing, and start the process of returning funds to customers promptly. Funds were also returned to liquidators in accordance with SGX's rules. The net effect of SGX's quick action was that customers who are entitled to be paid out of the customer funds collected by the MF Global Singapore's provisional liquidators have, since February 2012, been paid up to 90% of their entitlements.

## Investor Protection and Education

In anticipation of MAS' new Specified Investment Products (SIP) regime for investor protection, SGX proactively worked with intermediaries and the Securities Association of Singapore to introduce online investor education and qualification solutions. SGX also facilitated the 'tagging' of products deemed to be SIPs on its trading engine, with a separate tag to alert investors to synthetic ETFs.

There were additional initiatives to help investors better understand the newly-introduced requirements for trading of SIPs as well as the various instruments classified as SIPs. These included public seminars in the regional libraries and reaching out to younger investors at three local universities. Specific focus was placed on the Resource sector, including investor guides and seminars on the unique processes and risks in investing in mining, oil and gas companies. Seminars were also held to help investors better understand various issues involved in topical subjects such as delistings.

To promote investor awareness of disciplinary actions taken against listed companies, SGX introduced a dedicated webpage setting out all public reprimands against listed companies, directors and management. A policy of publishing the names of individuals who have not demonstrated qualities expected of directors and senior management was also introduced. This complemented the existing transparency provided with the publication of disciplinary action taken against SGX's members. The webpage can be found at [www.sgx.com/regulation/disciplinary](http://www.sgx.com/regulation/disciplinary).

## Engagement in Global Regulatory Debate

In 2011 and 2012, key international policy-making bodies such as the Committee on Payment and Settlement Systems and IOSCO published a number of public consultations and principles concerning the trading and clearing of financial derivatives. These include the Principles for Financial Market Infrastructures that SGX is assessing its clearing operations against, Requirements for Mandatory Clearing and Principles for the Regulation and Supervision of Commodity Derivatives Markets. In Singapore, the MAS also consulted on its proposed approaches to the regulation of OTC derivatives, assumption of regulatory oversight of commodity derivatives and risk-based capital framework for intermediaries.

SGX conducted comprehensive self-assessments of its compliance with the relevant Principles and Standards, and provided detailed responses to the MAS.

SGX continued to be active on the international regulatory front. SGX participated in regulatory discussions at regional and international forums, such as the Inter-market Surveillance Group Meeting, Central Counterparty Global Conference, International Futures Industry Conference, World Federation of Exchanges workshops and the IOSCO Annual Conference. In December 2011, SGX hosted the Chief Regulatory Officers' Conference which was attended by representatives from SROs and member firms from the US, European and Asian markets. The conference demonstrated our commitment to meaningful participation in the global regulatory debate. Issues discussed included capital and prudential standards for systemically important financial institutions, global regulatory reform direction, cross-border cooperation, investor education and changes in the trading landscape arising from technological developments. The diverse approaches and views shared on these pressing regulatory issues made the Conference a fruitful forum.

# Corporate Governance Report

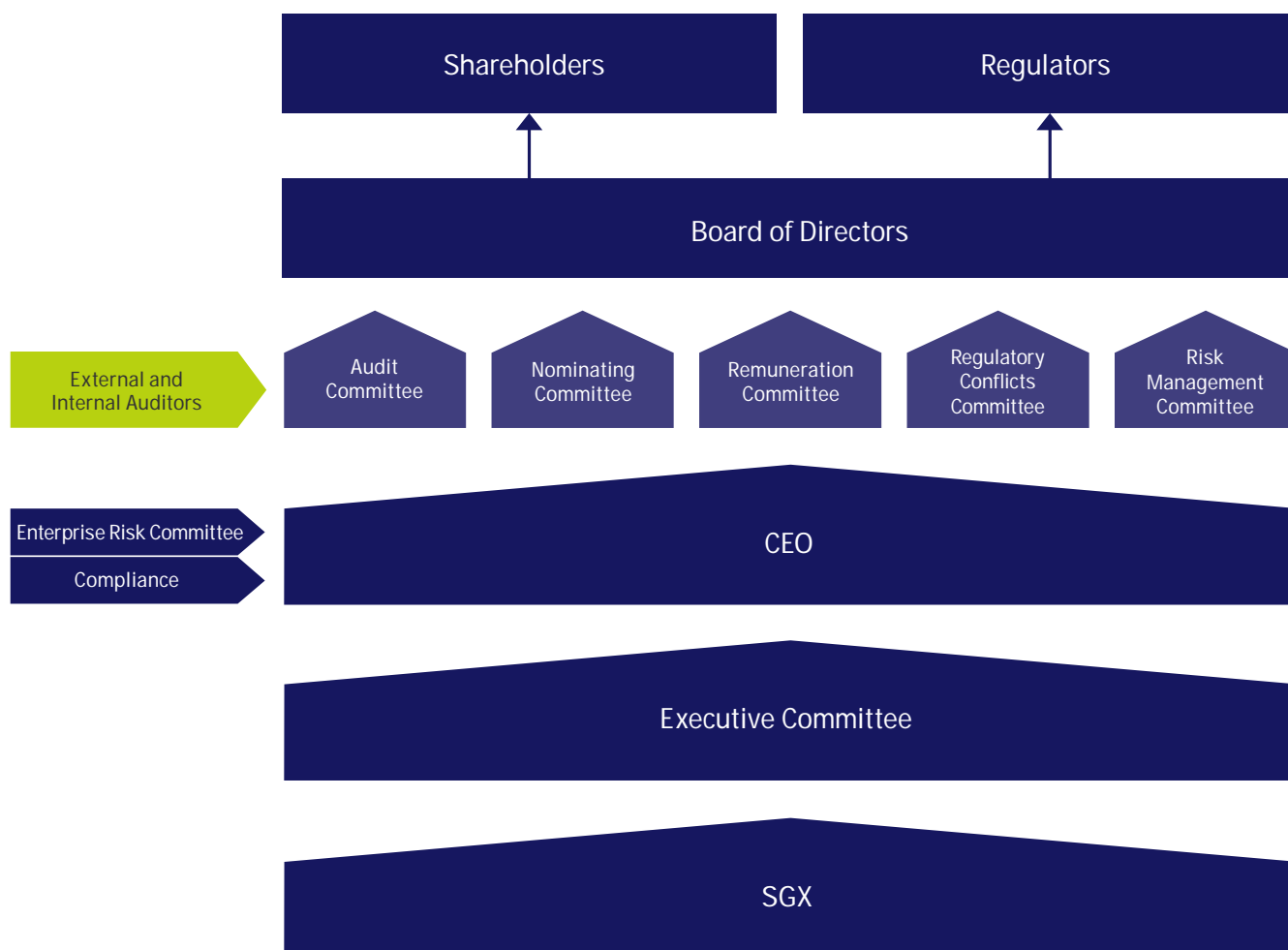
## Compliance with Code of Corporate Governance 2005 (Code)

Singapore Exchange (SGX) is committed to high standards of corporate governance, business integrity and professionalism in all its activities. SGX's corporate governance practices conform to the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005 (SFR 2005). SGX has complied with all provisions of the Code throughout the financial year ended 30 June 2012.

## Self-Regulatory Organisation Governance

This report is to be read in conjunction with the SRO Governance Report, which sets out SGX's corporate governance as a self-regulatory organisation. Unless specified otherwise, references to the independence of directors are references to independence as defined under SFR 2005, which are generally more stringent than the requirements of independence as set out in the Code.

## Corporate Governance Framework





## Highlights

### Awards and Accolades

- Ranked 2nd in the Governance & Transparent Index 2012, launched by the Business Times, CPA Australia and the Centre for Governance, Institutions and Organisations (CGIO) of NUS Business School, National University of Singapore.

### Transparency

- Quarterly financial reports.
- Quarterly briefings to analysts and media webcasted.
- Daily updates of volumes and values of Singapore Securities Market displayed on website.
- Monthly publications on volumes and values traded on key products provide guidance to our final financial results.

### Strong Risk Management

- Risk tolerance levels for all SGX's key risks are endorsed by the Board.
- Please refer to section on 'Risk Management Report'.

### Shareholders' Rights

- Voluntarily limits the percentage of share capital to be offered other than on a pro-rata basis to not exceed 10%.

### Board Performance

- Independent Board evaluation reflected high scores on "Board Processes", "Committee Self Evaluation" and "Overall Perception of the Board".

### Board Succession Planning

- Board renewal and refreshment:
  - Proposed appointment of new independent and non-executive directors.
  - Retirement of long-serving directors Mr Loh Boon Chye and Ms Euleen Goh.

## 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 business and its performance.

The principal duties of the Board include:

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

#### Independent Judgement

All directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of SGX. In determining the independence of directors, SGX's definition of independence adheres to the more stringent requirements under the SFR 2005, which includes independence from corporations that carry out significant transactions with SGX.

#### Delegation by the Board

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 to assist the Board in the discharge of specific responsibilities. Clear written Terms Of References (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 TORs are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance. The detailed

TORs of Board committees are 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 Annual Report (AR) for more information on the activities of the RCC.

Please refer to Principles 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 and Board committees meetings and Annual General Meeting (AGM) 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. Telephonic attendance at Board meetings is allowed under SGX's Articles of Association (Articles). The Board and Board committees may also make decisions by way of circulating resolutions.

Meeting		No. of Meetings Held	No. of Meetings Attended					
			Chew Choon Seng	Magnus Böcker	Thaddeus Beczak	Jane Diplock	Euleen Goh	Lee Hsien Yang
1) Annual General Meeting	Scheduled	1	1	1	1	1	1	1
2) Extraordinary General Meeting	Scheduled	1	1	1	1	1	1	1
3) Board Meeting	Scheduled	4	4	4	4	4	4	4
a) Nominating Committee Meeting	Scheduled	2	2	2 <sup>#</sup>	-	-	-	2 <sup>*</sup>
	Ad hoc	2	2	1 <sup>#</sup>	-	-	-	1 <sup>*</sup>
b) Remuneration Committee Meeting	Scheduled	2	2	2 <sup>#</sup>	-	-	-	2
	Ad hoc	2	2	2 <sup>#</sup>	-	-	-	2
c) Audit Committee Meeting	Scheduled	4	3 <sup>#</sup>	4 <sup>#</sup>	-	-	-	4
d) Regulatory Conflicts Committee Meeting	Scheduled	2	2 <sup>#2</sup>	2 <sup>#</sup>	-	2 <sup>*</sup>	1 <sup>^</sup>	-
e) Risk Management Committee Meeting	Scheduled	3	2 <sup>#</sup>	3 <sup>#</sup>	3 <sup>*</sup>	-	3	-
	Ad hoc	1	1 <sup>#</sup>	1 <sup>#</sup>	-	-	1	-

<sup>#</sup> By invitation

<sup>\*</sup> Appointed on 6 October 2011

<sup>^</sup> Stepped down on 1 April 2012

<sup>1</sup> Stepped down on 6 October 2011

<sup>2</sup> Appointed on 1 April 2012

Besides the scheduled Board meetings, the Board meets on an ad hoc basis as warranted by particular circumstances.

### Board Approval

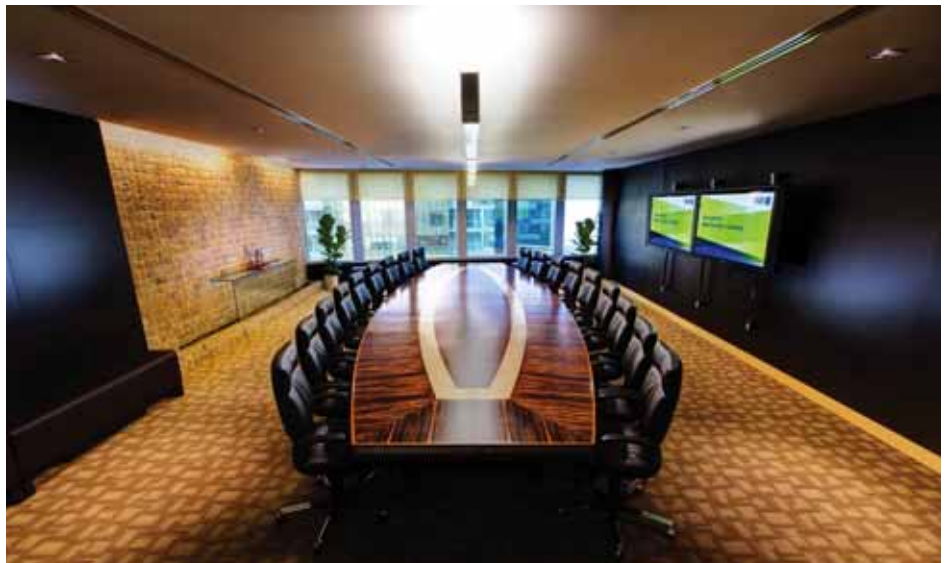
SGX has adopted and documented internal guidelines setting forth matters that require Board approval. Matters which are specifically reserved to the Board for approval are:

- 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.



	Liew Mun Leong	Loh Boon Chye	Ng Kee Choe	Robert Owen	Quah Wee Ghee	Davinder Singh	Ho Tian Yee <sup>1</sup>	Low Check Kian <sup>1</sup>	Total No. of Meetings Held
	1	1	1	1	1	1	1	0	1
	1	1	1	1	1	1	1	0	1
	4	4	4	4	3	2	1	1	4
	-	2	2	-	-	0	-	-	4
	-	2	2	-	-	1	1	1	
	2	-	2	-	1 <sup>^</sup>	-	-	1	4
	1	-	2	-	2 <sup>^</sup>	-	-	-	
	4	3 <sup>^</sup>	4	-	-	-	-	-	4
	-	-	-	2	-	1 <sup>^</sup>	-	-	2
	-	3	-	3	3	-	-	-	4
	-	1	1 <sup>1</sup>	1	-	-	1	-	



SGX conducts a comprehensive orientation programme, which is presented by senior management, to familiarise new directors with its business and governance practices.

### 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, the scope of duties and the director's obligations. 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.

SGX conducts a comprehensive orientation programme, which is presented by CEO and 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 newly appointed directors for FY2012, Mr Quah Wee Ghee and Mr Davinder Singh, were given a detailed and in-depth briefing and

induction into SGX by the CEO as well as senior management. The directors underwent the newly formalised induction programme, with presentations by senior management to introduce them to every aspect of the SGX business. The proposed new directors will undergo the same induction programme upon their appointments.

The directors are provided with continuing briefings and updates 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. The scope of such continuous briefings and updates includes overview of industry trends and developments, governance practices and developing trends, and changes in trends in governance practices and regulatory requirements pertaining to SGX's business.

### Briefings and updates provided for directors in FY2012

- At every AC meeting, the external auditors, PricewaterhouseCoopers, briefed the AC members on developments in accounting and governance standards.

- The NC was briefed on the Proposed Revised Code of Corporate Governance on 10 May 2012. The revised Code will take effect on 1 November 2012.
- The CEO updates the Board at each meeting on business and strategic developments in the global exchange and clearing house industry.
- Head of Derivatives briefed the Board on High-Frequency Trading, highlighting the salient issues and mechanisms involved, as well as the risk management considerations for SGX markets.
- An external consultant, Mr Robert Nottle, was invited to present to the RCC and RMC the International Organisation of Securities Commissions' initiatives and exchange-wide global regulatory trends and implications.

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 can request for further explanations, briefings or information on any aspect of SGX's operations or business issues from management.

## 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. Even under this stricter definition, more than half of the Board is still considered independent.

Under the SFR 2005, it is mandatory for the Nominating Committee (NC) to determine annually whether a director is independent.

At the recommendation of the NC, Mr Ng Kee Choe, who will have served

as a non-executive, independent director for nine years as at the AGM, will be seeking re-election at the AGM in order to pace the retirement of our directors with institutional memory. Mr Loh Boon Chye and Ms Euleen Goh, who will have served for nine years and six years, respectively, are retiring and will not be standing for re-election at the AGM. The NC believes Mr Ng will continue to contribute as an independent director on the Board.

#### Board Composition and Size

Each year, the NC reviews the size and composition of the Board and Board committees and the skills and core competencies of its members to ensure an appropriate balance of skills and experience. These competencies include banking, finance, accounting,

business acumen, management experience, exchange industry knowledge, familiarity with regulatory requirements and knowledge of risk management. The directors are also continually updated on company affairs by Management. The Board considers that its directors possess the necessary competencies and knowledge 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 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 and effective decision-making.

#### 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)

All references to guidelines are a reference to the Code of Corporate Governance 2005, which can be obtained from [www.mas.gov.sg](http://www.mas.gov.sg)

Name of Directors	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 shareholder
1. Chew Choon Seng	Yes	Yes	Yes	Yes	Yes
2. Magnus Böcker	No <sup>1</sup>	No <sup>2</sup>	No	Yes	Yes
3. Euleen Goh	Yes	No <sup>3</sup>	Yes	No	Yes
4. Lee Hsien Yang	Yes	Yes	Yes	Yes	Yes
5. Liew Mun Leong	Yes	Yes	Yes	Yes	Yes
6. Loh Boon Chye	Yes	No <sup>4</sup>	Yes	No	Yes
7. Ng Kee Choe	Yes	Yes	Yes	Yes	Yes
8. Robert Owen	Yes	Yes	Yes	Yes	Yes
9. Thaddeus Beczak	Yes	Yes	Yes	Yes	Yes
10. Jane Diplock	Yes	Yes	Yes	Yes	Yes
11. Quah Wee Ghee <sup>5</sup>	Yes	No <sup>6</sup>	Yes	No	Yes
12. Davinder Singh <sup>7</sup>	No <sup>8</sup>	No <sup>9</sup>	Yes	No	Yes

<sup>1</sup> As CEO of SGX, Magnus Böcker is considered employed by SGX and deemed non-independent by virtue of Guideline 2.1(a).

<sup>2</sup> As CEO of SGX, Magnus Böcker is non-independent from management relationship.

<sup>3</sup> Euleen Goh is deemed non-independent by virtue of Regulation 3(3)(c)(ii), due to her directorship held with DBS Bank Ltd, an SGX member firm.

<sup>4</sup> Loh Boon Chye is non-independent by virtue of Regulation 3(1)(b) as he is employed by Deutsche Bank Group which wholly owns Deutsche Futures Singapore Pte Ltd, an SGX member firm.

<sup>5</sup> Quah Wee Ghee was appointed as a non-executive and independent director on 6 October 2011.

<sup>6</sup> Quah Wee Ghee is deemed non-independent by virtue of Regulation 3(3)(c)(ii), due to his directorship held with OCBC Ltd, which is a related corporation of SGX member firm (with effect from 9 January 2012).

<sup>7</sup> Davinder Singh was appointed as a non-executive and independent director on 6 October 2011.

<sup>8</sup> Davinder Singh is deemed non-independent by virtue of Guideline 2.1(d), due to Drew & Napier LLC's engagement to advise SGX on the judicial review on the issuance of a public reprimand against a director of a listed company (with effect from 9 March 2012).

<sup>9</sup> Davinder Singh is deemed non-independent by virtue of Regulation 3(3)(a), due to Drew & Napier LLC's engagement as disclosed above.

The Chairman promotes an open environment for debate, and ensures NEDs are able to speak freely and contribute effectively.



#### 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. A Board should also aid in the development of strategic proposals and oversee effective implementation by Management to achieve set objectives.

For this to happen, the Board, and Non-Executive Directors (NEDs) in particular, must be kept well informed of SGX's businesses, and be knowledgeable about the exchange industry. To ensure that NEDs are well supported by accurate, complete and timely information, NEDs have unrestricted access to management. NEDs also 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. Board papers are provided to directors on a timely basis to afford the directors time to review them. When directors are unable to attend any Board or Board committee meetings, they may provide their comments to the Chairman or relevant Board committee Chairman, separately.

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

#### Meeting of Directors without Management

Formal sessions are arranged twice a year for the NEDs to meet without the presence of management or executive directors.

#### 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 division of responsibilities and functions between the two has been demarcated with the concurrence of the Board.

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 and ensures sufficient allocation of time for thorough discussion of agenda items. He promotes an open environment for debate, and ensures NEDs are able to speak freely and contribute effectively. 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 and develops the businesses of SGX and implements the Board's decisions. He chairs the Executive Committee (EXCO). EXCO, which comprises senior management executives, and 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.

## Board Membership Principle 4

### Continuous Board Renewal

The Board reviews the composition of the Board and Board committees annually, having regard to the performance and contribution of each individual director. Board composition is also evaluated to ensure diversity of skills and experience is maintained within the Board committees.

The Board committees are reconstituted every year after the AGM based on the NC's assessment of independence of each individual director and his or her relevant expertise. In addition, directors are rotated in the Board committees to give them maximum exposure to SGX's internal processes.

### NC Composition

The NC is chaired by Mr Ng Kee Choe, and comprises Mr Chew Choon Seng, Mr Lee Hsien Yang, Mr Loh Boon Chye and Mr Davinder Singh. In compliance with the SFR 2005 requirements, the NC has five members (including the NC Chairman), three of whom are independent directors.

### Recommendation of Directors

The NC is responsible for reviewing and recommending all nominations and/or re-nominations of directors and Board committee members, taking into account the Monetary Authority of Singapore's (MAS) fit and proper criteria for such appointments, the director's independence status, his or her participation and contributions during and outside board meetings, the SFR 2005, Code 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. Directors appointed by the Board during the financial year, without shareholders' approval at the AGM, shall only hold office until the next AGM, and thereafter be eligible for re-election at the AGM.

### Annual Review of Directors' Independence in 2012

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. If, at any time, the MAS is not satisfied that a director is independent, notwithstanding any determination by the NC, it may direct SGX to rectify the composition of the Board or Board committees, as the case may be.

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. Ms Euleen Goh is also deemed non-independent as she is a director of DBS Bank Ltd, which is a Singapore Exchange Derivatives Clearing Limited (SGX-DC) Clearing Member for Over-The-Counter (OTC) Clearing of Financial Derivatives.

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

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. Risk Management Committee	7	N.A.	One Third	Majority	N.A.	Yes
3. Nominating Committee	9	Majority (including NC Chairman)	One Third	Majority	Must comprise at least five directors	Yes
4. Audit Committee	14	All	Majority (including AC Chairman)	N.A.	Must comprise at least three directors	Yes
5. Regulatory Conflicts Committee	15	All	N.A.	Majority (including RCC Chairman)	Must comprise at least three directors	Yes
6. Remuneration Committee	13	Majority (including RC Chairman)	One Third	Majority	Matters referred to in regulation 3(3) (c), (d) and (e) do not apply to all directors	Yes

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

Since November 2011, a new policy was implemented whereby directors must consult the Chairman of the Board and the NC Chairman prior to accepting new director appointments.

#### Annual Review of Directors' Independence in 2012 (continued)

As part of the Board's annual review at the beginning of 2012, the Board announced the cessation of independence of:

- Mr Quah Wee Ghee, who was appointed as a director of Overseas-Chinese Banking Corporation Limited, which is an SGX-DC OTC Financial Derivatives Clearing Member; and
- Mr Davinder Singh, who was appointed to represent Singapore Exchange Securities Trading Limited in relation to the judicial review on the issuance of a public reprimand against Mr Yeap Wai Kwong, the then independent director of China Sky Chemical Fibre Company Limited.

Since November 2011, a new policy was implemented whereby directors must consult the Chairman of the Board and the NC Chairman prior to accepting new director appointments. Directors must also immediately report any changes in their external appointments, including any corporate developments relating to their external appointments, which may affect their independence status under the SFR 2005. This ensures that directors continually meet the stringent requirements of independence under the SFR 2005.

#### 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. The NC believes that putting a maximum limit on the number of directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive. A sufficient safeguard, which already exists, is requiring each director annually, to confirm to the NC his ability to devote sufficient time and attention to SGX's affairs, having regard to all his/her other commitments.

The NC is satisfied that all directors have discharged their duties adequately for FY2012, and will continue to do so in FY2013.

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

Succession planning is an important part of the governance process. The NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

The NC reviews the succession and leadership development plans for senior management, which are subsequently approved by the Board. As part of this annual review, the successors to key positions are identified, and development plans instituted for them.

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

SGX adopts a comprehensive and detailed process in the selection of new directors. Candidates are first sourced through an extensive network of contacts and identified based on the needs of SGX and the relevant expertise required. 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 following SFR 2005 criteria when reviewing a nomination for a proposed Board appointment:

- (a) a determination of the candidate's independence;
- (b) his/her 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/her 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 or her competence and capability; and financial soundness.

Adopting this rigorous selection process, the Board recommends that the shareholders approve the appointment of two proposed new directors, Mr Kwa Chong Seng and Mr Kevin Kwok, at the AGM 2012.

Mr Kwa was the Chairman and Managing Director of ExxonMobil Asia Pacific Private Limited till he retired in October 2011. He has held various roles in Logistics, Marketing, Supply, Trading and Investment Planning. He is currently the Deputy Chairman of Temasek Holdings (Private) Limited and Chairman of Neptune Orient Lines Limited. He also serves on the Public Service Commission in Singapore and was awarded the Singapore Public Service Star in 2005.

Mr Kwok was a Senior Partner of Ernst & Young LLP in Singapore, and retired recently after 35 years with the firm. He headed up the firm's Assurance Services in Singapore and ASEAN. In his 35 years with the firm, he has had broad experience in audits, M&A activities, public listings and other fund-raising activities, both locally as well as overseas. He is a Fellow of the Institute of Certified Public Accountants of Singapore and a Fellow of the Singapore Institute of Directors.

Please refer to the Notice of AGM for the resolutions put forth for the proposed appointments of the new directors.

## Key Information on Directors

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

## 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 at [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 committees' 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.

The Board engaged an external independent consultant to conduct SGX's Board Evaluation for FY2012. The external consultant had no connection with SGX or the Board. Questionnaires were developed through incorporating the best practices in the market on board evaluation and revised based on key issues and areas the Board wanted to focus on.

Separate questionnaires were then administered to the 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. "Board processes" received the highest rating, and SGX's strategy development, business risk management and talent management priorities were found to be consistent with global trends.

### Board Performance Criteria

The Board reviews its performance against qualitative and quantitative targets on an annual basis. This remains unchanged from the previous year.

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 an 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) Return on Equity, (b) absolute minimum SGX Total Shareholder Return (TSR), and (c) 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 the 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 NC Chairman, assess the Chairman's performance, and the NC Chairman provides the feedback to the Chairman.

## Access to Information Principle 6

### Complete, Adequate and Timely Information

Management recognises that the flow of complete, adequate and timely information on an ongoing basis to the Board is 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. Any additional material or information requested by the directors is promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, expected outcomes, conclusions and recommendations. Any material variance between any projections and the actual results of budgets is disclosed and explained to the Board. Employees, who can provide additional insight into matters to be discussed, will be present at the relevant time during the Board and Board committee meetings.

## Complete, Adequate and Timely Information (continued)

To facilitate direct and independent access to 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 the 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 sell-side 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. It also contains operational metrics and identifies SGX's key risks.

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. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary assists the Chairman in ensuring that good information flows within the Board and

its committees and between senior management and NEDs, as well as in 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, the Company Secretary assists in ensuring coordination and liaison between the Board, the Board committees and management. The Company Secretary assists the Chairman, the Chairman of Board committees and management in the development of the agendas for the various Board and Board committee meetings.

The appointment and the removal of the Company Secretary are subject to the Board's approval as a whole.

## 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.

## Remuneration Matters Procedures for Developing Remuneration Policies Principle 7

### Remuneration Committee

The RC is chaired by Mr Chew Choon Seng, an independent non-executive director, and comprises four members (including the RC Chairman), all of whom are independent non-executive directors based on the Code's criteria. The members are Mr Lee Hsien Yang, Mr Liew Mun Leong and Mr Ng Kee Choe. The Board considers that Mr Chew Choon Seng, who has many years of experience in senior management positions and on various boards dealing with remuneration issues, is well

qualified to chair the RC, and that the members of the RC collectively have strong management experience and expertise on remuneration issues.

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 or benefits in kind, 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 Head of Human Resources, who attends all RC meetings. The RC may seek expert advice inside and/or outside SGX on remuneration of directors and staff.

## Level and Mix of Remuneration Principle 8

The RC administers the Performance Share Plan (PSP). The performance-related elements of remuneration are designed to align the 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 under 'Remuneration Report' in the AR.

### Non-Executive Directors' Remuneration

Having regard to the scope and extent of a director's responsibilities and obligations, the prevailing market conditions, and referencing directors' fees against comparable benchmarks, the Board agreed with the RC's recommendation that the current fee structure for NEDs remains unchanged from FY2011. The fee structure was last revised in FY2011, and the Basic fee and Attendance fee have remained unchanged since FY2008.

The SGX Chairman receives fees for being Chairman of the Board, together with the provision to him of a car with a driver, as approved by a separate resolution at each AGM. Director fees and additional fees for serving on Board committees and attendance fees are paid to the NEDs in accordance with the following framework:

Fee Structure	FY2012
NED—Basic Fee	\$55,000
Audit Committee—Chairman	\$40,000
Audit Committee—Member	\$30,000
Other Committee—Chairman	\$30,000
Other Committee—Member	\$20,000
Attendance Fee (per meeting)	\$1,500

Since 2008, SGX has been seeking shareholders' approval to pay the directors' fees on a current-year basis, at the AGM. SGX thus pays the NED fees on a quarterly basis in arrears, instead of 16 months after the past financial year. The NED fees, which are paid on a current year basis, will be payable to the directors if they are in service at the end of the current year quarter, or if the term of appointment ends within the quarter. Overseas directors are reimbursed for out-of-pocket travelling and accommodation expenses in Singapore.

### Executive Directors' Remuneration

Executive directors do not receive directors' fees.

The CEO's contract stipulates a three-year fixed term, which was recently renewed. The contract does not contain onerous removal clauses. The renewed terms of the contract were disclosed publicly via an SGXNET announcement at the time of renewal.

### 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.

### Disclosure of Remuneration Principle 9

For disclosure of the remuneration of the executive and non-executive directors 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, in line with best practices, with a breakdown in terms of fixed pay, variable bonus, long-term incentive and benefits-in-kind. The Remuneration Report also discloses the employee share schemes that SGX has in place, and how remuneration paid is varied according to SGX's performance.

None of the current employees are related to the directors.

## Accountability and Audit

### Accountability Principle 10

The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within 22 days from the end of the quarter. Annual results are released within 30 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.



Since 2008, SGX has been seeking shareholders' approval to pay the directors' fees on a current-year basis, at the AGM.

## Accountability

### Principle 10 (continued)

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. For the full-year financial statements, the Board provides an opinion that the Group's internal controls, addressing financial, operational and compliance risks, are adequate. This is based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board. 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. MAS conducts an annual on-site inspection of SGX.

## Audit Committee

### Principle 11

#### Composition of the AC

The AC is chaired by Mr Lee Hsien Yang and comprises three members (including the AC Chairman), all of whom are independent NEDs based on the Code's criteria. The other two members are Mr Liew Mun Leong and Mr Ng Kee Choe.

In compliance with the requirements of SFR 2005, all members of the AC

are independent directors<sup>1</sup> who are free from management and business relationships, and from any substantial shareholder.

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.

The members of the AC, 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 cooperation of, management and full discretion to

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

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 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, Co-Presidents<sup>2</sup>, Chief Information Officer, Heads of Operation, Internal Audit, 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 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, the remuneration and terms of engagement of the external auditors. The re-appointment of the external auditors

<sup>1</sup> Mr Loh Boon Chye has since stepped down from the AC with effect from 1 April 2012

<sup>2</sup> Mr Gan Seow Ann relinquished his role as Co-President in SGX in May 2012

is always subject to shareholder approval at SGX's annual general meeting.

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 financial year ended 30 June 2012, 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.

The total fees paid to our external auditor, PricewaterhouseCoopers LLP, are as disclosed in the table below:

External Auditor Fees for FY2012	\$'000	% of total audit fees
Total Audit Fees	329	-
Total Non-Audit Fees	112	34%
Total Fees Paid	441	-

SGX has complied with Rule 712 and Rule 715 in the appointment of its auditor.

### Whistle-blowing Policy

SGX has a whistle-blowing policy in place which encourages employees and vendors to report malpractices and misconduct in the workplace. SGX will protect employees, who have acted in good faith, from victimisation and harassment by their colleagues. SGX will treat all information received confidentially and protect the identity and the interest of all whistle-blowers.

Anonymous disclosures will be accepted and anonymity honoured. Reports can be lodged by calling the hotline at 62368585 or via email at [whistleblowing@sgx.com](mailto:whistleblowing@sgx.com).

During the year, the coverage of the whistle-blowing policy was extended to vendors. The policy allows a single, confidential line 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.

There have been no reported incidents pertaining to whistle-blowing for FY2012.

### 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. All interested person transactions are reported to and monitored by the Finance department, and reviewed by the AC.

There were no Interested Person Transactions in FY 2012.

### Material Contracts (Rule 1207(8) of the listing Manual)

Except as disclosed above, there were no material contracts entered into by SGX or any of its subsidiaries involving interests of any Director or controlling shareholder during FY2012.

## Internal Controls Principle 12

### 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.

### Compliance

The Compliance function executes an annual risk-based compliance programme, focusing on regulatory risk arising from SGX's own obligations to comply with applicable laws and regulations. The program comprises a combination of regulatory risk assessments and responses, compliance training (including mandatory annual e-learning), monitoring and testing through functional self-assessments and independent compliance reviews, and regular reporting to senior management, the Audit Committee and regulators on breaches, significant compliance issues and relevant action plans. Compliance is independent of the business and reports directly to the CEO. However, Compliance remains an integral part of overall management, and is actively engaged to provide compliance advice across all SGX businesses and support functions, including formal training as required.

### 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. The RMC 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.

## Risk Management Committee (continued)

This is administered by the Enterprise Risk Management team (ERM), which reports to the Chief Regulatory and Risk 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 Report' in the AR for further information on the identification and management of these risks.

Based on the internal controls established and maintained by SGX, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that SGX's internal controls, addressing financial, operational and compliance risks, are adequate as at 30 June 2012.

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.

## Internal Audit Principle 13

### 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 follows up on 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 the 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 circulated to the AC, the CEO, the external auditors and relevant senior management representatives. The progress of corrective actions on outstanding audit issues is monitored 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 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 next review will be due by 31 December 2012.

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.

## Communication with Shareholders Principle 14

### 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 channels include news releases, annual reports, shareholder circulars, shareholders' meetings and direct announcements.

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 22 days from the end of the quarter. Annual results are released within 30 days from the financial year-end.

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



SGX also makes available speeches and presentations given by the Chairman, CEO, and senior management, and a range of other information considered to be of interest to investors.

briefing, accessible by the public, is also available on [www.sgx.com](http://www.sgx.com).

#### Interaction with Shareholders

Investor Relations Open Day was held where shareholders were briefed on the performance and prospects of SGX, and were given the opportunity to meet with senior management. The last Investor Relations Open Day was held in November 2011.

The Investor Relations (IR) team presents to the SGX Board an information paper, providing an overview of market feedback (including investors' concerns), updates on the shareholder register, share price performance and other IR matters, on an annual basis.

#### Dividend Policy

The Board aims to declare a base dividend of 4 cents per share every quarter. For each financial year, the Board aims to pay, as dividend, an amount which is no less than (a) 80% of the annual net profit after tax; or (b) 16 cents per share, whichever is higher. The difference between the targeted dividend and the interim base dividends will be declared and paid as final dividend of each financial year. This policy continues to apply for FY2013.

#### Corporate Website

SGX adopts transparent, accountable and effective communication practices as key means to enhance standards

of corporate governance. It aims to provide clear and continuous disclosure of its Corporate Governance practices through efficient use of technology. SGX's website has much to offer its shareholders and other stakeholders. The following information can be accessed from SGX's corporate website:

1. Board of Directors and Executive Committee profiles
2. Minutes and Summary of Proceedings of AGM and Extraordinary General Meetings (EGMs)
3. Audiocast of AGM & EGM
4. Annual Reports
5. Circulars to Shareholders
6. Company announcements
7. Press releases
8. Notice to Substantial Shareholders
9. Financial Results
10. Calendar of Events

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 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 'Shareholders' 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 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.

#### Greater Shareholder Participation Principle 15

Shareholders are informed of shareholders' meetings through published notices and reports or circulars sent to all shareholders. 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, RCC 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/her place at general meetings. SGX also allows investors, who hold shares through nominees such as CPF and custodian banks, to attend the AGM as observers without being constrained by the two-proxy rule, subject to availability of seats.

## Greater Shareholder Participation

### Principle 15 (continued)

As the authentication of shareholder identity information and other related security 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 at [www.sgx.com](http://www.sgx.com).

With effect from 2009 AGM, SGX has conducted electronic poll voting for all the resolutions passed at the AGM and EGMs, for greater transparency in the voting process. 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 a "black-out" policy similar to that prescribed in the Listing Manual. The Code of Dealings prohibits dealings in SGX's securities by its directors and staff and their "related persons" for a period of two weeks before the announcement of its quarterly or half-yearly financial results, and one month before the announcement of year-end results.



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 "related persons" who want to trade securities of any company listed on Singapore Exchange Securities Trading Limited must seek prior approval from management. Directors and staff are prohibited at all times from trading if they are in possession of material non-public information. Staff are also discouraged from dealing in SGX securities on short-term considerations.

Since 2009, all SGX employees are required to complete an annual online refresher module as part of SGX's mandatory compliance training and submit a certification of their understanding and compliance with the Code of Dealing.

The Board and management believe that SGX has complied also with not just 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 employees. 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. Employees are required to observe and maintain high standards of integrity, as well as compliance with laws and regulations, and company policies.

# 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, senior management and employees. The RC comprises the following independent directors:

Chew Choon Seng  
Chairman

Lee Hsien Yang  
Liew Mun Leong  
Ng Kee Choe  
Quah Wee Ghee<sup>1</sup>

## Compensation Philosophy

SGX adopts a compensation philosophy that is directed towards the attraction, motivation and retention of talent to achieve its business vision and create sustainable value for its shareholders. It emphasises a pay-for-performance principle by linking total compensation to the achievement of organisational and individual performance objectives, and considers relevant comparative compensation in the market to maintain market competitiveness.

## Compensation Mix and Components

Total compensation is made up of fixed and variable compensation. The fixed compensation comprises annual basic salary, fixed allowances and annual wage supplement. The variable or “at risk” compensation is subject to achievement of corporate and individual performance objectives. Consistent with market best practice, variable compensation may be paid in a combination of cash-based short-term incentives and share-based long term incentives. By design, the proportion of variable compensation to total compensation increases with job level.

In line with current regulatory standards, the mix of fixed and variable compensation for regulatory staff is weighted in favour of fixed compensation to delink the direct relationship between the compensation of regulatory staff and the company’s financial performance.

## Fixed pay

Fixed pay comprises base salary, fixed allowances and annual wage supplement. Base salary is pegged to the 50th percentile of market pay data in the Singapore banking and financial services industry.

The annual salary review is in July of each year. The salary structure of SGX is benchmarked against the financial industry and the RC approves the salary increment budget taking into account the profitability of SGX as a whole.

<sup>1</sup> Mr Quah Wee Ghee stepped down on 1 April 2012.

## Total Incentives Funding

The total incentives pool funds the annual variable bonus and long-term incentive plans and is computed using the following formula:

Total Incentives (TI) Pool = A percentage of [Profit before Variable Bonus less Corporate Tax less Cost of Equity]

### (a) Short-term incentives

Short-term incentives take the form of an annual variable bonus and/or sales incentive payment for employees performing sales roles.

Each year, the 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. The sales incentive pool is generated by the achievement of sales targets and distributed to employees based on the achievement of team and individual sales targets and objectives.

### (b) Long-term incentives

Long-Term Incentives (LTIs) create value for the company by aligning employees' long-term incentives to the achievement of SGX's long-term results. Furthermore, due to their deferred vesting characteristic, LTIs carry a retention element that strengthens SGX's ability to reward and retain key employees.

Following the adoption of the SGX Performance Share Plan (the Plan) at the Extraordinary General Meeting on 22 September 2005, the 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. All outstanding unexercised options have expired on 1 November 2011.

High-performing and high-potential executives may be granted awards either under the Plan or the SGX Deferred Long-Term Incentives scheme (the LTI Scheme) based on organisational and individual performance and eligibility criteria for the respective plans.

### The SGX Performance Share Plan

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

The 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.

### 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.

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.

### Eligibility

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

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

### Performance Share Plans for FY2010, FY2011 and FY2012

The RC has approved the Plan for FY2010, FY2011 and FY2012 and has absolute discretion in the granting of performance shares. The details are as follows:

#### a) 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) Return on Equity (ROE);
- (ii) Absolute Total Shareholder Return (TSR);
- (iii) SGX TSR against STI TSR; and
- (iv) SGX TSR against FTSE/MV TSR

	ROE (Weight = 50%)		+	Absolute TSR* (Weight = 25%)		+	SGX TSR against STI TSR (Weight = 12.5%)		+	SGX TSR against FTSE/MV TSR (Weight = 12.5%)	
Performance Level	Average over 3FYs	Payout (% of base allocation)		Average over 3FYs	Payout (% of base allocation)		Average over 3FYs	Payout (% of base allocation)		Average 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

The shares awarded on the vesting date could range from 0% 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)		Balance as on 01.07.2011	Shares lapsed during financial year	Balance as on 30.06.2012
EXCO members	Muthukrishnan Ramaswami <sup>1</sup>	96,800	-	96,800
	Yeo Lian Sim <sup>1</sup>	82,300	-	82,300
	Lawrence Wong Liang Ying <sup>1</sup>	62,900	-	62,900
	Chew Sutat <sup>1</sup>	62,900	-	62,900
	Robert Ian Caisley	48,400	-	48,400
	Benjamin Foo	25,300	-	25,300
Other Staff		314,500	(64,600)	249,900
Hsieh Fu Hua <sup>1,2</sup>		310,000	-	310,000
Gan Seow Ann <sup>1,3</sup>		96,800	(96,800)	-
Chang Kuan Aun <sup>4</sup>		43,600	(43,600)	-
Total		1,143,500	(205,000)	938,500

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

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

<sup>3</sup> Gan Seow Ann resigned as SGX's Co-President and his last day of service was 26 May 2012.

<sup>4</sup> Chang Kuan Aun resigned as SGX's Chief Human Resource Officer and his last day of service was 21 October 2011.

## b) FY2011 Grant

The FY2011 grant will vest upon achievement of the following measures over a three-year performance period from 1 July 2010 to 30 June 2013:

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

	ROE (Weight = 50%)		+	Absolute TSR <sup>*</sup> (Weight = 25%)		+	SGX TSR against FTSE/MV (Weight = 25%)	
Performance Level	Average over 3FYs	Payout (% of base allocation)		Average over 3FYs	Payout (% of base allocation)		Average over 3FYs	Payout (% of base allocation)
Above Target	≥ 47.5%	150%		≥ 17% <sup>#</sup>	150%		≥ 7% pts	150%
At Target	42.5%	100%		13%	100%		4.5% pts	100%
Threshold	37.5%	50%		10%	50%		2.0% pts	50%
Below Threshold	< 37.5%	Nil		< 10%	Nil		< 2.0% pts	Nil

The shares awarded on the vesting date could range from 0% 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 2013. Details of the shares granted to the Participants are as follows:

Participants (as defined under the Plan)		Balance as on 01.07.2011	Shares lapsed during financial year	Balance as on 30.06.2012
EXCO members	Magnus Böcker <sup>1</sup>	192,200	-	192,200
	Muthukrishnan Ramaswami <sup>1</sup>	96,000	-	96,000
	Yeo Lian Sim <sup>1</sup>	82,000	-	82,000
	Lawrence Wong Liang Ying <sup>1</sup>	62,000	-	62,000
	Chew Sutat <sup>1</sup>	62,000	-	62,000
	Robert Ian Caisley	48,000	-	48,000
	Benjamin Foo	43,000	-	43,000
Other Staff		309,200	(51,200)	258,000
Gan Seow Ann <sup>1,2</sup>		96,000	(96,000)	-
Chang Kuan Aun <sup>3</sup>		43,000	(43,000)	-
Total		1,033,400	(190,200)	843,200

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

<sup>#</sup> Instead of 16% as indicated in Annual Report 2011.

<sup>1</sup> Received more than 5% of the 1,153,000 shares granted under the FY2011 grant.

<sup>2</sup> Gan Seow Ann resigned as SGX's Co-President and his last day of service was 26 May 2012.

<sup>3</sup> Chang Kuan Aun resigned as SGX's Chief Human Resource Officer and his last day of service was 21 October 2011.

### c) FY2012 Grant

The FY2012 grant will vest upon achievement of the following measures over a three-year performance period from 1 July 2011 to 30 June 2014:

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

	ROE (Weight = 50%)		+	Absolute TSR* (Weight = 25%)		+	SGX TSR against FTSE/MV (Weight = 25%)	
Performance Level	Average over 3FYs	Payout (% of base allocation)		Average over 3FYs	Payout (% of base allocation)		Average over 3FYs	Payout (% of base allocation)
Above Target	≥ 45.0%	150%		≥ 17%	150%		≥ 7% pts	150%
At Target	40.0%	100%		13%	100%		4.5% pts	100%
Threshold	35.0%	50%		10%	50%		2.0% pts	50%
Below Threshold	< 35.0%	Nil		< 10%	Nil		< 2.0% pts	Nil

The shares awarded on the vesting date could range from 0% 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 2014. 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 on 30.06.2012
EXCO members	Magnus Böcker <sup>2</sup>	353,100	-	353,100
	Muthukrishnan Ramaswami <sup>2</sup>	107,000	-	107,000
	Yeo Lian Sim <sup>2</sup>	82,000	-	82,000
	Chew Sutat <sup>2</sup>	72,000	-	72,000
	Lawrence Wong Liang Ying <sup>2</sup>	64,000	-	64,000
	Robert Ian Caisley	53,000	-	53,000
	Benjamin Foo	48,000	-	48,000
Other Staff		309,000	-	309,000
Total		1,088,100	-	1,088,100

### 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.

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

<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 0% 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 1,088,100 shares granted under the FY2012 grant.

## 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. The 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

Currently, 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.

### 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 vested on 3 November 2010. Another will vest in three equal instalments over a period of three years with the first instalment vested on 3 November 2010.

Below are the details of shares awarded:

Recipients (as defined under the LTI Scheme)	Balance as on 01.07.2011	Shares lapsed during financial year	Shares vested during financial year	Balance as on 30.06.2012
Award with three-year vesting period	236,100	(10,650)	(115,150)	110,300
Total	236,100	(10,650)	(115,150)	110,300

### FY2011 Award

There were two awards in FY2011. Both awards were given in the form of SGX shares. One award has a one-year vesting period which vested on 1 November 2011. Another will vest in three equal instalments over a period of three years with the first instalment vested on 1 November 2011.

Below are the details of shares awarded:

Recipients (as defined under the LTI Scheme)	Balance as on 01.07.2011	Shares lapsed during financial year	Shares vested during financial year	Balance as on 30.06.2012
Award with three-year vesting period	385,950	(16,350)	(122,600)	247,000
Award with one-year vesting period	11,000	-	(11,000)	-
Total	396,950	(16,350)	(133,600)	247,000

### FY2012 Award

There were two awards in FY2012. Both awards were given in the form of SGX shares. One award has a one-year vesting period which will vest on 1 November 2012. Another will vest in three equal instalments over a period of three years with the first instalment vesting on 1 November 2012.

Below are the details of shares awarded:

Recipients (as defined under the LTI Scheme)	Shares granted during financial year	Shares lapsed during financial year	Balance as on 30.06.2012
Award with three-year vesting period	217,500	(6,700)	210,800
Award with one-year vesting period	7,500	(1,000)	6,500
Total	225,000	(7,700)	217,300

<sup>#</sup> Defined under the LTI Scheme as "A Group Employee or an Associate 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 FY2012.

Executive Directors	Fixed pay	Bonus <sup>*</sup>	Ex-gratia payment	Long-term Incentives	Benefits-in-kind	Total gross remuneration
Magnus Böcker	755,374	2,200,000	714,000	-	231,966	3,901,340

Non-Executive Directors	Directors' fees
Chew Choon Seng <sup>#</sup>	816,000
Thaddeus Beczak	88,500
Jane Diplock	78,413
Euleen Goh	106,500
Ho Tian Yee <sup>1</sup>	28,250
Lee Hsien Yang	155,500
Liew Mun Leong	129,500
Loh Boon Chye	153,000
Low Check Kian <sup>2</sup>	30,750
Ng Kee Choe	168,500
Robert Owen	123,000
Quah Wee Ghee <sup>3</sup>	82,003
Davinder Singh <sup>4</sup>	74,503
Total	2,034,419

(Directors' fees are subject to shareholders' approval at the Annual General Meeting. Please refer to the Corporate Governance Report on page 33 for the remuneration framework of Non-Executive Directors.)

## Disclosure on Remuneration of Five Top-Earning Executives

The table below shows the gross remuneration of the five top-earning executives for the financial year ended 30 June 2012.

Name of Executive	Fixed Pay	Bonus for FY2012 <sup>5</sup>	Ex-gratia Payment	Long-Term Incentives <sup>6</sup>	Benefits-in-kind	Total gross remuneration
Chng Lay Chew <sup>7</sup>	209,634	325,000	900,000	-	2,019	1,436,653
Muthukrishnan Ramaswami	409,294	870,000	-	140,208	3,954	1,423,456
Yeo Lian Sim	555,425	465,000	-	124,752	3,882	1,149,059
Chew Sutat	373,396	575,000	-	93,840	14,856	1,057,092
Lawrence Wong Liang Ying	357,520	455,000	-	101,568	6,075	920,163

## Benefits

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

<sup>\*</sup> The bonus was determined by the RC after taking into account the achievement of specific quantitative and qualitative targets and objectives set for FY2012.

<sup>#</sup> Excluding the provision of a car with a driver.

<sup>1</sup> Mr Ho Tian Yee stepped down as a Non-Executive Director on 6 October 2011.

<sup>2</sup> Mr Low Check Kian stepped down as a Non-Executive Director on 6 October 2011.

<sup>3</sup> Mr Quah Wee Ghee was appointed as a Non-Executive Director on 6 October 2011.

<sup>4</sup> Mr Davinder Singh was appointed as a Non-Executive Director on 6 October 2011.

<sup>5</sup> The bonuses for SGX senior management were determined after taking into account the achievement of specific individual and organisational targets and objectives set for FY2012.

<sup>6</sup> Vesting of the Plan for FY2009 based on the fair value on grant date. The shares vested on 1 September 2011.

<sup>7</sup> Mr Chng Lay Chew joined SGX as Chief Financial Officer on 29 December 2011.

# Risk Management Report

SGX is committed to prudent risk management which is vital to our strategy and success. Consistent with the highest standards of corporate governance, a strong risk management culture continues to be a priority.

Our enterprise risk management framework provides SGX with a holistic and systematic approach towards assessing, monitoring and mitigating risks. To provide more focus on key risk management processes, the framework was streamlined during the year.

International standards, which have been evolving since the financial crisis in 2008-2009, have culminated in a new set of standards for the operations of Financial Market Infrastructures<sup>1</sup> in April 2012, by the Committee on Payment and Settlement Systems (CPSS) and International Organisation of Securities Commissions (IOSCO). SGX assessed our management practices against these standards and determined that our existing practices place us in good stead. To continuously improve, we also augmented our risk management capabilities. This includes the margining of securities clearing in our Central Depository, the establishment of more comprehensive stress testing scenarios, the institutionalisation of a risk validation framework to manage model risk, and the development of a new integrated risk management system.

In addition to risk management capabilities, SGX is proactive in our monitoring of market developments. We are quick to respond to any situation which may have an adverse impact on our products or participants. This was particularly evident when SGX smoothly and promptly transferred out customers' positions and margins, thereby protecting customers' interests, when MF Global Singapore was wound-down in November 2011.

## A Sound Risk Governance Framework

SGX's risk governance framework supports the effective management of risks, at the Board, management and unit levels.

SGX's Board oversees risk management within the organisation. The Risk Management Committee reviews and recommends to the Board the type and level of risks that SGX undertakes to achieve its objectives. Additionally, it approves the various risk frameworks within SGX, and gives the go-ahead for major new projects undertaken. As part of its mandate, the Risk Management Committee also assesses the adequacy of resources in the areas of risk management and technology.

At the management level, the Enterprise Risk Committee, a subset of the Executive Committee, presides over risk management policy implementation. The Enterprise Risk Committee is chaired by the Chief Risk Officer, and the committee comprises the President and the Chief Financial Officer. Other officers are also included for their relevant expertise.

Our commitment to risk governance is evidenced by our continuous efforts to review and enhance our governance structure. At the unit level, we have put in place a new risk control structure comprising the Risk Management unit and the Clearing Risk unit. The Clearing Risk unit leads the development of risk models whilst the Risk Management unit provides independent validation. Such a dual-key control structure provides assurance that independent perspectives are considered.

## Managing Enterprise Risks Proactively

SGX has a sound enterprise risk management framework that enables management to proactively identify existing and emerging risks, as well as manage them. These risks include financial risks, as well as risks pertaining to strategy, reputation, staffing, technology and operations. Progressively, we have elevated the level of risk awareness within the organisation via our enterprise risk management programme.

Key risks for SGX are identified annually by the Executive Committee and presented to the Board, through the Risk Management Committee, for approval. Risk tolerance levels, which the Board approves, define the risk boundaries within which we operate, whilst key risk indicators help provide early alerts to help us keep within the tolerance levels. Where deemed necessary, action plans are put in place to manage the risks, and are closely monitored. In addition to the above, an enterprise-wide Risk Self-Assessment process requires every unit to self-assess the risks within their respective functional areas. The adequacy of the controls in place is also assessed as part of the process. Action plans are formulated as relevant, and closely monitored.

Our enterprise risk management framework provides SGX with a holistic and systematic approach towards assessing, monitoring and mitigating risks dynamically. As part of our continuous improvement efforts, the framework was streamlined during the year to better focus on key risk management processes.

<sup>1</sup> Financial market infrastructures, as defined in the CPSS-IOSCO April 2012 standards, refer to "systematically important payment systems, central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs) and trade repositories (TRs)."

## Keeping Abreast of new International Standards

The Committee on Payment and Settlement Systems and International Organisation of Securities Commissions have developed new and more exacting international standards for financial market infrastructures. The standards, which were finalised in April 2012, set out comprehensive requirements, including credit and liquidity risk management, settlement, depository, default management, operational risk management, access, efficiency and transparency.

The quality of risk management practices in SGX-Derivatives Clearing and Central Depository places SGX in good stead to address the new CPSS-IOSCO standards. We maintain sizable clearing funds, comprising contributions from the clearing houses and clearing members, to provide ongoing assurance that obligations will be met in the event of a clearing member default. Additionally, we have default management procedures which are continuously refined and tested for relevance via default exercises involving our clearing members. The continuous functioning of our trading and clearing systems is critical to SGX's business. To prevent any disruptions to the marketplace, we have in place a robust business continuity programme and sound internal controls to facilitate prompt system recovery.

To augment our risk management capabilities, we have embarked on various initiatives. These include the development of margining of securities clearing in our Central Depository, and the enhancement of stress testing scenarios for both clearing houses to cover a more comprehensive range of scenarios. To adopt risk models that are best suited for their purposes, we have rolled out a risk validation framework. We are also working on various policies to maintain sufficient capital so as to sustain operations under financial distress, and to achieve orderly wind-down in the event of insolvency. SGX's project to develop a new risk management system to raise the level of sophistication of our risk management capabilities is progressing well. When the system is launched, the breadth and depth of our risk analysis capabilities will be enhanced.



Reliability and efficiency underpin SGX's clearing system and quality risk management remains our priority. Obtaining international recognition that we comply with the new CPSS-IOSCO standards will contribute positively to fostering financial stability.

## Responding Promptly to Crisis Situations

SGX approaches risk management proactively by constantly monitoring market developments that may have an adverse impact on our products or participants. Risk mitigating actions, such as requiring participants to deposit more collateral with the Clearing House, are taken promptly where necessary. Such availability of participants' resources helps to withstand the impact arising from an unlikely event of default, and provides assurance that the Clearing House can continue to meet its obligations to other participants.

The ongoing Eurozone debt crisis has further raised our risk vigilance and we have undertaken additional internal exercises to test the resilience of our risk management procedures. Such exercises simulate stress scenarios which could potentially arise following financial upheaval. The results from these exercises have provided us with the assurance that our risk management procedures are robust. In addition to these internal exercises,

we also participated in an industry-wide stress test exercise conducted by the Monetary Authority of Singapore, in February 2012. As part of the exercise, SGX was given a set of stress test parameters simulating a Eurozone situation, and asked to assess the impact to SGX-Derivatives Clearing.

Closer to home, MF Global Singapore appointed provisional liquidators on 1 November 2011, following its parent company's filing for Chapter 11 bankruptcy in the US. The handling of the MF Global crisis further refined SGX's established default management procedures. Risk mitigating actions undertaken by SGX as the situation unfolded stood us in good stead. We acted promptly to protect customers' interests by facilitating the transfer of customers' positions and margins to alternative Clearing Members in early November 2011. All outstanding financial obligations were settled during that fateful episode in a safe and orderly manner, with no losses to the Clearing House.

The positive outcomes from the various exercises detailed above serve as testimony to the robustness of SGX's proactive risk management framework.

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# Disciplinary and Appeals Committees

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## A. Overview

1. In FY2012, SGX recognised that the number of disciplinary related committees performing similar functions had increased over the years, and accordingly reviewed the structure of the Disciplinary Tribunals in SGX. Following the review, the SGX Disciplinary and SGX Appeals Panels, consisting of twelve and eight members respectively, were established with effect from 10 November 2011. Essentially, the new approach provides an efficient way of organising the Disciplinary Tribunals, and involves drawing members from a designated panel of individuals prior to each hearing.
2. The SGX Disciplinary Committee hears 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 Committee decides that the charges have been established by SGX, it 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 relinquish their day-to-day roles, and confirming, changing or discharging the appointment of a manager by the member.
3. A Regulated Person may appeal to the SGX Appeals Committee against the decision of the SGX Disciplinary Committee. The decision of the SGX Appeals Committee is final.
4. The SGX Disciplinary Committee and SGX Appeals Committee are managed out of the Legal unit, and the Head of Legal is the Secretary of both the SGX Disciplinary Committee and SGX Appeals Committee.

## B. Independence of the SGX Disciplinary Committee and SGX Appeals Committee

5. In order to ensure independence of the SGX Disciplinary Committee and SGX Appeals Committee and that due process is observed in the hearings:
  - a) the members of the two panels are industry experts and professionals;
  - b) no director, officer or employee of SGX may be appointed as a member of either panel; and
  - c) the process of managing the hearings or meetings by the SGX Disciplinary Committee and SGX Appeals Committee is undertaken by the Legal unit, which is a separate entity from the Enforcement unit which prefers charges to be brought by SGX against Regulated Persons. The Legal unit reports to the Chief Financial Officer, while the Enforcement unit reports to the Chief Regulatory & Risk Officer.
6. For purposes of transparency, the Grounds of Decision for each SGX Disciplinary Committee hearing and each SGX Appeals Committee hearing are published on the SGX website.

<sup>1</sup> Regulated Persons include a trading or clearing member registered with SGX or SICOM under the Rules, or any of the member's directors, trading representatives, officers, employees or agents, or a Sponsor or Regulated Person registered with Catalyst.

## C. SGX Disciplinary Panel Members

7. The current members of this panel are:

Name	Designation/Profession
Eddie Tan (Chairman)	Regional Treasurer, Asia Pacific, Citibank N.A.
Hamidul Haq (Deputy Chairman)	Lawyer, Rajah & Tann LLP
Leong Mun Wai (Deputy Chairman)	Chief Executive Officer, Timbre Capital Pte Ltd
Francis Mok Lip Wee	Lawyer, Allen & Gledhill LLP
Hemant Bhatt	Chief Executive Officer, Louis Dreyfus Commodities Asia Pte Ltd
Kan Shik Lum	Corporate Finance Practitioner, DBS Bank Ltd
Mah Kah Loon	Corporate Finance Practitioner, CIMB Bank Berhad, Singapore Branch
Tan Kah Gee	Former Managing Director, Mizuho Securities (Singapore) Pte Ltd
Paul Davies	Managing Director, Goldman Sachs Futures Singapore
Steve Ng Kuan Kuen	Private Investor
Petrus Huang Yen San	Senior Director, Drew & Napier LLC
Lam Chee Kin	Global Head, Wholesale Banking Compliance, Standard Chartered Bank PLC

## D. SGX Appeals Panel Members

8. The current members of this panel are:

Name	Designation/Profession
Sydney Michael Hwang (Chairman)	Senior Counsel & Arbitrator, Michael Hwang Chambers
Lawrence Ang Boon Kong	Former Principal Senior State Counsel, Attorney-General's Chambers
Colin Ng Teck Sim	Lawyer, Colin Ng & Partners LLP
Michael Wong Ping Seng	Futures Broker, Phillip Futures Pte Ltd
Hugh Young	Fund Manager, Aberdeen Asset Management Asia Limited
Lim How Teck	Chairman, Certis Cisco Security Pte Ltd
Tracey Woon	Corporate Finance Practitioner, Citigroup Global Markets Singapore Pte Ltd
George Lee	Former Corporate Finance Practitioner and current Head of Global Corporate Banking, OCBC Bank Ltd

## E. Cases heard by the SGX Disciplinary Committee and SGX Appeals Committee in FY2012

9. In FY2012, three cases were heard by the SGX Disciplinary Committee as set out below:

Date Announced	Subject of Disciplinary Action	Position at Time of Offence	Details	Rule Violation
13 January 2012	MF Global Singapore Pte. Limited	Trading Member of SGX-DT	SGX-DT Disciplinary Committee ratifies SGX-DT's decision to suspend MF Global Singapore Pte. Limited	Derivatives Trading
13 January 2012	MF Global Singapore Pte. Limited	Trading Member of SGX-ST	SGX-ST Disciplinary Committee ratifies SGX-ST's decision to suspend MF Global Singapore Pte. Limited	Securities Trading
8 September 2011	MF Global Singapore Pte. Limited	Clearing Member of SGX-DC	SGX-DC Disciplinary Committee imposes fine on MF Global Singapore Pte. Limited	Derivatives Clearing

10. In FY2012, there were no cases brought before the SGX Appeals Committee.

## Sustainability 05

## Sustainability Report

CEO Statement:  
Building an Enduring  
Marketplace

Sustainability goes beyond abiding by the rules and ticking the boxes. Our ultimate motivation for practicing sustainability is to safeguard and uphold the confidence and integrity of our markets well into the future.

In the past few years, we have reported on our corporate social responsibility efforts. This year, we formalised our sustainability strategy and set ourselves some ambitious targets. We are positioning sustainability as an agenda for which we are accountable. The key areas that we intend to embark on and focus our reporting going forward are aligned with our stakeholders' expectations. These areas include:

## Governance

Upholding high standards of governance is in the DNA of our people. Singapore has always been internationally recognised for maintaining high levels of governance. As the market operator and regulator, we guard our role and responsibility in upholding a quality marketplace. How we instil governance and monitor the impact is pivotal to our business and reputation. It is where our stakeholders expect us to be strongest. We will leave no stone unturned in seeking to continuously improve ourselves and meeting this expectation.



## Social

This second pillar acknowledges the role of people and communities in growing our business. I am very proud of our people, the "Team SGX". Our approach to diversity, training and development, remuneration and other human resource policies define SGX as an employer of choice. It is not just how we treat our people, but also how we engage with the communities in which we operate in. Next year, we will be focusing our activities where we feel we can add the greatest value: financial literacy. So we will be reinvigorating our community engagement in this direction.

## Environment

We don't operate factories nor manufacture goods so our environmental footprint is modest. That makes it very tempting to think this agenda is not important to SGX. However, our stakeholders tell us otherwise and we agree with them. We will closely watch and mitigate our impact to the environment in all ways possible. We have identified opportunities to limit our energy consumption (our biggest impact) and reduce our use of materials. Any cost savings generated from our efforts will be given to community outreach activities.

In addition to the sustainability of our own operations, there is the burgeoning concept of "sustainable stock exchanges", which recognises the unique and pivotal role of exchanges in driving sustainability among listed companies. This message was prominently raised at the recent United Nations Conference on Sustainable Development in Rio.

As a market operator, we maintain our responsibility in providing a fair, transparent and attractive gateway for issuers and investors seeking to access Asia. We will persevere with our role in advocating sustainability practice among listed companies and the communities. This is a journey that will have its ups and downs. But it will be worth it for the future of our industry. I hope you will find our 2012 report on sustainability insightful and if any of the content inspires you to get in touch, we welcome your comments at [sustainability@sgx.com](mailto:sustainability@sgx.com).

## Sustainability Performance Overview

### Governance

- There were no cases of bribery or corruption in SGX, no cases of anti-competitive behaviour and no fines for non-compliance with the law.
- All employees (including new joiners) are required to complete training on compliance requirements and refresh their understanding annually.
- SGX commissioned a survey to evaluate the levels of sustainability reporting in Singapore.

### Social

- Employees hail from 16 different countries (18% of workforce is from 15 countries outside Singapore; the other 82% is from Singapore).
- All employees have received induction training, which includes Code of Conduct and Ethics.
- 55% of the workforce is female.
- 16% of our employees are below 30 years old; 76% of them are between 30 and 50 years old; 8% is over 50 years old.
- 14 employees have opted to take sabbatical leave.
- Over 10,000 hours of training completed (equivalent to 18 hours per employee).
- All employees undergo mid-year and annual performance reviews.
- SGX contributes to the Singapore Central Provident Fund (social security savings plan) for the 93% of employees who are Singaporean, or Singapore Permanent Residents.
- Employee turnover rate of 13.4%.
- Bull Charge fundraising total \$1.162million.

### Environment\*

	Figure reported in 2011	Figure reported for 2012
Electricity	1,754,997 kWh	1,517,007 kWh
Office paper	24.4 ton	31.5 ton
Paper recycling	111 ton	22 ton
Water	Not reported	2,400 m <sup>3</sup>

## Memberships

SGX is an active corporate member, and/or, SGX staff are represented in the following organisations and agencies:

### International Participation

- Institute of Banking and Finance (IBF), where CEO Magnus Böcker is a council member
- China Enterprise
- Futures Industry Association (FIA)
- Futures & Options Association (FOA)
- International Securities Services Association (ISSA)
- International Swaps and Derivatives Association, Inc (ISDA)
- International Organisation of Securities Commissions (IOSCO)
- World Federation of Exchanges (WFE)
- Intermarket Surveillance Group (ISG)

### Local Participation

- Singapore Compact for CSR
- Audit Committee of National Council of Social Services
- Shared Services for Charities Limited, where CRRO Yeo Lian Sim serves as one of the board members
- Singapore Institute of Directors Council (SID)
- Industry Advisory Council of NUS Business School's Centre for Governance, Institutions and Organisations
- Securities Investors Association (Singapore) (SIAS), where SGX is a sponsor for SIAS' Investor Education initiative
- Institute of Internal Auditors Singapore (IIA)
- Singapore Chinese Chamber of Commerce & Industry (SCCCI)
- Singapore Business Federation (SBF)
- Inland Revenue Authority of Singapore (IRAS)
- Singapore Corporate Counsel Association (SCCA)

Please refer to the "Corporate Governance" section for details of SGX's corporate governance awards at Page 33.

\* Please refer to the "Energy" section for more details at Page 76.



## About this Report

SGX has been publishing sustainability, or Corporate Social Responsibility (CSR), data in its Annual Reports since 2009. This is SGX's third Global Reporting Initiative (GRI) report and this year the G3.1 guidelines have been adopted. SGX believes that this report meets the GRI requirements for a B application level. The GRI report is published on SGX website at [www.sgx.com](http://www.sgx.com).

The data included in this report was collected by the members of the SGX Sustainability Working Group and verified by the Sustainability Committee. SGX's most material area of sustainability—its corporate governance—is closely monitored by external organisations and SGX must adhere to the elevated standards of governance stipulated by the Monetary Authority of Singapore's (MAS) Securities and Futures Act. Due to this existing, stringent performance review, SGX has opted not to engage a third party assurance provider for the data in the sustainability section of this report.

The data is for SGX operations in Singapore only, not the global representative offices in London, Beijing and Tokyo, which are small and accommodate less than 10 people in total. Data is for the year 1 July 2011 to 10 June 2012. In the reporting process, data up to 30 May 2012 was collected and figures were projected for the rest of the reporting period. Where the actual data differ by more than 10 per cent from the projected data, the revised number will be published in the 2013 report.

In the 2011 Annual Report's CSR section, SGX published the commitment to form a CSR Committee. Subsequently, SGX has agreed to use the term "sustainability" rather than "CSR", because it more closely reflects the marketplace endurance and business resilience that SGX is aiming for.

Please direct any questions or queries about SGX's sustainability report to the Head of Communications at [aijune.schult@sgx.com](mailto:aijune.schult@sgx.com).

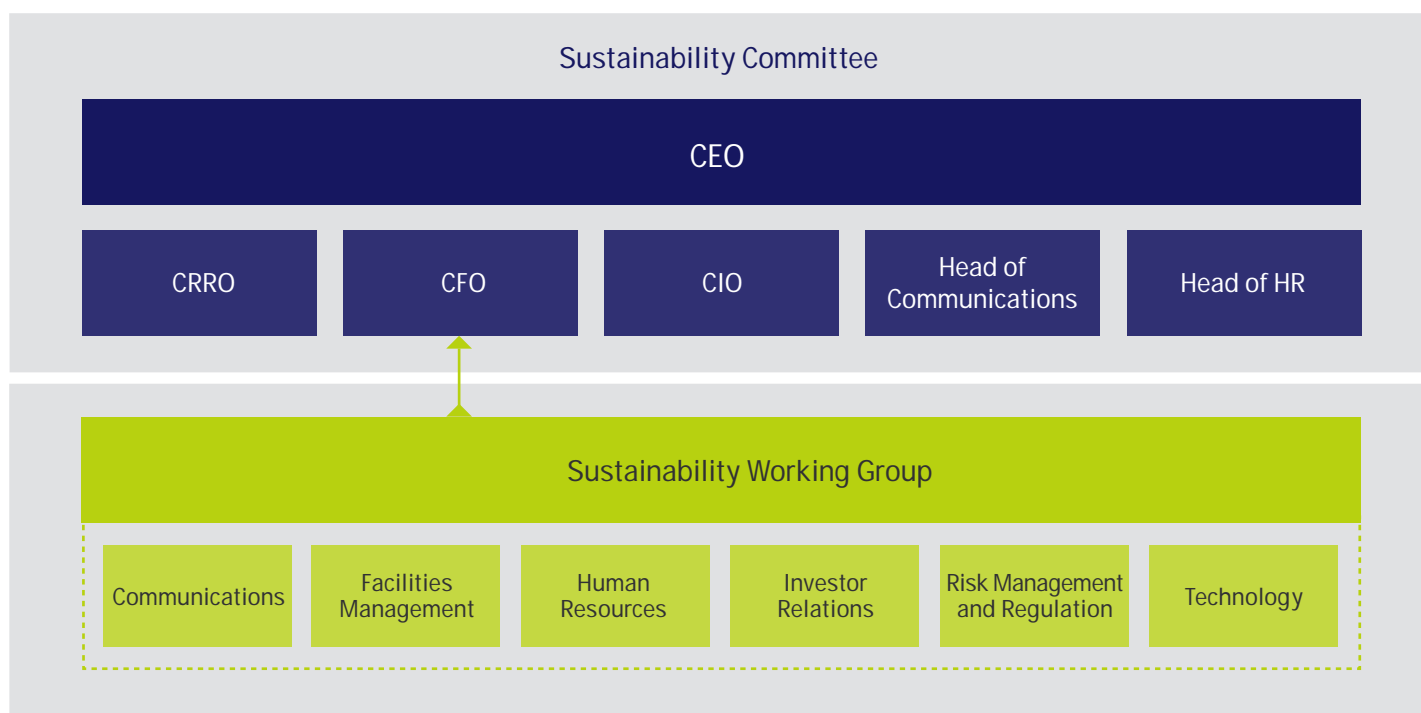
## Managing Sustainability at SGX: Organisational Governance, Engagement and Commitments

### Governance of Sustainability at SGX

Sustainability is a journey for every company, on which they aim to improve their performance in non-financial areas. This journey comprises many small steps and milestones towards agreed sustainability goals. At SGX, the goals and direction for this journey are set by the Sustainability Committee. Led by the CEO, the Committee also draws on the expertise of the Chief Regulatory & Risk Officer, Yeo Lian Sim; Chief Financial Officer, Chng Lay Chew; Chief Information Officer, Bob Caisley; Head of Communications, Ai June Schult; and Head of Human Resources, Arulraj Devadoss. The CEO delivers updates from the Sustainability Committee to the Board on a quarterly basis.

The Sustainability Committee meets quarterly and additionally on an ad-hoc basis as required. The sustainability budget is incorporated into the relevant department's operating budgets, except when a significant additional investment is required, in which case the Sustainability Committee will approve the additional spend.

The Sustainability Committee is supported by a Sustainability Working Group to implement the strategy. The CFO heads this Working Group, and acts as a conduit between the Sustainability Committee and Working Group. The Working Group includes representatives from Communications, Facilities Management, Human Resources, Investor Relations, Risk Management and Regulation, and Technology.



### Stakeholder Engagement

Before setting the targets and goals for the sustainability strategy, SGX engaged two of its key stakeholder groups—employees and institutional investors—to better understand their perceptions of SGX's sustainability. These two stakeholder groups were chosen based on their knowledge of the business, their importance to SGX's operations and their accessibility for engagement. SGX employees were engaged through an online survey which sought their opinions on SGX's areas of focus in sustainability, their levels of awareness of existing sustainability initiatives, and their recommendations for future sustainability strategy. Over half of the SGX workforce (320 people) participated in the survey and their feedback was very informative for the strategy development process.

SGX has a wide base of over 1,000 international investors. For the purposes of this stakeholder engagement, a discrete group of 32 institutional investors was invited to participate in either focus groups (in Singapore) or in-depth interviews by telephone. Eight investors responded to the invitation and all opted for the telephone interview approach. Again, the investors' feedback was very useful and informative for the sustainability strategy development.

## Stakeholders' Priorities

### Issue raised by employee engagement

SGX employees consider corporate governance to be the most important area of sustainability for our organisation.

### Our response (and Annual Report page reference)

SGX upholds the highest levels of corporate governance and promotes similar levels amongst listed issuers. For more details, see the Self-Regulatory Organisation Governance Report (page 29), Corporate Governance Report (page 33) and the following section on Governance in this sustainability report.

Although employees said that environment was of least importance to SGX's sustainability, over 80% said that they would like SGX to implement initiatives to improve its energy efficiency and waste management.

SGX has set goals to reduce its consumption of electricity and paper and will roll out training to employees to raise awareness of environmental saving initiatives. See the Environment section in this sustainability report (page 76).

Nearly two-thirds of employees described themselves as "partially informed" or "totally uninformed" about sustainability.

SGX will run a programme of employee-training and awareness-raising sessions for all employees over the next 12 months.

Over 60% of employees said that they wanted the focus of SGX community projects to be financial literacy.

SGX will increase the focus on financial literacy and will work with SGX Academy to develop and provide free seminars focusing on basic money management for targeted Bull Charge beneficiaries.

### Issue raised by investors

There are mixed perceptions about the listing regulations and whether or not they are applied universally.

### Our response (and Annual Report page reference)

SGX expects all companies to meet the same listing requirements, regardless of the country of origin, or the sector, of the company. In addition, SGX consults the market on new rules and requirements, such as in the case for early-stage minerals, oil and gas companies to list on the mainboard as announced on 21 June 2012.

There are varying degrees of understanding of SGX's power to enforce its listing regulations. Some investors feel that SGX should do more; some believed that SGX does not have the power to enforce the regulations; others said that the responsibility to vet for good governance lies with other parties—such as investment banks and auditors.

SGX supervises compliance of listed companies with the Listing Rules and SGX Members with the Trading and Clearing Rules. Any suspected breaches will be thoroughly investigated. Appropriate actions are taken against offenders, as laid out in the Disciplinary Framework found at [www.sgx.com/regulation/disciplinary](http://www.sgx.com/regulation/disciplinary). A list of past disciplinary actions is published online.

Some investors raised questions about the SGX board composition.

The composition of SGX's Board is reviewed annually by the Nominating Committee which is responsible for reviewing all re-nominations of directors. The MAS approves all directors based on fit and proper criteria before they are appointed to the Board.

This year, SGX engaged two of its many stakeholder groups, employees and institution investors, specifically on sustainability. As an integral part of its business, SGX interacts with all stakeholders regularly, but not specifically or necessarily on sustainability issues.

## Stakeholder Engagement Plan for the Next Three Years

Going forward, SGX plans to engage as many of its stakeholders as practicable on sustainability, whilst also revisiting some of the priority stakeholder groups. SGX has identified listed companies and issuers, member firms, local advocacy groups and communities, shareholders, media, employees, investors as well as regulators and authorities to be engaged over the next three years in order to review sustainability efforts on an on-going basis.

### 2013

Listed issuers, member firms, local advocacy group and communities

### 2014

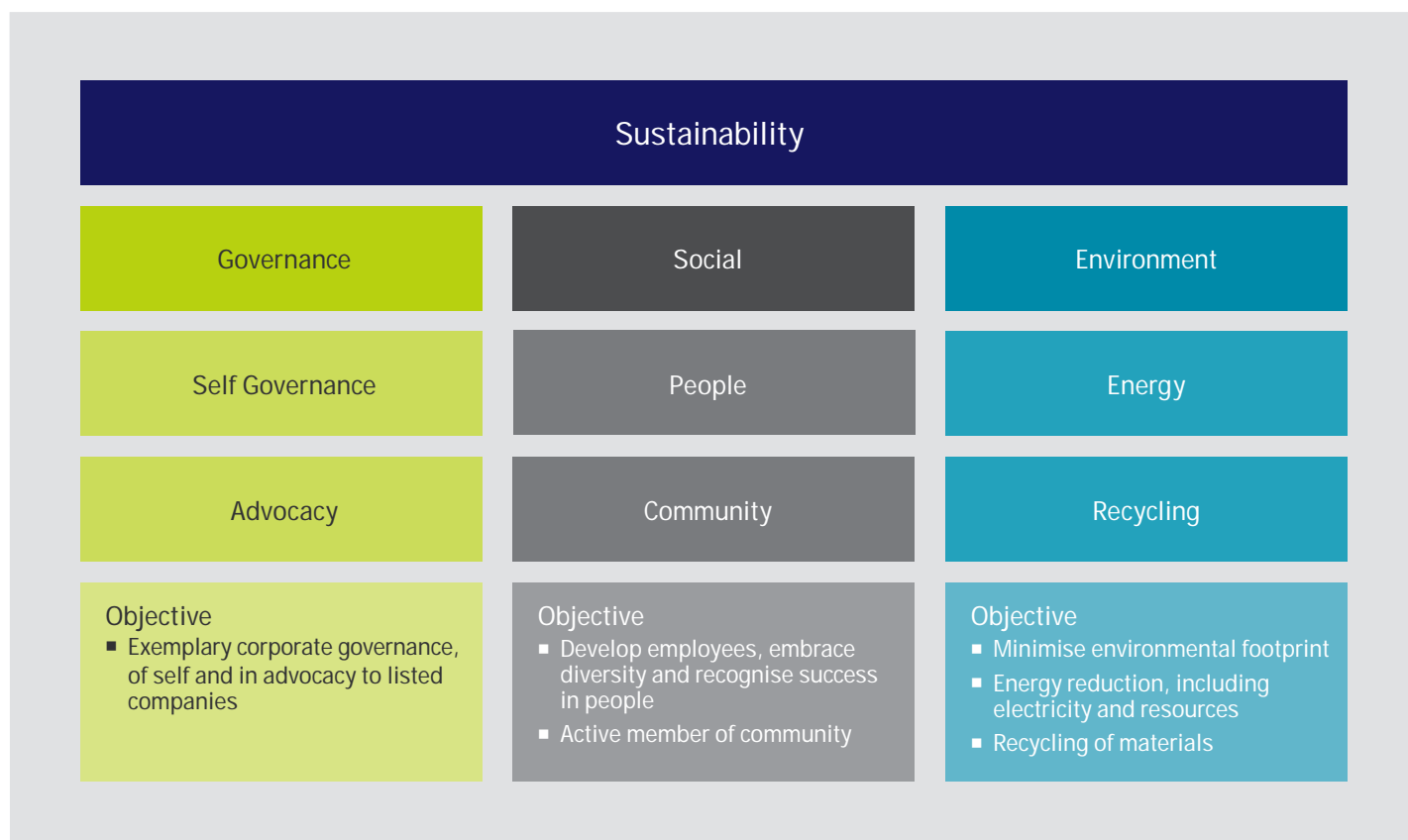
Shareholders, the media, employees

### 2015

Investors, regulators and authorities

## The Strategy

SGX developed its sustainability strategy based on the ideas and priorities of the Sustainability Committee combined with feedback from the stakeholder engagement process. This strategy is built upon the pillars of Governance, Social and Environment.



The Sustainability Committee agreed on time-bound targets for improvement in each of the areas in this strategy, based on existing standards and best practice. Employees have been nominated to be responsible for delivering the targets and the Sustainability Working Group members are responsible for monitoring progress towards achieving these goals, by gathering data on key indicators. You can read more details of the targets and commitments in the following sections.

## Governance

Corporate Governance is an integral part of SGX's business: the corporate governance of SGX as a company, and in the capacity of market regulator. This dual role, with the potential to be conflicting, is managed by a robust Self-Regulatory Organisation framework. Please refer to page 30 for the Self-Regulatory Organisation Governance Report.

### Leadership Insight



Yeo Lian Sim  
Chief Regulatory & Risk Officer and  
Lead on Governance Sustainability

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The frog does not drink up the pond in which he lives", so goes an ancient adage. The concept of sustainability is not new. It comes from the collective awareness that our ability to serve the needs of current and future generations is dependent on responsible social and economic behaviour. Good governance is the pivot that enables the delicate balance between our ambition and a sustainable and balanced development for the future.

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### Governance Targets

Governance	
Clear articulation of SGX's dual role as regulator and exchange	2012 report
Define principles of engagement (stakeholder engagement plan)	2012 report
Deliver 4 training sessions per year to listed companies on sustainability	July 2013
SGX facilities to be used twice a year for sustainability-related events (in addition to the training above)	July 2013
Diversity target for management committee: 40% female	July 2013
Host 4 forums on Corporate Governance per year	June 2013
Conduct/commission 'thought leadership' research on Corporate Governance	December 2012

### Corporate Governance of SGX

As a listed company and market regulator, SGX observes and abides by all relevant rules and provisions of the Securities and Futures Act (SFA), MAS Code of Corporate Governance for Financial Institutions, SGX-ST Listing Manual and Code of Corporate Governance. More details of this is found on page 33.

### SGX: The Market Regulator

The Risk Management and Regulation group within SGX serves as a frontline regulator for the markets and clearing houses that it operates in Singapore. SGX collaborates closely with the relevant regulatory authorities, including the MAS, the Criminal Affairs Department (CAD), and the Accounting and Corporate Regulatory Authority (ACRA), to enforce rules and regulations with a view to building an enduring marketplace. SGX also works with the MAS to formulate rules that are appropriate for the development of the market. Please refer to the "Corporate Governance" section for details of SGX's corporate governance awards at Page 34.

## Beyond Corporate Governance

The governance pillar of SGX's sustainability strategy goes beyond its compliance with the Code of Corporate Governance for Singapore and includes broader non-financial risk mitigation.

### Business Integrity

A key factor in maintaining high standards of governance at SGX is ensuring that all employees are fully cognisant of SGX's standards and expected behaviours. All employees receive an induction when they join SGX, which includes an explanation of the 'Code of Conduct and Ethics', the 'Code of Confidentiality', and they also receive a copy of the 'Code of Dealing' and the 'SRO Conflicts Handbook'. New employees are also required to complete training on general Compliance requirements, code of dealing in securities, anti-money laundering and SRO conflicts modules within 2 months of joining SGX. Existing staff are required to complete refresher training on these 4 modules annually as well.

Key inclusions in the 'Code of Conduct and Ethics' are: conflicts of interest (which covers giving/receiving gifts and entertainment); confidential information; public relationships and communications; protection of SGX's assets; accuracy of books and records; internal controls; cooperation with authorities; compliance with laws; and, good work environment (which covers respect at work and anti-discrimination policy).

These Codes are the foundation of high levels of business integrity and in this reporting year there were no cases of bribery or corruption in our business, no cases of anti-competitive behaviour and no fines for non-compliance with the law.

### Business Continuity

The services of exchanges and marketplaces are an essential part of many economies. SGX aims to provide round-the-clock services which are operational, available and secure. While unforeseen circumstances and externalities may threaten this aim, business continuity is of utmost importance for SGX. SGX has made significant investments in risk mitigation and data protection, including a more flexible technology infrastructure.

#### Business Continuity and Risk Mitigation Investment

- SGX relocated to a new purpose built, high specification primary data centre facility and at the same time upgraded the secondary data centre. The new and upgraded facilities provide SGX with the foundation to support our critical systems and services. The new highly secure facility is equipped with latest technologies including: a new high-performance network and storage infrastructure, biometric ID-screening and robust perimeter security operating on a round-the-clock basis. Both facilities have ample capacity to cater for organic growth and new business opportunities.
- SGX and industry participants conducted a series of exercises to test the business continuity plans. All the exercises concluded successfully, meeting the respective business continuity objectives.
- SGX also implemented new technologies to further strengthen protection against the loss of electronic data and information residing in its infrastructure.

### Promoting Transparency and Disclosure

At the end of the last financial year, SGX published its 'Guidelines to Sustainability Reporting for Listed Companies'. These Guidelines were launched at an event, open to all listed companies, in the SGX auditorium in June 2011. SGX has commissioned a survey to evaluate the impact that these Guidelines have had on levels of sustainability reporting in Singapore. In March 2012, SGX hosted the inaugural ESG Asia conference. Organised by Responsible Investor and Responsible Research, investors and companies presented and discussed Environment, Social and Governance issues and the importance of greater sustainability disclosure in Asia.

SGX continuously explores ways to promote and enhance greater levels of sustainability disclosure amongst its listed issuers.

### Singapore Corporate Awards (SCA)

The SCA was launched in September 2005 as the umbrella awards for exemplary corporate governance practices in Singapore. The SCA include the Best Annual Report Award (ARA), Best Managed Board Award (BMBA), Best Chief Financial Officer Award, Best Investor Relations Award, and Best Chief Executive Officer Award.

The SCA is organised by The Business Times and supported by SGX together with partners from other businesses in Singapore.

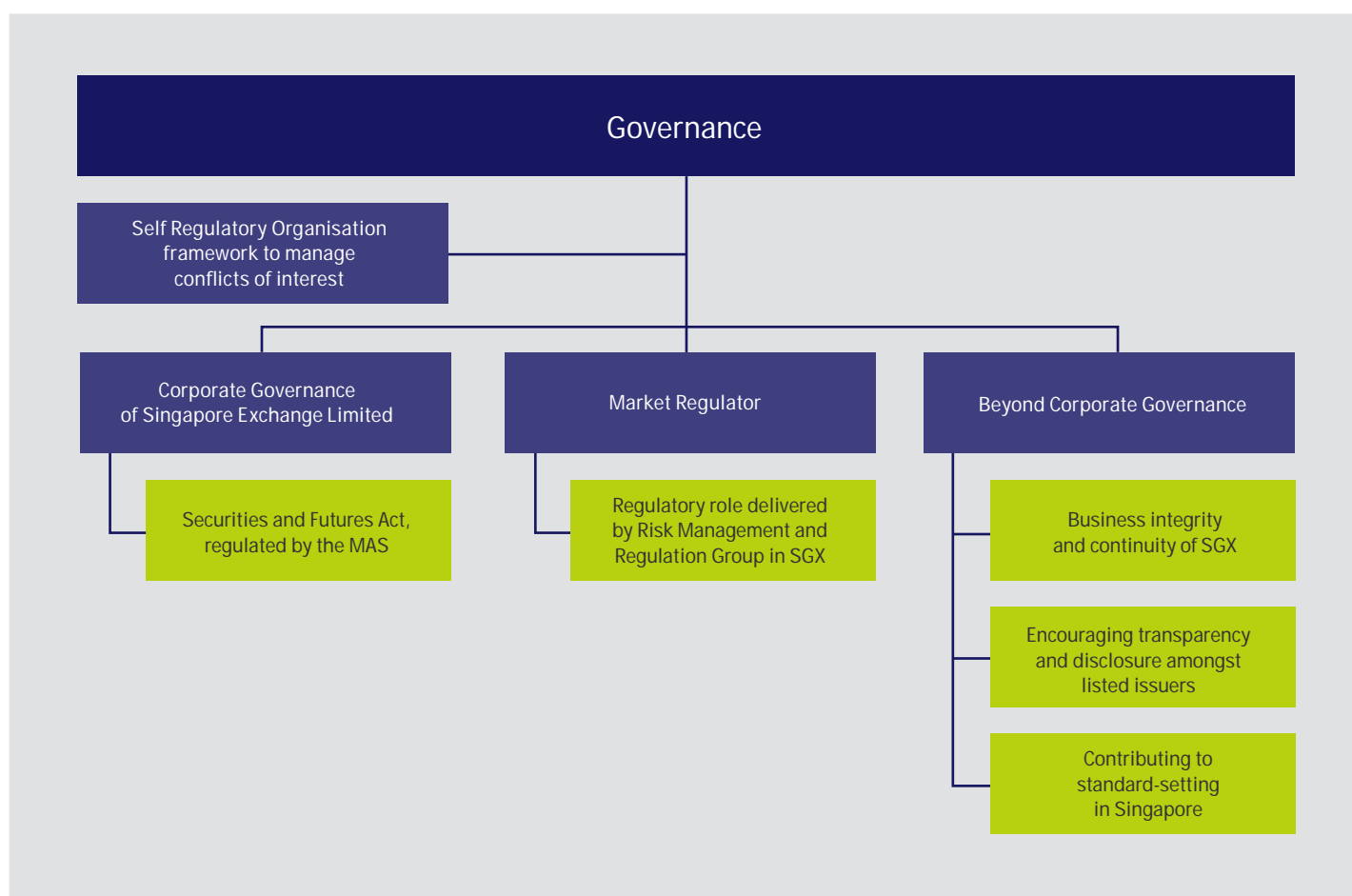
## Review of the Singapore Code of Corporate Governance

In 2011 and 2012, the MAS led a process to review the Singapore Code of Corporate Governance (the “Code”), in which SGX participated.

The Code came under the purview of MAS and SGX with effect from 1 September 2007. Compliance with the Code is not mandatory but listed companies are required under the SGX Listing Rules to disclose their corporate governance practices and give explanations for deviations from the Code in their annual reports.

The Corporate Governance Council conducted a comprehensive review of the Code, and submitted its recommendations to MAS on 22 November 2011. MAS issued a revised Code of Corporate Governance on 2 May 2012. The 2012 Code of Corporate Governance will supersede and replace the Code that was issued in July 2005. The Code will take effect in respect of Annual Reports relating to financial years commencing from 1 November 2012.

Governance at SGX:



The above graph depicts the general structure of governance at SGX. Please refer to the SRO and corporate governance reports for more details.

## Support from the Government

For FY 2012, SGX received \$152,000 in tax reliefs and credits and \$2.6 million in grants.

## Social

The social pillar of SGX's sustainability strategy encompasses workplace practices and relationships with the local communities. In the Singapore operations, we have a staff strength of 594, out of which 4 are working on part-time basis. With their unique skills, each employee is critical to the business and is assured of fair opportunities, benefits and merit-based promotions or rewards. SGX also encourages employees to have a work-life balance through various initiatives. Equally, SGX is privileged to be able to positively impact and support the local communities in Singapore.

### Leadership Insight



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Keeping SGX as THE place to build a career is one of our top priorities. We have a great team of people who excel in what they do and are passionate about giving back to society. Our people give their time, heart and mind to SGX and in turn, we continue to be an equal-opportunity and nurturing employer. In the coming year, we aim to strengthen our efforts in diversity practice, take on more community outreach and reinforce our support of work-life balance. SGX is successful because of its people and I am proud to be a member of this family.

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### Social Targets

Social	
Appoint person in charge of People Sustainability Strategy	Completed (May 2012)
Draft community policy <ul style="list-style-type: none"> <li>Establish Key Performance Indicators for fundraising initiatives</li> <li>Include employee volunteering guidelines</li> <li>Honour existing community partnerships and commitments responsibly until 2015</li> </ul>	December 2012
Track employee diversity (with a view to achieving management team diversity target) <ul style="list-style-type: none"> <li>Data already being collected</li> </ul>	Existing, ongoing
Measure employee training	Existing, ongoing
Increase by 10% year-on-year the number of employees attending at least one seminar/briefing on lifestyle topics per year <ul style="list-style-type: none"> <li>Series of lunchtime (or other) briefings to be arranged, on topics such as work-life balance, healthy eating, time management, exercise etc.</li> <li>Track number of 'unique' (that is, not repeat) attendance</li> </ul>	June 2013
Disclose pay-by-gender ratio	2013 report
Draft HIV/AIDS policy <ul style="list-style-type: none"> <li>Post on intranet</li> </ul>	August 2012
Define lifelong learning policy	2013 report

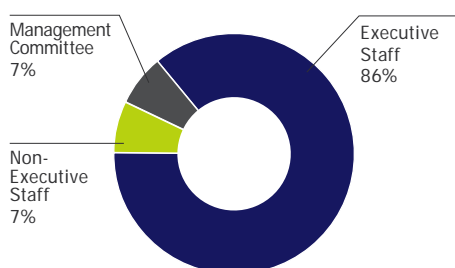
## Social: Workplace Practices

### Workplace Diversity

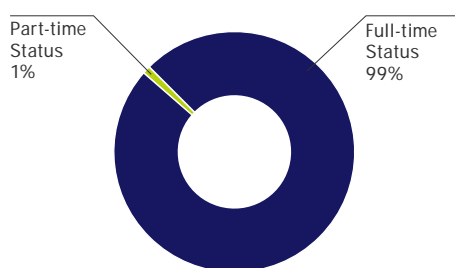
SGX is an equal opportunity employer and strives to inculcate a culture which embraces diversity. Diversity plays a key role in our dynamic industry to ensure our adaptability in the global marketplace. 18% of our staff hail from 15 countries including Australia, British Virgin Islands, Canada, China, France, Hong Kong, India, Indonesia, Malaysia, Philippines, Poland, Sweden, the United Kingdom, the United States of America and Vietnam.

SGX has set a gender diversity target for its management committee (which includes the Executive Committee) of 40 per cent females by July 2013. There were no incidents of discrimination at SGX in the reporting period, which is testament to our culture of diversity.

SGX Employees by Seniority (% as total of headcount)



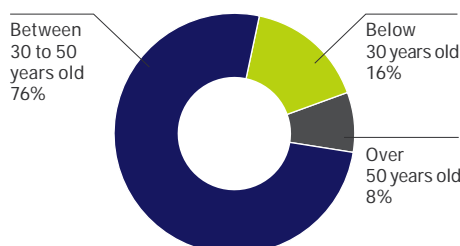
SGX Employees, by Contract Type



SGX Employees by Gender



SGX Employees by Age



## Employee Recruitment and Retention

SGX aims to attract highly skilled people and recruit the best person for each role. We do not discriminate against any applicant on age, gender, ethnicity in the recruitment process, or in employee remuneration.

### Taking Care of Our Employees

#### Compensation

SGX ensures that employees are entitled to and receive fair compensation for their work. All new employees receive a starting pay that commensurate with their experience and background. This is age, gender and ethnicity neutral. For instance, fresh graduates at the entry level receive the same starting salary. Thereafter, rewards for individuals are determined by performance against targets and Key Performance Indicators. This is similar across the board for different staff levels.

## Benefits

All full time employees receive a package of benefits which includes: life, personal accident, hospital and business travel insurance; healthcare; maternity/paternity leave; childcare (regardless of citizenship), volunteer, compassionate and examination leave, and family passes to places of interest. In addition, SGX provides: service awards; nursing facilities; meal and transport allowances; health screenings and professional memberships (to Assistant Vice-President level employees and above). SGX is part of the iCare Mental Health Alliance leadership team (comprising of 10 private companies) since its inception in 2008, which seeks to promote workplace mental health. SGX adopts the 10 recommended practices including in-house professional counselling services, parent support networks, training staff on individual coping skills (topics include stress/anger management, positive emotions and mental wellbeing) and medical coverage for psychiatric treatment.

SGX currently holds the silver award for the Singapore Health Award<sup>1</sup> from the Health Promotion Board for valuing employees' health and well-being.

In Singapore, employers are required by law to make regular contributions (which are a factor of salaries) to the government-run Central Provident Fund, a social security savings plan for Singapore citizen's old age. This is in lieu of a pension fund contribution. SGX makes contributions for Singaporeans and Permanent Residents only, which constitutes 93% of the SGX workforce.

Non-executive employees of SGX are represented by the Singapore Manual & Mercantile Workers' Union (SMMWU); out of which 77% of our non-executives are members of. SGX engages in collective bargaining agreements with SMMWU and covers areas such as disciplinary procedures; employment policies including probation, termination and overtime; remuneration and allowances; leave entitlement; and other benefits. As a benefit to union members, SMMWU also nominates staff for work plan seminars or certifications. SGX provides unrecorded time-off and full pay during these programmes.

SGX employees are committed to the organisation and this commitment sometimes means that they work beyond their contracted hours. Whilst this is called for on occasion, as an organisation SGX does not encourage employees to work overtime regularly. SGX provides a number of benefits which encourage employees to focus on their work-life balance, which includes but is not limited to part-time work arrangements and sabbatical leave. SGX employees can, on a case-by-case basis, request for unpaid sabbatical leave. In the reporting period, 14 employees took a sabbatical for reasons such as: taking time off to manage family commitments (57.1%); to pursue further education (28.6%); and to take a break from work (14.3%).



SGX actively promotes staff welfare through the significantly subsidised SGX Recreation Club. This employee-run club provides personal enrichment and opportunities for staff, and their families, to build camaraderie through Sports, Recreation and Health activities. Events in the reporting year ranged from trekking to photography, cooking to inter-department competitions. Also included were talks on diabetes, hypertension and heart disease.

<sup>1</sup> Refer to [http://www.hpb.gov.sg/hpb/default.asp?pg\\_id=3774](http://www.hpb.gov.sg/hpb/default.asp?pg_id=3774) for more details on the Singapore Health Award.

## Training and Career Progression

Along with a comprehensive compensation and benefits package, SGX invests in its employees' training and careers as a means of recognising their contribution to the company and to develop both business and lifelong skills.

The skills required to work at an exchange are unique, which means that SGX's workforce is highly specialised. SGX believes that an integral part of business resilience is to develop broader skills for employees. All full-time employees can sign up for training in relevant business skills including Presentations, Communications, Leadership, and Business Writing. Employees regularly attend local and international conferences, seminars, and courses to keep themselves abreast of the latest regulatory or business updates. In addition SGX provides an Education Assistance Programme which funds up to 70% of the costs for further education such as a degree or Master's programme, subject to a cap. SGX does not legally bond the employee to the organisation on provision of this funding. SGX also runs the Financial Scholarship Programme in partnership with the MAS. This year, we sponsored an employee to pursue her Masters of Science in Financial Engineering at the National University of Singapore.

In the reporting period, SGX employees completed over 10,000 hours of training, equivalent to over 18 hours per year per person.

Average hours of training per person per year, by Gender and Seniority



SGX operates a structured performance management process where all employees engage in a mid-year dialogue and an annual performance review to provide recognition on positive contributions, obtain feedback to enhance performance and to help the individual achieve career goals and aspirations.

## Employee Turnover

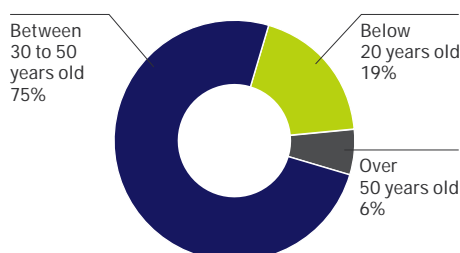
SGX monitors closely the reasons for employees leaving the company, so that demographic trends or recurring reasons can be identified. In the reporting period, the rate of turnover of 13.4% (as of end June 2012) was in line with the turnover rate in Singapore's financial sector.

This year, the Singapore Re-Employment Act was introduced, stipulating that employers must re-employ, on an annual contract basis, employees who reach retirement age. The Act allows for a 10% decrease in salary when the employment terms convert from full-time to annual contract. However, since 2010, SGX has been engaging its upcoming retirees in discussions on re-employment opportunities. To date, two of our employees have reached their retirement age and have been re-employed on annual contracts, with no change in their compensation and benefits.

Voluntary Departure by Gender



Voluntary Departure by Age



## Social: Local Communities

On a macroeconomic level, exchanges facilitate business transactions, liquidity and economic growth in their respective markets. In turn, societies benefit from surrounding economic prosperity in these marketplaces. SGX will do its part in contributing towards Singapore's economic and societal development and also in providing a gateway to Asian markets.

On a local level, SGX is proud to be an active, responsible member of the community in Singapore. SGX employees are encouraged to volunteer and are given a one-day volunteer leave.



## The Bull Charge

The Bull Charge is an annual charity run organised by SGX which brings together professionals from the finance industry, to raise funds for communities in need. This is an event that SGX initiated and has championed since 2005. The resource committed from SGX to prepare and execute the event in the year under review was considerable with the involvement of a total of 153 SGX employees. The organising committee of 14 members alone dedicated more than 3,360 hours over a period of 6 months, in addition to 139 volunteers who contributed their efforts and time. More than 5,000 industry individuals from 70 corporations participated in the event, which raised \$1.162 million. The funds benefit a variety of charities, chosen for their coverage of a wide spectrum of the community and shared focus on sustainability including strong governance and willingness to develop long term partnerships.

The Bull Charge beneficiaries for 2012 included Autism Association of Singapore, for youths and adults with moderate to severe autism; Lions Befriender Service Association (Singapore), which has outreach programmes to benefit lonely senior citizens in Singapore; and, Tan Tock Seng Hospital Community Charity Fund.



Going forward, the Bull Charge committee has further refined its strategy to introduce a three-year commitment to selected charities. SGX targets to strengthen the overall efforts towards Bull Charge, including having higher fund-raising goals, more industry participation, heightened levels of awareness of the impact of the cause, and greater employee engagement and voluntarism.

## Financial Literacy Focus

Over time, SGX has established strong, fruitful relationships with selected charities in Singapore. However, this year's stakeholder engagement with SGX employees highlighted a strong appetite for SGX to focus community efforts on financial literacy, which is of course a core competence within the SGX workforce. SGX's intention is to honour existing community partnerships whilst increasing the focus on financial literacy. Any savings made by improved environmental efficiencies will be donated to the Bull Charge charity and financial literacy causes. In the long-term SGX intends to establish a reputation for excellence in supporting financial literacy, through partnerships with organisations in this area and through structured, skills-based volunteering.

SGX currently supports the following financial literacy platforms:

### My Gateway

A new portal was launched in January 2012 to satisfy increasing investor interest for more investment knowledge and education. My Gateway ([www.sgx.com/mygateway](http://www.sgx.com/mygateway)) provides free online access to market updates, product information, research reports, educational videos and more. To date, My Gateway has more than 100,000 subscribers and SGX is working closely with relevant agencies to bring programmes to market for the benefit of retail investors.

### CFA Investment Forum Series

SGX has partnered with the Chartered Financial Analysts of Singapore (CFAS) to deliver a two-year series of investment forums to promote investment and build greater trust in the financial planning industry. These forums will target two groups: trading representatives and financial advisers, and young investors.

### SGX Academy

SGX has appointed a secretariat to run the SGX Academy, which is a centre of excellence for professional trader education and training, as well as an investor education hub. It aims to enhance the capabilities of professional traders and empower general investors with fundamental investing knowledge. The Academy organises a wide range of Investor Education Seminars and Courses covering topics such as economic and market outlook, introduction to securities and derivatives products, and fundamental and technical analysis.

### Other Financial Literacy Partnerships:

<b>MoneySense, MAS</b> Exchange listed education materials provided through MoneySense portal	<b>Singapore Management University (SMU)</b> Collaborative programme between SGX-SMU-CIMB to recruit and train trading representatives
<b>Nanyang Technological University (NTU)</b> The NTU-SGX Centre for Financial Education where 8 courses with 90 participants were conducted during the year	<b>National Library Board</b> 12 Specified Investment Product Seminars in the heartlands attended by 1,136 participants in FY2012

## Environment

SGX is a service-based organisation, which does not manufacture or transport products. The organisation's environmental footprint comes from the energy used in the SGX offices and consumables such as paper. Although smaller than many organisations, SGX too aims to reduce its environmental footprint.

The following process illustrates SGX's approach to environmental management, which entails improving levels of awareness amongst SGX employees and investing in the appropriate infrastructure or products to help achieve the goals:



## Leadership Insight



**Chng Lay Chew**  
CFO and Lead on Environmental Sustainability

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As an exchange, our environment footprint may be small but we are determined to do our best in the conservation of natural resources and the environment. We aim to reduce energy usage, engage more staff in related training and increase recycling efforts in all aspects of our operations.

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## Environmental Targets

Environment	
Appoint person in charge of environmental strategy at SGX	Completed (June 2012)
Draft environmental policy and publish on intranet	December 2012
Assess employee training needs (to achieve environmental goals)	December 2012
Complete employee training	2013
Communicate green data centre efficiency savings	2012 report
Reduce 'energy' by 3%, year on year for the next 2 years. <ul style="list-style-type: none"> <li>All cost savings from energy reduction will go towards Bull Charge fundraising</li> </ul>	On-going, until 2014
Recycling facilities <ul style="list-style-type: none"> <li>Install recycling bins throughout offices</li> <li>Review paper recycling options</li> <li>Review current process for recycled paper collection</li> <li>All savings from recycling to go towards Bull Charge fundraising</li> </ul>	December 2012
All paper procured by SGX is to be from recycled sources	December 2012
Install energy saving settings on all laptops and computers	December 2012
Annual report to be printed on recycled paper	2012 report
Print the Annual Report summary on recycled paper	2013 onwards
Post full annual report online	August 2012

## Energy

SGX's operations consume electricity, to power the use of computers, data centres, air-conditioning, lights and so on. We also consume small amounts of water in the lavatories and pantry facilities, utilise paper for office work, and other minimal amounts of consumables.

### Energy Consumption in Reporting Period

	Figure reported in 2011	Figure reported in 2012
Electricity	1,754,997 kWh	1,517,007 kWh
Office paper <sup>*</sup>	24.4 ton	31.5 ton
Paper recycling <sup>#</sup>	111 ton	22 ton
Water <sup>^</sup>	Not reported	2,400 m <sup>3</sup>

<sup>\*</sup> Paper consumption increased due to higher operational needs in 2012.

<sup>#</sup> The volume of paper recycled in 2011 was considerably higher than 'business as usual' because SGX vacated a building and the process entailed the shredding and disposal of obsolete paper files.

<sup>^</sup> SGX offices are in a leased building shared with other tenants. The building landlord is not able to provide a breakdown of water consumption, so the number provided is an estimation based on floor space occupancy.

## Paper

SGX aims to procure recycled paper for 2013 in replacement of current practice of using FSC certified paper. SGX is required to make at least 1,500 copies of the Annual Report available in paper copy. Starting this year, the SGX Annual Report is printed on recycled paper. The Annual Report is also distributed in soft copy to investors and shareholders, and made available on the SGX website.

## IT and Green Data Centre

Every SGX employee laptop (or PC) will default to energy saving settings by December 2012, which will significantly reduce the energy consumption in idle state.

Last year, SGX reported a commitment to adopt a “Green Data Centre” policy. This policy was successfully implemented and achieved a 19% reduction in energy consumption through improved cooling efficiency and decommissioning of obsolete infrastructure.

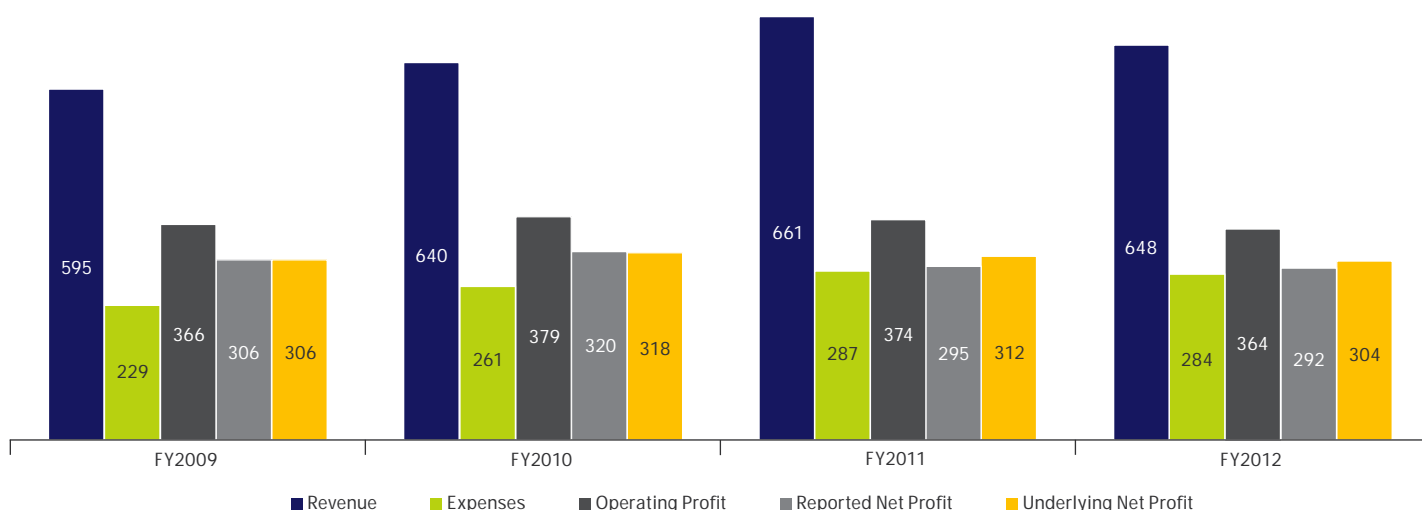
## Recycling

Currently, SGX uses a service provider to collect, destroy and recycle confidential paper waste. This arrangement is on an as-needed basis and SGX has made a commitment to explore options for wider paper recycling (not just confidential waste) throughout the organisation, by December 2012. This process will entail the installation of recycling facilities and awareness-raising amongst employees to encourage widespread use of the recycling facilities.

## Financials 06

## Operating and Financial Review

SGX Financial Results (\$M)



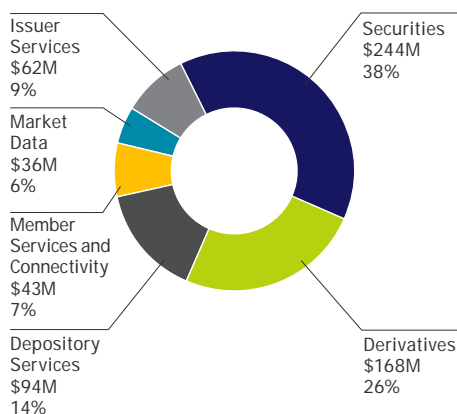
SGX recorded revenue of \$647.9 million\* (\$660.7 million) and a net profit of \$291.8 million (\$294.9 million) in FY2012. The earnings per share (EPS) was 27.3 cents (27.6 cents) and the return on equity (ROE) was 35% (36%).

SGX's underlying profit was \$303.9 million (\$311.8 million) excluding one-off items and EPS was 28.5 cents (29.2 cents<sup>1</sup>). The one-off items were an impairment loss of \$11.0 million from our investment in the Bombay Stock Exchange mainly due to the depreciation of Indian Rupee against Singapore dollar and a \$1.1 million impairment loss following the cessation of business of Chi-East, our joint venture with Chi-X Global.

## Business Highlights

This year, we strengthened our Asian Gateway position with the Reach initiative, added new capabilities in our Securities market, and introduced new Derivatives products amid challenging market conditions.

SGX's well diversified revenue streams



**Securities:** Trading activities continued to be affected by macroeconomic uncertainties. Securities daily average traded value (SDAV) was \$1.3 billion compared to \$1.6 billion a year ago. We improved our market with continuous all-day trading where the additional one and a half hours represented 8% of total trading value, and revised bid-ask spreads to remain competitive. We also expanded our suite of ETFs to 93 issues (84 issues) and introduced dual currency trading, allowing investors to trade in their preferred currencies. To meet increasing retail investors' need for investment knowledge, we rolled out various educational programmes through SGX Academy and launched the "My Gateway" portal ([www.sgx.com/mygateway](http://www.sgx.com/mygateway)).

**Derivatives:** Derivatives volumes grew to a record of 76.0 million (65.7 million) contracts<sup>2</sup> in FY2012. Daily average volume (DAV) was 16% higher at 308,312 contracts (266,783 contracts) and average month-end

\* All figures are for the year except for figures in brackets which are for a year earlier unless otherwise stated.

<sup>1</sup> FY2011: Excluding ASX-SGX transaction related costs of \$18.6 million and net gain on disposal of premises \$1.7 million.

<sup>2</sup> Excludes structured warrants, extended settlement contracts and OTC derivatives cleared.

open interest grew 53% to 1,432,145 contracts (934,081 contracts). Our newer contracts—India Nifty futures, China A50 futures, Nikkei options and the latest addition MSCI Indonesia futures contracts—continued to gain momentum. These contracts accounted for 31% (24%) of overall volumes. China A50 futures volume tripled to 5,617,226 contracts (1,773,230 contracts). Algorithmic trading contributed 34% of overall volume. We also became the first Asian exchange to offer exchange-hosted pre-trade risk controls.

**OTC Clearing:** We further expanded the suite of OTC Financials and OTC Commodities cleared in FY2012. We commenced clearing of Foreign Exchange Forwards in October 2011. We added OTC clearing of CFR South China Coal swaps and CFR Japan Naphtha swaps in November 2011. We cleared a total notional value of \$163 billion (\$110 billion) in interest rate swaps and a record 248,837 lots (164,837 lots) of OTC Commodities. Iron Ore swaps reached a new high of 124,193 lots (44,781 lots).

**Member Services and Connectivity:** We added 11 new members to our Derivatives market including GF Futures (our first Chinese member) and 5 futures brokers from Taiwan (Yuanta, KGI, Sinopac, Concord and President). We also partnered our members—Ong First, Phillip Futures, UOB Bullion and CIMB Securities—to attract, train and grow the Professional Traders profession in Singapore. In addition, we welcomed Hong Leong Finance as a Full Sponsor on Catalist, bringing the Sponsor pool to nine Full Sponsors and nine Continuing Sponsors. We became the first exchange in Asia to offer hubs in Chicago and London to conveniently and cost-effectively connect global investors to our markets.

**Market Data:** The list of market data distributors grew by 14 new licensees while distribution to retail investors increased in both the Securities market and Derivatives market. We also introduced ultra-high speed market data feeds and broadened distribution of our data feeds through partnership with media channels.



The challenging global environment was a drag on our Securities and Issuer Services business. But our focus on diversification helped, with our non-Securities revenue growing 12% during the year and accounting for 53% of total revenue.



**Muthukrishnan Ramaswami**  
President

**Depository Services:** We continued to focus on improving settlement efficiency for institutional investors. We expanded our services to include dual currency traded securities. Migration of our aging securities post-trade systems solution to an open access platform is in progress. The new platform will enable SGX to enhance its services in the securities post-trade arena.

**Issuer Services:** The slowdown in the global IPO market resulted in 23 new listings<sup>3</sup> raising \$825 million (\$14.1 billion from 34 new listings) and \$5.2 billion (\$6.8 billion) in secondary fund raising. For the Fixed Income market, a total of \$161.3 billion was raised through 300 new bond issues (\$170.1 billion and 355 new bond issues).

## Market Development, Risk Management & Regulations

In the Securities market, we made available new order types to allow investors more flexibility in the execution of their orders. Publication of the indicative equilibrium price during opening and closing routines increased transparency for investors. In line with the Futures Industry Association's recommendation, we introduced exchange-hosted pre-trade risk controls for the Derivatives market.

We consulted the public on the proposed changes to further improve market robustness and transparency. In the Securities market, these included proposed changes to the

Error Trade Policy, an enhanced regulatory framework for direct access to our market, and introduction of pre-trade risk controls and circuit breakers. For the Derivatives market, the proposals included enhancements to the Default Management Framework and changes to the reporting and registration of Negotiated Large Trades. The public was also consulted on the proposed new rules for admission and continuing listing of mineral, oil and gas exploration companies on the Mainboard.

SGX Listing Rules were amended to strengthen corporate governance practices and foster greater corporate disclosure to safeguard shareholders' interest. On Sustainability Reporting, we partnered with KPMG to survey the Sustainability practices of the largest 100 listed companies in Singapore. We intend to share the findings with our listed companies.

Under the auspices of the ASEAN Exchange collaboration to jointly promote ASEAN as an investable asset class, we are preparing for the launch of ASEAN Trading Link. We also joined the Monetary Authority of Singapore in signing a Memorandum of Understanding on the Expedited Review Framework for Secondary Listings to shorten the time to market for secondary listing of ASEAN companies.

We continue to remain vigilant and monitor our risk exposures closely given the market volatility and uncertainty. Our robust risk management enabled us to handle the liquidation of MF Global swiftly and effectively without impacting our customers' ability to continue to manage their positions.

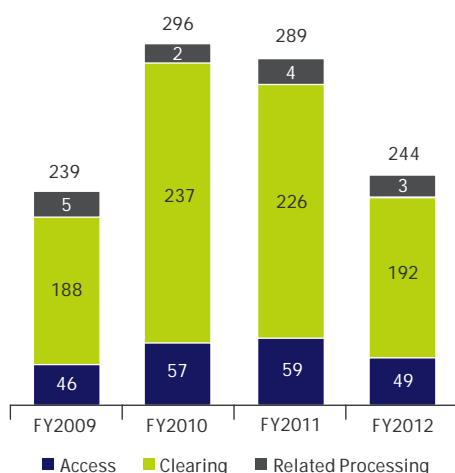
<sup>3</sup> FY2012: 20 IPOs and 3 reverse takeovers.

## Performance Review

### Securities, 38% (44%) of SGX's revenue

Securities revenue declined 16% to \$244.1 million (\$289.0 million) as SDAV fell 19% to \$1.3 billion (\$1.6 billion). The average clearing fee was 2.9 basis points (2.8 basis points).

Securities Revenue (\$M)



Overseas companies listed on SGX made up 40% (41%) of the total listed companies. Trading value of these companies accounted for 43% (47%) of the total Securities market turnover. Their turnover velocity was 74% (89%), compared to an average velocity of 53% (59%) for the overall market.

We expanded our suite of ETFs to 93 issues (84 issues). The average daily trading value of ETFs was \$29 million (\$38 million). The 5 most actively traded ETFs were: SPDR Gold; MSCI India 100; MSCI Asia EX Japan; MSCI Indonesia; and Straits Times Index.

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The retail community is of vital importance to SGX. The launch of our “My Gateway” portal is a key example of our efforts to meet the increasing interest for investment knowledge and education.

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**Chew Sutat**  
Head of Sales & Clients

#### Key Drivers of Securities market

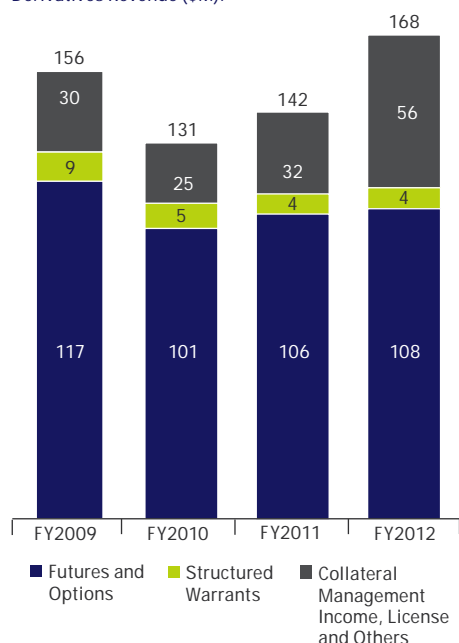
Key Drivers	FY2009	FY2010	FY2011	FY2012	Change
MSCI Singapore Index	280	337	361	332	(8%)
No. of Trading Days	252	252	252	251	(1)
Equity Turnover Velocity (%)	76	66	59	53	(6% pt)
Singapore issuers	73	57	47	44	(3% pt)
International issuers	86	94	89	74	(15% pt)
Daily Average Trading Volume (billion shares)	1.23	1.69	1.46	1.56	7%
Daily Average Trading Value (\$B)	1.23	1.54	1.62	1.32	(19%)
Total Trading Value (\$B)	310.0	386.8	408.8	331.1	(19%)
ETFs/ETN Daily Average Trading Value (\$M)	14	20	38	29	(24%)
Company Warrants Daily Average Trading Value (\$M)	0.2	2	1	0.6	(55%)
Contract Value					
More than \$1.5 million (%)	39	37	45	42	(3% pt)
Less than \$1.5 million (%)	61	63	55	58	3% pt

Note: Turnover velocity was computed based on primary listed securities.

## Derivatives, 26% (21%) of SGX's revenue

Derivatives revenue grew 18% to \$167.5 million (\$142.0 million).

Derivatives Revenue (\$M):



Derivatives volume grew 16% to 76.0 million (65.7 million) contracts or DAV of 308,312 contracts (266,783 contracts).

Futures & Options revenue was only 2% higher at \$107.8 million (\$105.9 million) mainly due to lower yield per contract of \$1.42 (\$1.61) and cost of foreign exchange hedges.

DAV of our key Asian Gateway equity index derivatives were: Nikkei 225 futures 116,849 (119,298); MSCI Taiwan futures 71,817 (63,959); India Nifty futures 60,865 (49,966); MSCI Singapore futures 17,544 (15,125); China A50 futures 23,212 (7,297); Nikkei 225 options 11,889 (4,981); and the newly launched MSCI Indonesia futures 574 contracts. Market share of our main contracts remained steady: Nikkei 225 futures was 29% (28%); MSCI Taiwan futures was 23% (24%); China A50 futures was 0.5% (0.4%), while the India Nifty futures improved to 21% from 15%.

Algorithmic trading accounted for 34% (29%) of the overall volumes. The average month-end open interest grew 53% to 1,432,145 contracts (934,081 contracts).

Structured warrants revenue was \$4.3 million (\$4.3 million). The average daily trading value was \$30.1 million (\$22.3 million) and the proportion of trades above \$400,000 was 55% (40%).

Collateral management income, license and other revenue was 74% higher at \$55.5 million (\$31.8 million) mainly driven by: (i) higher collaterals held given increased open interest positions and better management of collateral balances; (ii) higher royalty fees on increased DAV; and (iii) revenue from OTC Clearing.

### Key Drivers of Derivatives market

Key Drivers	FY2009	FY2010	FY2011	FY2012	Change
Daily Average Volume ('000 contracts)	238	232	267	308	16%
Nikkei225 futures (days)	110 (244)	113 (244)	119 (245)	117 (247)	(2%)
MSCI Taiwan futures (days)	66 (246)	64 (250)	64 (249)	72 (248)	12%
India Nifty futures (days)	40 (240)	36 (246)	50 (252)	61 (246)	22%
MSCI Singapore futures (days)	17 (252)	15 (252)	15 (252)	18 (251)	16%
China A50 futures (in contracts, days)	NM	0 (244)	7,297 (243)	23,212 (242)	218%
Nikkei options (in contracts, days)	NM	584 (244)	4,981 (245)	11,889 (247)	139%
MSCI Indonesia futures (days) (from 11 June 2012)	NM	NM	NM	574 (15)	NA
Interest futures	4	3	3	4	27%
Structured Warrants Daily Average Value (\$M)	58	29	22	30	35%
Market Share (%)					
Nikkei225 futures	22	26	28	29	1% pt
MSCI Taiwan futures	28	24	24	23	(1% pt)
Nifty futures	9	10	15	21	6% pt
Algorithmic Trading (%) (average)	15	26	29	34	5% pt
Commodities (Daily average trading volume, contracts)					
Rubber futures	1,373	1,000	816	1,036	27%
Fuel Oil futures	NA	24	24	0	NM
LME-SGX metal futures (from 15 February 2011)	NA	NA	867	19	NM

## Derivatives, 26% (21%) of SGX's revenue (continued)

We cleared a record 248,837 lots (164,837 lots) of OTC Commodities and \$163.0 billion (\$110.0 billion) in notional value of OTC Financial Derivatives. Freight Forward Agreements clearing grew 26% to 109,319 lots (86,491 lots) and Iron Ore swaps increased to 124,193 lots (44,781 lots) this financial year.

### Key Drivers of OTC Financial Derivatives and OTC Commodities Derivatives

Key Drivers	FY2009	FY2010	FY2011	FY2012	Change
AsiaClear <sup>®</sup>					
Volume cleared (lots)	66,934	124,829	164,837	248,837	51%
Forward Freight Agreements	40,084	72,072	86,491	109,319	26%
Energy swaps	1,934	28,624	30,690	9,823	(68%)
Iron Ore swaps	24,907	24,133	44,781	124,193	177%
Bulk Commodities	NA	NA	1,130	3,855	241%
Rubber futures	NA	NA	1,745	1,647	(6%)
Financial Derivatives					
Interest rate swaps (in \$M)					
Notional value cleared	NA	NA	110,024	162,989	48%

## Market Data, 6% (5%) of SGX's revenue

Market Data Revenue (\$M)

Market data revenue grew 12% to \$36.1 million (\$32.3 million). The average number of terminals for Securities and Derivatives data was 43,677 (42,595) and 24,734 (23,790), respectively, in FY2012.

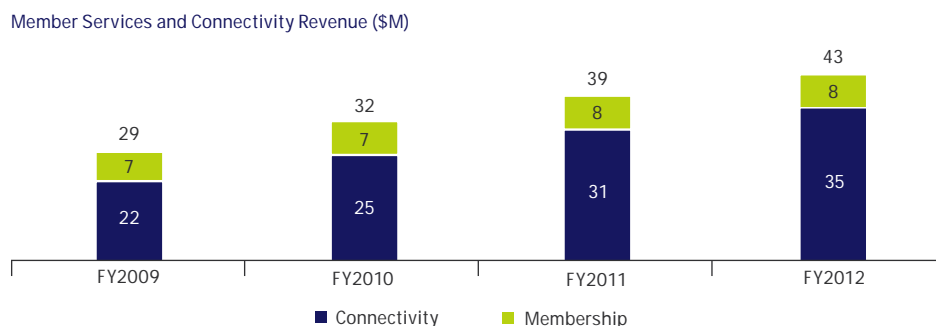


### Key Drivers for Market Data

Key Drivers	FY2009	FY2010	FY2011	FY2012	Change
Securities Data					
No. of vendors	117	122	128	143	12%
No. of terminals (average)	36,084	38,129	42,595	43,677	3%
Derivatives Data					
No. of vendors	51	57	63	74	17%
No. of terminals (average)	31,079	25,088	23,790	24,734	4%

## Member Services and Connectivity, 7% (6%) of SGX's revenue

Member Services and Connectivity revenue increased 10% to \$43.2 million (\$39.3 million).



Membership revenue was \$7.9 million (\$8.2 million). We are pleased to welcome 11 new Derivatives members, including GF Futures (our first Chinese member) and 5 futures brokers from Taiwan (Yuanta, KGI, Sinopac, Concord and President).

### Key Drivers of Membership

Key Drivers	FY2009	FY2010	FY2011	FY2012	Change
Securities Members					
Trading Representatives	3,729	4,095	4,314	4,226	(2%)
Trading Members	24	26	30	27	(10%)
Clearing Members	24	26	29	26	(10%)
Derivatives members					
Trading Members (Individual)	195	228	213	247	16%
Trading Members (Proprietary)	224	242	264	241	(9%)
Trading Members	30	30	34	41	21%
Clearing Members—F&O	25	26	37	34	(8%)
Clearing Members—OTCF	NA	NA	11	11	-
AsiaClear®					
No. of Counterparties	336	512	735	1,030	40%

Connectivity revenue grew 14% to \$35.3 million (\$31.0 million) due to the new Co-Location services launched in April 2011. The average securities and derivatives connectivity subscriptions were 179 (133) and 644 (613), respectively.

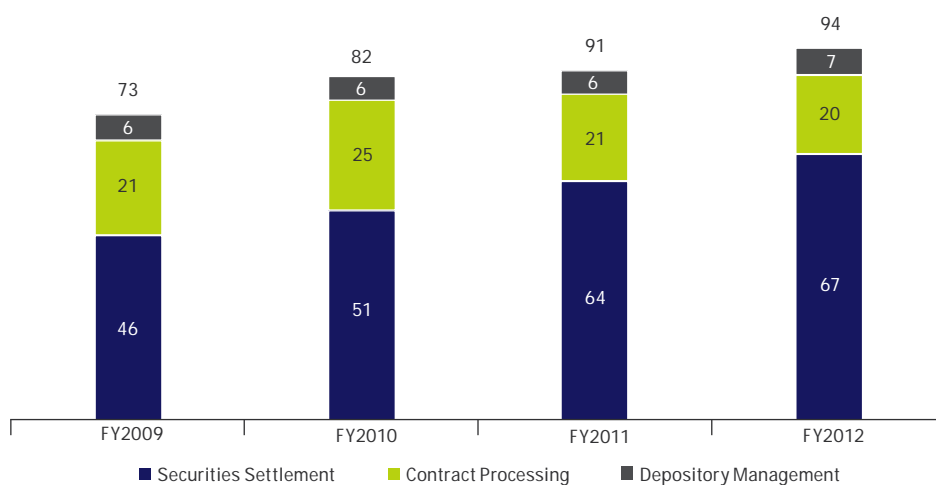
### Key Drivers of Connectivity

Key Drivers	FY2009	FY2010	FY2011	FY2012	Change
Connectivity					
Securities market					
Connectivity (no.)	86	88	133	179	35%
Order Management System (no.)	28	28	34	35	3%
Independent software vendor (no.)	NA	11	12	15	25%
Derivatives market					
Connectivity (no.)	467	578	613	644	5%
Order Management System (no.)	35	55	68	67	(1%)
Independent software vendor (no.)	10	11	13	15	15%
Co-Location racks (average no.)	NA	NA	61	56	(8%)

## Depository Services, 14% (14%) of SGX's revenue

Depository revenue was 4% higher at \$94.2 million (\$90.6 million).

Depository Services Revenue (\$M)



Securities settlement revenue was 6% higher at \$67.5 million (\$63.4 million) due to higher number of institutional settlement instructions at 5.2 million (5.1 million).

Revenue from Contract Processing was 7% lower at \$19.6 million (\$21.0 million). The number of contracts processed (for clearing house settlement) declined 13% to 9.4 million (10.8 million).

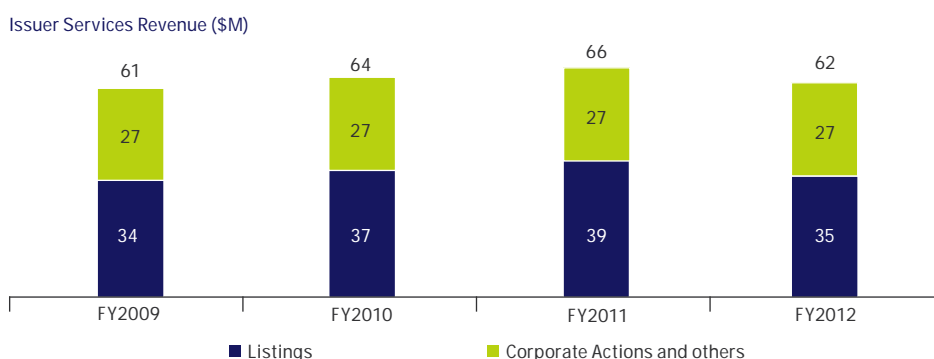
Depository management revenue was 15% higher at \$7.2 million (\$6.2 million).

### Key Drivers of Depository Services

Key Drivers	FY2009	FY2010	FY2011	FY2012	Change
Securities settlement					
No. of settlement instructions ('000)	3,785	4,317	5,080	5,174	2%
Contract processing					
Contracts processed ('000)	10,788	13,255	10,790	9,375	(13%)
Depository management					
Depository accounts	1.44M	1.49M	1.55M	1.59M	3%

## Issuer Services, 9% (10%) of SGX's revenue

Issuer Services revenue was 7% lower at \$61.5 million (\$66.0 million).



Listings revenue decreased 10% to \$35.0 million (\$38.9 million) as equity fund raising activities slowed. In FY2012, the total equity funds raised was \$6.0 billion (\$20.9 billion): \$825 million from 23 new listings (\$14.1 billion from 34 new listings) in primary fund raising and \$5.2 billion (\$6.8 billion) in secondary fund raising. The debt capital market had 300 new bond issues (355 new bond issues), raising \$161.3 billion (\$170.1 billion), including RMB and retail bonds.

Corporate action revenue decreased 2% to \$26.5 million (\$27.1 million) due to lower corporate action transactions processed.

### Key Drivers of Issuer Services

Key Drivers	FY2009	FY2010	FY2011	FY2012	Change
Listings					
No. of listed issues					
Equity securities	774	783	776	769	(1%)
Debt securities	1,099	1,028	1,114	1,227	10%
ETFs/ETNs	35	72	84	93	11%
Company warrants	75	80	72	56	(22%)
Structured warrants	312	233	318	268	(16%)
Equity Market Capitalisation, \$B (No. of issuers)	613 (774)	781 (783)	893 (776)	842 (769)	(6%) (1%)
Singapore issuers	340 (453)	428 (460)	472 (461)	455 (461)	(4%) -
International issuers, excluding Chinese issuers	242 (170)	316 (169)	383 (164)	359 (166)	(6%) 1%
Chinese issuers	31 (151)	36 (154)	38 (151)	28 (142)	(26%) (6%)
New Equity Listings	19	42	34	23	(32%)
Primary listings: IPOs & RTOs (Market cap, \$M)	19 (3,324)	40 (14,986)	32 (30,442)	22 (3,758)	(31%) (88%)
Secondary listings (Market cap, \$M)	0 (-)	2 (28,925)	2 (1,711)	1 (3,900)	(50%) 128%
New Funds Raised (\$M)	12,802	15,849	20,873	5,996	(71%)
Primary funds raised	442	4,633	14,058	825	(94%)
Secondary funds raised	12,360	11,216	6,815	5,171	(24%)
New Debts/Fixed Income Listings	96	200	355	300	(15%)
Total funds raised (\$M)	41,806	106,481	170,114	161,336	(5%)
Corporate Actions					
No. of transactions	2,183	2,023	2,011	1,966	(2%)

## Financial Performance

- Revenue: \$647.9 million (\$660.7 million in FY2011)
- EBITDA<sup>1</sup>: \$404.4 million (\$411.1 million)
- Net Profit: \$291.8 million (\$294.9 million)
- Earnings per share: 27.3 cents (27.6 cents)

For a meaningful review of SGX's performance, our discussions on the financial results below exclude one-off items: (a) FY2012: Impairment losses on the investment in Bombay Stock Exchange (\$11.0 million) and Chi-East joint venture (\$1.1 million); and, (b) FY2011: ASX-SGX transaction related costs (\$18.6 million) and net gain on disposal of premises (\$1.7 million).

### Key Financial Indicators at a Glance

(Underlying)	FY2009	FY2010	FY2011	FY2012	Change
Revenue (\$M)	595	640	661	648	(2%)
EBITDA (\$M)	384	405	411	404	(2%)
Operating Profit Margin (%)	61	59	57	56	(1% pt)
Net Profit Margin (%)	51	49	47	46	(1% pt)
Return on Equity (%)	37	40	38	37	(1% pt)
Earnings per share (cents)	28.7	29.9	29.2	28.5	(2%)
Earnings per share (cents) (reported)	28.7	30.1	27.6	27.3	(1%)

SGX's underlying net profit was \$303.9 million (\$311.8 million) with revenue of \$647.9 million (\$660.7 million) and EBITDA of \$404.4 million (\$411.1 million). The EPS was 28.5 cents (29.2 cents) and ROE was 37% (38%).

Total revenue was \$647.9 million (\$660.7 million). Non-Securities revenue from Derivatives, Depository, Market Data and Member Services and Connectivity rose 12% to \$341.0 million (\$304.1 million). Securities and Issuer Services revenue, on the other hand, decreased 14% to \$305.7 million (\$355.0 million).

### Revenue

(\$M)	FY2009	FY2010	FY2011	FY2012	Change
Non-Securities Revenue	291	276	304	341	12%
Derivatives	156	131	142	168	18%
Depository	73	82	91	94	4%
Market Data	33	31	32	36	12%
Member Services and Connectivity	29	32	39	43	10%
Securities and Issuer Services Revenue	300	360	355	306	(14%)
Other Revenue	4	4	2	1	(18%)
Total Revenue	595	640	661	648	(2%)

<sup>1</sup> Earnings before interest, tax, depreciation and amortisation.

Expenses were \$284.0 million (\$287.2 million).

Staff expenses were \$105.9 million (\$107.0 million). Base staff cost was higher at \$70.7 million (\$64.1 million) mainly due to annual salary adjustments and new hires. Variable staff cost was \$35.2 million (\$42.9 million). Headcount was at 592 (590) on 30 June 2012.

Technology expenses were 4% lower at \$104.4 million (\$108.3 million) mainly due to lower project related expenses.

Professional Fees increased 30% to \$13.0 million (\$9.9 million). The increases were largely legal fees and costs for applications to US and European regulatory bodies for recognition, under new regulatory requirements, for clearing activities.

#### Expenses

(In \$M)	FY2009	FY2010	FY2011	FY2012	Change
Staff	100	111	107	106	(1%)
Technology	66	82	108	104	(4%)
Processing and Royalties	20	24	27	28	4%
Premises	21	20	18	17	(5%)
Professional Fees	12	11	10	13	30%
Others	10	13	17	16	(8%)
Total	229	261	287	284	(1%)

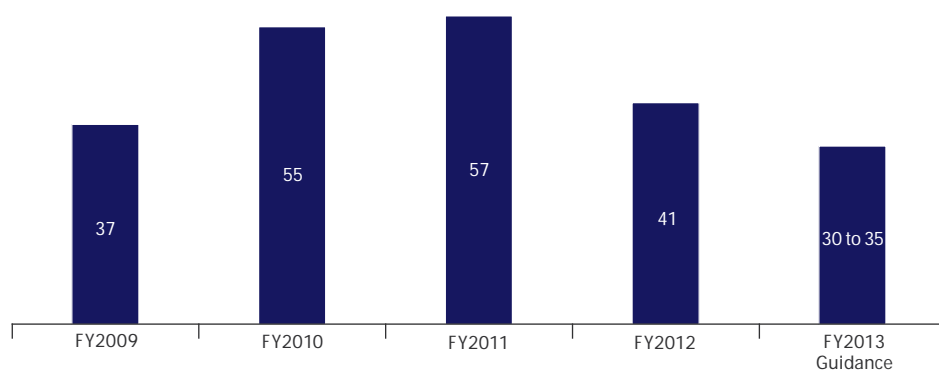
## Financial Position and Cash flow

Cash flow generated from operations was lower at \$345.3 million (\$348.9 million) due to working capital movements. As at 30 June 2012, the unrestricted cash reserves were \$547.7 million (\$544.8 million) before the proposed final dividend of \$160.2 million (\$160.1 million).

Capital expenditure was \$40.8 million (\$57.3 million) mainly for the migration of Securities Clearing & Depository Systems, implementation of a new Risk Management System, and Pre-Trade Risk Control for Derivatives market. We expect the capital expenditure for FY2013 to be between \$30.0 million and \$35.0 million.

SGX's total equity was \$833.0 million (\$824.0 million) as at 30 June 2012.

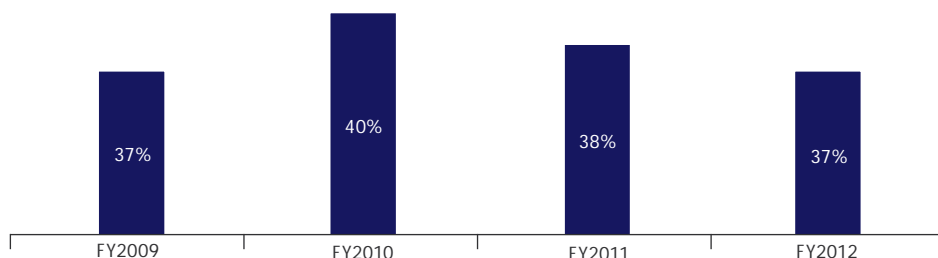
#### Capital Expenditure (\$M)



## Shareholder Return

For FY2012, SGX's return on equity (ROE) was 37% (38%).

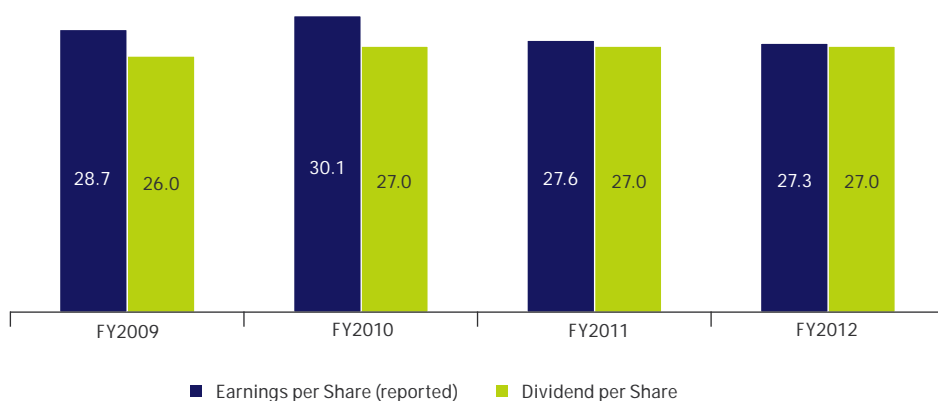
Return on Equity (Underlying Net Profit)



With reported earnings per share (EPS) of 27.3 cents (27.6 cents), our Board has proposed a final dividend of 15 cents per share. Subject to shareholders' approval at the Annual General Meeting on 20 September 2012, this will bring the full year dividend to 27 cents per share. This represents a 99% payout of the reported profit in FY2012 (27 cents and 98% payout).

The Board also aims to declare a base dividend of 4 cents per share every quarter in FY2013.

Earnings and Dividend (cents per share)



## Accounting Policies

The same accounting policies and methods of computation as in the 2011 audited annual financial statements have been applied for the current reporting period except for the following Financial Reporting Standards (FRS) and Interpretations to FRS that are effective for the Group's financial year beginning 1 July 2011:

**Amendments to FRS 107 Financial Instruments: Disclosures—Transfers of Financial Assets** (effective for annual periods beginning on or after 1 July 2011)

The amendments require additional disclosures for all transferred financial assets that are not derecognised in their entirety, and those that are derecognised in their entirety but for which the transferor retains continuing involvement existing at the reporting date, irrespective of when the related transfer transaction occurred. The amendments have also clarified the conditions under which an entity is deemed to have transferred a financial asset.

The adoption of the amendment results in additional disclosures when such transfer of financial assets arises and does not have an impact on the accounting policies and measurement bases adopted by the Group.

The Group has previously elected to early adopt FRS 24 (Revised) Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011) in financial year 2011.

# Directors' Report

## For the financial year ended 30 June 2012

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 2012.

### Directors

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

Chew Choon Seng (Chairman)  
 Magnus Böcker (Chief Executive Officer)  
 Thaddeus Beczak  
 Jane Diplock  
 Euleen Goh  
 Lee Hsien Yang  
 Liew Mun Leong  
 Loh Boon Chye  
 Ng Kee Choe  
 Robert Owen  
 Quah Wee Ghee (appointed on 6 October 2011)  
 Davinder Singh (appointed on 6 October 2011)

### 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.
- (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, which has been terminated in 2005.
- (c) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in the shares of the Company granted pursuant to the SGX Performance Share Plan as set out below.

Subject to the terms and conditions of the SGX Performance Share Plan, 545,300 shares granted to Magnus Böcker will vest between 1 September 2013 and 1 September 2014.

- (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 2012.

## 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 (The Scheme has been terminated in 2005 and all options have expired on 1 November 2011)
- (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 regard 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 regard 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 01.07.2011	Options exercised	Balance as at 30.06.2012	Number of option holders as at 30.06.2012	Exercise price*	Exercise period
01.11.2004	76,500	(76,500)	-	-	\$1.60	02.11.2006 to 01.11.2011

The Scheme has been terminated in 2005 and all options granted under this Scheme have expired on 1 November 2011.

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 2012, 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 was granted 4,000,000 share options on 27 January 2004, exercisable from 27 January 2006 to 26 January 2011. These share options have been fully exercised.

## (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.

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

## Share Grant and Vesting

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

The performance shares grant for financial years ("FY") 2006, 2007, 2008 and 2009 had vested by 30 June 2008, 30 June 2010, 30 June 2011 and 30 June 2012 respectively.

### (i) FY2009 Grant

The number of SGX shares awarded to each participant was 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 vested on 1 September 2011 and these performance shares were fulfilled by the delivery of shares previously 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 01.07.2011	Shares lapsed during financial year	Shares vested during financial year <sup>1</sup>	Balance as at 30.06.2012
Executive Committee ("EXCO") members					
Muthukrishnan Ramaswami <sup>2</sup>	135,700	135,700	(110,300)	(25,400)	-
Yeo Lian Sim <sup>2</sup>	120,600	120,600	(98,000)	(22,600)	-
Lawrence Wong Liang Ying <sup>2</sup>	98,000	98,000	(79,600)	(18,400)	-
Chew Sutat	90,500	90,500	(73,500)	(17,000)	-
Robert Ian Caisley	60,300	60,300	(49,000)	(11,300)	-
Benjamin Foo	45,000	45,000	(36,600)	(8,400)	-
Other Staff	456,000	394,200	(320,400)	(73,800)	-
Other Participants					
Hsieh Fu Hua <sup>2,3</sup>	458,500	458,500	(372,500)	(86,000)	-
Seck Wai Kwong <sup>2,4</sup>	135,700	-	-	-	-
Chang Kuan Aun <sup>5</sup>	82,900	82,900	(67,400)	(15,500)	-
Gan Seow Ann <sup>2,6</sup>	150,800	150,800	(122,500)	(28,300)	-
	1,834,000	1,636,500	(1,329,800)	(306,700)	-

<sup>1</sup> The number of shares vested during the financial year represents the level of achievement against the performance conditions.

<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 is eligible to receive the award at the vesting date, based on the level of achievement against the performance conditions.

<sup>4</sup> Seck Wai Kwong resigned as SGX's CFO and his last day of service was 10 June 2011. All his unvested shares have lapsed at the end of his employment.

<sup>5</sup> Chang Kuan Aun resigned as SGX's Chief Human Resource Officer and his last day of service was 21 October 2011. All his unvested shares have lapsed at the end of his employment.

<sup>6</sup> Gan Seow Ann resigned as SGX's Co-President and his last day of service was 26 May 2012. All his unvested shares have lapsed at the end of his employment.

**(ii) 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 at grant date	Balance as at 01.07.2011	Shares lapsed during financial year	Balance as at 30.06.2012 <sup>1</sup>
EXCO members				
Muthukrishnan Ramaswami <sup>2</sup>	96,800	96,800	-	96,800
Yeo Lian Sim <sup>2</sup>	82,300	82,300	-	82,300
Lawrence Wong Liang Ying <sup>2</sup>	62,900	62,900	-	62,900
Chew Sutat <sup>2</sup>	62,900	62,900	-	62,900
Robert Ian Caisley	48,400	48,400	-	48,400
Benjamin Foo	25,300	25,300	-	25,300
Other Staff	328,500	314,500	(64,600)	249,900
Other Participants				
Hsieh Fu Hua <sup>2,3</sup>	310,000	310,000	-	310,000
Seck Wai Kwong <sup>2,4</sup>	82,300	-	-	-
Chang Kuan Aun <sup>5</sup>	43,600	43,600	(43,600)	-
Gan Seow Ann <sup>2,6</sup>	96,800	96,800	(96,800)	-
	1,239,800	1,143,500	(205,000)	938,500

**(iii) 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.

<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 0% to 150% of the grant, depending on the level of achievement against the performance conditions.

<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.

<sup>4</sup> Seck Wai Kwong resigned as SGX's CFO and his last day of service was 10 June 2011. All his unvested shares have lapsed at the end of his employment.

<sup>5</sup> Chang Kuan Aun resigned as SGX's Chief Human Resource Officer and his last day of service was 21 October 2011. All his unvested shares have lapsed at the end of his employment.

<sup>6</sup> Gan Seow Ann resigned as SGX's Co-President and his last day of service was 26 May 2012. All his unvested shares have lapsed at the end of his employment.

**(iv) FY2011 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 2010 to 30 June 2013. The performance shares will vest on 1 September 2013.

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 01.07.2011	Shares lapsed during financial year	Balance as at 30.06.2012 <sup>1</sup>
EXCO members				
Magnus Böcker <sup>2</sup>	192,200	192,200	-	192,200
Muthukrishnan Ramaswami <sup>2</sup>	96,000	96,000	-	96,000
Yeo Lian Sim <sup>2</sup>	82,000	82,000	-	82,000
Lawrence Wong Liang Ying <sup>2</sup>	62,000	62,000	-	62,000
Chew Sutat <sup>2</sup>	62,000	62,000	-	62,000
Robert Ian Caisley	48,000	48,000	-	48,000
Benjamin Foo	43,000	43,000	-	43,000
Other Staff	346,800	309,200	(51,200)	258,000
Other Participants				
Seck Wai Kwong <sup>2,3</sup>	82,000	-	-	-
Chang Kuan Aun <sup>4</sup>	43,000	43,000	(43,000)	-
Gan Seow Ann <sup>2,5</sup>	96,000	96,000	(96,000)	-
	1,153,000	1,033,400	(190,200)	843,200

**(v) FY2012 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 2011 to 30 June 2014. The performance shares will vest on 1 September 2014.

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

Participants (as defined under the Plan)	Shares granted during financial year	Shares lapsed during financial year	Balance as at 30.06.2012 <sup>1</sup>
EXCO members			
Magnus Böcker <sup>6</sup>	353,100	-	353,100
Muthukrishnan Ramaswami <sup>6</sup>	107,000	-	107,000
Yeo Lian Sim <sup>6</sup>	82,000	-	82,000
Lawrence Wong Liang Ying <sup>6</sup>	64,000	-	64,000
Chew Sutat <sup>6</sup>	72,000	-	72,000
Robert Ian Caisley	53,000	-	53,000
Benjamin Foo	48,000	-	48,000
Other Staff	309,000	-	309,000
	1,088,100	-	1,088,100

<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 0% to 150% of the grant, depending on the level of achievement against the performance conditions.

<sup>2</sup> Received more than 5% of the 1,153,000 shares granted under the FY2011 grant.

<sup>3</sup> Seck Wai Kwong resigned as SGX's CFO and his last day of service was 10 June 2011. All his unvested shares have lapsed at the end of his employment.

<sup>4</sup> Chang Kuan Aun resigned as SGX's Chief Human Resource Officer and his last day of service was 21 October 2011. All his unvested shares have lapsed at the end of his employment.

<sup>5</sup> Gan Seow Ann resigned as SGX's Co-President and his last day of service was 26 May 2012. All his unvested shares have lapsed at the end of his employment.

<sup>6</sup> Received more than 5% of the 1,088,100 shares granted under the FY2012 grant.

**(vi) Summary of the Plan**

The summary of the total number of shares granted, lapsed, vested and outstanding as at 30 June 2012 are as follows:

	Shares granted during financial year	Aggregate shares granted since commencement of the Plan to 30.06.2012	Aggregate shares lapsed since commencement of the Plan to 30.06.2012	Aggregate shares vested since commencement of the Plan to 30.06.2012	Aggregate shares outstanding as at 30.06.2012
Participants who received more than 5% of the total grants available					
Hsieh Fu Hua <sup>1</sup>	-	2,712,485	(483,100)	(1,482,900)	746,485
Gan Seow Ann <sup>2</sup>	-	902,100	(357,500)	(544,600)	-
Seck Wai Kwong <sup>3</sup>	-	845,600	(335,900)	(509,700)	-
Yeo Lian Sim	82,000	761,400	(129,700)	(385,400)	246,300
Participants who received less than 5% of the total grants available					
Other Staff	1,006,100	6,337,450	(1,785,100)	(2,238,850)	2,313,500
	1,088,100	11,559,035	(3,091,300)	(5,161,450)	3,306,285

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.

<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. The aggregate shares granted include the special award of 436,485 shares granted on 30 November 2009.

<sup>2</sup> Gan Seow Ann resigned as SGX's Co-President and his last day of service was 26 May 2012. All his unvested shares have lapsed at the end of his employment.

<sup>3</sup> Seck Wai Kwong resigned as SGX's CFO and his last day of service was 10 June 2011. All his unvested shares have lapsed at the end of his employment.

## Share Award and Vesting

### (i) 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 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. This award has vested by 30 June 2012.

The details of shares awarded are as follows:

	Shares awarded at grant date	Balance as at 01.07.2011	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2012
Recipients (as defined under the LTI Scheme)	750,200	185,600	(4,900)	(180,700)	-
Total	750,200	185,600	(4,900)	(180,700)	-

### (ii) 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 vested on 3 November 2010. Another will vest in three equal instalments over a period of three years with the first instalment vested on 3 November 2010.

The details of shares awarded are as follows:

	Shares awarded at grant date	Balance as at 01.07.2011	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2012
Recipients (as defined under the LTI Scheme)	433,500	236,100	(10,650)	(115,150)	110,300
Total	433,500	236,100	(10,650)	(115,150)	110,300

### (iii) FY2011 Award

There were two awards in FY2011. Both awards were in the form of SGX shares. One award has a one-year vesting period which will vest on 1 November 2011. Another will vest in three equal instalments over a period of three years with the first instalment vesting on 1 November 2011.

The details of shares awarded are as follows:

	Shares awarded at grant date	Balance as at 01.07.2011	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2012
Recipients (as defined under the LTI Scheme)	435,600	396,950	(16,350)	(133,600)	247,000
Total	435,600	396,950	(16,350)	(133,600)	247,000

### (iv) FY2012 Award

There were two awards in FY2012. Both awards were in the form of SGX shares. One award has a one-year vesting period which will vest on 1 November 2012. Another will vest in three equal instalments over a period of three years with the first instalment vesting on 1 November 2012.

The details of shares awarded are as follows:

	Shares awarded during financial year	Shares lapsed during financial year	Balance as at 30.06.2012
Recipients (as defined under the LTI Scheme)	225,000	(7,700)	217,300
Total	225,000	(7,700)	217,300

Since the commencement of the LTI Scheme, no Recipient has been awarded 5% or more of the total shares available under the LTI Scheme.

## Board Opinion on the Adequacy of Internal Controls Addressing Financial, Operational and Compliance Risks

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, were adequate as at 30 June 2012.

The system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company 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.

## Audit Committee

The Audit Committee comprises the following Non-Executive Directors at the date of this report:

Lee Hsien Yang (Chairman)  
Liew Mun Leong (appointed on 25 July 2011)  
Ng Kee Choe (appointed on 25 July 2011)

Based on the criteria prescribed in the Singapore Code of Corporate Governance, all the Audit Committee members are independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Regulation 14(2) 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.

In appointing the auditors of the Company and the subsidiaries, the Group has complied with Rule 712 and Rule 715 of the SGX-ST Listing Manual. The Group has no significant associated companies.

## Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors



Chew Choon Seng  
Director



Magnus Böcker  
Director

27 July 2012

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# Statement by Directors

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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 101 to 163 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 2012, 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



Chew Choon Seng  
Director



Magnus Böcker  
Director

27 July 2012

# Independent Auditor's Report to the Members of Singapore Exchange Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of Singapore Exchange Limited (the "Company") and its subsidiaries (the "Group") set out on pages 101 to 163, which comprise the statements of financial position as at 30 June 2012, the statements of comprehensive income, the statements of changes in equity of the Group and the Company and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls 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.

## 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 about 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 of financial statements that give a true and fair view 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 control. 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, the consolidated financial statements of the Group and the financial statements of the Company 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 Group and of the Company as at 30 June 2012, and of the results, changes in equity of the Group and the Company and the cash flows of the Group for the financial year ended on that date.

## Report on other Legal and Regulatory Requirements

In our opinion, 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 auditors, have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers LLP  
Public Accountants and  
Certified Public Accountants

Singapore, 27 July 2012

# Statements of Financial Position

As at 30 June 2012

	Note	The Group		The Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	697,681	693,063	470,127	513,149
Trade and other receivables	4	779,475	947,039	14,061	14,532
Derivative financial instruments	5	–	899	–	–
Securities clearing funds	6	35,000	30,000	–	–
		1,512,156	1,671,001	484,188	527,681
<b>Non-current assets</b>					
Available-for-sale financial assets	7	65,956	73,256	65,956	73,256
Property, plant and equipment	8	26,325	29,805	25,000	29,338
Software	9	118,697	118,064	22,157	7,597
Club memberships		287	287	287	287
Investments in subsidiaries	10	–	–	393,501	393,501
Investments in joint venture	11	–	3,613	–	–
Investments in associated company	12	5,968	4,684	4,389	4,389
Deferred tax assets	14	–	15	–	15
		217,233	229,724	511,290	508,383
<b>Total assets</b>		1,729,389	1,900,725	995,478	1,036,064
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	13	796,411	982,068	320,771	349,363
Derivative financial instruments	5	269	–	–	–
Taxation	14	70,138	66,413	2,305	265
Provisions	15	7,336	7,522	4,888	5,026
		874,154	1,056,003	327,964	354,654
<b>Non-current liabilities</b>					
Trade and other payables	13	6,608	8,274	–	–
Deferred tax liabilities	14	15,579	12,469	1,531	–
		22,187	20,743	1,531	–
<b>Total liabilities</b>		896,341	1,076,746	329,495	354,654
<b>Net assets</b>		833,048	823,979	665,983	681,410
<b>Equity</b>					
<b>Capital and reserves attributable to the Company's equity holders</b>					
Share capital	16	422,864	419,553	422,864	419,553
Treasury shares	16	(26,357)	(31,156)	(26,357)	(31,156)
Cash flow hedge reserve		(224)	746	–	–
Currency translation reserve		(510)	(751)	–	–
Derivatives clearing fund reserve	17	34,021	34,021	–	–
Fair value reserve		–	(3,700)	–	(3,700)
Securities clearing fund reserve	6	25,000	25,000	–	–
Share-based payment reserve		13,394	18,855	13,394	18,855
Retained profits		204,648	201,321	95,870	117,768
Proposed dividends	26	160,212	160,090	160,212	160,090
<b>Total equity</b>		833,048	823,979	665,983	681,410

# Statements of Comprehensive Income

For the financial year ended 30 June 2012

	Note	The Group		The Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Operating revenue</b>					
Management fees from subsidiaries		–	–	144,029	150,515
Gross dividends from subsidiaries		–	–	280,000	305,196
Securities	18	244,123	288,978	–	–
Derivatives	18	167,532	141,963	–	–
Market data	18	36,084	32,273	44	39
Member services and connectivity	18	43,177	39,257	7,134	1,593
Depository services	18	94,175	90,633	13,729	14,001
Issuer services	18	61,544	66,017	–	–
Others		1,289	1,563	701	627
<b>Operating revenue</b>		<b>647,924</b>	<b>660,684</b>	<b>445,637</b>	<b>471,971</b>
<b>Operating expenses</b>					
Staff	19	105,869	107,019	81,046	82,389
Technology	20	104,381	108,264	42,255	43,487
Processing and royalties		27,814	26,675	242	627
Premises	21	17,285	18,149	14,409	14,733
Professional fees		12,968	9,945	10,689	7,331
Others	22	15,715	17,127	10,094	10,526
<b>Operating expenses</b>		<b>284,032</b>	<b>287,179</b>	<b>158,735</b>	<b>159,093</b>
<b>Profit from operating segments</b>	23	<b>363,892</b>	<b>373,505</b>	<b>286,902</b>	<b>312,878</b>
<b>Other gains/(losses)</b>	24	<b>(5,904)</b>	<b>(15,241)</b>	<b>(17,851)</b>	<b>(26,439)</b>
<b>Profit before tax and share of results of joint venture and associated company</b>		<b>357,988</b>	<b>358,264</b>	<b>269,051</b>	<b>286,439</b>
Share of results of joint venture and associated company		(2,706)	(2,692)	–	–
<b>Profit before tax</b>		<b>355,282</b>	<b>355,572</b>	<b>269,051</b>	<b>286,439</b>
Tax	14	(63,528)	(60,719)	(2,522)	(443)
<b>Net profit after tax</b>		<b>291,754</b>	<b>294,853</b>	<b>266,529</b>	<b>285,996</b>
Attributable to: Equity holders of the Company		<b>291,754</b>	<b>294,853</b>	<b>266,529</b>	<b>285,996</b>
<b>Earnings per share based on net profit attributable to the equity holders of the Company (in cents per share)</b>					
– Basic	25	27.32	27.64		
– Diluted	25	27.24	27.55		

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Net profit after tax	291,754	294,853	266,529	285,996
<b>Other comprehensive income</b>				
Net currency translation differences of financial statements of associated company	241	(224)	–	–
Fair value (losses)/gains arising from cash flow hedges	(970)	991	–	–
Reclassification of fair value losses from fair value reserve to profit or loss on impairment of available-for-sale financial assets	3,700	–	3,700	–
<b>Other comprehensive income for the financial year, net of tax</b>	<b>2,971</b>	<b>767</b>	<b>3,700</b>	<b>–</b>
<b>Total comprehensive income for the financial year</b>	<b>294,725</b>	<b>295,620</b>	<b>270,229</b>	<b>285,996</b>
<b>Total comprehensive income attributable to:</b> Equity holders of the Company	<b>294,725</b>	<b>295,620</b>	<b>270,229</b>	<b>285,996</b>

# Consolidated Statement of Changes in Equity

## For the financial year ended 30 June 2012

### The Group

	Note	Share capital	Treasury shares	Cash flow hedge reserve*	Currency translation reserve*	Derivatives clearing fund reserve*	Fair value reserve*	Securities clearing fund reserve*	Share-based payment reserve*	Retained profits	Proposed dividends	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2012</b>												
Balance at 1 July 2011		419,553	(31,156)	746	(751)	34,021	(3,700)	25,000	18,855	201,321	160,090	823,979
Dividends paid												
– Financial year 2011												
– Final dividend		–	–	–	–	–	–	–	–	–	(160,090)	(160,090)
– Financial year 2011												
– Underprovision of final dividend		–	–	–	–	–	–	–	–	(46)	–	(46)
– Financial year 2012												
– Interim dividends		–	–	–	–	–	–	–	–	(128,149)	–	(128,149)
– Financial year 2012												
– Underprovision of interim dividends		–	–	–	–	–	–	–	–	(20)	–	(20)
Proposed dividend												
– Financial year 2012												
– Final dividend	26	–	–	–	–	–	–	–	–	(160,212)	160,212	–
Issue of ordinary shares		174	–	–	–	–	–	–	(51)	–	–	123
Employee share plan												
– value of employee services		–	–	–	–	–	–	–	2,664	–	–	2,664
Vesting of shares under share plans		3,137	4,937	–	–	–	–	–	(8,074)	–	–	–
Tax effect on treasury shares**	16(a)	–	(138)	–	–	–	–	–	–	–	–	(138)
		3,311	4,799	–	–	–	–	–	(5,461)	(288,427)	122	(285,656)
<b>Total comprehensive income for the financial year</b>		–	–	(970)	241	–	3,700	–	–	291,754	–	294,725
<b>Balance at 30 June 2012</b>		422,864	(26,357)	(224)	(510)	34,021	–	25,000	13,394	204,648	160,212	833,048

\* 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 to employees.

## The Group (continued)

	Note	Share capital	Treasury shares	Cash flow hedge reserve*	Currency translation reserve*	Derivatives clearing fund reserve*	Fair value reserve*	Securities clearing fund reserve*	Share-based payment reserve*	Retained profits	Proposed dividends	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>												
<b>Balance at 1 July 2010</b>		409,777	(41,775)	(245)	(527)	34,021	(3,700)	25,000	30,878	194,624	167,869	815,922
Dividends paid												
– Financial year 2010												
– Final dividend		–	–	–	–	–	–	–	–	–	(167,869)	(167,869)
– Financial year 2010												
– Underprovision of final dividend		–	–	–	–	–	–	–	–	(19)	–	(19)
– Financial year 2011												
– Interim dividends		–	–	–	–	–	–	–	–	(128,001)	–	(128,001)
– Financial year 2011												
– Underprovision of interim dividends		–	–	–	–	–	–	–	–	(46)	–	(46)
Proposed dividend												
– Financial year 2011												
– Final dividend	26	–	–	–	–	–	–	–	–	(160,090)	160,090	–
Issue of ordinary shares		1,133	–	–	–	–	–	–	(244)	–	–	889
Employee share plan												
– value of employee services		–	–	–	–	–	–	–	7,461	–	–	7,461
Vesting of shares under share plans		8,643	10,597	–	–	–	–	–	(19,240)	–	–	–
Tax effect on treasury shares**	16(a)	–	22	–	–	–	–	–	–	–	–	22
		9,776	10,619	–	–	–	–	–	(12,023)	(288,156)	(7,779)	(287,563)
<b>Total comprehensive income for the financial year</b>		–	–	991	(224)	–	–	–	–	294,853	–	295,620
<b>Balance at 30 June 2011</b>		419,553	(31,156)	746	(751)	34,021	(3,700)	25,000	18,855	201,321	160,090	823,979

\* 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 to employees.

# Statement of Changes in Equity

## For the financial year ended 30 June 2012

### The Company

	Note	Share capital	Treasury shares	Fair value reserve*	Share-based payment reserve*	Retained profits	Proposed dividends	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2012</b>								
<b>Balance at 1 July 2011</b>		<b>419,553</b>	<b>(31,156)</b>	<b>(3,700)</b>	<b>18,855</b>	<b>117,768</b>	<b>160,090</b>	<b>681,410</b>
Dividends paid								
– Financial year 2011 — Final dividend		–	–	–	–	–	(160,090)	(160,090)
– Financial year 2011 — Underprovision of final dividend		–	–	–	–	(46)	–	(46)
– Financial year 2012 — Interim dividends		–	–	–	–	(128,149)	–	(128,149)
– Financial year 2012 — Underprovision of interim dividends		–	–	–	–	(20)	–	(20)
Proposed dividend								
– Financial year 2012 — Final dividend	26	–	–	–	–	(160,212)	160,212	–
Issue of ordinary shares		174	–	–	(51)	–	–	123
Employee share plan — value of employee services		–	–	–	2,664	–	–	2,664
Vesting of shares under share plans		3,137	4,937	–	(8,074)	–	–	–
Tax effect on treasury shares**	16(a)	–	(138)	–	–	–	–	(138)
		<b>3,311</b>	<b>4,799</b>	<b>–</b>	<b>(5,461)</b>	<b>(288,427)</b>	<b>122</b>	<b>(285,656)</b>
<b>Total comprehensive income for the financial year</b>		<b>–</b>	<b>–</b>	<b>3,700</b>	<b>–</b>	<b>266,529</b>	<b>–</b>	<b>270,229</b>
<b>Balance at 30 June 2012</b>		<b>422,864</b>	<b>(26,357)</b>	<b>–</b>	<b>13,394</b>	<b>95,870</b>	<b>160,212</b>	<b>665,983</b>
<b>2011</b>								
<b>Balance at 1 July 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>
Dividends paid								
– Financial year 2010 — Final dividend		–	–	–	–	–	(167,869)	(167,869)
– Financial year 2010 — Underprovision of final dividend		–	–	–	–	(19)	–	(19)
– Financial year 2011 — Interim dividends		–	–	–	–	(128,001)	–	(128,001)
– Financial year 2011 — Underprovision of interim dividends		–	–	–	–	(46)	–	(46)
Proposed dividend								
– Financial year 2011 — Final dividend	26	–	–	–	–	(160,090)	160,090	–
Issue of ordinary shares		1,133	–	–	(244)	–	–	889
Employee share plan — value of employee services		–	–	–	7,461	–	–	7,461
Vesting of shares under share plans		8,643	10,597	–	(19,240)	–	–	–
Tax effect on treasury shares**	16(a)	–	22	–	–	–	–	22
		<b>9,776</b>	<b>10,619</b>	<b>–</b>	<b>(12,023)</b>	<b>(288,156)</b>	<b>(7,779)</b>	<b>(287,563)</b>
<b>Total comprehensive income for the financial year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>285,996</b>	<b>–</b>	<b>285,996</b>
<b>Balance at 30 June 2011</b>		<b>419,553</b>	<b>(31,156)</b>	<b>(3,700)</b>	<b>18,855</b>	<b>117,768</b>	<b>160,090</b>	<b>681,410</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 to employees.

# Consolidated Statement of Cash Flows

For the financial year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax and share of results of joint venture and associated company		357,988	358,264
Adjustments for:			
– Depreciation and amortisation		40,532	37,590
– Net write-off/impairment of property, plant and equipment and software	22	654	1,616
– Net gain on disposal of property, plant and equipment and software	22	(3)	(170)
– Net gain on disposal of freehold property	24	–	(1,719)
– Grant income for property, plant and equipment and software	22	(832)	(444)
– Share-based payment to employees	19	2,664	7,461
– Impairment loss on investment in joint venture	24	1,127	–
– Impairment loss on available-for-sale financial assets	7	11,000	–
– Dividend income	24	(562)	–
– Interest income		(4,269)	(3,300)
Operating cash flow before working capital change		408,299	399,298
Change in working capital			
– Trade and other receivables		171,111	(483,746)
– Trade and other payables		(187,510)	490,683
– Reversal of accrual/(Accrual) for property, plant and equipment and software		9,998	(2,117)
Cash generated from operations		401,898	404,118
Income tax paid		(56,618)	(55,232)
<b>Net cash provided by operating activities</b>		345,280	348,886
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and software		(50,831)	(55,156)
Proceeds from disposal of property, plant and equipment and software		57	23,619
Grant received for property, plant and equipment and software		396	914
Dividend received		562	–
Interest received		3,599	3,578
Investment in joint venture	11	(1,263)	(9,052)
Repayment of loan by joint venture		–	2,729
<b>Net cash used in investing activities</b>		(47,480)	(33,368)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		123	889
Contributions to securities clearing fund		(5,000)	–
Dividends paid		(288,305)	(295,935)
<b>Net cash used in financing activities</b>		(293,182)	(295,046)
<b>Net increase in cash and cash equivalents</b>		4,618	20,472
Cash and cash equivalents at beginning of financial year		544,782	536,570
Increase in cash set aside for Singapore Exchange Derivatives Clearing Limited's Clearing Fund		(1,740)	(12,260)
<b>Cash and cash equivalents at end of financial year</b>	3	547,660	544,782

# Notes to the Financial Statements

For the financial year ended 30 June 2012

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 Group are to operate the only integrated securities exchange and derivatives exchange in Singapore and related clearing houses.

The principal activities of the Company are those of investment holding, treasury management, provision of management and administrative services to related corporations, provision of contract processing and technology connectivity services. The principal activities of the subsidiaries are set out in Note 10 to the financial statements. There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year, except for the subsidiary Singapore Commodity Exchange Limited ("SICOM") where it no longer operates as a commodity exchange. From 11 July 2011, SICOM no longer serves as a Commodity Market and Clearing House and from 5 August 2011, SICOM is no longer a Regulated Market Operator ("RMO")

following cancellation by Monetary Authority of Singapore ("MAS") of its recognition as a RMO.

## 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 7 and 37 — Available-for-sale financial assets  
Note 14 — Income taxes

From 1 July 2011, 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 2012. 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:

### **Amendments to FRS 107 Financial Instruments: Disclosures — Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)**

The amendments require additional disclosures for all transferred financial assets that are not derecognised in their entirety, and those that are derecognised in their entirety but for which the transferor retains continuing involvement existing at the reporting date, irrespective of when the related transfer transaction occurred. The amendments have also clarified the conditions under which an entity is deemed to have transferred a financial asset.

The adoption of the amendment results in additional disclosures when such transfer of financial assets arises and does not have an impact on the accounting policies and measurement bases adopted by the Group.

The Group has previously elected to early adopt FRS 24 (Revised) Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011) in financial year 2011.

## (b) Group Accounting

### (1) Subsidiaries

#### (i) Consolidation

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which 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 equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in the equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interest based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Please refer to Note 2(g) for the Company's accounting policy on investments in subsidiaries.

#### (ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to Note 2(i)(1) for the subsequent accounting policy on goodwill.

#### (iii) Disposals

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other

comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2(g) for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

### (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, if any.

#### (i) Acquisitions

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. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments. Please refer to Note 2(i)(1) for the Group's accounting policy on goodwill, on acquisition of associated companies.

**(ii) Equity Method of Accounting**

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income.

These post-acquisition movements and distribution received from associated companies 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.

**(iii) Disposals**

Investments in associated companies are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in profit or loss.

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 and other comprehensive income 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.

**(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 profit or loss.

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 profit or loss.

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 profit or loss.

The allowance for impairment loss is reduced through profit or loss 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.

## (f) Available-for-sale Financial Assets

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 value 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 profit or loss when the Group receives payment.

When financial assets classified as available-for-sale are sold, the difference between the carrying amount and the sales proceeds is recognised in the profit or loss. The accumulated fair value adjustments recognised in the fair value reserve within equity are reclassified to profit or loss.

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 profit or loss. 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 profit or loss. Impairment losses recognised in profit or loss on available-for-sale financial assets are not reversed through profit or loss.

## (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 in the statement of financial position. 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 profit or loss 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 profit or loss.

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 recognised 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 recognised at cost and subsequently stated at cost less accumulated depreciation and accumulated impairment losses.

### (3) Components 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.

#### (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 allocate 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	Remaining lease period ranging from 1 to 7 years
Furniture, fittings and office equipment	3 to 10 years
Computer hardware	1 to 7 years
Motor vehicles	5 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 profit or loss 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 or retirement of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

### (i) Intangible Assets

#### (1) Goodwill on Acquisitions

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies and joint ventures 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 including employee costs, 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 amount 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 profit or loss for the period in which the changes arise.

## (j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid.

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 profit or loss 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 profit or loss 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.

The fair value changes on the ineffective portion of currency forwards are recognised immediately in profit or loss. 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 profit or loss 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.

## (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 comprises the fair value of the consideration received or receivable. Revenue is presented net of goods and services tax and after eliminating revenue within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured and it is probable that the collectability of the related receivables is reasonably assured. The recognition criteria below must be met before revenue is recognised:

- (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, connectivity 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 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 profit or loss 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 profit or loss 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.

## (r) Government Grants

Grants from the government are recognised as a receivable 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 profit or loss 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 profit or loss 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.

Upon vesting of a share-based compensation plan, the portion of share-based payment previously recognised in the share-based payment reserve is reversed against treasury shares. Differences between share-based payment and cost of treasury shares are taken to the share capital of the Company.

## (t) Impairment of Non-Financial Assets

### (1) Goodwill

Goodwill recognised separately as an intangible asset 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 as an expense 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 profit or loss.

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 profit or loss.

## (u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee who 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 profit or loss.

## 3. Cash and Cash Equivalents

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash at bank and on hand	30,225	26,454	10,693	12,115
Fixed deposits with banks	667,456	666,609	459,434	501,034
	697,681	693,063	470,127	513,149

For the purpose of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	The Group	
	2012 \$'000	2011 \$'000
Cash and bank balances (as above)	697,681	693,063
Less: Cash set aside for Singapore Exchange Derivatives Clearing Limited ("SGX-DC") Clearing Fund (Note 29)	(150,021)	(148,281)
Cash and cash equivalents per consolidated statement of cash flows	547,660	544,782

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	
	2012	2011	2012	2011
Average maturity (days)	129	152	112	153
Effective weighted average interest rate (% per annum)	0.59	0.58	0.60	0.55

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 37.

#### 4. Trade and Other Receivables

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade receivables (net) (Note (a))	752,928	931,493	3,617	5,825
Other receivables (Note (b))	26,547	15,546	10,444	8,707
	779,475	947,039	14,061	14,532
(a) Trade receivables comprise:				
Receivables from clearing members and settlement banks				
– Daily settlement of accounts for due contracts and rights	685,139	863,940	–	–
Trade receivables	69,169	68,858	3,624	5,825
	754,308	932,798	3,624	5,825
Less: Allowance for impairment of trade receivables (Note 37)	(1,380)	(1,305)	(7)	–
	752,928	931,493	3,617	5,825
(b) Other receivables comprise:				
Interest receivable	9,521	2,453	1,115	600
Prepayments	10,978	10,057	7,582	7,407
Deposits	264	260	116	136
Staff advances	61	100	53	78
Government grants receivable	4,830	2,127	800	–
Others (non-trade)	893	549	778	486
	26,547	15,546	10,444	8,707

The carrying amounts of trade and other receivables 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 their corresponding fair values at the balance sheet date:

	Contract notional principal		Fair value asset		Fair value liability	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>The Group</b>						
Currency forwards						
– Cash flow hedges	36,887	30,160	–	899	269	–
Total	36,887	30,160	–	899	269	–

As at 30 June 2012, the settlement dates on currency forward contracts range between 1 and 9 months (2011: 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 profit or loss in the month the transaction takes place.

The fair value measurement of these derivative financial instruments is disclosed in Note 37.

## 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 uses a scalable structure to better align members’ contributions to their clearing risk exposure with CDP. Contributions by clearing members will vary with value of the securities traded.

The CDP Clearing Fund comprised contributions from both CDP and its clearing members as follows:

### (a) Contribution by CDP

	The Group	
	2012 \$'000	2011 \$'000
Cash at bank — contributed by CDP	35,000	30,000

Cash contributions by CDP are denominated in SGD and placed in interest bearing accounts with a bank. A corresponding reserve is recorded as securities clearing fund reserve for the initial \$25,000,000 contribution by CDP into the CDP Clearing Fund.

## (b) Contribution by Clearing Members

The cash contributions from CDP 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	
	2012 \$'000	2011 \$'000
Contributions by CDP clearing members		
– cash at bank, held in trust	48,724	44,512
– bank guarantees	–	6,800
	48,724	51,312

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 CDP Clearing Fund shall be made in the following order:

### (i) CDP Clearing Fund

- (1) Contributions by defaulting clearing members;
- (2) Contributions by CDP of an amount not less than 15% of the CDP Clearing Fund size or \$30,000,000, whichever is higher;
- (3) Collateralised contributions by all other non-defaulting clearing members on a pro-rata basis in the proportion of each clearing member's required Collateralised Contribution to the total required Collateralised Contributions of all other non-defaulting clearing members at the time of default;
- (4) Contingent contributions by all other non-defaulting clearing members on a pro-rata basis in the proportion of each clearing member's required Contingent Contributions to the total required Contingent Contributions of all other non-defaulting clearing members;
- (5) Insurance (if any); and
- (6) Any other contributions (In the current financial year, CDP has contributed \$5,000,000 of cash which falls in this last layer of the CDP Clearing Fund).

### (ii) OCC Clearing Fund

On 6 July 2011, the Accounting and Corporate Regulatory approved the strike-off of OCC from the Register pursuant to Section 344 of the Singapore Companies Act. The OCC Clearing Fund as stipulated in the OCC Rules, ceased with closure of OCC. All contributions from the clearing members were previously refunded in financial year 2010.

## 7. Available-for-sale Financial Assets

	The Group and The Company	
	2012 \$'000	2011 \$'000
<b>Unlisted equity securities — BSE Limited (formerly known as Bombay Stock Exchange Limited) ("BSE")</b>		
Balance at beginning of financial year	73,256	73,256
Impairment losses (Note 24)	(7,300)	–
Balance at end of financial year	65,956	73,256

As of 30 June 2012, the fair value of the unlisted equity securities has been determined by discounting the future estimated cash flows at the weighted average discount rate of 14% (2011: 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 such as future cash flows and discount rate, the change in the fair value estimate is not likely to be material to the overall financial position of the Group or the Company. A sensitivity analysis of price and currency risk has been included in Note 37.

During the financial year, the Group and the Company recognised an impairment loss of \$11,000,000 (2011: Nil) against the unlisted entity securities. The impairment loss arose mainly due to a prolonged depreciation of the Indian Rupee ("INR"). Accordingly, fair value changes previously recognised in the fair value reserve have been reclassified to profit or loss in Note 24.

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. In line with the Company's entitlement to anti-dilution rights, BSE has offered SGX to subscribe for additional shares to maintain SGX's stake at 5%. The subscription of the new shares is approximately \$1.2 million and SGX has expressed interest in accepting the share offer on 27 July 2010. The allotment and subscription of new shares are pending regulatory approvals in India.

## 8. Property, Plant and Equipment

	Leasehold improvements \$'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>2012</b>						
<b>Cost</b>						
At 1 July 2011	37,003	2,541	37,557	750	523	78,374
Reclassification	324	–	1,322	–	(1,646)	–
Additions	744	256	309	–	2,565	3,874
Disposals	–	–	(22)	–	–	(22)
Write-off	–	–	(2)	–	–	(2)
At 30 June 2012	38,071	2,797	39,164	750	1,442	82,224
<b>Accumulated depreciation</b>						
At 1 July 2011	29,971	2,080	16,480	38	–	48,569
Depreciation charge <sup>(b)</sup>	2,388	188	4,612	150	–	7,338
Disposals	–	–	(6)	–	–	(6)
Write-off	–	–	(2)	–	–	(2)
At 30 June 2012	32,359	2,268	21,084	188	–	55,899
<b>Net book value</b>						
At 30 June 2012	5,712	529	18,080	562	1,442	26,325
<b>2011</b>						
<b>Cost</b>						
At 1 July 2010	38,695	2,679	16,100	522	3,264	61,260
Reclassification	3,366	–	21,365	–	(24,731)	–
Additions	933	166	187	750	21,990	24,026
Disposals	(643)	–	–	(522)	–	(1,165)
Write-off	(5,348)	(304)	(95)	–	–	(5,747)
At 30 June 2011	37,003	2,541	37,557	750	523	78,374
<b>Accumulated depreciation</b>						
At 1 July 2010	34,315	1,949	14,884	522	–	51,670
Depreciation charge <sup>(b)</sup>	1,526	230	1,648	38	–	3,442
Disposals	(613)	–	–	(522)	–	(1,135)
Write-off	(5,257)	(99)	(52)	–	–	(5,408)
At 30 June 2011	29,971	2,080	16,480	38	–	48,569
<b>Net book value</b>						
At 30 June 2011	7,032	461	21,077	712	523	29,805

	Leasehold improvements \$'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>2012</b>						
<b>Cost</b>						
At 1 July 2011	36,825	956	24,118	750	293	62,942
Reclassification	324	–	690	–	(1,014)	–
Additions	739	246	233	–	1,517	2,735
Write-off	–	–	(2)	–	–	(2)
At 30 June 2012	37,888	1,202	25,039	750	796	65,675
<b>Accumulated depreciation</b>						
At 1 July 2011	29,808	530	3,228	38	–	33,604
Depreciation charge <sup>(b)</sup>	2,374	168	4,381	150	–	7,073
Write-off	–	–	(2)	–	–	(2)
At 30 June 2012	32,182	698	7,607	188	–	40,675
<b>Net book value</b>						
At 30 June 2012	5,706	504	17,432	562	796	25,000
<b>2011</b>						
<b>Cost</b>						
At 1 July 2010	38,313	793	2,808	522	3,264	45,700
Reclassification	3,366	–	21,145	–	(24,511)	–
Additions	934	164	165	750	21,540	23,553
Disposals	(643)	–	–	(522)	–	(1,165)
Write-off	(5,145)	(1)	–	–	–	(5,146)
At 30 June 2011	36,825	956	24,118	750	293	62,942
<b>Accumulated depreciation</b>						
At 1 July 2010	34,099	374	2,704	522	–	37,699
Depreciation charge <sup>(b)</sup>	1,467	157	524	38	–	2,186
Disposals	(613)	–	–	(522)	–	(1,135)
Write-off	(5,145)	(1)	–	–	–	(5,146)
At 30 June 2011	29,808	530	3,228	38	–	33,604
<b>Net book value</b>						
At 30 June 2011	7,017	426	20,890	712	293	29,338

<sup>(a)</sup> Work-in-progress comprises mainly systems infrastructure under development and leasehold improvements under construction.

<sup>(b)</sup> Depreciation of leasehold improvements in SGX's data centres amounting to \$673,000 (2011: \$71,000) is classified as depreciation and amortisation expense under Technology cost.

## 9. Software

	Software \$'000	Work-in- progress \$'000	Total \$'000
<b>The Group</b>			
<b>2012</b>			
<b>Cost</b>			
At 1 July 2011	160,091	41,828	201,919
Reclassification	48,072	(48,072)	–
Additions	2,182	34,777	36,959
Disposals	(3,305)	–	(3,305)
Write-off	(1,044)	(366)	(1,410)
At 30 June 2012	205,996	28,167	234,163
<b>Accumulated amortisation</b>			
At 1 July 2011	83,855	–	83,855
Amortisation charge	33,194	–	33,194
Disposals	(827)	–	(827)
Write-off	(756)	–	(756)
At 30 June 2012	115,466	–	115,466
<b>Net book value</b>			
At 30 June 2012	90,530	28,167	118,697
<b>2011</b>			
<b>Cost</b>			
At 1 July 2010	139,435	32,105	171,540
Reclassification	20,318	(20,318)	–
Additions	2,561	30,686	33,247
Disposals	(1,234)	–	(1,234)
Write-off	(989)	(645)	(1,634)
At 30 June 2011	160,091	41,828	201,919
<b>Accumulated amortisation</b>			
At 1 July 2010	50,508	–	50,508
Amortisation charge	34,148	–	34,148
Disposals	(444)	–	(444)
Write-off	(357)	–	(357)
At 30 June 2011	83,855	–	83,855
<b>Net book value</b>			
At 30 June 2011	76,236	41,828	118,064

	Software \$'000	Work-in-progress \$'000	Total \$'000
<b>The Company</b>			
<b>2012</b>			
<b>Cost</b>			
At 1 July 2011	20,441	3,772	24,213
Reclassification	5,534	(5,534)	–
Additions	1,186	16,537	17,723
Write-off	(1,044)	–	(1,044)
At 30 June 2012	26,117	14,775	40,892
<b>Accumulated amortisation</b>			
At 1 July 2011	16,616	–	16,616
Amortisation charge	2,875	–	2,875
Write-off	(756)	–	(756)
At 30 June 2012	18,735	–	18,735
<b>Net book value</b>			
At 30 June 2012	7,382	14,775	22,157
<b>2011</b>			
<b>Cost</b>			
At 1 July 2010	19,236	2,468	21,704
Reclassification	936	(936)	–
Additions	814	2,407	3,221
Intercompany transfer	(145)	(167)	(312)
Write-off	(400)	–	(400)
At 30 June 2011	20,441	3,772	24,213
<b>Accumulated amortisation</b>			
At 1 July 2010	13,230	–	13,230
Amortisation charge	3,530	–	3,530
Write-off	(144)	–	(144)
At 30 June 2011	16,616	–	16,616
<b>Net book value</b>			
At 30 June 2011	3,825	3,772	7,597

## 10. Investments in Subsidiaries

	The Company	
	2012 \$'000	2011 \$'000
<b>Equity investments at cost</b>		
Balance at beginning of financial year	393,501	405,591
Capital injection	–	2,000
Capital reduction	–	(1,000)
Closure of subsidiary	–	(1,594)
Impairment loss (Note 24)	–	(11,496)
Balance at end of financial year	393,501	393,501

Details of the subsidiaries are as follows:

Name of Subsidiary	Note	Principal activities	Country of business and incorporation	Equity held by			
				The Company		Subsidiaries	
				2012 %	2011 %	2012 %	2011 %
Singapore Exchange Securities Trading Limited	(a)	Operating a securities exchange	Singapore	100	100	–	–
Singapore Exchange Derivatives Trading Limited	(a)	Operating a derivatives exchange	Singapore	100	100	–	–
The Central Depository (Pte) Limited	(a)	Providing clearing, counterparty guarantee, depository and related services for securities transactions	Singapore	100	100	–	–
Singapore Exchange Derivatives Clearing Limited	(a)	Providing clearing, counterparty guarantee and related services for derivatives transactions	Singapore	100	100	–	–
Singapore Exchange IT Solutions Pte Limited	(a)	Providing computer services and maintenance, and software maintenance	Singapore	100	100	–	–
Asian Gateway Investments Pte Ltd	(a)	Investment holding	Singapore	100	100	–	–
Singapore Commodity Exchange Limited	(a)	Inactive	Singapore	100 <sup>(b)</sup>	100 <sup>(b)</sup>	–	–
SGX International Pte. Ltd.	(a)	Dormant	Singapore	100	100	–	–
SGX America Ltd	(c)	Dormant	United States of America	–	–	100	100
Securities Clearing and Computer Services (Pte) Limited	(a)	Dormant	Singapore	100	100	–	–
SGXLink Pte Ltd	(d)	Struck off on 3 September 2011	Singapore	–	100	–	–
Asia Converge Pte Ltd	(a)	Dormant	Singapore	–	–	100	100
Asiaclear Pte Ltd	(a)	Dormant	Singapore	–	–	100	100
CDP Nominees Pte Ltd	(a)	Dormant	Singapore	–	–	100	100
Globalclear Pte Ltd	(a)	Dormant	Singapore	–	–	100	100
Joint Asian Derivatives Pte. Ltd.	(a)	Dormant	Singapore	–	–	100	100
Macronet Information Pte Ltd	(d)	Struck off on 12 January 2012	Singapore	–	–	–	100
Options Clearing Company (Pte) Limited	(d)	Struck off on 6 July 2011	Singapore	–	–	–	100

<sup>(a)</sup> Audited by PricewaterhouseCoopers LLP, Singapore.

<sup>(b)</sup> International Enterprise Singapore (“IES”) held one share in the subsidiary in financial year 2011. On 4 November 2011, the Company acquired the share held by IES. All shares in the capital of the subsidiary are held by the Company following completion of the acquisition.

<sup>(c)</sup> Not required to be audited in the United States of America.

<sup>(d)</sup> The subsidiary's name was struck off the Register following approval from the Accounting and Corporate Authority under Section 344 of the Singapore Companies Act.

## 11. Investments in Joint Venture

	The Group	
	2012 \$'000	2011 \$'000
<b>Investments at cost</b>		
Balance at beginning of financial year	3,613	–
Capital injection	1,263	9,052
Repayment of loan by a joint venture	–	(1,984)
Share of results	(3,749)	(3,455)
Impairment loss (Note 24)	(1,127)	–
Balance at end of financial year	–	3,613

Name of joint venture	Principal activities	Country of business and incorporation	Equity holding	
			2012 %	2011 %
Chi-East Pte. Ltd. (“Chi-East”)	Operate an electronic securities trading platform	Singapore	50	50

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. All loans have been fully repaid in financial year 2011.

In May 2012, the Board of Chi-East decided to cease operations of Chi-East due to commercial considerations and expectations of continued weak business prospects. The Group has assessed that the carrying amount may not be recoverable and has recorded an impairment loss relating to the investment in Chi-East.

The following amounts represent the Group's 50% share of the assets and liabilities and results of the joint venture as at 30 June 2012 and 30 June 2011. The amounts for financial year 2011 have been equity accounted for in the consolidated statement of financial position and statement of comprehensive income. As the Group has recorded an impairment loss relating to its investment in Chi-East, the Group's share of results in Chi-East during the financial year have been equity accounted for up to May 2012, the impairment date.

The Group has not recognised its share of losses in Chi-East relating to the month of June 2012 amounting to \$395,000 (2011: Nil) as the Group has recorded an impairment loss of the carrying amount of its investment in Chi-East in May 2012. The Group has not taken up the share of the net assets of Chi-East as the joint venture is pending liquidation.

	The Group	
	2012 \$'000	2011 \$'000
<b>Statement of financial position</b>		
Assets:		
Current assets	694	3,305
Non-current assets	11	502
	705	3,807
Liabilities:		
Current liabilities	86	394
Net assets	619	3,413
<b>Statement of comprehensive income</b>		
Revenue	24	10
Expenses	(4,168)	(3,627)
Other gains	–	162
Loss before tax	(4,144)	(3,455)
Tax	–	–
Loss after tax	(4,144)	(3,455)
<b>Cash flow</b>		
Operating cash outflows	(3,812)	(4,174)
Investing cash outflows	(14)	(197)
Financing cash inflows	1,271	6,130
Total cash (outflows)/inflows	(2,555)	1,759
Capital commitments in relation to interest in joint venture	–	–
Proportionate interest in joint venture's commitments	–	–

## 12. Investments in Associated Company

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Equity investment at cost</b>			<b>4,389</b>	4,389
Balance at beginning of financial year	4,684	4,145		
Currency translation differences	241	(224)		
Share of results	1,043	763		
Balance at end of financial year	5,968	4,684		

Details of the associated company held by the Group are as follows:

Name of company	Principal activity	Country of business and incorporation	Equity holding	
			2012 %	2011 %
Philippine Dealing System Holdings Corp. *	Investment holding	Philippines	20	20

\* Audited by SyCip Gorres Velayo & Co, Philippines

The summarised financial information of the associated company is as follows:

	The Group	
	2012 \$'000	2011 \$'000
<b>The Group's proportionate share</b>		
– Assets	6,003	4,709
– Liabilities	610	600
– Revenue	3,990	3,596
– Net profit	1,043	763
Share of associated company's contingent liabilities incurred jointly with other investors	–	–
Contingent liabilities in which the Group is severally liable	–	–

Goodwill amounting to \$575,000 (2011: \$575,000) is included in the carrying amount of the investment in associated company.

## 13. Trade and Other Payables

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Current</b>				
Trade payables (Note (a))	716,283	893,972	–	–
Other payables (Note (b))	80,128	88,096	46,690	54,323
Amount due to subsidiaries (non-trade) (Note (c))	–	–	274,081	295,040
	796,411	982,068	320,771	349,363
<b>Non-current</b>				
Trade and other payables:				
– Accrual for operating expenses	6,608	8,274	–	–

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(a) Trade payables comprise:				
Payables to clearing members and settlement banks — Daily settlement of accounts for due contracts and rights	685,139	863,940	—	—
Other trade payables	31,144	30,032	—	—
	716,283	893,972	—	—
(b) Other payables comprise:				
Accrual for operating expenses	34,695	39,958	18,341	23,557
Accrual for bonus	30,944	35,683	23,653	25,941
Central Provident Fund payable	964	910	627	622
Advance receipts	7,553	5,917	83	84
Others (non-trade)	5,972	5,628	3,986	4,119
	80,128	88,096	46,690	54,323

(c) The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

The carrying amounts of trade and other payables approximate their fair values.

## 14. Income Taxes

### (a) Income Tax Expense

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Tax expense attributable to profit is made up of:				
– current income tax	60,343	57,057	1,114	57
– deferred income tax	3,185	9,662	1,408	4,686
	63,528	66,719	2,522	4,743
Overprovision in preceding financial years:				
– current income tax*	—	(6,000)	—	(4,300)
	63,528	60,719	2,522	443

\* The reversal of overprovision of income taxes relates to finalised tax assessments.

## (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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit before tax and share of results of joint venture and associated company	<b>357,988</b>	358,264	<b>269,051</b>	286,439
Tax calculated at a tax rate of 17% (2011: 17%)	<b>60,858</b>	60,905	<b>45,739</b>	48,695
Tax effect of:				
Singapore statutory income exemption	<b>(146)</b>	(125)	<b>(26)</b>	–
Income not subject to tax	<b>(316)</b>	(432)	<b>(47,818)</b>	(52,316)
Expenses not deductible for tax purposes	<b>2,487</b>	4,107	<b>4,042</b>	5,534
Others	<b>645</b>	2,264	<b>585</b>	2,830
	<b>63,528</b>	66,719	<b>2,522</b>	4,743

## (c) Movements in Provision for Tax

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at beginning of financial year	<b>66,413</b>	70,588	<b>265</b>	3,456
Income tax (paid)/recovered	<b>(56,618)</b>	(55,232)	<b>926</b>	1,052
Tax expense on profit for the financial year	<b>60,343</b>	57,057	<b>1,114</b>	57
Overprovision in preceding financial years	–	(6,000)	–	(4,300)
Balance at end of financial year	<b>70,138</b>	66,413	<b>2,305</b>	265

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.

## (d) Deferred Income Tax

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Deferred tax assets:				
– to be recovered within 12 months	<b>1,716</b>	1,254	<b>1,671</b>	1,254
– to be recovered after 12 months	<b>929</b>	2,403	<b>929</b>	2,403
	<b>2,645</b>	3,657	<b>2,600</b>	3,657
– Effect of offsetting	<b>(2,645)</b>	(3,642)	<b>(2,600)</b>	(3,642)
	–	15	–	15
Deferred tax liabilities:				
– to be settled within 12 months	<b>6,441</b>	5,295	<b>1,244</b>	695
– to be settled after 12 months	<b>11,783</b>	10,816	<b>2,887</b>	2,947
	<b>18,224</b>	16,111	<b>4,131</b>	3,642
– Effect of offsetting	<b>(2,645)</b>	(3,642)	<b>(2,600)</b>	(3,642)
	<b>15,579</b>	12,469	<b>1,531</b>	–

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		Employee share plan		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at beginning of financial year	–	50	–	6,796	3,657	5,691	3,657	12,537
Charged to profit or loss	–	–	–	(6,796)	(919)	(2,056)	(919)	(8,852)
Credited/(charged) to equity	45	(50)	–	–	(138)	22	(93)	(28)
Balance at end of financial year	45	–	–	–	2,600	3,657	2,645	3,657

#### The Group — deferred tax liabilities

	Cash flow hedge reserve		Accelerated tax depreciation		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at beginning of financial year	153	–	15,958	15,148	16,111	15,148
Charged to profit or loss	–	–	2,266	810	2,266	810
(Credited)/charged to equity	(153)	153	–	–	(153)	153
Balance at end of financial year	–	153	18,224	15,958	18,224	16,111

#### The Company — deferred tax assets

	Employee share plan	
	2012 \$'000	2011 \$'000
Balance at beginning of financial year	3,657	5,691
Charged to profit or loss	(919)	(2,056)
(Charged)/credited to equity	(138)	22
Balance at end of financial year	2,600	3,657

#### The Company — deferred tax liabilities

	Accelerated tax depreciation	
	2012 \$'000	2011 \$'000
Balance at beginning of financial year	3,642	1,012
Charged to profit or loss	489	2,630
Balance at end of financial year	4,131	3,642

Deferred tax assets have not been recognised in respect of the following items:

	The Group	
	2012 \$'000	2011 \$'000
Tax losses	22,777	22,776
Unutilised capital allowances	615	615

These items principally relate to four 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 capital allowances are subject to the relevant provisions of the Singapore Income Tax Act and confirmation by the tax authorities.

## (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>2012</b>						
<b>Other comprehensive income</b>						
Net currency translation differences of financial statements of associated company	241	–	241	–	–	–
Reclassification of fair value losses from fair value reserve to profit or loss on impairment of available-for-sale financial assets	3,700	–	3,700	3,700	–	3,700
Fair value (losses)/gains arising from cash flow hedges	(1,168)	198	(970)	–	–	–
	<b>2,773</b>	<b>198</b>	<b>2,971</b>	<b>3,700</b>	<b>–</b>	<b>3,700</b>
<b>2011</b>						
<b>Other comprehensive income</b>						
Net currency translation differences of financial statements of associated company	(224)	–	(224)	–	–	–
Fair value gains/(losses) arising from cash flow hedges	1,194	(203)	991	–	–	–
	<b>970</b>	<b>(203)</b>	<b>767</b>	<b>–</b>	<b>–</b>	<b>–</b>

## 15. Provisions

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Provision for SGX-MAS Market Development Scheme (Note (a))	1,802	1,864	–	–
Provision for unutilised leave (Note (b))	2,613	2,662	1,967	2,110
Provision for dismantlement, removal or restoration of property, plant and equipment (Note (c))	2,921	2,996	2,921	2,916
	<b>7,336</b>	<b>7,522</b>	<b>4,888</b>	<b>5,026</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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at beginning of financial year	1,864	2,234	–	–
Utilisation of provision	(62)	(370)	–	–
Balance at end of financial year	<b>1,802</b>	<b>1,864</b>	<b>–</b>	<b>–</b>

## (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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at beginning of financial year	2,662	2,000	2,110	1,340
Provision (utilised)/made during the financial year, net	(49)	662	(143)	770
Balance at end of financial year	2,613	2,662	1,967	2,110

## (c) Provision for Dismantlement, Removal or Restoration of Property, Plant and Equipment

Provision for dismantlement, removal or restoration is the estimated cost of dismantlement, removal or restoration of leased premises. 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at beginning of financial year	2,996	2,916	2,916	2,916
Provision (utilised)/made during the financial year, net	(75)	80	5	–
Balance at end of financial year	2,921	2,996	2,921	2,916

# 16. 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>2012</b>				
Balance at beginning of financial year	1,071,566	4,297	419,553	(31,156)
Issue of shares under employee share option plans	76	–	174	–
Tax effect on treasury shares	–	–	–	(138)
Vesting of shares under share plans	–	(736)	3,137	4,937
Balance at end of financial year	1,071,642	3,561	422,864	(26,357)
<b>2011</b>				
Balance at beginning of financial year	1,071,028	5,195	409,777	(41,775)
Issue of shares under employee share option plans	538	–	1,133	–
Tax effect on treasury shares	–	–	–	22
Vesting of shares under share plans	–	(898)	8,643	10,597
Balance at end of financial year	1,071,566	4,297	419,553	(31,156)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company, except for shares held as treasury shares.

The Company did not purchase any of its ordinary shares during the financial year pursuant to the Share Purchase Mandate approved by shareholders (2011: Nil). Shares bought back previously are held as treasury shares. The Company plans to use these 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 regard 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.

Movements in the number of unissued ordinary shares under options and their exercise prices which are outstanding at the balance sheet date are as follows:

### The Group and The Company

Number of unissued ordinary shares under options	27.1.2004 grant	01.11.2004 grant	Total
Exercise period	27.01.2006 to 26.01.2011	02.11.2006 to 01.11.2011	
Exercise price	\$1.70	\$1.60	
<b>2012</b>			
Balance at beginning of financial year	–	76,500	76,500
Exercised	–	(76,500)	(76,500)
Balance at end of financial year	–	–	–

Number of unissued ordinary shares under options	27.1.2004 grant	01.11.2004 grant	Total
Exercise period	27.01.2006 to 26.01.2011	02.11.2006 to 01.11.2011	
Exercise price	\$1.70	\$1.60	
<b>2011</b>			
Balance at beginning of financial year	302,000	323,000	625,000
Lapsed	(10,500)	–	(10,500)
Exercised	(291,500)	(246,500)	(538,000)
Balance at end of financial year	–	76,500	76,500

All outstanding options have been exercised as at 30 June 2012 and the average share price of SGX's ordinary shares for the financial year is \$6.65 (2011: \$8.12).

As at 30 June 2012, there are no outstanding options granted to the former CEO, current CEO and employees to subscribe for ordinary shares.

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 2012, options for 76,500 (2011: 538,000) shares were exercised as follows:

Number of ordinary shares under options	Exercise price \$	Proceeds \$'000	Exercise month
54,000	1.60	87	October 2011
22,500	1.60	36	November 2011
76,500		123	

## (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 %
01.11.2004	02.11.2006 to 01.11.2011	—	0.43	1.60	3.15	2.64	27.94

\* The exercise price has been adjusted following special dividends paid in 2003 and 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:

	The Group and The Company						
Number of shares	FY2008 grant	FY2009 grant*	FY2010 grant**	FY2010 Special award to Hsieh Fu Hua	FY2011 Grant**	FY2012 Grant**	Total
<b>2012</b>							
Balance at beginning of financial year	—	1,636,500	1,143,500	436,485	1,033,400	—	4,249,885
Granted	—	—	—	—	—	1,088,100	1,088,100
Vested	—	(306,700)	—	—	—	—	(306,700)
Lapsed	—	(1,329,800)	(205,000)	—	(190,200)	—	(1,725,000)
Balance at end of financial year	—	—	938,500	436,485	843,200	1,088,100	3,306,285

	The Group and The Company						
Number of shares	FY2008 grant*	FY2009 grant**	FY2010 grant**	FY2010 Special award to Hsieh Fu Hua	FY2011 Grant**	FY2012 Grant	Total
<b>2011</b>							
Balance at beginning of financial year	842,600	1,772,200	1,239,800	436,485	–	–	4,291,085
Granted	–	–	–	–	1,153,000	–	1,153,000
Vested	(428,800)	–	–	–	–	–	(428,800)
Lapsed	(413,800)	(135,700)	(96,300)	–	(119,600)	–	(765,400)
Balance at end of financial year	–	1,636,500	1,143,500	436,485	1,033,400	–	4,249,885

\* The number of shares vested represents the level of achievement against the performance conditions.

\*\* 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 0% to 150% of the grant, depending on the level of achievement against the performance conditions.

The terms of the Plan are set out in the Directors' Report under the caption "SGX Performance Share Plan".

## (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:

	FY2012 grant	FY2011 grant	FY2010 grant	FY2009 grant	FY2008 grant
Date of grant	04.04.2012	01.07.2010	02.07.2009	07.07.2008	01.11.2007
Vesting date	01.09.2014	01.09.2013	01.09.2012	01.09.2011	01.11.2010
Number of performance shares at grant date	1,088,100	1,153,000	1,239,800	1,834,000	892,200
Fair value per performance share at grant date	\$5.27	\$6.36	\$6.52	\$5.52	\$17.17
<b>Assumption under Monte-Carlo Model</b>					
<b>Expected volatility</b>					
Shares of Singapore Exchange Limited	27.36%	43.19%	46.75%	44.15%	31.59%
Straits Times Index	NA	NA	28.59%	16.56%	11.44%
FTSE Mondo Visione	28.29%	38.07%	34.64%	28.68%	NA
Historical volatility period	36 months	36 months	36 months	36 months	36 months
<b>Risk-free interest rate</b>					
Date on which yield of Singapore government bond was based	0.37%	0.53%	0.81%	1.49%	2.19%
Term	03.04.2012	30.06.2010	01.07.2009	04.07.2008	31.10.2007
	3	3	3	3	3
<b>Cost of funding</b>					
Fixed deposit/risk-free interest rate	0.37%	0.53%	0.81%	1.49%	2.5%
<b>Expected dividend yield based on management's forecast</b>					
	3.73%	4.03%	2.75%	5.41%	1.67%
<b>Share price reference</b>					
	\$6.63	\$7.44	\$7.40	\$6.68	\$15.60

NA: Not applicable

### FY2010 Special Award to Hsieh Fu Hua

The fair value of the performance shares was estimated by the 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 grant was 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>	0.78%
Date on which yield of Singapore government bond was based	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

### (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					
	FY2008 grant	FY2009 grant	FY2010 grant	FY2011 grant	FY2012 grant	Total
<b>Number of shares</b>						
<b>2012</b>						
Balance at beginning of financial year	–	185,600	236,100	396,950	–	818,650
Granted	–	–	–	–	225,000	225,000
Lapsed	–	(4,900)	(10,650)	(16,350)	(7,700)	(39,600)
Vested	–	(180,700)	(115,150)	(133,600)	–	(429,450)
Balance at end of financial year	–	–	110,300	247,000	217,300	574,600

	The Group and The Company					
	FY2008 grant	FY2009 grant	FY2010 grant	FY2011 grant	FY2012 grant	Total
<b>Number of shares</b>						
<b>2011</b>						
Balance at beginning of financial year	127,300	422,000	414,100	–	–	963,400
Granted	–	–	–	435,600	–	435,600
Lapsed	(6,700)	(34,500)	(31,900)	(38,650)	–	(111,750)
Vested	(120,600)	(201,900)	(146,100)	–	–	(468,600)
Balance at end of financial year	–	185,600	236,100	396,950	–	818,650

The terms of the LTI Scheme are set out in Directors' Report under the caption “SGX Deferred Long-Term Incentives Scheme”.

## (ii) Fair Value of Deferred Long-term Incentives Shares

The fair value of deferred long-term incentives shares was estimated by the 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:

FY2012 Grant			
Date of grant	05.08.2011		
Vesting date	01.11.2012	01.11.2013	01.11.2014
Number of shares at grant date	77,900	73,550	73,550
Fair value per deferred long-term incentives share at grant date	\$7.09	\$7.06	\$7.04
<b>Assumption used in fair value model</b>			
<b>Risk-free interest rate</b>	0.18%	0.14%	0.33%
Date on which yield of Singapore government bond was based	04.08.2011	04.08.2011	04.08.2011
<b>Cost of funding</b>			
Fixed deposit/risk-free interest rate	0.18%	0.14%	0.33%
<b>Expected dividend yield based on management's forecast</b>	4.16%	4.54%	4.85%
<b>Share price on day preceding date of grant</b>	\$7.33	\$7.33	\$7.33

FY2011 Grant			
Date of grant	05.08.2010		
Vesting date	01.11.2011	01.11.2012	01.11.2013
Number of shares at grant date	148,000	143,100	144,500
Fair value per deferred long-term incentives share at grant date	\$7.52	\$7.47	\$7.40
<b>Assumption used in fair value model</b>			
<b>Risk-free interest rate</b>	0.43%	0.49%	0.54%
Date on which yield of Singapore government bond was based	04.08.2010	04.08.2010	04.08.2010
<b>Cost of funding</b>			
Fixed deposit/risk-free interest rate	0.43%	0.49%	0.54%
<b>Expected dividend yield based on management's forecast</b>	3.71%	4.40%	5.35%
<b>Share price on day preceding date of grant</b>	\$7.79	\$7.79	\$7.79

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 deferred long-term incentives share at grant date	\$8.39	\$8.10	\$7.71
<b>Assumption used in fair value model</b>			
<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
<b>Cost of funding</b>			
Fixed deposit/risk-free interest rate	0.48%	0.55%	0.67%
<b>Expected dividend yield based on management's forecast</b>	3.26%	4.17%	5.57%
<b>Share price on day preceding date of grant</b>	\$8.62	\$8.62	\$8.62

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 deferred long-term incentives share at grant date	\$6.62	\$6.31	\$5.95
<b>Assumption used in fair value model</b>			
<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
<b>Cost of funding</b>			
Fixed deposit/risk-free interest rate	1.03%	1.19%	1.53%
<b>Expected dividend yield based on management's forecast</b>	4.44%	5.39%	6.38%
<b>Share price on day preceding date of grant</b>	\$6.72	\$6.72	\$6.72

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 deferred long-term incentives share at grant date	\$8.48	\$8.14	\$7.78
<b>Assumption used in fair value model</b>			
<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
<b>Cost of funding</b>			
Fixed deposit/risk-free interest rate	2.25%	2.47%	2.50%
<b>Expected dividend yield based on management's forecast</b>	3.88%	3.96%	4.38%
<b>Share price on day preceding date of grant</b>	\$8.90	\$8.90	\$8.90

FY2008 Grant			
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 deferred long-term incentives share at grant date	\$15.64	\$15.30	\$14.94
<b>Assumption used in fair value model</b>			
<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
<b>Cost of funding</b>			
Fixed deposit/risk-free interest rate	2.25%	2.47%	2.50%
<b>Expected dividend yield based on management's forecast</b>	2.21%	2.26%	2.50%
<b>Share price on day preceding date of grant</b>	\$15.60	\$15.60	\$15.60

## 17. 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 29). This reserve is not available for distribution as dividend.

## 18. Operating Revenue

Operating revenue comprised the following:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Securities</b>				
– Securities clearing revenue	191,827	225,962	–	–
– Securities related processing revenue	3,630	4,366	–	–
– Access revenue	48,666	58,650	–	–
	244,123	288,978	–	–
<b>Derivatives</b>				
– Futures and options revenue	107,771	105,867	–	–
– Structured warrants revenue	4,290	4,273	–	–
– Collateral management income, license and other revenue	55,471	31,823	–	–
	167,532	141,963	–	–
<b>Market data</b>	36,084	32,273	44	39
<b>Member services and connectivity</b>				
– Connectivity revenue	35,287	31,032	7,134	1,593
– Membership revenue	7,890	8,225	–	–
	43,177	39,257	7,134	1,593
<b>Depository services</b>				
– Securities settlement revenue	67,460	63,422	–	–
– Contract processing revenue	19,564	20,967	13,729	14,001
– Depository management revenue	7,151	6,244	–	–
	94,175	90,633	13,729	14,001
<b>Issuer services</b>				
– Listing revenue	35,031	38,878	–	–
– Corporate actions and other revenue	26,513	27,139	–	–
	61,544	66,017	–	–

## 19. Staff Costs

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Salaries	65,491	59,521	48,664	45,257
Employer's contribution to Central Provident Fund on salaries	5,235	4,547	3,650	3,137
Variable bonus	31,042	34,155	24,959	25,528
Employer's contribution to Central Provident Fund on variable bonus	1,437	1,335	1,109	1,006
	32,479	35,490	26,068	26,534
Share-based payment to employees	2,664	7,461	2,664	7,461
	105,869	107,019	81,046	82,389

Included in staff costs is remuneration of key management and directors under the employment of the Group and the Company (Note 36).

## 20. Technology Expenses

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
System maintenance and rental	62,878	68,313	31,675	36,121
Depreciation and amortisation	38,479	35,867	7,929	4,125
Communication charges	3,024	4,084	2,651	3,241
	104,381	108,264	42,255	43,487

## 21. Premises Expenses

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Rental and maintenance of premises	15,382	16,464	12,540	13,180
Depreciation of furniture and fittings, buildings and leasehold improvements	1,903	1,685	1,869	1,553
	17,285	18,149	14,409	14,733

## 22. Other Operating Expenses

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Marketing	5,264	5,802	2,125	3,552
Travelling	2,270	2,466	1,407	1,445
Allowance for impairment of trade receivables (net)	229	304	7	–
Net write-off/impairment of property, plant and equipment and software	654	1,616	288	256
Net gain on disposal of property, plant and equipment and software	(3)	(170)	(2)	(170)
Directors' fee	2,034	1,950	2,034	1,950
MAS regulatory fee	1,491	1,500	350	350
Grant income for property, plant and equipment and software	(832)	(444)	–	–
Miscellaneous	4,608	4,103	3,885	3,143
	15,715	17,127	10,094	10,526

## 23. Profit from Operating Segments

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Profit from operating segments is arrived after:</b>				
Charging:				
Audit services by Auditor of the Company				
– Current year	329	279	167	120
Other services by Auditor of the Company				
– Current year	72	12	5	4
– Underprovision in prior year	13	–	3	–
Technology equipment rental expenses	10,191	5,714	4,984	5,054
Rental of premises — operating lease	19,884	18,135	15,559	14,717
(Utilisation of)/provision for unutilised leave	(49)	662	(143)	770
Depreciation and amortisation	40,532	37,590	9,948	5,716
And crediting:				
Grants from Financial Sector Development Fund	2,935	3,532	1,182	1,163
Interest income on collateral balances held in trust (net)	28,756	12,216	–	–

## 24. Other Gains/(Losses)

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Interest income and other income/(loss) (Note (a))	4,831	2,838	3,215	2,007
Net foreign exchange gain/(loss)	1,392	(1,150)	190	(21)
Impairment loss on investment in subsidiary (Note (b))	–	–	–	(11,496)
ASX-SGX transaction related costs (Note (c))	–	(11,970)	–	(11,970)
ASX-SGX financing related costs (Note (c))	–	(6,678)	–	(6,678)
Net gain on disposal of freehold property	–	1,719	–	1,719
Impairment loss on investment in joint venture (Note (d))	(1,127)	–	–	–
Write-off of inter-company amount extended to a subsidiary (Note (e))	–	–	(10,256)	–
Impairment of available-for-sale financial assets				
– Impairment loss (Note 7)	(7,300)	–	(7,300)	–
– Reclassification of fair value losses from fair value reserve to profit or loss on impairment	(3,700)	–	(3,700)	–
	(11,000)	–	(11,000)	–
	(5,904)	(15,241)	(17,851)	(26,439)

### (a) Interest Income and Other Income/(loss)

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Interest income:				
– Fixed deposits	4,102	3,221	2,643	1,970
– Current accounts	64	24	–	1
– Others	103	55	10	4
Dividend income	562	–	562	–
Others	–	(462)	–	32
	4,831	2,838	3,215	2,007

- (b) The impairment loss on investment in subsidiary in financial year 2011 reflects the write-down of the carrying amount of the Company's investment in SICOM to the net asset value of the subsidiary, following the transfer of all SICOM commodities futures onto the SGX derivatives platform.
- (c) On 25 October 2010, SGX and ASX Limited entered into a Merger Implementation Agreement ("MIA") to combine and create a premier international exchange in Asia Pacific. The MIA was terminated following the Australian Treasurer's decision to reject the proposed combination on 8 April 2011.
- (d) The impairment loss on investment in joint venture reflects the write-down of the carrying amount of the Group's investment in Chi-East following the decision of the Board of Chi-East to cease operations.
- (e) The Company has written off an inter-company amount extended to its subsidiary, AGI. This relates to previous amounts extended to AGI to fund its investment in Chi-East. The write-off is in line with the Group's recognition of an impairment loss on the carrying amount of the investment in Chi-East.

## 25. Earnings Per Share

	The Group	
	2012 \$'000	2011 \$'000
Net profit attributable to the equity holders of the Company	291,754	294,853
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	1,067,856	1,066,664
Adjustments for ('000)		
– Share options	–	61
– Shares granted under the Plan and the LTI Scheme	3,194	3,697
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,071,050	1,070,422
Earnings per share (in cents per share)		
– Basic	27.32	27.64
– Diluted	27.24	27.55

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 relating to share options granted under the Scheme and shares granted under the Plan and the LTI Scheme (Note 16).

For share options granted under the Scheme, the adjustment made to weighted average number of shares on issue in financial year 2011 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.

## 26. Dividends

	The Group and The Company	
	2012 \$'000	2011 \$'000
Interim tax exempt dividends of 12.00 cents per share (2011: 12.00 cents)	128,169	128,047
Proposed final tax exempt dividends of 15.00 cents per share (2011: 15.00 cents)	160,212	160,090
	<b>288,381</b>	288,137

The directors have proposed a final tax exempt one-tier dividend for 2012 of 15 cents (2011: 15.00 cents) per share amounting to a total of \$160,212,000 (2011: \$160,090,000). The proposed dividend has been transferred from retained profits to a proposed dividend reserve.

## 27. Segment Information

Management determines the operating segments based on the reports reviewed and used by the 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.
- (ii) Derivatives market — providing trading, clearing, market data, member services and connectivity.
- (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.

Inter-segment results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to external parties for similar services. Such transfers are eliminated on consolidation.

Expenses which are common and cannot be meaningfully allocated to the business segments are presented under unallocated expenses.

2012	Securities market	Derivatives market	Other operations	The Group
	\$'000	\$'000	\$'000	\$'000
<b>SEGMENT REVENUE</b>				
External revenue	437,338	202,751	7,835	647,924
Inter-segment revenue	274	–	–	274
	437,612	202,751	7,835	648,198
Less: Consolidation elimination	(274)	–	–	(274)
Segment revenue	437,338	202,751	7,835	647,924
<b>RESULTS</b>				
Profit from operating segments	267,461	88,351	8,080	363,892
Other gains/(losses)				
– Other revenue including interest income				4,831
– Net foreign exchange gain/(loss)				1,392
– Impairment loss on investment in joint venture				(1,127)
– Impairment loss on available-for-sale financial assets				(11,000)
Share of results of joint venture and associated company				(2,706)
Tax				(63,528)
Net profit after tax				291,754
<b>SEGMENT ASSETS</b>				
Segment assets	892,019	290,822	4,210	1,187,051
Unallocated assets				542,338
Consolidated total assets				1,729,389
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	737,581	68,124	31	805,736
Unallocated liabilities				90,605
Consolidated total liabilities				896,341
<b>OTHER INFORMATION</b>				
Additions to property, plant and equipment and software	26,704	14,129	–	40,833
Depreciation and amortisation	18,977	21,555	–	40,532

2011	Securities market	Derivatives market	Other operations	The Group
	\$'000	\$'000	\$'000	\$'000
<b>SEGMENT REVENUE</b>				
External revenue	482,001	176,410	2,273	660,684
Inter-segment revenue	233	8	–	241
	482,234	176,418	2,273	660,925
Less: Consolidation elimination	(233)	(8)	–	(241)
Segment revenue	482,001	176,410	2,273	660,684
<b>RESULTS</b>				
Profit from operating segments	300,908	71,694	903	373,505
Other gains/(losses)				
– Other revenue including interest income				2,838
– Net foreign exchange gain/(loss)				(1,150)
– ASX-SGX transaction related costs				(11,970)
– ASX-SGX financing related costs				(6,678)
– Net gain on disposal of freehold property				1,719
Share of results of joint venture and associated company				(2,692)
Tax				(60,719)
Net profit after tax				294,853
<b>SEGMENT ASSETS</b>				
Segment assets	1,046,033	252,930	10,371	1,309,334
Unallocated assets				591,391
Consolidated total assets				1,900,725
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	919,571	64,374	8,893	992,838
Unallocated liabilities				83,908
Consolidated total liabilities				1,076,746
<b>OTHER INFORMATION</b>				
Additions to property, plant and equipment and software	31,367	25,906	–	57,273
Depreciation and amortisation	17,472	20,118	–	37,590

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 profit or loss from operating segment and excludes other gains/losses items.

## 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	
	2012 \$'000	2011 \$'000
Segment assets for reportable segments	<b>1,187,051</b>	1,309,334
Unallocated:		
Cash and cash equivalents	<b>470,127</b>	513,149
Available-for-sale financial assets	<b>65,956</b>	73,256
Investments in associated company	<b>5,968</b>	4,684
Deferred tax assets	<b>–</b>	15
Club memberships	<b>287</b>	287
Total assets	<b>1,729,389</b>	1,900,725
Segment liabilities for reportable segments	<b>805,736</b>	992,838
Unallocated:		
Taxation	<b>70,138</b>	66,413
Deferred tax liabilities	<b>15,579</b>	12,469
Provisions	<b>4,888</b>	5,026
Total liabilities	<b>896,341</b>	1,076,746

## 28. 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:

	2012 \$'000	2011 \$'000
Securities Exchange Fidelity Fund	<b>34,781</b>	34,595
Derivatives Exchange Fidelity Fund	<b>23,657</b>	23,530
	<b>58,438</b>	58,125

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.

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 2012 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.

	2012 \$'000	2011 \$'000
The assets and liabilities of the Funds are as follows:		
<b>Assets</b>		
Fixed deposits with banks	58,023	57,769
Interest receivable	22	28
Bank balance	488	499
	<b>58,533</b>	58,296
<b>Liabilities</b>		
Other payables and accruals	11	9
Taxation	80	157
Deferred tax liabilities	4	5
	<b>95</b>	171
<b>Net assets</b>	<b>58,438</b>	58,125

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.

## 29. Singapore Exchange Derivatives Clearing Limited (“SGX-DC”) Clearing Fund

The current SGX-DC Clearing Fund structure was implemented on 10 May 2010. With the launch of the Over-The-Counter (“OTC”) financial derivatives clearing facility, further revisions were made on 3 November 2010 to the structure of the SGX-DC Clearing Fund.

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 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 collateral balances, 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 SGX-DC Clearing Fund size or \$136,000,000, whichever is higher;
- (c) security deposits of non-defaulting derivatives clearing members participating in the same Contract Class as the defaulted derivatives clearing member, and the amounts applied will be in direct proportion of each derivatives member’s security deposit requirement relative to other non-defaulting derivatives members’ security deposit requirement;
- (d) further assessments on non-defaulting derivatives clearing members participating in the same Contract Class as the defaulted derivatives clearing member, and the amounts applied will be in direct proportion of each derivatives

member’s further assessments requirement relative to other non-defaulting derivatives members’ further assessments requirement;

- (e) any contributions of SGX-DC or any of its related entities set aside for a specific Contract Class;
- (f) security deposits of other non-defaulting derivatives clearing members not participating in the same Contract Class as the defaulted derivatives clearing member, and the amounts applied will be in direct proportion of each derivatives member’s security deposit requirement relative to other non-defaulting derivatives members’ security deposit requirement;
- (g) further assessments on other non-defaulting derivatives clearing members not participating in the same Contract Class as the defaulted derivatives clearing member, and the amounts applied will be in direct proportion of each derivatives member’s further assessments requirement relative to other non-defaulting derivatives members’ further assessments requirement; and
- (h) any other contributions to the SGX-DC Clearing Fund.

With effect from 7 August 2012, the rules of SGX-DC will also enable SGX-DC to continually draw down resources in the above sequence in the event of multiple defaults occurring within a period of 90 days. Upon utilisation of the SGX-DC Clearing Fund, SGX-DC will be obliged to contribute at least 15% of the SGX-DC Clearing Fund size in relation to paragraph 29(b) above.

The Group has set aside cash amounting to \$150,021,000 (2011: \$148,281,000) (Note 3) to support the SGX-DC Clearing Fund in relation to the following:

- (i) SGX-DC capital, \$68,000,000 (2011: \$68,000,000);
- (ii) The Company’s financial guarantee to SGX-DC, \$34,000,000 (2011: \$34,000,000);
- (iii) Derivatives clearing fund reserve, \$34,021,000 (2011: \$34,021,000) (Note 17); and
- (iv) SGX-DC’s contributions for clearing of OTC financial derivatives contracts, \$14,000,000 (2011: US\$10,000,000 or \$12,260,000 of SGD equivalent).

Except for the \$150,021,000 (2011: \$148,281,000) 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.

## 30. SICOM Clearing Fund

Following the completion of migration of all active SICOM commodity contracts onto the SGX derivatives platform on 16 May 2011, SICOM has applied to MAS and IES for cancellation of its recognition as a RMO and a Commodity Market and Clearing House respectively.

As set out in Note 1, SICOM no longer operates as a commodity exchange. SICOM Rules and its membership framework ceased to apply with effect from 5 August 2011. SICOM Clearing Fund as stipulated in SICOM Rules will no longer be required.

## 31. 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, government securities 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”)

#### (i) Margin Deposits

As the clearing house for futures and options traded on SGX-DT, OTC commodities contracts and Over-The-Counter Financial (“OTCF”) derivatives contracts, SGX-DC becomes the novated counterparty for these derivative instruments.

The rules of SGX-DC require its derivatives clearing members to provide collateral in the form acceptable to SGX-DC as margin deposits to guarantee the performance of the obligations associated with derivative instruments positions.

The total margins required by SGX-DC at 30 June 2012 were approximately \$3,382,867,000 (2011: \$2,694,999,000).

As at 30 June 2012, clearing members had lodged the following collateral with SGX-DC:

	2012 \$'000	2011 \$'000
<b>Margin deposits</b>		
Cash	4,120,693	3,189,651
Quoted government securities, at fair value	1,251,013	1,648,483
Irrevocable letters of credit	6,991	15,325

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.

#### (ii) Performance Deposits and Deposits Received for Contract Value

For commodities contracts which are physically-settled, the rules of SGX-DC and its contract specifications require its clearing members to provide collateral in the form acceptable to SGX-DC as performance deposits to secure the performance of a delivery contract. In its capacity as escrow agent to the physical delivery of the contract, SGX-DC also collects the contract value of the commodities to be delivered through the exchange.

As at 30 June 2012, the following were lodged with SGX-DC for performance deposits purposes:

	2012 \$'000	2011 \$'000
<b>Performance deposits and deposits received for contract value</b>		
Cash	4,113	–

#### (iii) Security and Other Deposits

The rules of SGX-DC require its clearing members to deposit security for their derivatives clearing obligations to SGX-DC:

- (1) Clearing Members who clear futures and options traded on SGX-DT and OTC commodities contracts are required to post the higher of US\$500,000 or 3.0% of the daily average risk margin during the preceding three-month period, in cash, government securities or irrevocable letters of credit;

- (2) Clearing Members who clear OTCF derivatives contracts are required to post the higher of US\$5,000,000 or 3.0% of the daily average risk margin during the preceding three-month period, in cash or government securities;
- (3) Clearing Members who clear all three classes of contracts (i.e. futures and options traded on SGX-DT, OTC commodities contracts and/or OTCF derivatives contracts will be required to post the aggregate of (1) and (2).)

As at 30 June 2012, the following security and other deposits were lodged with SGX-DC for clearing fund purpose:

	2012 \$'000	2011 \$'000
<b>Security and Other deposits</b>		
Cash	298,953	239,874
Irrevocable letters of credit	20,369	37,003
Quoted government securities, at fair value	6,498	9,880

#### (iv) Collateral for Mutual Offset Settlement Agreement

As at 30 June 2012, irrevocable letters of credit amounting to approximately \$249,132,000 (2011: \$143,442,000) were lodged by The Chicago Mercantile Exchange with SGX-DC. This is to fulfill collateral requirements under the Mutual Offset Settlement Agreement.

#### (b) The Central Depository (Pte) Limited ("CDP")

##### (i) Margin and Other Deposits

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 collateral required by CDP at 30 June 2012 were approximately \$240,000 (2011: \$94,000).

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 30 June 2012, clearing members had lodged the following collateral with CDP:

	2012 \$'000	2011 \$'000
<b>Margin deposits</b>		
Cash	3,431	3,484
<b>Other collateral</b>		
Cash	10,200	15,012
Irrevocable letters of credit	20,000	20,000

## (c) Singapore Commodity Exchange Limited (“SICOM”)

As set out in Note 1, SICOM no longer operates as a commodity exchange. SICOM Rules and its membership framework ceased to apply with effect from 5 August 2011. During the financial year, SICOM returned all collaterals it had previously held when it served as a clearing house.

Until SICOM ceased to operate as a commodity exchange, SICOM rules require its clearing members to provide collateral acceptable to SICOM for security, collateral and performance deposit purposes:

### (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.

The total margins required by SICOM at 30 June 2011 was Nil.

### (iii) Performance Deposits

These relate to cash deposited by clearing members as performance deposits against delivery obligations on matured futures contracts.

As at 30 June 2011, clearing members had lodged the following collateral with SICOM:

	2011 \$'000
<b>Security deposits</b>	
Irrevocable letters of credit/on-demand guarantees	6,000
<b>Margin deposits</b>	
Irrevocable letters of credit	3,839

## 32. Financial Requirements

### (a) SGX-DC

The rules of SGX-DC impose financial requirements on its clearing members. As at 30 June 2012, clearing members had lodged the following collateral with SGX-DC to support their financial requirements:

	2012 \$'000	2011 \$'000
Cash	381,686	220,933
Irrevocable letters of credit	30,950	32,950

**(b) CDP**

The rules of CDP impose financial requirements on its clearing members. As at 30 June 2012, clearing members had lodged the following collateral with CDP to support their financial requirements:

	2012 \$'000	2011 \$'000
Cash	10,000	10,000

None of these assets or contingent assets nor the corresponding liabilities, are included in the consolidated statement of financial position of the Group.

**33. Collaterals for Securities Borrowing and Lending**

CDP offers Securities Borrowing and Lending (“SBL”) services to its account holders and depository agents. SBL involves temporary transfer of securities from a lender to a borrower for a fee. The SBL Scheme requires the borrowers of securities to provide collateral in the form of cash, securities or irrevocable letters of credit.

As at 30 June 2012, borrowers had lodged the following collateral with CDP for SBL purpose:

	2012 \$'000	2011 \$'000
Cash	33,577	18,757
Irrevocable letters of credit	14,000	–
Securities, at fair value	–	16,685

None of these assets or contingent assets nor the corresponding liabilities, are included in the consolidated statement of financial position of the Group.

**34. Contingent Liabilities**

At the balance sheet date, the Group and the Company have contingent liabilities as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Unsecured guarantees by SGX-DC 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' collateral balances (Note 31(a))	232,608	85,820	–	–
Cash set aside to support SGX-DC Capital for the SGX-DC Clearing Fund to be utilised in accordance with SGX-DC's Clearing Rules (Note 29)	68,000	68,000	–	–
Cash-backed guarantee provided to SGX-DC by the Company for the Clearing Fund (Note 29)	34,000	34,000	34,000	34,000
Cash set aside for Derivatives clearing fund reserve to support SGX-DC Clearing Fund (Note 29)	34,021	34,021	–	–
Cash set aside to support SGX-DC Clearing Fund with the launch of Over-The-Counter financial derivatives contracts (Note 29)	14,000	12,260	–	–
Guarantee provided to SGX-DC and SICOM in consideration of SGX-DC and SICOM's agreement to waive collateral requirements in respect of positions held by each other (Note (a))	–	–	–	4,000
	382,629	234,101	34,000	38,000

<sup>(a)</sup> SICOM has obtained MAS approval for cancellation of its recognition as a RMO (Note 1). The guarantee has terminated accordingly.

## 35. 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Not later than one financial year	29,396	31,361	28,095	30,061
Later than one financial year but not later than five financial years	41,914	66,415	38,899	62,109
Later than five financial years	1,738	6,904	1,738	6,904
	73,048	104,680	68,732	99,074

### (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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Not later than one financial year	370	370	370	370
Later than one financial year but not later than five financial years	123	494	123	494
	493	864	493	864

### (c) Capital Commitments

Capital commitments contracted for at year end but not recognised in the financial statements are as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Property, plant and equipment and software	5,291	8,503	–	277

## 36. Related Party Transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

### (a) Provision of Services

	The Group and The Company	
	2012 \$'000	2011 \$'000
Provision of staff related services to joint venture	470	553

## (b) 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 directors' fees and key management's remuneration are as follows:

	The Group	
	2012 \$'000	2011 \$'000
Salaries and other short-term employee benefits	13,768	14,889
Employer's contribution to Central Provident Fund	70	53
Share-based payment to key management	431	2,651
	14,269	17,593

Included in the above is total remuneration to directors of the Company amounting to \$6,155,000 (2011: \$6,372,000).

There were no share options granted to key management of the Group during the financial year (2011: Nil).

During the financial year, 779,100 shares (2011: 806,200 shares) under performance share plan were granted to key management of the Group. The performance shares were granted under the same terms and conditions as those offered to other employees of the Company.

## 37. 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:

- (a) the type and level of business risks (risk appetite) that the Group undertakes on an integrated basis to achieve its business strategy; and
- (b) the policies and frameworks for managing risks that are consistent with its risk appetite.

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 SGD and 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 2012 and 30 June 2011, there are no significant currency risk exposures arising from receivables. These receivables are also exposed to counterparty and credit risks.

## (b) Investment in Available-for-sale Financial Assets

The Company has invested in unlisted equity securities in BSE. This investment is denominated in 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 2012, the cash balances of the Group and the Company are mainly denominated in SGD and USD. USD cash balances placed in banks to meet the short-term USD payment obligations were not hedged. The cash balances are also exposed to counterparty and credit risks.

The Group and Company's currency exposures as at 30 June are as follows:

	The Group At 30 June 2012					
	SGD <sup>(b)</sup> \$'000	USD \$'000	INR \$'000	HKD \$'000	Others \$'000	Total \$'000
<b>Financial assets</b>						
Cash and cash equivalents	687,425	9,826	–	–	430	697,681
Trade and other receivables						
– Daily settlement of accounts for due contracts and rights	576,886	65,360	–	42,869	24	685,139
– Others	74,666	6,252	–	–	2,440	83,358
Securities clearing funds	35,000	–	–	–	–	35,000
Available-for-sale financial assets	–	–	65,956	–	–	65,956
<b>Financial liabilities</b>						
Trade and other payables						
– Daily settlement of accounts for due contracts and rights	(576,886)	(65,360)	–	(42,869)	(24)	(685,139)
– Others	(105,480)	(12,211)	–	(12)	(177)	(117,880)
Currency exposure	691,611	3,867	65,956	(12)	2,693	764,115
Currency forward contracts <sup>(a)</sup>	–	36,887	–	–	–	36,887

<sup>(a)</sup> Currency forward contracts entered by the Group are to hedge future revenue receivable arising from clearing of various derivative products denominated in USD.

<sup>(b)</sup> The SGD balances have been included for completeness.

	The Group At 30 June 2011					
	SGD <sup>(b)</sup> \$'000	USD \$'000	INR \$'000	HKD \$'000	Others \$'000	Total \$'000
<b>Financial assets</b>						
Cash and cash equivalents	670,169	22,281	–	–	613	693,063
Trade and other receivables						
– Daily settlement of accounts for due contracts and rights	682,834	180,857	–	249	–	863,940
– Others	72,367	650	–	–	25	73,042
Securities clearing funds	30,000	–	–	–	–	30,000
Available-for-sale financial assets	–	–	73,256	–	–	73,256
<b>Financial liabilities</b>						
Trade and other payables						
– Daily settlement of accounts for due contracts and rights	(682,834)	(180,857)	–	(249)	–	(863,940)
– Others	(107,130)	(18,509)	–	–	(763)	(126,402)
Currency exposure	665,406	4,422	73,256	–	(125)	742,959
Currency forward contracts <sup>(a)</sup>	–	30,160	–	–	–	30,160

<sup>(a)</sup> Currency forward contracts entered by the Group were to hedge future revenue receivables arising from clearing of various derivative products denominated in USD.

<sup>(b)</sup> The SGD balances have been included for completeness.

	The Company At 30 June 2012				
	SGD <sup>(b)</sup> \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	468,044	2,051	–	32	470,127
Trade and other receivables	6,456	–	–	23	6,479
Available-for-sale financial assets	–	–	65,956	–	65,956
<b>Financial liabilities</b>					
Trade and other payables	(320,619)	(143)	–	(9)	(320,771)
Currency exposure	153,881	1,908	65,956	46	221,791

<sup>(b)</sup> The SGD balances have been included for completeness.

	The Company At 30 June 2011				
	SGD <sup>(b)</sup> \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	511,863	1,222	–	64	513,149
Trade and other receivables	7,068	37	–	20	7,125
Available-for-sale financial assets	–	–	73,256	–	73,256
<b>Financial liabilities</b>					
Trade and other payables	(348,346)	(811)	–	(206)	(349,363)
Currency exposure	170,585	448	73,256	(122)	244,167

<sup>(b)</sup> The SGD balances have been included for completeness.

A currency risk sensitivity analysis is not provided as the Group and the Company are not expected to have significant currency exposures other than available-for-sale financial assets.

The currency risk sensitivity analysis for available-for-sale financial assets is included within the price risk sensitivity analysis.

## Market Risk — Price Risk

The Group manages the price risk of its investment in available-for-sale financial assets as follows:

The investment in BSE is an unlisted long-term strategic investment. 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 other comprehensive income would be as follows should the fair value of BSE change by 10% (2011: 3%) with all other variables including tax rate being held constant:

	Increase/(decrease)			
	2012		2011	
	Profit after tax \$'000	Other comprehensive income \$'000	Profit after tax \$'000	Other comprehensive income \$'000
<b>The Group and The Company</b>				
Fair value of BSE				
– Increased	–	6,596	–	2,198
– Decreased	(6,596)	–	–	(2,198)

## Market Risk — Interest Rate Risk

The Group and the Company are not subject to significant interest rate risk as the Group's and the Company's fixed deposit placements are mainly short-term in nature. Fixed deposits are placed with banks that offer the most competitive interest rates.

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 re-pricing or maturity dates.

### The Group

	Variable rates		Fixed rates			Non-interest bearing \$'000	Total \$'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 2012</b>							
<b>Financial assets</b>							
Cash and cash equivalents	19,117	—	341,434	326,022	—	11,108	697,681
Trade and other receivables	—	—	14	14	20	768,449	768,497
Securities clearing funds	—	—	5,000	30,000	—	—	35,000
Available-for-sale financial assets	—	—	—	—	—	65,956	65,956
<b>Financial liabilities</b>							
Trade and other payables	—	—	—	—	—	(803,019)	(803,019)
<b>Net financial assets</b>	<b>19,117</b>	<b>—</b>	<b>346,448</b>	<b>356,036</b>	<b>20</b>	<b>42,494</b>	<b>764,115</b>
<b>At 30 June 2011</b>							
<b>Financial assets</b>							
Cash and cash equivalents	15,779	—	270,095	361,980	34,534	10,675	693,063
Trade and other receivables	—	—	16	14	46	936,906	936,982
Securities clearing funds	—	—	—	30,000	—	—	30,000
Available-for-sale financial assets	—	—	—	—	—	73,256	73,256
<b>Financial liabilities</b>							
Trade and other payables	—	—	—	—	—	(990,342)	(990,342)
<b>Net financial assets</b>	<b>15,779</b>	<b>—</b>	<b>270,111</b>	<b>391,994</b>	<b>34,580</b>	<b>30,495</b>	<b>742,959</b>

### The Company

	Variable rates		Fixed rates			Non-interest bearing \$'000	Total \$'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 2012</b>							
<b>Financial assets</b>							
Cash and cash equivalents	4,773	—	299,434	160,000	—	5,920	470,127
Trade and other receivables	—	—	10	11	17	6,441	6,479
Available-for-sale financial assets	—	—	—	—	—	65,956	65,956
<b>Financial liabilities</b>							
Trade and other payables	—	—	—	—	—	(320,771)	(320,771)
<b>Net financial assets</b>	<b>4,773</b>	<b>—</b>	<b>299,444</b>	<b>160,011</b>	<b>17</b>	<b>(242,454)</b>	<b>221,791</b>
<b>At 30 June 2011</b>							
<b>Financial assets</b>							
Cash and cash equivalents	3,226	—	257,500	209,000	34,534	8,889	513,149
Trade and other receivables	—	—	11	10	36	7,068	7,125
Available-for-sale financial assets	—	—	—	—	—	73,256	73,256
<b>Financial liabilities</b>							
Trade and other payables	—	—	—	—	—	(349,363)	(349,363)
<b>Net financial assets</b>	<b>3,226</b>	<b>—</b>	<b>257,511</b>	<b>209,010</b>	<b>34,570</b>	<b>(260,150)</b>	<b>244,167</b>

As the Group and the Company are not exposed to significant interest rate risks, a sensitivity analysis is not provided for this risk.

## Counterparty and Credit Risk

The Group manages its main counterparty and credit exposures 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 8 (2011: 9) debtors that represented 53% (2011: 51%) of the remaining trade receivables.

### (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 74% (2011: 80%) of its cash and cash equivalents with 3 (2011: 3) banks. The Company placed 89% (2011: 87%) of its cash and cash equivalents with 3 (2011: 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.

As clearing houses, SGX-DC and CDP have general lien on all monies and other properties deposited by clearing members. The clearing house may combine any account of the clearing member with its liabilities to the clearing house. Such funds may be applied towards satisfaction of liabilities of the clearing member to the clearing house.

### (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 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 sufficiently collateralised at all times and these collaterals protect SGX-DC and CDP against potential losses. SGX-DC also revalues and settles the daily mark-to-market variations with clearing members to prevent losses from accumulating. CDP requires all positions in Extended Settlement Contracts, being marginable futures contracts, to be sufficiently collateralised and these collaterals protect CDP against cumulative mark-to-market and potential losses. 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 bank" 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 2012, there were 26 (2011: 29) securities clearing members and 6 (2011: 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.

### (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 2012, 99.5% (2011: 99.7%) and 93.5% (2011: 94.1%) 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Past due up to 90 days	2,392	980	220	228
Past due 91 days to 360 days	284	988	9	116
	2,676	1,968	229	344

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Gross amount	1,380	1,305	7	—
Less: Allowance for impairment	(1,380)	(1,305)	(7)	—
	—	—	—	—
Balance at beginning of financial year	1,305	1,031	—	—
Allowance made	897	646	7	—
Allowance utilised	(245)	(6)	—	—
Allowance written back	(577)	(366)	—	—
Balance at end of financial year	1,380	1,305	7	—

## 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
At 30 June 2012 <b>Financial liabilities</b>				
Trade and other payables <sup>(c)</sup>	796,411	–	6,608	803,019

<sup>(c)</sup> Included \$685,139,000 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 Group

	Up to 3 months \$'000	> 3 months to 1 year \$'000	Above 1 year \$'000	Total \$'000
At 30 June 2011 <b>Financial liabilities</b>				
Trade and other payables <sup>(d)</sup>	982,068	–	8,274	990,342

<sup>(d)</sup> Included \$863,940,000 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
At 30 June 2012 <b>Financial liabilities</b>				
Trade and other payables	46,690	274,081	–	320,771
At 30 June 2011 <b>Financial liabilities</b>				
Trade and other payables	54,323	295,040	–	349,363

As at 30 June 2012, the gross notional value of outstanding currency forward contracts held by the Group was \$36,887,000 (2011: \$30,160,000). 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 2012			At 30 June 2011		
	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
The Group						
<b>Currency forward contracts</b>						
– gross outflows	20,096	16,791	36,887	12,591	17,569	30,160
– gross inflows	19,897	16,647	36,544	13,118	18,003	31,121

The amounts disclosed above are contractual undiscounted cash flows, which are different from the carrying amount disclosed in these financial statements.

### (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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Unsecured guarantees by SGX-DC to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange	232,608	85,820	–	–
Cash-backed guarantee provided to SGX-DC by the Company for the Clearing Fund	34,000	34,000	34,000	34,000
Guarantee provided to SGX-DC and SICOM in consideration of SGX-DC and SICOM's agreement to waive collateral requirements in respect of positions held by each other	–	–	–	4,000
	266,608	119,820	34,000	38,000

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 (2011: \$450,000,000), comprising \$200,000,000 (2011: \$200,000,000) committed share financing and \$250,000,000 (2011: \$250,000,000) committed unsecured credit lines, to meet liquidity requirements arising from clearing members' default.

## Fair Value Measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>The Group</b>				
At 30 June 2012				
<b>Assets</b>				
Available-for-sale financial assets	–	–	65,956	65,956
<b>Liabilities</b>				
Derivative financial instruments	–	269	–	269
At 30 June 2011				
<b>Assets</b>				
Derivative financial instruments	–	899	–	899
Available-for-sale financial assets	–	–	73,256	73,256
<b>The Company</b>				
At 30 June 2012				
<b>Assets</b>				
Available-for-sale financial assets	–	–	65,956	65,956
At 30 June 2011				
<b>Assets</b>				
Available-for-sale financial assets	–	–	73,256	73,256

The fair values of currency forward contracts have been calculated using the rates quoted by the Group's bankers to terminate the contracts at the balance sheet date.

The fair value of available-for-sale financial assets that are not traded in an active market is determined by using a valuation technique, the 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 and purchases recognised in profit or loss in Level 3 instruments for the financial year ended 30 June 2012. Impairment loss recognised during the financial year on available-for-sale financial assets is disclosed in Notes 7 and 24.

## 38. 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 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 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. In line with its dividend policy, SGX maintains a base dividend commitment to its shareholder.

As set out in Note 1, SICOM no longer operates as a commodity exchange. SICOM will no longer be required to meet Base Capital Requirements that are imposed by MAS under the Securities and Futures Act (Cap. 289) and by IES under Commodity Trading Act (Cap. 48A). SICOM will also not be required to establish an investor compensation fund as all SICOM commodities futures have been transferred onto SGX derivatives platform.

## 39. Comparatives

### Statement of Comprehensive Income

Certain comparative figures have been reclassified between items of operating expenses to better reflect the nature of the expenses.

### Reclassification of certain data subscription expenses from rental and maintenance of premises to miscellaneous expenses

#### Group

	As restated	As previously disclosed
	2011 \$'000	2011 \$'000
<b>Operating expenses</b>		
<b>Premises</b>		
– Rental and maintenance of premises	16,464	17,150
<b>Others</b>		
– Miscellaneous	4,103	3,417

#### Company

	As restated	As previously disclosed
	2011 \$'000	2011 \$'000
<b>Operating expenses</b>		
<b>Premises</b>		
– Rental and maintenance of premises	13,180	13,801
<b>Others</b>		
– Miscellaneous	3,143	2,522

The revised presentation does not result in a change in the Group and the Company's net profit before and after tax.

## Statement of Financial Position

- (a) Trade and other receivables and trade and other payables as of 30 June 2011 of SGX Group have been restated. Reporting of settlement positions with clearing members and settlement banks was on a net basis. SGX's accounting policy requires this to be reported on a gross basis. Reporting of settlement positions as at 30 June 2010 with clearing members and settlement banks was on a gross basis in line with SGX's accounting policy. No restatement is required for trade and other receivables and trade and other payables as at 30 June 2010.
- (b) Reclassification between current and non-current liabilities for accrual of software license fees have been made to better reflect the classification of the liabilities.

### Group

	As restated	As previously disclosed	Increased/ (Decreased) by
	2011 \$'000	2011 \$'000	2011 \$'000
<b>Statement of financial position</b>			
<b>Current assets</b>			
– Trade and other receivables	947,039	563,907	383,132
<b>Current liabilities</b>			
– Trade and other payables	982,068	607,210	374,858
<b>Non-current liabilities</b>			
– Trade and other payables	8,274	–	8,274
<b>Net position</b>	(43,303)	(43,303)	–
<b>Cash flow statement</b>			
<b>Change in working capital</b>			
– Trade and other receivables	(483,746)	(100,614)	(383,132)
– Trade and other payables	490,683	107,551	383,132
	6,937	6,937	–
<b>Segment information</b>			
<b>Segment assets</b>			
– Securities market	1,046,033	662,901	383,132
<b>Segment liabilities</b>			
– Securities market	919,571	536,439	383,132
	126,462	126,462	–

These restated balances do not result in a change in the Group and the Company's net equity and net profit before and after tax and accordingly, this restatement is in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

## 40. New Accounting Standards and FRS Interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 July 2012 or later periods and which the Group has not early adopted:

FRS	Title	Effective date (annual periods beginning on or after)
Amendments to FRS 1	Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 19	Employee Benefits	1 January 2013
FRS 27	Separate Financial Statements	1 January 2013
FRS 28	Investments in Associates and Joint Ventures	1 January 2013
Amendments to FRS 107	Financial instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities	1 January 2013
FRS 110	Consolidated Financial Statements	1 January 2013
FRS 111	Joint Arrangements	1 January 2013
FRS 112	Disclosure of Interests in Other Entities	1 January 2013
FRS 113	Fair Value Measurements	1 January 2013
Amendments to FRS 32	Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities	1 January 2014

The Group is presently assessing the impact of adopting these new accounting standards, amendments and interpretations. The Group has not considered the impact of accounting standards issued after the balance sheet date.

## 41. Authorisation of Financial Statements

These financial statements have been authorised for issue by the Board of Directors on 27 July 2012.

## Corporation 07

# Statistics of Shareholdings

as at 31 July 2012

Share Capital	: 1,071,642,400
Number of Issued and Paid-up Shares	: 1,071,642,400
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)	% <sup>1</sup>
1–999	142	0.29	30,541	0.00
1,000–10,000	44,004	89.07	133,056,741	12.46
10,001–1,000,000	5,225	10.58	197,901,507	18.53
1,000,001 and above	31	0.06	737,092,311	69.01
Total	49,402	100.00	1,068,081,100	100.00

Based on information available to the Company as at 31 July 2012, approximately 99.87% 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	% <sup>1</sup>
1	SEL Holdings Pte Ltd <sup>2</sup>	249,991,184	23.41
2	CITIBank Nominees Singapore Pte Ltd	113,467,076	10.62
3	DBS Nominees Pte Ltd	80,062,220	7.50
4	DBSN Services Pte Ltd	60,356,822	5.65
5	Nomura Securities Singapore Pte Ltd	53,151,018	4.98
6	HSBC (Singapore) Nominees Pte Ltd	44,444,936	4.16
7	United Overseas Bank Nominees (Pte) Ltd	28,515,111	2.67
8	Raffles Nominees (Pte) Ltd	20,914,169	1.96
9	Phillip Securities Pte Ltd	10,653,271	1.00
10	DBS Vickers Securities (Singapore) Pte Ltd	9,966,062	0.93
11	DB Nominees (Singapore) Pte Ltd	7,318,820	0.69
12	UOB Kay Hian Pte Ltd	7,242,000	0.68
13	Bank of Singapore Nominees Pte Ltd	7,149,535	0.67
14	BNP Paribas Nominees Singapore Pte Ltd	5,836,012	0.55
15	BNP Paribas Securities Services	5,725,894	0.54
16	OCBC Nominees Singapore Private Limited	4,056,420	0.38
17	Leong Khuen Nyeon	3,500,000	0.33
18	OCBC Securities Private Ltd	3,427,501	0.32
19	Wong Kong Choo	2,734,000	0.26
20	Maybank Kim Eng Securities Pte Ltd	2,692,705	0.25
Total		721,204,756	67.55

## Treasury Shares

Number of ordinary shares held in treasury : 3,561,300

Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury) : 0.33%<sup>1</sup>

## Substantial Shareholders

According to the Register of Substantial Shareholders maintained by the Company, the Company had no substantial shareholders as at 31 July 2012.

<sup>1</sup> Percentage is calculated based on the total number of issued shares, excluding treasury shares of the Company.

<sup>2</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.

# Notice of Annual General Meeting

Singapore Exchange Limited  
Company Registration No. 199904940D  
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of Singapore Exchange Limited (the "Company") will be held at NTUC Auditorium, One Marina Boulevard, Level 7, Singapore 018989 on Thursday, 20 September 2012 at 10.00 am to transact the following business:

A	Ordinary Business	Ordinary Resolution
1	To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2012 and the Auditor's Report thereon.	Resolution 1
2	To declare a final tax exempt dividend amounting to 15 cents per share for the financial year ended 30 June 2012 ("Final Dividend"). (Same as for FY2011: 15 cents per share)	Resolution 2
3	To re-appoint Mr Robert Owen as a director of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.	Resolution 3
4	To re-elect Mr Liew Mun Leong, who will be retiring by rotation under Article 99A of the Company's Articles of Association (the "Articles") and who, being eligible, offers himself for re-election as a director of the Company.	Resolution 4
5	To re-elect Mr Ng Kee Choe, who will be retiring by rotation under Article 99A of the Articles, and who, being eligible, offers himself for re-election as a director of the Company.  (Mr Loh Boon Chye and Ms Euleen Goh are retiring by rotation at the Thirteenth Annual General Meeting, and have decided not to offer themselves for re-election to office.)	Resolution 5
6	To approve (i) the sum of \$750,000 to be paid to the Chairman as director's fees, and (ii) the provision to him of a car with a driver, for the financial year ending 30 June 2013.  (Same as for FY2012: \$750,000 and a car with a driver)	Resolution 6
7	To approve the sum of up to \$1,400,000 to be paid to all directors (other than the Chief Executive Officer) as directors' fees for the financial year ending 30 June 2013.  (Same as for FY2012: up to \$1,400,000)	Resolution 7
8	To re-appoint PricewaterhouseCoopers LLP as Auditor of the Company and to authorise the directors to fix their remuneration.	Resolution 8

B	Special Business	Ordinary Resolution
	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 Kwa Chong Seng be and is hereby appointed as a director of the Company pursuant to Article 104 of the Articles.	Resolution 9
10	That Mr Kevin Kwok be and is hereby appointed as a director of the Company pursuant to Article 104 of the Articles.	Resolution 10
11	<p>That authority be and is hereby given to the directors of the Company to:</p> <p>a) i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or</p> <p>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,</p> <p>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</p> <p>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,</p> <p>provided that:</p> <p>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);</p> <p>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:</p> <p>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</p> <p>ii) any subsequent bonus issue or consolidation or subdivision of shares;</p> <p>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 for the time being of the Company; and</p> <p>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.</p>	Resolution 11

## C To Transact any other business as may properly be transacted at an Annual General Meeting

By Order of the Board

Ding Hui Yun (Ms)  
Company Secretary  
Singapore Exchange Limited  
27 August 2012

## Explanatory Notes

Ordinary Resolution 3 is to re-appoint Mr Robert Owen pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company, and if he is re-appointed, he will remain as the Chairman of the Regulatory Conflicts Committee and a member of the Risk Management Committee. Mr Owen is considered an Independent Director. Key information on Mr Owen is found on page 22 of the Annual Report.

Ordinary Resolution 4 is to re-elect Mr Liew Mun Leong who will be retiring by rotation under Article 99A of the Articles and if he is re-elected, he will remain as a member of the Audit Committee and Remuneration Committee. Mr Liew is considered an Independent Director. Key information on Mr Liew is found on page 21 of the Annual Report.

Ordinary Resolution 5 is to re-elect Mr Ng Kee Choe who will be retiring by rotation under Article 99A of the Articles and if he is re-elected, he will remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. Mr Ng is considered an Independent Director. Key information on Mr Ng is found on page 22 of the Annual Report.

Ordinary Resolution 6 is to seek approval for (i) the payment of \$750,000 to the Chairman as directors' fees for undertaking duties and responsibilities as Chairman of the Board, and (ii) the provision to him of a car with a driver, for the financial year ending 30 June 2013 (which is the same as that approved for the preceding financial year). As in the preceding financial year, the sum of \$750,000 does not include any directors' fees payable for serving as chairman or member of any Board committee(s) or attendance fees for any Board committee meetings.

Ordinary Resolution 7 is to seek approval for the payment of up to \$1,400,000 to all directors (other than the Chief Executive Officer) as directors' fees for the financial year ending 30 June 2013 (same as the

amount of up to \$1,400,000 for the preceding financial year). The exact amount of director's fees received by each director for the financial year ended 30 June 2012 is disclosed in full in the Annual Report.

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 2013 and the number of directors expected to hold office during the course of that year, at the fee rates shown on page 44 of the Annual Report, as well as any unforeseen circumstances, for example, the appointment of an additional director or additional ad hoc unscheduled Board and/or Board Committee meetings. There are no changes to the rates of fees for the directors.

Ordinary Resolution 9 is to appoint Mr Kwa Chong Seng as an additional director pursuant to Article 104 of the Articles. Key information on Mr Kwa is found on page 24 of the Annual Report.

Ordinary Resolution 10 is to appoint Mr Kevin Kwok as an additional director pursuant to Article 104 of the Articles. Key information on Mr Kwok is found on page 24 of the Annual Report.

Ordinary Resolution 11 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 11 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 11 is passed, and (b) any subsequent bonus issue or consolidation or sub-division of shares.

Although the Listing Manual of the SGX-ST 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.

## Books Closure Date and Payment Date for Final Dividend

Subject to the approval of the shareholders for the Final Dividend being obtained at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 5.00 pm on 28 September 2012 (Friday) up to (and including) 1 October 2012 (Monday), for the purpose of determining shareholders' entitlements to the proposed Final Dividend. The Register of Members and the Transfer Books will re-open on 2 October 2012 (Tuesday).

Duly completed transfers in respect 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 up to 5.00 pm on 28 September 2012 (Friday) will be registered before entitlements to the proposed Final Dividend are determined. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 pm on 28 September 2012 (Friday) will rank for the proposed Final Dividend.

The Final Dividend, if approved by shareholders at the Annual General Meeting, will be paid on 12 October 2012 (Friday).

### Notes:

- 1) The Chairman of the Annual General Meeting will be exercising his right under Article 66(a) of the Articles 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 office of Broadridge (Singapore) Private Limited at 8 Robinson Road #09-00, ASO Building, Singapore 048544 at least 48 hours before the time appointed for holding the Annual General Meeting.

# Corporate Information

## Board of Directors

**Non-Executive Chairman**  
Chew Choon Seng  
(Independent Director)

**Chief Executive Officer**  
Magnus Böcker  
(Non-Independent Executive Director)

**Non-Executive Directors**  
Thaddeus Beczak  
(Independent Director)  
Jane Diplock  
(Independent Director)  
Euleen Goh  
(Non-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)  
Quah Wee Ghee<sup>1</sup>  
(Non-Independent Director)<sup>2</sup>  
Davinder Singh<sup>1</sup>  
(Non-Independent Director)<sup>3</sup>

**Company Secretary**  
Ding Hui Yun<sup>4</sup>

**Executive Committee**  
Magnus Böcker  
(Chairman)  
Robert Ian Caisley  
Chew Sutat  
Chng Lay Chew<sup>5</sup>  
Benjamin Foo  
Muthukrishnan Ramaswami  
Lawrence Wong Liang Ying  
Yeo Lian Sim

**Secretary**  
Lester Ngoh

## Audit Committee

Lee Hsien Yang  
(Chairman)  
Liew Mun Leong  
Ng Kee Choe

## Remuneration Committee

Chew Choon Seng<sup>1</sup>  
(Chairman)  
Lee Hsien Yang  
Liew Mun Leong  
Ng Kee Choe<sup>1</sup>

## Nominating Committee

Ng Kee Choe<sup>1</sup>  
(Chairman)  
Chew Choon Seng  
Lee Hsien Yang<sup>1</sup>  
Loh Boon Chye  
Davinder Singh<sup>1</sup>

## Risk Management Committee

Loh Boon Chye  
(Chairman)  
Thaddeus Beczak<sup>1</sup>  
Euleen Goh  
Robert Owen  
Quah Wee Ghee<sup>1</sup>

## Regulatory Conflicts Committee

Robert Owen  
(Chairman)  
Chew Choon Seng<sup>6</sup>  
Jane Diplock<sup>1</sup>

## 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

## Key Contact Persons

Khor Yoke Kean  
Stella Yang

## Auditor

PricewaterhouseCoopers LLP  
8 Cross Street #17-00  
PWC Building  
Singapore 048424

## Partner-in-Charge

Yeoh Oon Jin<sup>7</sup>

## Investor Relations

Lau Mei Seong  
Tel : (65) 6236 8356  
Email : meiseong@sgx.com

## Sustainability

Email : sustainability@sgx.com

<sup>1</sup> Appointed on 6 October 2011

<sup>2</sup> Non-Independent as on 9 January 2012

<sup>3</sup> Non-Independent as on 9 March 2012

<sup>4</sup> Appointed on 1 December 2011

<sup>5</sup> Appointed on 29 December 2011

<sup>6</sup> Appointed on 1 April 2012

<sup>7</sup> Appointed on 1 July 2009



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