

Building An Enduring Marketplace:  
**Setting the Pace**

**SGX** ANNUAL REPORT

**06**

## CONTENTS

01	Mission
02	Corporate Profile
03	Products and Services
06	Group Financial Highlights
08	Performance Highlights
10	Highlights of the Year
 <b>The Asian Gateway</b>	
14	Chairman's Statement
16	Message from the Chief Executive Officer
20	Board of Directors
32	Proposed Director
33	Executive Committee
36	Organisation Chart
38	Operating and Financial Review
61	Corporate Information
 <b>A Fair and Open Marketplace</b>	
64	Self-Regulatory Organisation Governance Report
66	Disciplinary and Appeals Committees
67	Corporate Governance Report
83	Remuneration Report
 <b>Strong Shareholder Returns</b>	
88	Directors' Report
96	Statement by Directors
97	Auditors' Report to the Shareholders of Singapore Exchange Limited
98	Balance Sheets
99	Income Statements
100	Consolidated Statement of Changes in Equity
102	Statement of Changes in Equity
103	Consolidated Cash Flow Statement
104	Notes to the Financial Statements
156	Statistics of Shareholdings
157	Notice of Annual General Meeting and Books Closure Date

*All figures in this Annual Report are in Singapore dollars unless otherwise stated.*

## MISSION

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Singapore Exchange Limited (SGX) provides a comprehensive and efficient infrastructure for raising capital, and for investors to transact and clear financial products.

As a leading marketplace, we strive to continually innovate – offering convenient access, quality products and the best price discovery at a competitive cost to our customers while seeking to create value for our shareholders.

## CORPORATE PROFILE

### About Singapore Exchange

SGX was formed on 1 December 1999 following the merger of two established and well-respected financial institutions – the Stock Exchange of Singapore and the Singapore International Monetary Exchange. Listed on our own Exchange since 23 November 2000, the SGX stock is a component of benchmark indices such as the Straits Times Index and the MSCI Singapore Free Index.

We own and operate Asia's first demutualised and integrated securities and derivatives exchange, as well as related clearing houses and a central depository. Our securities exchange was also the first fully electronic and floorless exchange in Asia.

Home to Singapore's leading listed companies, SGX is at the forefront of the world's exchanges in attracting international issuers and is rapidly emerging as Asia's offshore risk management centre for international derivatives.

Since our inception, we have achieved several major milestones.

### Milestones

#### 1999

Formation of SGX

#### 2000

First exchange in Asia-Pacific to be listed via a public offer and a private placement

#### 2001

Pioneer of the world's first co-trading link with the Australian Stock Exchange, thus enabling investors to trade securities in both markets

#### 2002

Launch of the first local Exchange Traded Fund, the Straits Times Index Fund, and the first listed business and industry property Real Estate Investment Trusts

#### 2003

Development of the SGX Quotation and Execution System for Trading (SGX QUEST), the world's first integrated trading engine for our securities and derivatives markets

#### 2004

Extended our reach to existing and new derivatives customers around the world following the launch of SGX QUEST

#### 2005

Partnership with the Chicago Board of Trade to form the Joint Asian Derivatives Exchange (JADE), an electronic commodity derivatives market

Launch of the FTSE/ASEAN Indices in partnership with the FTSE Group, Bursa Malaysia, Jakarta Stock Exchange, Philippine Stock Exchange and Stock Exchange of Thailand

#### 2006

Launch of SGX AsiaClear™, a facility for the clearing of over-the-counter (OTC) oil derivatives and forward freight agreements

## PRODUCTS AND SERVICES

SGX offers a diverse and exciting suite of securities and derivatives products via a global network of broking members who, in turn, provide access to these products through an array of channels.

Our securities products, traded on an electronic screen-based system, include:

- Equities
- Warrants
- Bonds, Debentures and Loan Stocks
- Exchange Traded Funds (ETFs)
- Real Estate Investment Trusts (REITs)
- Business Trusts
- Infrastructure Funds and
- Depository Receipts.

Our derivatives products consist of a wide range of international risk management and trading instruments. The products, traded electronically, include:

- Short-Term Interest Rate Futures and Options on Futures
- Long-Term Interest Rate Futures and Options on Futures
- Equity Index Futures and Options on Futures
- Single Stock Futures and
- Structured Warrants.

We also offer a range of data and information services that provide both historical and “live” data and prices to our customers, including:

- SGX SecuritiesBook
- SGX DerivativesQuote
- Orders and Trades Data
- Mobile Data Services
- Listed Companies Data
- Historical Market Data
- Publications and
- SGXNews.

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A Year of

RECORDS

for SGX

Record net profit after tax of \$187.6 million  
**▲ 79.8%**

Record operating revenue of \$407.6 million  
on the back of record trading turnover in  
securities and derivatives markets  
**▲ 48.4%**

Record return on equity of 32.0%  
**▲ 10.0% points**

## GROUP FINANCIAL HIGHLIGHTS

	2006	Financial Year (FY)	
		2005 <sup>(1)</sup>	2004 <sup>(1)</sup>
<b>For the year (\$ million)</b>			
Operating revenue	<b>408</b>	275	316
Operating expenses	<b>184</b>	143	151
EBITDA <sup>(2)</sup>	<b>251</b>	150	183
Operating profit	<b>224</b>	132	165
Other gains/(losses)	<b>13</b>	3	–
Net profit attributable to equity holders	<b>188</b>	104	131
Operating cash flow	<b>227</b>	101	189
<b>At year-end (\$ million)</b>			
Net current assets	<b>358</b>	247	418
Total assets	<b>957</b>	1,029	1,004
Total liabilities	<b>370</b>	554	363
Shareholders' funds <sup>(3)</sup>			
- Share capital	<b>378</b>	10	10
- Share premium	<b>–</b>	353	341
- Reserves	<b>209</b>	111	289
Shares issued (million)	<b>1,050</b>	1,042	1,029
<b>For the year (%)</b>			
Revenue growth	<b>48.4</b>	(13.1)	44.8
Operating profit margin	<b>54.9</b>	47.9	52.1
Net profit margin	<b>44.6</b>	37.6	41.6
Cost-to-income ratio	<b>45.1</b>	52.1	47.9
Return on equity	<b>32.0</b>	22.0	20.5
<b>Per share data</b>			
Operating cash flow (cents)	<b>21.64</b>	9.67	18.40
Basic earnings (cents)	<b>17.96</b>	10.09	12.87
Net tangible assets (cents)	<b>55.89</b>	45.54	62.22
Net dividend (cents):			
(a) Base	<b>6.00</b>	6.00	5.60
(b) Variable	<b>10.20</b>	2.50	5.20
(c) Special	<b>–</b>	15.00	–
Average share price (\$)	<b>3.12</b>	1.85	1.67
Share price at financial year-end (\$)	<b>3.52</b>	2.11	1.68

### Notes:

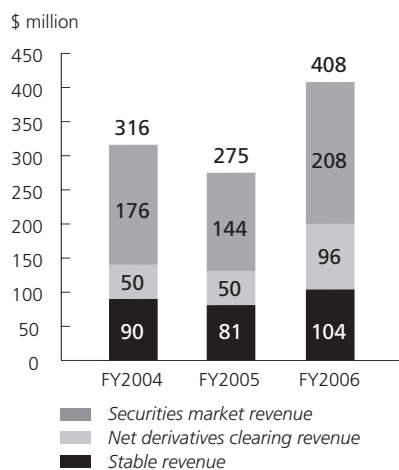
<sup>(1)</sup> FY2004 and FY2005 figures have been re-stated to reflect the Employee Share Option Plan expenses following the adoption of FRS 102.

<sup>(2)</sup> Refers to earnings before interest, tax, depreciation and amortisation.

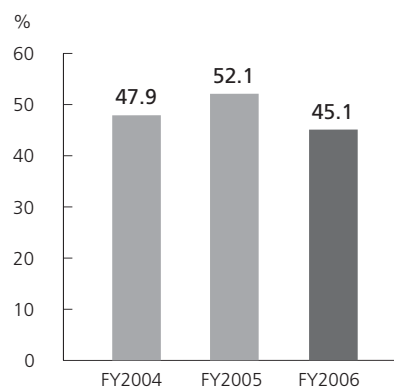
<sup>(3)</sup> Under the Companies (Amendment) Act 2005 effective 30 January 2006, the concepts of par value and authorised share capital are abolished and the amount in the share premium account as of 30 January 2006 becomes part of the Company's share capital.



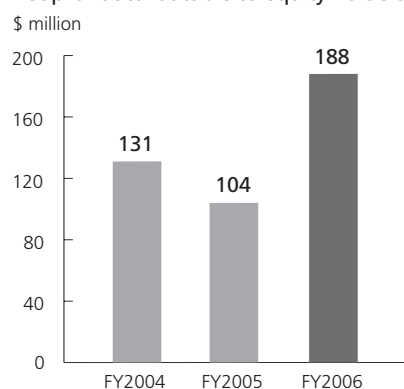
### Revenue streams



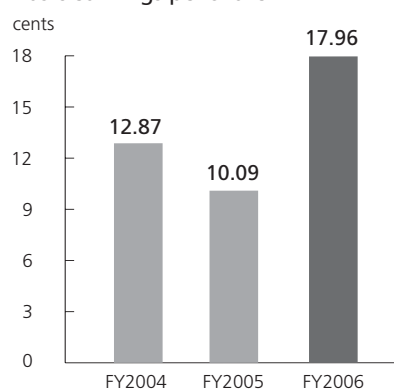
### Cost-to-income ratio



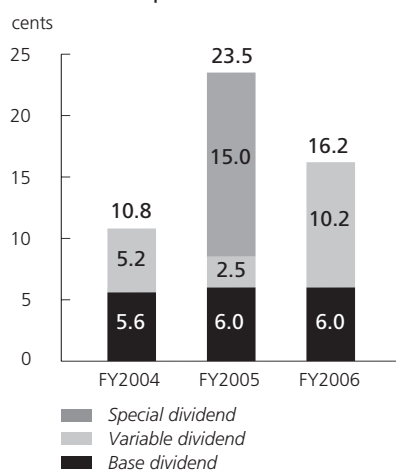
### Net profit attributable to equity holders



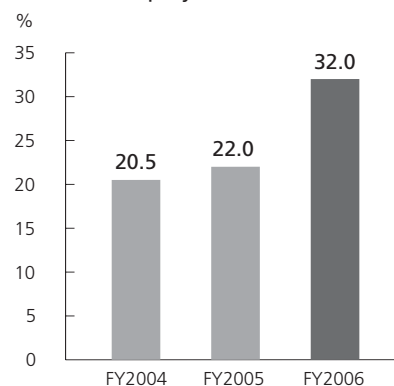
### Basic earnings per share



### Net dividend per share



### Return on equity



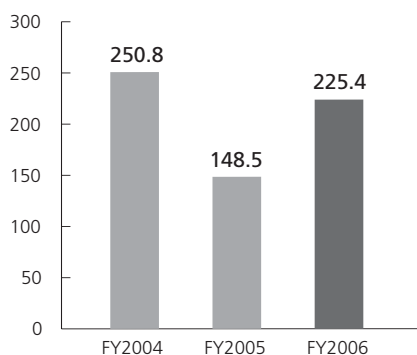
## PERFORMANCE HIGHLIGHTS

### Securities market

Performance in FY2006 compared to FY2004 and FY2005

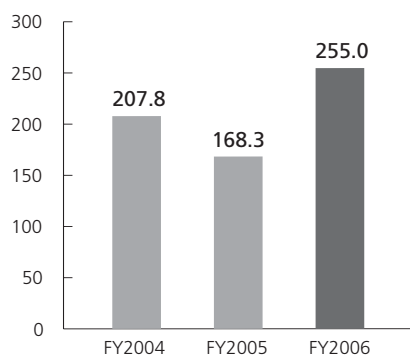
#### Trading volume

billion of shares



#### Turnover value

\$ billion



#### Accounts held with The Central Depository (Pte) Limited (CDP) (as at 30 June 2006)

Number of accounts	: 1.29 million
Number of shares in accounts	: 382.1 billion
Value of shares in accounts	: \$421.4 billion

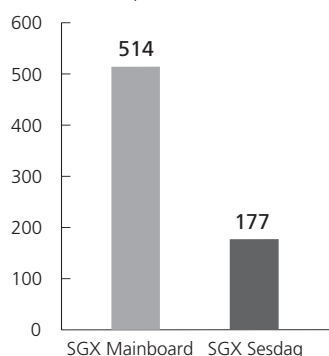
#### New listings in FY2006

Number	: 69
Amount raised	: \$7.3 billion

#### Listed companies and their market capitalisation<sup>(1)</sup> (as at 30 June 2006)

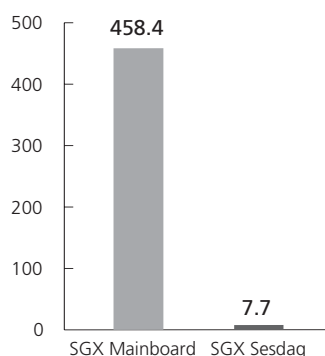
##### Number of companies: 691

number of companies



##### Market capitalisation: \$466.1 billion

\$ billion

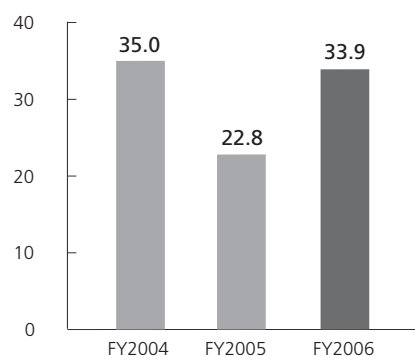


<sup>(1)</sup> SGX has a substantial number of foreign listings, defined as companies whose principal places of business are outside of Singapore. We have excluded 21 inactive secondary foreign listings to give an accurate reflection of our market size.

## Derivatives market

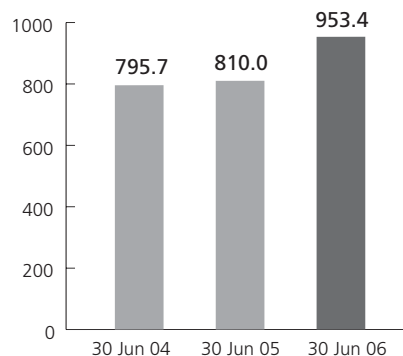
### Futures trading volume

million of contracts



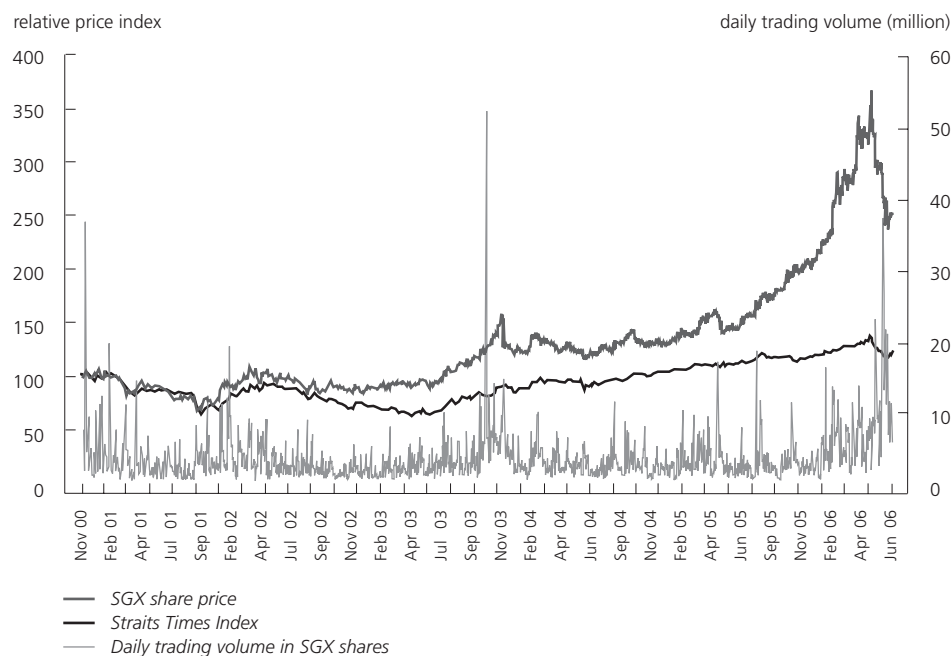
### Futures open interest

thousand of contracts



## SGX share performance

(Review period: 23 November 2000 to 30 June 2006)



## HIGHLIGHTS OF THE YEAR

### **30 July 2005**

Held the inaugural SGX Investor Relations Open Day

### **2 August 2005**

Issued consultation paper on proposed changes to the CDP Rules and Procedures

### **21 September 2005**

Launched the FTSE/ASEAN Index and the FTSE/ASEAN 40 Index

### **10 October 2005**

Re-launched the SGX CNX Nifty (India) Index futures

### **21 October 2005**

Raised \$2.3 million at The Bull Run® 2005, the second charity fun run in the Central Business District

### **10 November 2005**

Announced revision of listing fees to be in line with international exchanges

### **15 November 2005**

Signed Memorandum of Understanding (MOU) with the Zhejiang Provincial Government in China to promote listings of Zhejiang enterprises on SGX

### **29 November 2005**

Announced steps to strengthen corporate governance structure in line with new regulations issued by the Monetary Authority of Singapore

### **2 December 2005**

Released consultation paper on proposed listing rules on Global Depositary Receipts

### **7 December 2005**

Signed contract to outsource data centre and information technology infrastructure services to Hewlett-Packard Singapore

### **19 December 2005**

Announced the establishment of a joint venture with the Chicago Board of Trade to launch JADE, an electronic commodity derivatives exchange

### **1 January 2006**

Appointed Robert W van Zwieten as Chief Financial Officer and Executive Vice President, Corporate Services Group

### **13 January 2006**

Signed listing MOU with the Shandong Provincial Government, China

### **20 February 2006**

Released consultation paper on proposed amendment to the minimum bids schedule for the SGX securities market

### **21 February 2006**

Launched the first Asian Shariah-compliant index, the FTSE SGX Asia Shariah 100 Index, with the FTSE Group and Yasaar Research

Signed listing MOU with the Wuxi Municipal People's Government, further strengthening SGX's listing collaboration in China

### **8 March 2006**

Issued consultation paper on proposed framework for the listing of hedge funds on SGX

**20 March 2006**

Released consultation paper on proposed amendments to the Singapore Exchange Derivatives Trading (SGX-DT) Rules to allow inter-exchange cross margining

**30 March 2006**

Released consultation paper on proposed amendments to the CDP and Singapore Exchange Derivatives Clearing (SGX-DC) Rules to provide for the admission of bank clearing members

**12 April 2006**

Strengthened partnership with OMX by working together to develop an order management system

**21 April 2006**

Issued consultation paper on proposed changes to derivatives trading Rulebook

**5 May 2006**

Listed 100th mainland Chinese company

**16 May 2006**

Launched SGX AsiaClear™, a facility for the clearing of OTC oil swaps and forward freight agreements

**19 May 2006**

Released consultation paper on proposed amendments to the SGX-DC Rules

**22 May 2006**

Announced plans to roll-out SGX Prime, an innovative open-access hub offering market participants a range of connectivity options to SGX's post-trade system

**30 May 2006**

Strengthened corporate governance structure to comply with changes to the Singapore Code of Corporate Governance 2005, as well as to improve our corporate governance as a self-regulatory authority

**31 May 2006**

Released consultation paper on Phase Two of proposed changes to derivatives trading Rulebook

**7 June 2006**

Announced changes to listing rules to enhance standards of corporate governance and promote good regulatory practices

**15 June 2006**

Commenced listing of the iShares MSCI India ETF, the world's first India-focused ETF outside of India, on SGX

**21 June 2006**

Introduced Global Depository Receipt listing facility as an alternative avenue for international companies to access the Singapore capital market for global funds

**23 June 2006**

Signed listing MOU with the Financial Affairs Office of the People's Government of Liaoning Province, China

**29 June 2006**

Introduced listing of hedge funds on SGX

S E T T I N G   T H E   P A C E

The Asian  
GATEWAY

“The huge presence of global fund managers in Singapore, with the demand for international exposure, ensures a ready pool of funds to support foreign companies like STX Pan Ocean. The fact that foreign firms trade at a higher turnover velocity than local firms speaks for itself.”

**Mr Yong-Hee Byun**, *Chief Financial Officer & Executive Director, STX Pan Ocean Co., Ltd.*

## CHAIRMAN'S STATEMENT

*Seven years after merger and demutualisation, and three intensive years since our incumbent Chief Executive Officer (CEO) came on board, SGX may be said to have matured as an organisation. It has good prospects of entering a period of sustained growth. It is shaping up as a credible machine for innovation, development, growth and sound implementation. Certainly, hurdles and surprises will loom. The organisation should be able to address them competently and confidently.*

### Hub connectivity

We retain our principal strategy of positioning Singapore as a hub – or Asian hub, if you like – for the listing, trading, clearing and settlement of securities and derivatives. We remain committed to partnering like-minded exchanges, as well as other institutions, in pursuit of our business interests. In that spirit, we have forged, or are in the process of forging, relations with the Australian Stock Exchange (ASX), Korea Exchange and Bursa Malaysia for the co-trading of securities. Besides, we launched during the year a joint venture with the Chicago Board of Trade, for the trading and clearing of commodity derivatives through a new market called JADE.

The year also saw the construction of a new clearing mechanism, SGX AsiaClear™, for OTC trades in energy and freight derivatives. That is entirely an in-house development and forms part of our derivatives-clearing activities.

The co-trading arrangement with ASX did not quite work out in terms of delivering the volume of business expected, and will be closed. That is one existential reality in this fluid world of exchange

integration and partnering. We certainly do not envisage every initiative succeeding according to plan. Many irons are placed in the fire. Some fizzle out. Some simmer for a while before losing heat, and are quenched. The remaining irons may reveal signs of sustainability and will be stoked resolutely.

Many other initiatives have been taken, both large and small, to improve the conditions under which our products are marketed and traded or cleared. Those improvements have combined to generate rapid growth, particularly in derivatives.

### Information technology

We continue to devote substantial resources to information technology (IT). IT forms the crucial infrastructure for our trading, clearing, settlement and depository services besides, of course, supporting the organisation itself. Here, we have to accept risks, because not all systems have been proven in other markets. In the fast-moving pace of IT evolution, we have to continuously innovate and adapt. Inevitably, as in our business initiatives, we experience setbacks to some of our efforts.



### **Regulation and management of conflict**

The regulatory side had to cope with the fast pace of new listings amidst buoyant market conditions, without in the least jeopardising our highly regarded standards. We continue to reinforce our procedures for managing conflict within SGX between our regulatory obligations and our commercial interests. We consistently strive to impress on our staff that our goal of pursuing our commercial interests must be combined with the reality and perception of the highest regulatory standards.

### **A lively year**

We have enjoyed a good year both in securities and derivatives. Our so-called stable revenue has expanded, with its share of revenue rising to 25%.

On the securities front, buoyant conditions during the year raised our volume of trading well above our planning assumption. In derivatives, timely improvements in the conditions governing the trading of some of our foreign-based products reinforced SGX's position as an offshore risk management centre for Asian markets.

### **Financial performance**

Thus, our total operating revenue bounced from \$274.7 million to \$407.6 million, up 48.4%. The rise in operating expenses was relatively muted, increasing 28.3% to \$183.7 million. Net profit after tax rose 79.8%, from \$104.4 million to \$187.6 million.

Our dividend policy remains to pay out 80% of net profit after tax, subject to a minimum net dividend per share of 6 cents a year. Thanks to the good results this year, and subject to shareholders' approval, the total net distribution will be 16.2 cents

per share, against 8.5 cents for the regular dividend last year. The net final dividend is 11.7 cents per share. This consists of a base dividend of 1.5 cents per share and a variable dividend of 10.2 cents per share.

From financial year 2007, a new dividend policy will be put in place. Directors will aim to declare a base dividend of at least 2 cents net per share every quarter. For each financial year, the directors aim to pay, as net dividend, an amount which is no less than 80% of the annual net profit after tax or 8 cents per share, whichever is higher. The difference between the targeted net dividend and the interim base dividends will be paid with the final dividend of each financial year.

### **Acknowledgements**

There will be one departure from the board. Mr Geoffrey Wong, who has served SGX ably, is completing his term. I would like to thank him for his valuable contributions to SGX.

As is customary, I would like to thank my fellow directors on the board for their unstinting, generous and wise service; and the CEO, management team and all the staff for the truly dedicated and productive work that they are able to do and sustain year-in and year-out.



**J Y Pillay**

Chairman

27 July 2006

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

*The last 12 months have been the most profitable since SGX's listing in 2000.*

*The question now is: where do we go from here? Given the changing global landscape and the consolidation of exchanges in the USA and Europe, where do we fit in?*

As a small country, Singapore has carved a role in global value-chains. Likewise, SGX has developed its niche as an Asian Gateway in the world of exchanges. It has set the pace for long-term growth as a portal for Asian products and markets. We provide a centre for the management of risk through our suite of Asian derivatives, a platform for foreign companies to raise capital and financial institutions to list structured products. To enhance our position, we form partnerships and alliances with first-class, like-minded exchanges. Leveraging on their experience and infrastructure allows us to quickly scale up and globalise our liquidity.

Our vertically integrated business model means that as an Asian Gateway, we provide complete end-to-end services, including back-office processing. The development of our post-trade processing hub is proving increasingly important in providing new streams of revenue.

### **Risk management centre**

Globally, derivatives markets are experiencing exponential growth. With our suite of products reaching into fast-growing North Asian markets like Japan and Taiwan, we are able to fully participate in this development. In FY2006, our net derivatives clearing revenue almost doubled to \$96 million and this is set to increase. Accessibility of these products has been augmented by the successful migration of contracts from floor to screen, a process which will be complete by the end of this year.

While our Nikkei and Taiwan contracts account for the bulk of futures turnover, our Euroyen futures contract has been an increasing contributor. It is now our third largest derivatives contract. Recent changes in the interest rate environment have given rise to strong demand in this product. In FY2006, average daily volume of the Euroyen contract surged 46% compared to the previous year. With the closing of the floor, and migration of trading in our Euroyen contract to the electronic platform, we expect improvement in the revenue contribution of this contract.

We have announced plans to launch the SGX FTSE/Xinhua China A50 Index futures contract later this year. The lifting of restrictions in the 'A' shares market and the continued liberalisation of financial markets in China should enhance the prospects of this contract.

### **Listings platform for foreign companies**

During FY2006, not only did the number of foreign listed companies grow to 33% of total listings, a higher proportion of them were large companies. Six\* foreign companies with market capitalisation of over \$1 billion were listed, compared to none in FY2005. The average size of foreign Initial Public Offerings (IPOs) in the year was in excess of \$400 million, compared to over \$100 million for domestic IPOs.

\* Includes secondary foreign listing, SP AusNet.

As we gain a critical mass of Chinese companies – we celebrated our 100th Chinese listing during the year – our focus is now more on size. In this regard, we listed our largest Chinese company of about \$1.7 billion market capitalisation in June 2006. Apart from China, there is growing interest from other countries in the region. Among our Asian IPOs were companies from Indonesia, Korea and Malaysia. One of the largest companies on our Exchange now is Thai Beverage. We are pleased that our goal of attracting larger listings from geographically diverse areas is bearing fruit.

Sectoral focus has yielded results in the growing REITs and shipping sectors. Our REITs market is second only to Japan in Asia, in terms of the number of listings and market capitalisation. A total of five REITs and four shipping companies (including one business trust) were listed in FY2006.

As our securities market matures and investors become more sophisticated, we are ready to introduce a new platform for raising capital. Minimally regulated, the new board moves away from investor protection to investor choice. This opens up investment opportunities in a wider range of companies, including companies at an early stage of growth.

### **Structured products**

A relatively new area of growth is in the field of structured products, where financial institutions use our platform to distribute their house-designed products to the retail market. Clearing revenue from structured warrants in FY2006 increased 132% to \$11 million, sustaining the upward trend from previous years. Furthermore, the introduction

of 85 structured warrants based on foreign underlying products (e.g., shares of Bank of China and China Construction Bank, and indices such as the Hang Seng Index and Nikkei 225 Index), allowed us to draw on interest in other markets.

ETFs represent the next important wave of structured products. Globally, they are fast gaining popularity and already comprise more than 5% of the mutual fund industry in the USA. ETFs give retail investors low-cost exposure to a diversified portfolio of securities through a single transaction.

Our iShares MSCI India ETF, launched on 15 June 2006, was a ground-breaking product – the first outside India. Domestic investors now have a unique opportunity to gain access into India's fast-growing equities market. The FTSE SGX Asia Shariah 100 Index, launched in February this year, will also provide the basis for an ETF, tapping into the increasing demand for more Shariah-compliant products.

### **Partnerships and alliances**

Through partnerships, we can extend our business quickly and more effectively. The right linkages can accelerate execution of our strategy. We are pleased to have formed a joint venture with the Chicago Board of Trade (CBOT), where commodity futures contracts will be traded on CBOT's electronic platform and cleared through SGX. This co-operation makes use of existing infrastructure to reduce cost and time-to-market. The new market, JADE, will be launched in September 2006, with a natural rubber futures contract as its first product and crude palm oil to follow shortly.

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

### Post-trade processing hub

The vertically integrated structure of SGX provides for a unique opportunity to develop our back-office business. Having made significant advances in the renewal of our front-end systems, emphasis is now being shifted to upgrade our clearing and settlement back-office capabilities. The back-end is being transformed from a cost-efficient utility into a revenue-driving post-trade processing hub.

Leveraging on the new infrastructure will allow us to create new revenue streams. An example of this is SGX Prime, which will bring us on par with other leading financial markets. Participants, using SGX Prime's open access, will be able to obtain a broader range of services, the first of which will be pre-settlement matching.

During the year, our clearing house extended its facilities to cover a wider spectrum of products. In addition to financial futures, we now clear OTC energy and forward freight contracts through the newly-established SGX AsiaClear™. Services will be further expanded when clearing for JADE commodities contracts begins later this year.

### Technology

We are making structural changes to our technology infrastructure and systems to enable us to deliver faster and better. In this regard, we have formed key partnerships with several vendors. In Hewlett-Packard (HP), we have a specialist partner for IT infrastructure services, drawing on their world-class facilities, processes and operational efficiencies. In February 2006, our data centre was successfully outsourced to HP, allowing us to focus more on value-added delivery of our services.

In the area of systems, we have begun to source globally and continue to expand our relationship with OMX, the provider of our trading engines for the securities and derivatives markets. In partnership with OMX, we will develop new systems, including a new front-end order management system (SGXTrade) for both markets.

### Regulation

Our market is primarily disclosure-based. To ensure the quality of our marketplace, it is important that we maintain the standards of intermediaries and set appropriate requirements for listed companies. Last year, we conducted reviews of issue managers' work, highlighted their shortcomings, and censured them where appropriate. Listing Rules amendments strengthened corporate governance requirements and enlarged the role of issue managers.

Effective enforcement and practical regulation remain critical for an enduring marketplace. Contrary to earlier scepticism about our ability to regulate foreign companies, the China Aviation Oil case – which I mentioned last year – was dealt with swiftly, allowing the company to turn itself around and re-list on the Exchange within 17 months. Offending parties were charged, brought to court and sentenced within the same time frame.

### Financial performance

While our record operating revenue of \$408 million in FY2006 was bolstered by favourable conditions in the securities market, it is important to note that derivatives and stable revenues contributed close to half of total operating revenue. Specifically, derivatives revenue almost doubled from the previous year, and strong growth in listing and price information income helped drive stable

revenue growth by 27%. We believe that derivatives and stable revenues will continue to increase, and may even outstrip the more cyclical securities market revenue in the coming years.

Furthermore, our prospects are increasingly underpinned by our Asian Gateway initiatives (i.e., Asian derivatives and foreign listings) which, by our analysis, generated approximately \$162 million of revenue in FY2006, amounting to 40% of total operating revenue. This indicates the extent to which our relevance as a market operator has transcended our finite home market.

Along with the significant increase in revenue, operating costs have also gone up, albeit at a lower rate. This must be seen in context. Over the last three years, we have actively managed costs down. These historically low levels are not sustainable. To support continual growth of our revenues, there is a need to upgrade staff capabilities and technology infrastructure. We believe that the exchange business is driven by intellectual capital and robust technology and we will invest more to build for the future, while enforcing our usual cost discipline.

Our overall performance is reflected in our return on equity which improved to 32.0%, surpassing last year's record of 22.0%. Consistent with our desire to pay out as much of our profits as dividends, we decided to declare a final dividend per share of 11.7 cents, bringing the full year total dividend to 16.2 cents. This represents a payout of 90% of the year's total profit. We have committed to pay shareholders an absolute base dividend and this will be increased from 6 cents to 8 cents from FY2007 onwards, to correspond with our increasing level of profitability.

## Conclusion

We are coming of age as a company and offer to our customers a strong set of businesses which we are overlaying with options to grow. SGX's position within a responsive and well-regulated financial centre, together with Singapore's open marketplace, boosts our ability to be a choice proxy for Asia's growth.

Our expansion strategy has been aided by first-class partners in specific ventures. If beneficial for SGX's long-term growth and shareholder value, we are also prepared to participate in the on-going global consolidation. We will be nimble and open to all possibilities, so as to remain relevant and unique as the portal for Asia's markets.

I thank my colleagues for their contribution and dedication to build for our future. I also thank our stakeholders for their active support, our board of directors for their stewardship and our Chairman for setting a clear mission.



**Hsieh Fu Hua**

Chief Executive Officer

27 July 2006

## BOARD OF DIRECTORS

### **J Y Pillay**

*Chairman, Singapore Exchange Limited*

Mr Pillay has served as Chairman of the SGX board since 18 November 1999. Since 16 August 2001, he has served as an executive and non-independent director on the SGX board.

Mr Pillay now serves as Chairman of the Council on Corporate Disclosure and Governance, Chairman of the Council of Presidential Advisers and member of the Presidential Council for Minority Rights of the Republic of Singapore, Chairman of Assisi Home & Hospice, director of Mount Alvernia Hospital, Life Trustee of the Singapore Indian Development Association, member of the Investment Committee of the United Nations Pension Fund and Chairman of Commonwealth Africa Investments Limited.

Mr Pillay held a variety of positions in the Government of Singapore (1961-1995), rising to permanent secretary in 1972. He served in the ministries of finance, defence and national development. Between 1985 and 1989, Mr Pillay was Managing Director of the Monetary Authority of Singapore (MAS) and of the Government of Singapore Investment Corporation. He served, in a non-executive capacity, as chairman of the boards of several government-linked companies, including Singapore Airlines Limited (1972-1996), Temasek Holdings (Private) Limited (1974-1986), Development Bank of Singapore Ltd (1979-1984), and Singapore Technologies Holdings Private Limited (1991-1994).

Mr Pillay graduated with a First Class Bachelor of Science (Honours) from the Imperial College of Science and Technology, University of London in 1956.

Mr Pillay was last re-elected as a director at SGX's Annual General Meeting on 22 September 2005.

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### **Hsieh Fu Hua**

*Chief Executive Officer, Singapore Exchange Limited*

Mr Hsieh has served as CEO and a non-independent director on the SGX board since 1 March 2003. His career has been in merchant banking and capital markets in Asia. He was Managing Partner of PrimePartners – an independent private equity firm based in Singapore, and was Group Managing Director of BNP Prime Peregrine Group in Hong Kong – the joint venture Asian investment banking arm of BNP founded by PrimePartners. Prior to forming PrimePartners in 1993, he was Chief Executive of Morgan Grenfell Asia Holdings Pte Ltd which he joined in 1974.

He is a member of the National University of Singapore Board of Trustees and of the board of the Government of Singapore Investment Corporation. He is also Chairman of SIM Pte Ltd – a subsidiary of the Singapore Institute of Management. He graduated in 1974 from the University of Singapore in Business Administration.

Mr Hsieh was last re-elected as a director at SGX's Annual General Meeting on 22 September 2005.

**Low Check Kian**

*Chairman, NewSmith Capital Partners (Asia) Pte Ltd*

Mr Low has served as an independent director on the SGX board since 20 July 2000. He was previously a Senior Vice-President and member of the Executive Management Committee of Merrill Lynch & Co., as well as Chairman of Merrill Lynch Asia Pacific. Prior to this, he was its Head of Equities for Asia Pacific, Japan and Australia.

Mr Low also sits on the board of the Singapore Workforce Development Agency and is serving as Chairman of its Investment Committee. Mr Low had also held several advisory roles on various Singapore Government Committees, including the Financial Centre Advisory Group.

He graduated from the London School of Economics (LSE) with a Bachelor of Science (Economics) (First Class Honours) in June 1983 and a Master of Science (Economics) in June 1984. During his stay at LSE, he was awarded the Allan Young Prize, the Baxter-Edey Award and the Henry Luce Foundation Award.

Mr Low was last re-elected as a director at SGX's Annual General Meeting on 22 September 2005.

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**Chew Choon Seng**

*Chief Executive Officer, Singapore Airlines Limited*

Mr Chew has served as an independent director on the SGX board since 1 December 2004. He is CEO of Singapore Airlines Limited and Deputy Chairman of its listed subsidiaries, SIA Engineering Company Limited and Singapore Airport Terminal Services Limited. Mr Chew is Chairman of Singapore Aircraft Leasing Enterprise Pte Ltd. He graduated from the University of Singapore with First Class Honours in Mechanical Engineering, and has a Master in Operations Research and Management Studies from the Imperial College of Science and Technology, University of London.

Mr Chew was last re-elected as a director at SGX's Annual General Meeting on 22 September 2005.

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**Ho Tian Yee**

*Executive Director, Pacific Asset Management (S) Pte Ltd*

Mr Ho has served as an independent director on the SGX board since 15 November 1999. He is currently Executive Director of Pacific Asset Management (S) Pte Ltd. Mr Ho was previously General Manager and Managing Director of Bankers Trust Company Singapore. Mr Ho also serves on the boards of Fraser and Neave, Ltd, Great Eastern Holdings Ltd and Singapore Power Limited. He holds a Bachelor of Economics (Honours) from Portsmouth University, UK.

Mr Ho was last re-elected as a director at SGX's Annual General Meeting on 17 September 2004.

## BOARD OF DIRECTORS

### **Lee Hsien Yang**

*Group Chief Executive Officer, Singapore Telecommunications Limited*

Mr Lee has served as an independent director on the SGX board since 17 September 2004. He joined Singapore Telecommunications Limited (SingTel) in April 1994 and was President and CEO of SingTel from May 1995 to January 2006. He is currently Group CEO of SingTel. He chairs the Republic Polytechnic's Board of Governors and is a member of the board of directors of INSEAD, France, and of the Governing Board of the Lee Kuan Yew School of Public Policy. A President's Scholar and Singapore Armed Forces Scholar, Mr Lee obtained First Class Honours in Engineering from the University of Cambridge, UK and a Master of Science (Management) from Stanford University, USA.

Mr Lee was elected as a director at SGX's Annual General Meeting on 17 September 2004.

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### **Loh Boon Chye**

*Head of Global Markets (Asia), Deutsche Bank AG, Singapore*

Mr Loh has served as an independent director on the SGX board since 22 October 2003. He began his career as an Investment Officer with MAS in 1989 and joined the Singapore branch of Morgan Guaranty Trust Co of New York in 1992. Since 1995, he has been with Deutsche Bank AG, Singapore and was appointed Head of Global Markets for Asia in 2002.

Mr Loh had served as Chairman of the Capital Markets Working Group (1998), Deputy President of ACI Singapore (1999) and Chairman of the Debt Capital Markets Committee of the Singapore Investment Banking Association (2000). He currently chairs the Singapore Foreign Exchange Market Committee. Mr Loh holds a Bachelor of Engineering from the National University of Singapore.

Mr Loh was last re-elected as a director at SGX's Annual General Meeting on 22 September 2005.

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### **Olivia Lum Ooi Lin**

*Group Chief Executive Officer and President, Hyflux Ltd*

Ms Lum has served as an independent director on the SGX board since 17 September 2004. She began her career as a Chemist with Glaxo (S) Pte Ltd in 1986. In 1989, she started Hyflux Ltd, a company specialising in water and waste water treatment. Currently, Ms Lum holds directorship in Hyflux Ltd. She is also a member of the National University of Singapore Board of Trustees. Ms Lum graduated from the National University of Singapore in 1986 with a Bachelor of Science (Honours).

Ms Lum was elected as a director at SGX's Annual General Meeting on 17 September 2004.



**Ng Kee Choe**

*Chairman, Singapore Power Limited*

Mr Ng has served as an independent director on the SGX board since 22 October 2003. Mr Ng is Chairman of Singapore Power Limited. He was appointed Chairman and director of Singapore Power Limited on 15 September 2000. He also became Chairman of SP Australia Networks (Transmission) Ltd and SP Australia Networks (Distribution) Ltd on 31 May 2005.

In addition, Mr Ng is Chairman of NTUC Income Insurance Cooperative Limited and President-Commissioner of PT Bank Danamon Indonesia Tbk. He is also a director of Singapore Airport Terminal Services Limited, a member of the Temasek Advisory Panel and a member of the Advisory Council of China Development Bank. For his contributions to the public sector, Mr Ng was awarded the Public Service Star Award in 2001.

Mr Ng was elected as a director at SGX's Annual General Meeting on 22 October 2003.

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**Robert Owen**

*Chairman, Crosby Capital Partners Inc.*

Mr Owen has served as an independent director on the SGX board since 17 September 2004. He is Chairman of Crosby Capital Partners Inc., IB Daiwa Limited and International Securities Consultancy Ltd., Senior Adviser to Nomura International (Hong Kong) Ltd and a non-executive director of Sunday Communications Ltd., Citibank (Hong Kong) Ltd and a number of other companies and investment funds. Mr Owen began his career in the UK Foreign Office and Treasury. He later worked for Morgan Grenfell, after which he became Head of Investment Banking for the Lloyds Bank Group.

In 1988, Mr Owen was appointed Adviser to the Hong Kong Government on Securities Markets and Commissioner for Securities to implement reforms to the regulation and operation of Hong Kong's securities and futures markets. In 1989, he became Executive Chairman of the Securities and Futures Commission of Hong Kong, where he served until 1992.

Mr Owen is currently a board member of the Dubai Financial Services Authority. He was a Member of the Council and Regulatory Board of Lloyds of London from 1993 to 1995. He is also a Governor of Repton School. He graduated with First Class Honours from the University of Oxford, UK in 1961.

Mr Owen was elected as a director at SGX's Annual General Meeting on 17 September 2004.

## BOARD OF DIRECTORS

### **Tang Wee Loke**

*Deputy Managing Director, UOB Kay Hian Private Limited*

Mr Tang has served as an independent director on the SGX board since 19 December 2002. He has been Deputy Managing Director of UOB Kay Hian Private Limited since 2001. He is a director and significant shareholder of the UOB-Kay Hian Group which, through its subsidiaries, is engaged in securities broking on the SGX securities market. Mr Tang is also a director of UOB-Kay Hian Holdings Limited, the shares of which are listed and quoted on the SGX Mainboard. He is Vice Chairman of the Securities Association of Singapore which represents the interests of SGX securities trading members in Singapore. He holds a Bachelor of Business Administration.

Mr Tang was last re-elected as a director at SGX's Annual General Meeting on 22 September 2005.

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### **Geoffrey Wong Ee Kay**

*Managing Director, UBS Global Asset Management (Singapore) Ltd*

Mr Wong has served as an independent director on the SGX board since 22 October 2003. He is currently a Managing Director at UBS Global Asset Management (Singapore) Ltd (UBS), where he heads the global emerging markets and Asia ex-Japan equity teams. He is also an executive director of UBS. Mr Wong serves on the Investment Committee of the Singapore Workforce Development Agency and is a trustee of the Ministry of Defence SAVER-Premium Fund. Prior to joining UBS in 1997, Mr Wong worked at Koeneman Capital Management. He has been in the fund management industry since 1989.

Mr Wong graduated from the Massachusetts Institute of Technology (MIT), USA with a Master of Science and Bachelor of Science in Electrical Engineering and Computer Science. He also holds a Master of Science in Management from the MIT's Sloan School of Management.

Mr Wong was elected as a director at SGX's Annual General Meeting on 22 October 2003.

## Present and past directorships

Name of director	Present directorships (as at 30 June 2006)	Past directorships over the preceding three years (from 30 June 2003 to 29 June 2006)
<b>J Y Pillay</b>	<p><b>(A) SGX Group</b></p> <p>Singapore Exchange Securities Trading Limited  Singapore Exchange Derivatives Trading Limited  The Central Depository (Pte) Limited  Singapore Exchange Derivatives Clearing Limited  SGX Investment (Mauritius) Limited  SGXLink Pte Ltd</p> <p><b>(B) Others</b></p> <p>Council of Presidential Advisers of the Republic of Singapore (<i>Chairman</i>)  Presidential Council for Minority Rights of the Republic of Singapore (<i>Member</i>)  Council on Corporate Disclosure and Governance (<i>Chairman</i>)  Temasek Advisory Panel of Temasek Holdings (Private) Limited (<i>Member</i>)  Temasek International Panel of Temasek Holdings (Private) Limited (<i>Chairman</i>)  Singapore Indian Development Association (<i>Life Trustee</i>)  Mount Alvernia Hospital  Assisi Home &amp; Hospice (<i>Chairman</i>)  Singapore Hospice Council (<i>Member</i>)  Investment Committee of the United Nations Pension Fund (<i>Member</i>)  Commonwealth Africa Investments Limited (<i>Chairman</i>)  Lee Kuan Yew School of Public Policy (<i>Adjunct Professor</i>)</p>	<p>Asia Converge Pte Ltd (<i>Chairman</i>)  Singapore Exchange IT Solutions Pte Limited  Securities Clearing and Computer Services (Pte) Limited  SEL Holdings Pte Ltd  Asia-Europe Foundation (<i>Member, Board of Governors</i>)  Financial Sector Development Fund Advisory Committee of MAS (<i>Member</i>)</p>
<b>Hsieh Fu Hua</b>	<p><b>(A) SGX Group</b></p> <p>Singapore Exchange Securities Trading Limited  Singapore Exchange Derivatives Trading Limited  Singapore Exchange Derivatives Clearing Limited  The Central Depository (Pte) Limited  SGX Investment (Mauritius) Limited  SGXLink Pte Ltd  Singapore Exchange IT Solutions Pte Limited  Securities Clearing and Computer Services (Pte) Limited</p>	<p>PrimePartners Direct Investment Limited  Asia Converge Pte Ltd  Singapore Technologies Endowment Programme Limited  Measurex Holdings Pte Ltd  Singapore Institute of Management (<i>Council Chairman</i>)  National University of Singapore (<i>Council Member</i>)</p>

## BOARD OF DIRECTORS

### Present and past directorships (continued)

Name of director	Present directorships (as at 30 June 2006)	Past directorships over the preceding three years (from 30 June 2003 to 29 June 2006)
Hsieh Fu Hua	<p>(A) <b>SGX Group</b> (continued)</p> <p>Options Clearing Company (Pte) Limited</p> <p>Macronet Information Pte Ltd</p> <p>Globalclear Pte Ltd</p> <p>CDP Nominees Pte Ltd</p> <p>CDP Nominees (II) Pte Ltd</p> <p>Asiaclear Pte Ltd</p> <p>American Stock Exchange - SGX Pte Ltd</p> <p>(B) <b>PrimePartners Group</b></p> <p>PrimeFounders Inc. <i>(formerly PPAC Inc)</i></p> <p>PrimePartners Assets Inc. <i>(formerly PrimePartners Asset Management Inc)</i></p> <p>ServTouch Holdings Pte Ltd <i>(formerly WyWy Office Solutions Group Pte Ltd)</i></p> <p>Measurex Engineering Pte Ltd <i>(in liquidation wef 22 March 2002)</i></p> <p>PrimePartners Management Pte Ltd <i>(in voluntary liquidation wef 18 April 2002)</i></p> <p>(C) <b>Others</b></p> <p>TIF Ventures Pte Ltd</p> <p>Government of Singapore Investment Corporation Pte Ltd</p> <p>SIM Pte Ltd <i>(formerly SIM International Pte Ltd)</i></p> <p>National University of Singapore – Board of Trustees</p> <p>National Gallery – Ministry of Information, Communications &amp; the Arts <i>(Member, Steering Committee)</i></p> <p>(D) <b>Personal</b></p> <p>Sunshine Portfolio Sdn Bhd</p> <p>Hogarth Limited</p> <p>Binjai Inc.</p>	

Name of director	Present directorships (as at 30 June 2006)	Past directorships over the preceding three years (from 30 June 2003 to 29 June 2006)
<b>Low Check Kian</b>	Singapore Workforce Development Agency Board Singapore Workforce Development Agency Investment Committee ( <i>Chairman</i> ) NewSmith Capital Partners (Asia) Pte Ltd ( <i>Chairman</i> ) Fibrechem Technologies Limited	Merrill Lynch Securities Philippines Inc. Merrill Lynch Phatra Securities Co. Ltd. DSP Merrill Lynch Investment Managers Ltd. DSP Merrill Lynch Limited Merrill Lynch (Singapore) Pte. Ltd. ( <i>CEO</i> ) Merrill Lynch Asia Pacific ( <i>Chairman</i> ) Merrill Lynch (Singapore) Nominees Pte Ltd PT Merrill Lynch Indonesia ( <i>Commissioner, Board of Commissioners</i> ) Smith Zain (Malaysia) Sdn Bhd ( <i>Alternate Director</i> ) Singapore Art Museum (under National Heritage Board) ( <i>Member</i> ) Citiraya Industries Ltd Infocomm Development Authority of Singapore Infocomm Investments Pte Ltd ( <i>Chairman</i> )
<b>Chew Choon Seng</b>	Government of Singapore Investment Corporation Pte Ltd SIA Engineering Company Limited Singapore Airport Terminal Services Limited Singapore Airlines Limited Singapore International Foundation Singapore Aircraft Leasing Enterprise Pte Ltd	SIA Engineering Company Pte Limited Singapore MRT Ltd Singapore LRT Pte Ltd SMRT Corporation Ltd TIBS Holdings Ltd Trans-Island Bus Services Ltd Virgin Atlantic Limited Virgin Atlantic Airways Limited Virgin Travel Group Limited
<b>Ho Tian Yee</b>	Hexa-Team Planners Pte Ltd Pacific Asset Management (S) Pte Ltd Fraser and Neave, Ltd The Overseas Assurance Corporation Limited Times Publishing Ltd Great Eastern Holdings Ltd The Great Eastern Life Assurance Company Ltd Singapore Power Limited	SAVER-Premium Fund, Ministry of Defence ( <i>Member of the Board of Trustees</i> ) Singapore Power International Pte Ltd SP PowerAsset Ltd Centrepoint Properties Ltd CPL (China) Pte Ltd SPI Australia Group Pty Ltd

## BOARD OF DIRECTORS

### Present and past directorships (continued)

Name of director	Present directorships (as at 30 June 2006)	Past directorships over the preceding three years (from 30 June 2003 to 29 June 2006)
<b>Lee Hsien Yang</b>	<p><b>(A) SingTel Companies</b></p> <p>Singapore Telecommunications Limited Singapore Post Limited Singapore Telecom International Pte Ltd Singapore Telecom Mobile Pte Ltd SingTel Optus Pty Limited Singapore Telecom Australia Investments Pty Limited</p> <p><b>(B) Others</b></p> <p>Kwa Geok Choo Pte Ltd Republic Polytechnic (<i>Chairman</i>) L &amp; L Services (Pte) Ltd. Governing Board of the Lee Kuan Yew School of Public Policy (<i>Member</i>) Board of Directors, INSEAD, France (<i>Member</i>)</p>	<p>Defence Science &amp; Technology Agency Telecom Equipment Pte Ltd. SingNet Pte Ltd. KA Land Pte Ltd. Mercurix Pte Ltd. Singapore Telecom America, Inc. SingTel USA, Inc. SingTel Asian Investments Pte Ltd. SingTel Strategic Investments Pte Ltd. Singapore Telecom Paging Pte Ltd. SingTel Global Services (Pte) Ltd. SingTel Ventures (Singapore) Pte Ltd. SingaSat Pte Ltd. Virgin Mobile (Asia) Pte Ltd. Virgin Mobile Holdings Pte Ltd. Virgin Mobile (Singapore) Pte Ltd. SingTel Investments Pte Ltd. Sesami Inc. Singapore Telecom Europe Limited Singapore Science Centre STEL Information Technology (Shanghai) Co. Ltd. MediaCorp Press Ltd NCS Pte. Ltd. Land Transport Authority (<i>Member</i>)</p>
<b>Loh Boon Chye</b>	<p>Gym &amp; Sports Pte Ltd BC Capital Pte Ltd The Institute of Banking &amp; Finance Council Financial Sector Development Fund Advisory Committee of MAS (<i>Member</i>) Singapore Foreign Exchange Market Committee (<i>Chairman</i>)</p>	<p>BondsInAsia Limited BondsInAsia (Singapore) Pte Ltd Deutsche Bank International Asia Ltd Deutsche Securities India (Pte) Ltd</p>

Name of director	Present directorships (as at 30 June 2006)	Past directorships over the preceding three years (from 30 June 2003 to 29 June 2006)
<b>Olivia Lum Ooi Lin</b>	<p>(A) <i>Hyflux Group and its subsidiaries</i></p> <p>Hyflux Ltd Hyflux Aquosus (Singapore) Pte Ltd Sinolac (Singapore) Pte Ltd Hyflux Lifestyle Products (S) Pte Ltd Hyflux Filtech (Singapore) Pte Ltd Hydrochem (S) Pte Ltd Nanomax Pte Ltd Spring Hope Pte Ltd</p> <p>(B) <i>Others</i></p> <p>National University of Singapore – Board of Trustees Singapore Water Association (<i>President</i>) Health Sciences Authority (<i>Board Member</i>)</p>	<p>(A) <i>Hyflux Group and its subsidiaries</i></p> <p>Hydrochem Engineering (S) Pte Ltd Hydrochem Engineering Pte Ltd Sing Spring Pte Ltd</p> <p>(B) <i>Listed Companies</i></p> <p>Matex International Ltd Yeo Hiap Seng Ltd</p> <p>(C) <i>Others</i></p> <p>Spring Singapore (<i>Board Member</i>) Singapore Institute of Management Governing Council (<i>Member</i>)</p>
<b>Ng Kee Choe</b>	<p>Singapore Power Limited (<i>Chairman</i>) Singapore Airport Terminal Services Limited SP Australia Networks (Transmission) Ltd (<i>Chairman</i>) SP Australia Networks (Distribution) Ltd (<i>Chairman</i>) SP Australia Networks (RE) Ltd (<i>Chairman</i>) Advisory Council of China Development Bank (<i>Member</i>) Temasek Advisory Panel of Temasek Holdings (Private) Limited (<i>Member</i>) NTUC Income Insurance Cooperative Limited (<i>Chairman</i>) PT Bank Danamon Indonesia Tbk (<i>President-Commissioner</i>)</p>	<p>DBS Bank Ltd DBS Group Holdings Ltd Wing Lung Bank Ltd Singapore International Foundation (<i>Governor</i>)</p>

## BOARD OF DIRECTORS

### Present and past directorships (continued)

Name of director	Present directorships (as at 30 June 2006)	Past directorships over the preceding three years (from 30 June 2003 to 29 June 2006)
<b>Robert Owen</b>	<p>Crosby Capital Partners Inc. <i>(listed on the Alternative Investment Market in London) (Chairman)</i></p> <p>Crosby Capital Partners Ltd (Hong Kong)</p> <p>Crosby Capital Partners Ltd.</p> <p>Crosby China Chips Fund Ltd</p> <p>Dubai Financial Services Authority</p> <p>Sunday Communications Ltd. <i>(listed in Hong Kong and on Nasdaq)</i></p> <p>ECK &amp; Partners Ltd.</p> <p>International Securities Consultancy Ltd. <i>(Chairman)</i></p> <p>International Securities Institute Ltd</p> <p>International Securities Information Services Ltd</p> <p>International Financial Services Consultancy Ltd</p> <p>ISI Publications Ltd</p> <p>Securities Institute of Hong Kong Ltd</p> <p>CMEC GE Capital China Industrial Holdings Ltd.</p> <p>Repton School</p> <p>Repton Preparatory School</p> <p>Sir John Port's Charity</p> <p>Repton Foundation</p> <p>Citibank (Hong Kong) Ltd</p> <p>IB Daiwa Limited <i>(listed on the Jasdaq market in Tokyo) (Chairman)</i></p>	Techpacific Capital Ltd. <i>(listed in Hong Kong)</i>



Name of director	Present directorships (as at 30 June 2006)	Past directorships over the preceding three years (from 30 June 2003 to 29 June 2006)
<b>Tang Wee Loke</b>	UOB-Kay Hian Holdings Limited Kay Hian Holdings Limited UOB Kay Hian Private Limited <i>(formerly known as Kay Hian Private Limited)</i> UOB Kay Hian Nominees Pte Ltd UOB Kay Hian Research Pte Ltd UOB Kay Hian Trading Pte Ltd UOB Kay Hian Overseas Limited <i>(Non-Executive Director)</i> UOB Kay Hian Finance Limited <i>(Non-Executive Director)</i> UOB Kay Hian (BVI) Limited <i>(Non-Executive Director)</i> Trans-Pacific Credit Private Limited Thong & Kay Hian Securities Sdn Bhd <i>(Non-Executive Director)</i> PT UOB Kay Hian Securities <i>(Non-Executive Director)</i> UOB Kay Hian Securities (Philippines) Inc <i>(Non-Executive Director)</i> Bonham Nominees Pte Ltd	UOB Kay Hian (M) Holdings Sdn Bhd UOB Kay Hian Securities (Thailand) Co Ltd <i>(Non-Executive Director)</i>
<b>Geoffrey Wong Ee Kay</b>	UBS Global Asset Management (Singapore) Ltd	—

## PROPOSED DIRECTOR

### **Euleen Goh Yiu Kiang**

*Chairman, International Enterprise (IE) Singapore*

Ms Goh is the non-executive Chairman of IE Singapore. Ms Goh spent 21 years with Standard Chartered Bank, holding various senior management positions before retiring as CEO in March 2006. During that time, she was responsible for driving the bank's corporate governance and strategic agenda in Singapore.

Ms Goh is a non-executive board member of MediaCorp Pte Ltd, Chairman of the Financial Industry Competency Standards Committee, council member of the Singapore Institute of Banking & Finance and Adviser to the Singapore Institute of International Affairs. She also serves as a non-executive director of Standard Chartered Bank Malaysia Berhad, Standard Chartered Bank (Thai) Public Company Limited and Singapore Chinese Girls' School.

Ms Goh is a Chartered Accountant with professional qualifications in banking and taxation from the Association of Chartered Accountants in England and Wales (UK), Institute of Taxation (UK), Institute of Certified Public Accountants and Institute of Bankers (UK).

### **Present and past directorships**

#### **Present directorships**

(as at 30 June 2006)

Standard Chartered Bank Malaysia Berhad  
Standard Chartered Bank (Thai) Public Company Limited  
International Enterprise Singapore  
MediaCorp Pte Ltd  
The Institute of Banking & Finance Council  
Singapore Chinese Girls' School

#### **Past directorships over the preceding three years**

(from 30 June 2003 to 29 June 2006)

Raffles Nominees (Pte.) Limited  
Chartered Corporate Services Singapore Limited  
Standard Chartered (1996) Limited  
Standard Chartered (2000) Limited  
Standard Chartered International Trade Products Limited  
Standard Chartered Investments (Singapore) Private Limited  
Standard Chartered Private Equity Limited  
Scope International (M) Sdn Bhd  
Scope International Private Limited  
(registered in Chennai)  
S C Learning Pte Ltd  
Asfinco Singapore Limited  
Singapore International Chamber of Commerce  
National Heritage Board

## EXECUTIVE COMMITTEE

### **Hsieh Fu Hua**

*Chief Executive Officer*

Mr Hsieh's profile can be found on page 20 of this Annual Report.

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### **Gan Seow Ann**

*Senior Executive Vice President*

Mr Gan heads the Markets Group at SGX. He manages business relations with customers who include issuers, intermediaries, institutions, traders, retail investors and data vendors. Mr Gan leads the group in the marketing and distribution of SGX's products and services, as well as the promotion of Singapore as the choice listing venue for issuers. He is also responsible for growing SGX's data business. Mr Gan chairs the Markets Strategic Business Unit that comprises the Markets Group, Products & Services Group and Strategy & Business Development Group. In addition, he oversees the Corporate Communications function.

Prior to joining SGX, Mr Gan held various senior regional positions in the 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, the Philippines, Thailand and Singapore. From 1990 to 1996, Mr Gan was Managing Director of Crosby Securities, running the equities business in Indonesia, Malaysia and Singapore. He serves on several boards, including Seeds Capital, TIF Ventures and National Kidney Foundation.

Mr Gan graduated with a Bachelor of Arts (Economics) with Distinction and holds a Master of Business Administration from McMaster University, Canada.

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### **Seck Wai Kwong**

*Senior Executive Vice President*

As Senior Executive Vice President and Head of the Strategy & Business Development Group, Mr Seck is responsible for developing SGX's strategic direction and new business ventures. In addition, he oversees the execution of SGX's OTC clearing businesses and joint venture with the Chicago Board of Trade. He also chairs the Operations Strategic Business Unit that comprises the Operations Group and Technology Group, and oversees Human Resources.

Mr Seck has held positions in MAS and the Government of Singapore Investment Corporation. He was also Adviser to the Investment Company of the People's Republic of China in 1995 and Managing Director of Lehman Brothers from 1995 to 1999. From 1999 to 2002, he was Managing Director of DBS Bank where he directed its wealth management business and, prior to that, its corporate and investment banking activities. He is currently serving on the board of the Energy Market Authority.

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

## EXECUTIVE COMMITTEE

### **Chew Hong Gian**

*Executive Vice President*

Mr Chew heads the Technology Group, with executive responsibility for major IT infrastructure implementation and delivery of highly reliable IT services to market participants. He has served in several senior positions at SGX prior to his current appointment, having been responsible for managing depository operations, marketing brokerage technology solutions and establishing an in-sourcing service.

Mr Chew started his career with the National Computer Board and later joined MAS where he participated in a strategic review of Singapore's financial sector.

He graduated from the University of Michigan, USA with a Bachelor (Highest Honours) and a Master in Computer Science. He also holds a Master of Business Administration (International Business) from the Nanyang Business School of Singapore.

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### **Linus Koh Kia Meng**

*Executive Vice President*

Mr Koh heads the Products & Services Group and is responsible for managing, developing and broadening the range of securities and derivatives instruments traded on SGX. The group is also focused on managing Exchange Services that promote access to SGX and participation in its product markets.

Mr Koh was previously Executive Director and Chief Operating Officer of G K Goh Holdings. He has held key positions at leading financial institutions, including the Deutsche Bank Group in London and Singapore, State Street Bank & Trust Co in Boston, UBS, Morgan Grenfell (Asia) and Citibank Singapore.

Mr Koh sits on the Council and Executive Committee of the Singapore Institute of International Affairs. He holds a Master of Science in Management from the Massachusetts Institute of Technology, USA, and a First Class Honours in Economics from The University of Sheffield, UK.

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### **Daniel Tan Bak Hiang**

*Executive Vice President*

Mr Tan heads the Operations Group where he oversees and manages the securities and derivatives trading, clearing and settlement processes, securities depository and customer service functions.

When he was heading SGX's IT division, Mr Tan played a key role in the implementation of SGX's strategic IT initiatives and was responsible for aligning these initiatives with SGX's strategic vision. Prior to joining SGX in 1983, he was with the Housing & Development Board. Mr Tan holds a degree in Computer Science from the University of Toronto, Canada.

**Robert W van Zwieten**

*Executive Vice President and Chief Financial Officer*

Mr van Zwieten joined SGX as its Chief Financial Officer and Head of the Corporate Services Group on 1 January 2006. He was formerly with Lehman Brothers in New York where he held key positions, including Senior Vice President & Chief Administration Officer – Global Treasury.

Prior to Lehman Brothers, he was Global Treasurer at GE Energy where he established its global treasury operations. As Treasurer Asia Pacific for General Electric Capital Corporation, he led the treasury activities of its businesses in the region during the Asian economic crisis. Mr van Zwieten has also held several positions in the Singapore, Chicago and Amsterdam offices of ABN AMRO Bank.

He serves on the board of trustees of International House in New York and on the board of advisers of Doctors without Borders/Médecins Sans Frontières (MSF) (USA).

He holds a Master of Business Administration from the University of Chicago Graduate School of Business, USA, obtained his Juris Doctor and Master of Arts from Leiden University, the Netherlands, and holds a Master of Law from Columbia University School of Law, USA.

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**Yeo Lian Sim**

*Executive Vice President*

Ms Yeo heads the Risk Management & Regulation Group where she provides direction on SGX's regulatory work, including market surveillance and the supervision of members and listed companies.

Ms Yeo has extensive experience from MAS and Temasek Holdings. At Temasek Holdings, she was responsible for capital resource management. Prior to that, she was Deputy Managing Director at MAS where she held responsibilities in various areas, such as 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 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.

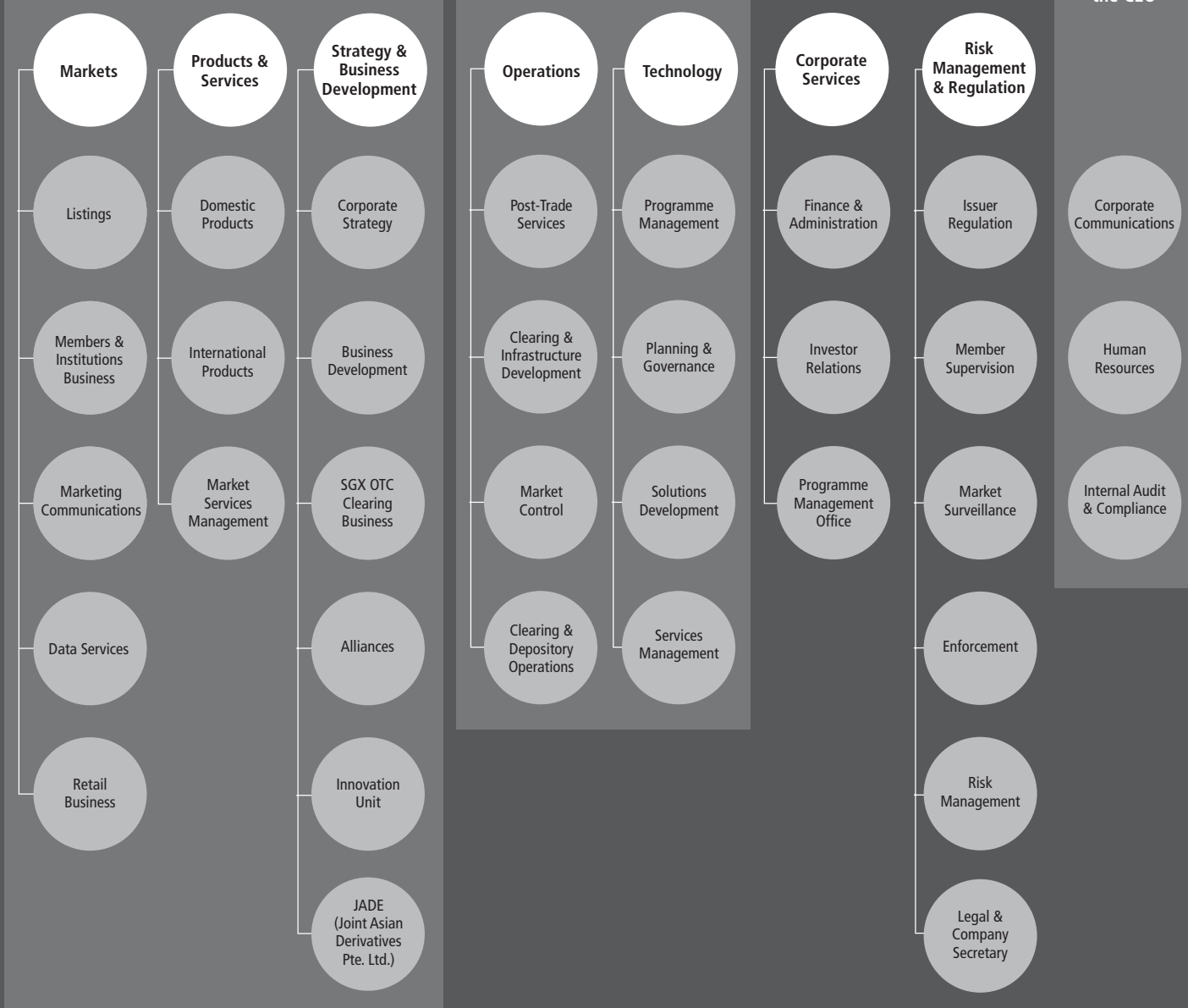
## ORGANISATION CHART

**Hsieh Fu Hua**  
(CEO)  
**Ang Swee Tian**  
(Senior Adviser)

### Markets Strategic Business Unit

### Operations Strategic Business Unit

### Office of the CEO



**Markets** manages our business relations with customers who include issuers, intermediaries, institutions, traders, retail investors and data vendors. The group is focused on marketing and distributing SGX's products and services, as well as promoting Singapore as the choice listing venue for issuers. Markets is also responsible for growing SGX's data business.

**Products & Services** develops and manages our suite of securities and derivatives products. The group also drives efforts to create and enhance services that promote trading access and participation.

**Strategy & Business Development** focuses on developing our strategic direction and new business ventures.

**Operations** manages the trading, clearing and settlement operations for securities and derivatives, as well as securities depository functions. The group also leverages on its operating infrastructure to generate processing revenue streams.

**Technology** focuses on driving new IT infrastructure developments, innovating applications and solutions, and delivering highly reliable IT services for the SGX marketplace.

**Corporate Services** oversees finance and administration, investor relations and the programme management office.

**Risk Management & Regulation** (RMR) promotes a fair, orderly and transparent marketplace. RMR enhances investor confidence by monitoring the activities of market participants, enforcing compliance with SGX rules by members and listed issuers, managing systemic risks and collaborating with other regulators. RMR also includes the Legal and Company Secretary function.

**Corporate Communications** develops and manages the SGX brand through programmes that foster positive relations with our key stakeholders, including the media and public.

**Human Resources** develops and aligns the SGX people strategy to our business objectives, and drives human resource practices, programmes and processes to help achieve business performance.

**Internal Audit & Compliance** provides independent and reasonable assurance to the board, Audit Committee and management that SGX's risk management, controls and governance processes are adequate and effective.

## OPERATING AND FINANCIAL REVIEW

### Overview

SGX is now seven years into its history following our formation from the merger of the Stock Exchange of Singapore and the Singapore International Monetary Exchange. We are in our sixth year as a public company, having listed on our own Exchange on 23 November 2000. We own and operate the only integrated securities and derivatives exchange in Singapore, together with related clearing houses and a central depository.

Under our vertically integrated structure, we provide a platform for local and foreign companies to raise capital, act as a regional centre for managing risk through our suite of Asian derivatives products, and offer clearing, settlement and depository services. Managing the entire value chain – from trading to depository – enables us to provide end-to-end services for our customers and enhances our revenue streams for shareholders.

We continued to be ranked among Singapore's top 20 companies in The Business Times Corporate Transparency Index<sup>(1)</sup>. At the inaugural Singapore Corporate Awards 2005, we clinched the Bronze Awards for Best Managed Board and Best Investor Relations in the more than \$500 million market capitalisation category.

### Competitive landscape

Over the last year, we have witnessed a flurry of mergers and acquisition activity among the major exchanges (in particular, the securities exchanges) in Europe and the USA. The rise of electronic trading, the growth of Electronic Communication Networks in the USA, and the move to demutualise and create for-profit exchanges have all placed greater pressure on exchanges to realise business synergies and operational efficiencies through consolidation.

Outside of Europe and the USA, mergers and acquisition activity have been limited, with interest largely confined to national consolidation. There are two main reasons behind the lack of activity. Firstly, exchanges in this part of the world are primarily focused on gearing up internally – with resources tied up in demutualisation and IPO activity or in revamping IT legacy systems. Secondly, the disparate political, economic and regulatory regimes would render cross-border consolidation an uphill task. That said, there is greater interest in exploring other forms of co-operation such as trading alliances.

Attention on Asia's capital markets continues to intensify. Assets held by Singapore's asset managers had risen by more than a quarter, from \$571 billion in 2004 to \$720 billion in 2005. Of the latter, 53% was invested in Asia<sup>(2)</sup>. These trends present great opportunities for SGX and other Asian exchanges to further expand our capital markets, particularly in the derivatives space which remains under-developed.

<sup>(1)</sup> Published in the "The Business Times Corporate Transparency Index" on 11 July 2005 by The Business Times.

<sup>(2)</sup> Published in the "2005 Singapore Asset Management Industry Survey" on 12 July 2006 by the Monetary Authority of Singapore (MAS).



## Corporate strategy

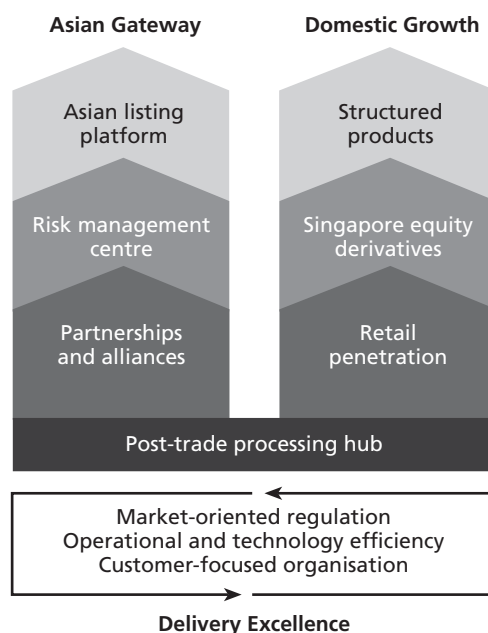
At SGX, we are setting the pace by building an enduring marketplace in Asia that features Singapore at its hub. As a leading financial centre, Singapore boasts an enviable position in Asia that SGX can leverage on to meet the growing needs of our international customer base. This, in turn, underscores our confidence in our ability to deliver growing revenues.

We remain committed to expanding our businesses and serving our customers through three key strategic objectives:

- (1) Developing an Asian Gateway;
- (2) Growing our Domestic Market; and
- (3) Delivery Excellence.

A new feature in our strategic objective of Delivery Excellence is the development of a post-trade processing hub. We are working to boost our back-office processing capabilities to improve accessibility and cater to the market's needs for a broader range of clearing, settlement and depository services. This will pave the way for the creation of new revenue streams. You can read more about our post-trade processing hub in the "Delivery Excellence" section of this Review.

**Figure 1: Building an enduring marketplace**

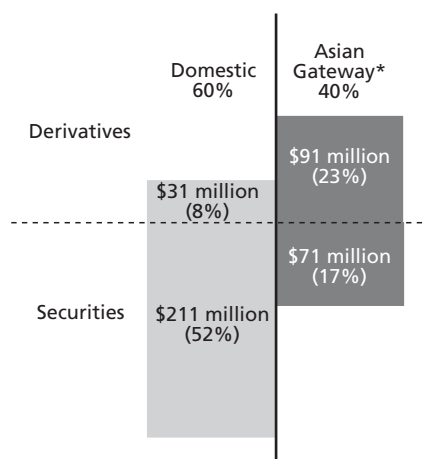


## OPERATING AND FINANCIAL REVIEW

### Developing an Asian Gateway

The Asian Gateway is the lynchpin of our positioning as a one-stop solution to meet the needs of international market players who wish to tap Asian growth opportunities through Singapore. Conversely, we offer Asian-based customers exposure to other markets world-wide. In essence, we have become a proxy for Asian securities and derivatives market exposure. The success of our Asian Gateway strategy is evident in the growing proportion of our business which can be attributed to foreign listings and trading in offshore derivatives (*Figure 2*).

**Figure 2: Asian Gateway revenues**



\* Data is based on internal estimates, comprising revenue derived from foreign issues and the offshore futures contracts listed and traded on SGX but excluding other operating revenue amounting to \$3.3 million.

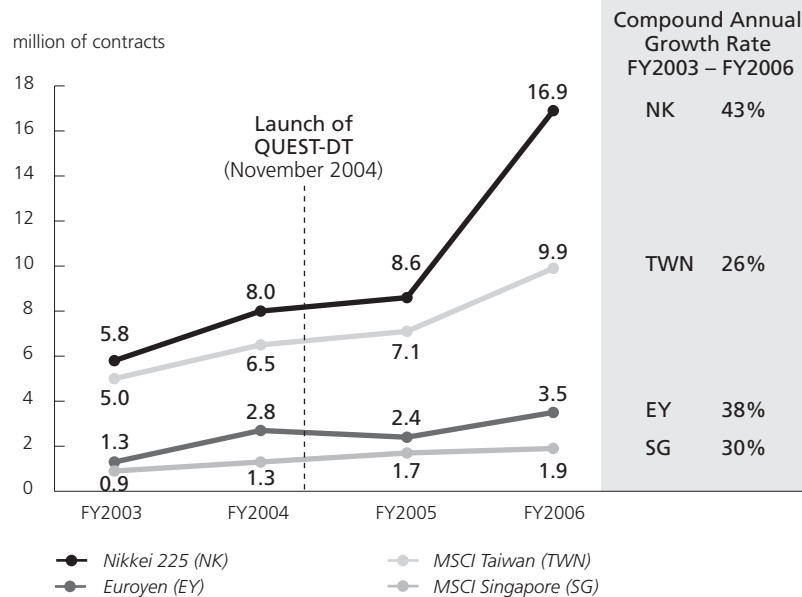
Supporting the Asian Gateway are three main pillars:

- (a) Providing a centre for customers to manage their risk and trading needs in the Asian time zone;
- (b) Developing an Asian platform for growth companies seeking an international listing venue for their capital-raising needs, as well as for financial institutions to list structured products; and
- (c) Our pioneering approach to partnerships and alliances that leverages on the strengths of each partner to achieve greater synergies and efficiencies. This enables us to deliver a broader array of products and services with a shorter time-to-market.

### Risk management centre

Our successful migration from open outcry to electronic trading continues to drive the growth of our derivatives business, on the back of strong underlying demand for risk management and trading instruments.

**Figure 3: Asian futures contracts volume**



Our flagship products – the Nikkei 225 and the MSCI Taiwan futures contracts – continued to chalk up strong growth figures, aided by growth in the underlying markets. Over the last three financial years, our Nikkei 225 and MSCI Taiwan futures contracts have registered an average annual growth rate of 43% and 26% respectively (*Figure 3*).

With the recovery of the Japanese economy and changes in the interest rate environment, our Euroyen futures trading volume in FY2006 grew 45.8% year-on-year to 3.5 million contracts. Liquidity for the Euroyen contract has started to shift from open outcry to the electronic market, following the launch of a series of new functionalities on SGX QUEST in the second half of FY2006 and the commencement of market-making in the electronic market in May 2006. By end-June 2006, 43% of Euroyen contracts was traded electronically.

On 29 September 2006, our open outcry trading facility will be closed, thus marking the successful completion of our electronic migration campaign which started in November 2004. Through the concerted efforts of SGX and our market participants, we have successfully synchronised the pace of our migration from floor trading to an electronic marketplace. Electronic trading will enhance global participation in our marketplace and we will focus efforts on further developing our electronic platform to facilitate greater participation.

## OPERATING AND FINANCIAL REVIEW

### *Expanding our suite of products*

We continue to extend our product suite and enhance existing products so that they are more tradable and accessible. In response to market feedback, we improved and re-launched the SGX CNX Nifty (India) Index futures contract in October 2005, the American-style Nikkei 225 options contract in February 2006 and the European-style MSCI Taiwan options contract in July 2006.

We aim to continue setting the pace in the Asian derivatives space by identifying promising growth areas where risk transfer instruments are useful for the market and developing products to meet these needs. The first internationally available futures contract based on the top 50 China "A" share stocks by market capitalisation – the SGX FTSE/Xinhua China A50 Index futures – is expected to be launched in September 2006.

### *Extending our distribution network*

We plan to refresh our membership framework by streamlining derivatives membership into two broad categories – trading and clearing activities, and liberalising access to our market to promote algorithmic trading. The changes will allow us to better serve the electronic trading environment and will enhance the privileges of an SGX derivatives membership. Underway is also a plan to afford Singapore-based banks the opportunity to become SGX clearing members for the securities and derivatives markets.

New trading arcades managed by globally-recognised institutions have opened their doors in Singapore. Typically, they provide financing, facilities and training to groups of individual professional traders. As floor trading comes to an end and traders move towards electronic trading, these arcades will play a critical role in developing and maintaining a vibrant trading community.

### *Entering new markets: JADE*

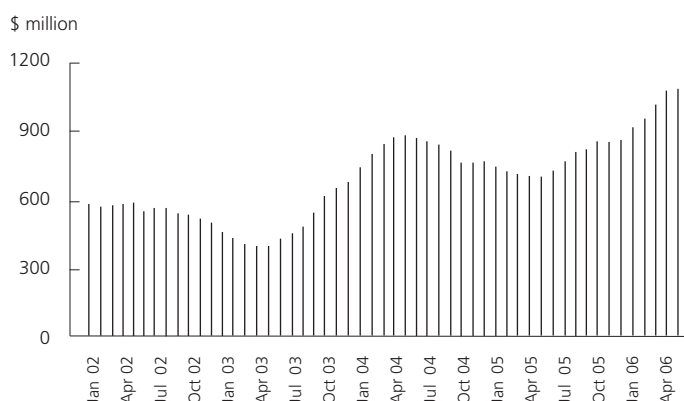
SGX and the Chicago Board of Trade (CBOT) formed a 50-50 joint venture in December 2005 to establish JADE, an Asian commodity derivatives market. The formation of JADE was in response to demand from international players for a more accessible and consolidated platform to participate in Asia's booming but fragmented commodity markets. JADE will be operated by SGX, leveraging on the infrastructure and connectivity of SGX's derivatives clearing house and the electronic trading platform of CBOT.

JADE is scheduled to start operations in the third quarter of 2006. The first product, a natural rubber futures contract, will form part of an agricultural suite of Asian commodity derivatives. Other products, such as crude palm oil, will follow. JADE will also explore other product suites.

### Our securities market

The Straits Times Index closed at 2,435.39 on 30 June 2006, up 10.1% year-on-year. Altogether, 225.4 billion shares were traded in FY2006 (FY2005: 148.5 billion), with a daily average trading value of \$1.02 billion, i.e., a 52.1% increase from the previous financial year (FY2005: \$0.67 billion) (Figure 4).

**Figure 4: Securities daily average trading value\***



\* Based on a moving 12-month average.

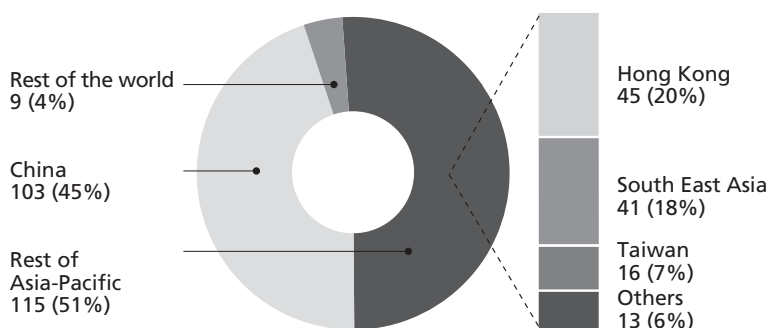
Buoyed by the underlying growth in the regional economy, our securities market grew to a total market capitalisation of \$466.1 billion as at 30 June 2006, up 17.0% from the previous financial year (FY2005: \$398.4 billion). A total of 79 listed companies had a market capitalisation of above \$1.0 billion each, as compared to 65 a year ago.

### Developing an Asian listings platform

As at 30 June 2006, there were 691 listed companies on SGX. Reflecting our success in attracting more companies from abroad, the number of foreign companies with their principal businesses outside of Singapore as a proportion of all companies on our Exchange rose to 32.8%<sup>(3)</sup>, from 27.5%<sup>(3)</sup> in FY2005, and accounted for 26.7% of SGX's total market capitalisation (FY2005: 24.3%) (Figure 5).

**Figure 5: Asian listings platform**

227 foreign listed companies<sup>(3)</sup> as at 30 June 2006



<sup>(3)</sup> Excludes inactive secondary foreign listings.

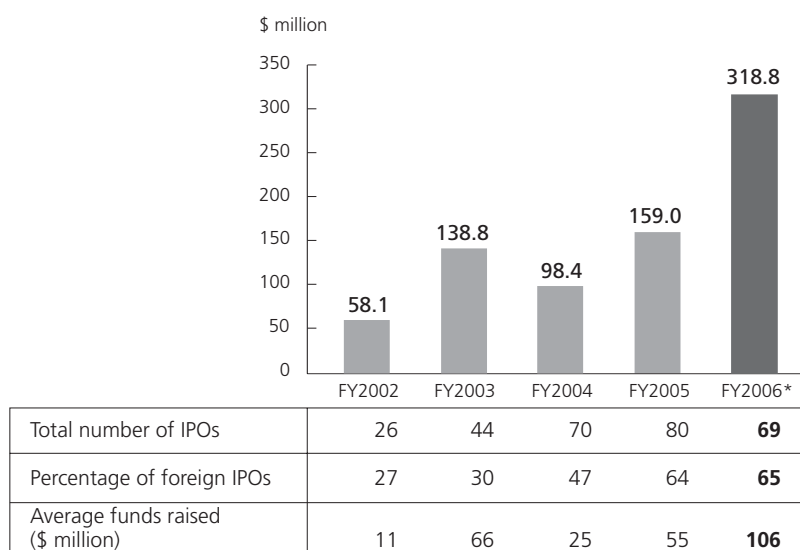
## OPERATING AND FINANCIAL REVIEW

### *Upsizing new listings*

Arising from our emphasis on attracting larger issuers, the average market capitalisation of our new listings grew from \$159.0 million in FY2005 to \$318.8 million in FY2006 (*Figure 6*). Total proceeds raised from the 69 new listings (FY2005: 80) rose 67.3% to \$7.3 billion (FY2005: \$4.4 billion). Up to 65% or 45 of these were foreign companies.

The average market capitalisation of our domestic new listings has registered modest growth, from \$116 million in FY2001 to \$165 million in FY2006. In comparison, the average market capitalisation of our foreign new listings has grown from \$180 million in FY2001 to \$427 million in FY2006. This validates our Asian Gateway strategy in which foreign companies will remain a key growth driver in our securities market.

**Figure 6: Upsizing new listings**  
*Average IPO market capitalisation*



\* The average IPO market capitalisation is \$334.2 million if SP AusNet (\$3.7 billion) is included.

### *Growing our China market*

Given its size and the appetite of investors, mainland China remains a strong growth market for SGX. As at 30 June 2006, a total of 103 or 15% of the companies listed on SGX were from China, while the market capitalisation of Chinese companies grew to \$26 billion (FY2005: \$15 billion).

Collaboration with selected provincial government authorities remains a key element in our listing strategy as Chinese companies continue to seek global funding and international profiling. We have signed MOUs with several of these authorities<sup>(4)</sup>, marking joint efforts to encourage and facilitate more and larger companies from their provinces to achieve their growth objectives through listing on SGX.

<sup>(4)</sup> Zhejiang Provincial Government, Shandong Provincial Government, Wuxi Municipal People's Government and the Financial Affairs Office of the People's Government of Liaoning Province.

### *Diversifying into other Asian countries and beyond*

While actively growing our China market, we are also extending our reach into other countries. As at 30 June 2006, 124 or 55% of the total foreign companies listed on our Exchange were from outside mainland China. Most were from other Asian countries, with a few from further away such as Europe and the USA (*Figure 5*).

As a reflection of the geographical diversity and increased size of our foreign IPOs, we witnessed the listing of six<sup>(5)</sup> foreign companies with a market capitalisation of above \$1.0 billion each, in FY2006. These companies come from different countries across the region, namely, Australia, China, Indonesia, Korea, Malaysia and Thailand.

### *Capitalising on Singapore's sectoral strengths*

Typically, securities markets accord premium valuation to sectors that have achieved critical mass or shown good growth potential. This is illustrated by the strong growth in our REIT market which enjoyed a four-fold increase in trading value in FY2006 (*Figure 7*). As at 30 June 2006, a total of 10 REITs were listed in Singapore, including four cross-border Asian REITs. Singapore's tax-friendly and supportive regulatory framework has enhanced the development of the REIT sector. In Asia, we are second only to Japan in terms of the number of listings and market capitalisation.

**Figure 7: REIT market**

	FY2004	FY2005	FY2006
Number of REIT companies as at 30 June	4	5	<b>10</b>
Market capitalisation as at 30 June (\$ billion)	4.1	9.5	<b>12.3</b>
Value traded (\$ million)	1,650	1,760	<b>7,036</b>

We continue to collaborate with various agencies<sup>(6)</sup> to sharpen our competitive edge in selected sectors, including the light and technology-related manufacturing, energy and commodity-related, infrastructure and environmental, and biotechnology and healthcare industries. Given Singapore's strong position as a trans-shipment hub, we are also focusing on shipping and maritime services. In this regard, we witnessed the listing of four shipping companies on our Exchange in FY2006.

### *New board*

We are studying plans to establish an alternative fund-raising platform, with minimal entry requirements, to allow a greater variety of high-potential companies in different growth stages to access the Singapore capital market. The new board is expected to be modeled along the lines of a sponsor- or adviser-regulated market. The aim is to draw on liquidity from sophisticated investors and cultivate a new breed of intermediaries to promote the market and guide aspiring companies through the listing process.

<sup>(5)</sup> Includes secondary foreign listing, SP AusNet.

<sup>(6)</sup> MAS, Economic Development Board, International Enterprise Singapore, and Maritime and Port Authority of Singapore.

## OPERATING AND FINANCIAL REVIEW

### *SGX-MAS Research Incentive Scheme*

Our pioneering SGX-MAS Research Incentive Scheme, launched in December 2003, aims to raise the profile of listed companies in Singapore through greater research coverage. As at 30 June 2006, 2,989 research reports on 151 listed companies were available on the SGX website. The Scheme attracts more than 50,000 downloads each month.

### **Partnerships and alliances**

We believe that forging alliances with the right partners allows us to quickly scale up our businesses and extend our global reach. Leveraging on the specific strengths of our partners, we can mitigate the risks in penetrating new markets. JADE, established through our joint venture with CBOT, exemplifies the benefits of such partnerships.

Ultimately, we aim to provide market participants with the convenience of accessing multiple markets through a single connection point in a cost-effective manner. While our co-trading arrangement with ASX will be discontinued on 29 September 2006, we hope to establish a link with Bursa Malaysia which would allow for seamless reciprocal trading into both markets.

### **Growing our Domestic Market**

Although most of our future growth potential is likely to come through the Asian Gateway, about 60%<sup>(7)</sup> of our revenues are still generated within the domestic market. Further domestic growth can be achieved by expanding the base of active<sup>(8)</sup> retail investors, which currently remains low at under 200,000. The main thrust in growing our domestic market is to boost retail participation, in part by continually expanding the product offerings that appeal to retail investors.

### **Structured products**

Securitised and yield-based products (including REITs) and structured warrants remain popular with investors.

Our structured warrants market continued to register robust growth in FY2006 (Figure 8). To enable retail investors to tap growth opportunities in other markets, we began to introduce warrants which were based on foreign underlying products, e.g., the Malaysian and Hong Kong equity stocks and indices. There were 85 such warrants issued in FY2006. Going forward, we seek to further expand our suite of structured warrants into other asset classes, including foreign exchange, interest rates and commodities.

**Figure 8: Structured warrants market**

	FY2004	FY2005	FY2006
Number of new issues	27	329	<b>806</b>
Number of issues as at 30 June	27	252	<b>422</b>
Number of units traded (million)	820	19,269	<b>51,990</b>
Value traded (\$ million)	240	5,398	<b>12,525</b>

<sup>(7)</sup> Please refer to Figure 2 on page 40.

<sup>(8)</sup> Active retail investors/CDP account-holders are those who have made at least one stock transaction in the preceding three months.



ETFs are the next emerging asset class which are expected to appeal to retail investors. ETFs represent a cost-efficient way for investors to gain diversified exposure. As part of our drive to promote ETFs, the Asian Bond Fund Singapore Index and iShares MSCI India ETF were added to our existing suite in FY2006. In view of the strong market reception to our iShares MSCI India ETF, we plan to introduce ETFs with regional exposure, including ETFs based on the FTSE/ASEAN 40 Index and the FTSE SGX Asia Shariah 100 Index.

### **Retail participation**

Buoyant market conditions have contributed to higher retail participation in our securities market over the last 12 months. The number of active<sup>(8)</sup> CDP account-holders increased from 145,097 in July 2005 to 172,706 in June 2006.

As part of our strategy to boost retail participation, we are focused on building a stronger and livelier investment community – comprising investors, brokers and the Exchange. In particular, we are fostering closer relationships with investors through developing communication channels and investor education.

### ***Developing communication channels***

We launched a new Call Centre on 28 November 2005 to handle enquiries from the public on a wide range of investment-related matters. By 30 June 2006, we had received over 5,300 calls via the toll-free number 1800-CALL-SGX.

Our website, which receives over 10 million page impressions per month, is another form of interface with the investment community. We have progressively improved the user-friendliness of our website and will continue to invest more resources to create a platform which provides comprehensive and easily accessible information to investors.

### ***Empowering investors through education***

We are committed to providing opportunities for our investors to improve their financial literacy and empowering them to make educated investment decisions.

During FY2006, we organised a broad range of programmes, including general investment courses and product specific seminars, for investors of all levels. A total of 17 courses and 47 seminars (including 10 on ETFs and 16 on structured warrants), attended by 7,218 investors, were held. About 5% of the investors started trading after attending the courses.

Launched in April 2006, SGXchange is our publication which provides CDP account-holders with quarterly updates on the performance of the securities market, product information and investor education programmes. Investors who desire more in-depth market information can subscribe to our monthly periodical, Pulses.

## OPERATING AND FINANCIAL REVIEW

### **Data and information services**

We offer real-time and historical market data on the securities and derivatives markets to professionals in the financial industry. We launched the real-time corporate announcement service, SGXNews, on 1 August 2005. In response to greater demand for internationally recognised benchmarks in the region, we also introduced the FTSE/ASEAN 40 Index and the FTSE SGX Asia Shariah 100 Index during FY2006.

### **Delivery Excellence**

Our focus on Delivery Excellence is vital in building an enduring marketplace. Delivery Excellence comprises three key components: market-oriented regulation, operational and technology efficiency and being a customer-focused organisation. It also forms the basis for achieving our strategic objectives of being an Asian Gateway and of continued Domestic Growth.

### **Post-trade processing hub**

Leveraging on our processing capabilities, we have begun renewing our clearing, settlement and depository infrastructure to transform our back-office from a cost-efficient utility to a revenue-driving post-trade processing hub. This process, although still at an early developmental stage, has already begun with the launch of initiatives such as SGX AsiaClear™ and SGX Prime.

#### ***SGX AsiaClear™***

In May 2006, we launched SGX AsiaClear™, a regional OTC clearing facility for oil derivatives and forward freight agreements. SGX AsiaClear™ serves to mitigate the credit risks of participants in the oil and shipping industries and to enhance clearing processes. This is of growing importance in the light of increased commodity trading in Asia. Going forward, we plan to extend the clearing facility to accommodate a wider suite of OTC products.

#### ***SGX Prime***

SGX Prime will be launched in FY2007. It is an innovative open-access hub which provides brokers, depository agents and other market participants with a broader range of services, the first of which will be pre-settlement matching. Using global messaging standards for settlement instructions, SGX Prime facilitates a Straight-Through Processing environment for our customers to achieve efficiencies and reduce operational risks.

### **Dual obligations of SGX**

SGX has two distinct yet complementary roles in the marketplace: as a commercial entity and as a Self-Regulatory Organisation (SRO). In the long run, adherence to exacting regulatory standards helps to promote investor confidence in our market. Our management of the potential SRO conflicts can be found in the "Self-Regulatory Organisation Governance Report" section of the Annual Report.

### ***Issuer regulation***

We have tightened corporate governance requirements through the June 2006 enhancement of our listing rules. The changes included the need for foreign issuers to have at least two independent directors who are Singapore residents on their boards on an on-going basis, and not just at listing. Existing issuers have up to January 2008 to comply with this rule. In addition, the role of issue managers has been extended by lengthening the sponsorship disclosure requirement from one to two years.

For interim results, the boards of listed companies will need to give a “negative assurance” that, to the best of their knowledge, nothing has rendered the financial results false or misleading.

### ***Market surveillance***

We conduct surveillance of our markets to detect unusual trading activity and prohibited trading practices or conduct (including insider trading and market manipulation). Our real-time surveillance system, Securities Markets Automated Research, Trading and Surveillance System, monitors the securities market and is being extended to our derivatives market.

### ***Gathering market views***

To better understand market issues, we began a programme to visit members to discuss regulatory issues, procedures and processes. We also conducted a customer survey in October 2005, polling listed companies, issue managers and institutional investors on our regulatory standards and services.

### ***Honing our technological edge***

#### ***“Build” to “Buy” model***

We are renewing our technology infrastructure and systems to improve our response time and service quality. We aim to establish open access and scalable IT architecture that is refreshed on an on-going basis. To ensure that our infrastructure grows with our markets, we have started moving away from a “Build” to a “Buy” model.

We have formed partnerships with global technology and system partners who offer premier solutions that are used internationally. An example is our partnership with OMX, a global system provider to exchanges, in the development of our SGX QUEST trading engine. We will work with OMX on an order management system, targeted for launch in 2007. In addition, we will explore with OMX on how we can refresh our clearing, data dissemination and post-trade systems to significantly reduce the time-to-market for new products and services.

## OPERATING AND FINANCIAL REVIEW

### *Non-core technology*

To focus on our core business and leverage on our partners' IT expertise, we have outsourced our non-core technology. On 7 December 2005, we signed an agreement to outsource our data centre and IT infrastructure services to Hewlett-Packard Singapore (HP). The outsourcing will save up to 20% of the future cost of enhancing our data centre and IT infrastructure services by capitalising on HP's specialist IT resources and best practices. The five-year contract has a nominal value of \$95 million. Management of the facilities was handed over to HP in February 2006.

### *IT security*

Information security is of prime importance to support the integrity of our marketplace and hence, we are continually strengthening our security practices. In March 2006, we became the first financial service institution and one of the few companies in Singapore to be BS7799-certified. The international standard in IT security management was awarded for our provision of services to promote information security practices and management of access to IT resources. In our next lap, we will proceed to adopt best practices in IT service management with an aim for the ISO 20000 certification.

### **Operational risk management**

#### *Whistle-blowing*

We have developed a whistle-blowing framework to strengthen our risk management structure and uphold the highest standards in our work ethics, practices and customer service. Approved by the Audit Committee in July 2005, its policies and procedures are designed to deter potential malpractices and provide a mechanism for the reporting of such misconduct. The framework has since been rolled out company-wide.

#### *Business Continuity Planning*

We have improved our Business Continuity Planning by enhancing our crisis response capabilities. In May 2006, we participated in a financial industry-wide business continuity exercise organised by the Association of Banks in Singapore. We have also adopted additional measures to prepare ourselves for the possibility of worst-case scenarios, including a bird flu pandemic.

### **Human resources**

SGX had 546 employees, comprising 449 executives and 97 non-executives, as at 30 June 2006.

One of our key human resource goals is to attract, develop and retain the right talent who will help us build an enduring marketplace. Our employees play an important role in shaping the culture of our organisation to meet the growing demands of our businesses. In line with business expansion, options for personal career development have increased. To better equip our staff, we will, in the coming financial year, place greater emphasis on upgrading their skills through internal and external training. To realise the potential of each staff member, we will also give line managers more responsibility for talent development.

We recognise the need to align our employees' interests with those of shareholders. Thus, in FY2006, we launched the SGX Performance Share Plan. Selected eligible employees were granted shares which will vest upon the achievement of a multi-year return on equity target. The SGX Performance Share Plan has replaced the SGX Share Option Plan.

Our work-life balance programmes recognise that staff may face personal issues which may affect their performance on the job. Hence, we sponsor programmes that help to create harmony between work and non-work demands, and that promote the physical, social and mental well-being of our staff. We support company-wide exercise and sports events. In addition, we provide in-house counselling services and organise bi-monthly happy hour sessions, health screenings, and talks on personal and relationship issues. Nursing rooms for mothers are also provided at various locations in SGX Centre.

On 16 December 2005, we held our Kids@Work Day – the first of its kind at SGX – as part of our efforts to promote a more harmonious work-life culture for all our employees. Over 90 staff brought 140 children to spend an afternoon of fun and games at the office. The children also visited their parents' workstations for a brief induction of the workings of SGX and had the opportunity to meet SGX management and their parents' colleagues.

### **Corporate social responsibility**

We are firmly committed to the larger social and business community and believe strongly in building an organisation with a heart. Our staff volunteer their time and energies to community programmes and initiatives, including those spearheaded by SGX.

#### **The Bull Run® 2005**

The Bull Run®, launched by SGX in 2004, once again got off the blocks on 21 October 2005, rallying the financial industry and listed companies to help the needy. More than 2,100 runners from 150 organisations signed up for the races. The guest-of-honour was Ms Ho Ching, Executive Director and CEO of Temasek Holdings. Hong Kong superstar, Jackie Chan, who led the way in The Big Boss Challenge, added glamour to the event. The charity fun run raised \$2.3 million and doubled the number of charities it supported to 14. The beneficiaries were the Autism Association (Singapore), The Straits Times School Pocket Money Fund and 12 programmes supported by the Community Chest.

During FY2006, we also supported other social causes, including the Kuala Lumpur Rat Race 2005, the JP Morgan Corporate Challenge and the Ernst & Young Awards.

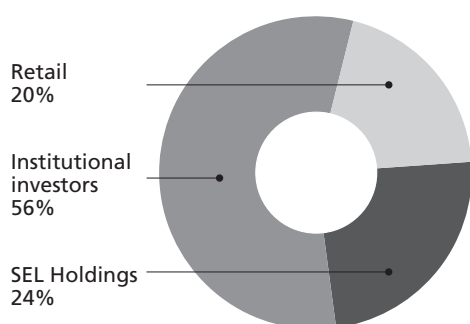
## OPERATING AND FINANCIAL REVIEW

### Investor relations

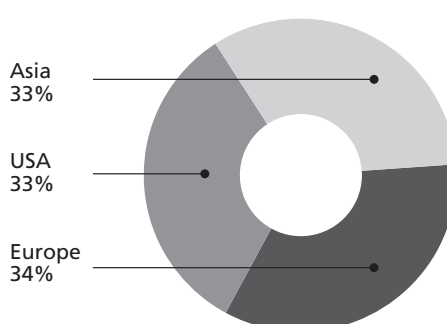
Our investor relations (IR) approach is characterised by a proactive style of timely and transparent disclosure as well as an on-going dialogue with our shareholders and the investment community. We place a premium on fostering strong relationships with both our institutional and retail shareholders.

**Figure 9: Our shareholders**

*Shareholders' profile*



*Institutional shareholders by region*



The geographical spread of our institutional shareholders is evenly split among the main money centres of Asia, Europe and the USA. In FY2006, both the USA and Europe portions grew to 33% and 34% respectively, up from 27% and 31% in FY2005.

We are committed to engaging all our shareholders regularly, including our retail investor base. Our IR Open Day, first held in July 2005, has become an important annual event for retail shareholders. During the financial year, we also hosted the inaugural Investor Relations Magazine South East Asia IR Awards and Conference held on 8 November 2005.

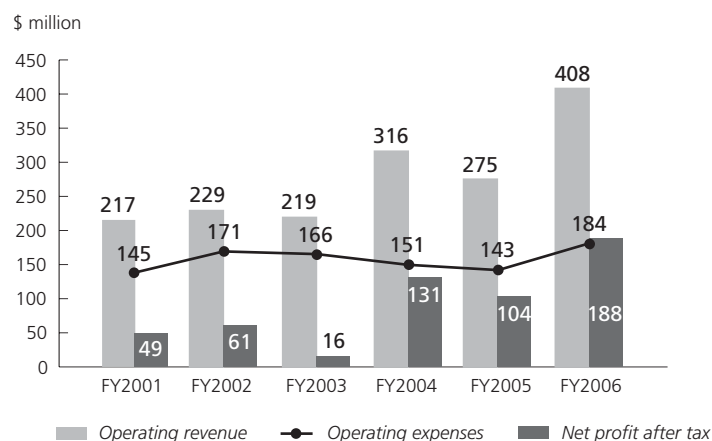
Looking ahead, we are planning to spearhead an initiative to establish an IR Association in Singapore for all our SGX-listed companies. The association aims to provide a forum to share best IR practices as well as offer a networking platform for IR officers. This will help to develop the profession in Singapore and, ultimately, serve both listed companies and investors in building an enduring marketplace.

### Financial Review

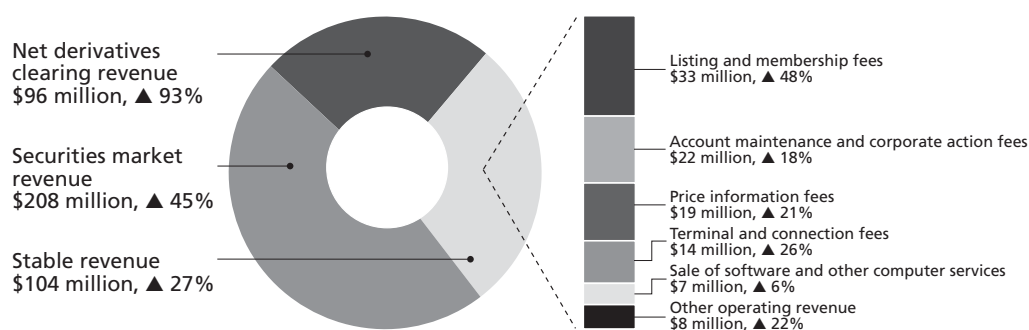
#### Record profit since listing

FY2006 was a record-breaking year (*Figure 10*), with the four best quarters since listing. The Group achieved a net profit after tax of \$187.6 million and our return on equity hit a new high of 32.0% on the strength of our well-diversified revenues (*Figure 11*). Securities market revenue rose 45.1% on the back of record trading turnover in the securities market. Derivatives and stable revenues also chalked up strong performances, growing 92.6% and 27.1% respectively.

**Figure 10: A record year**



**Figure 11: Growth of our well-diversified revenues**



*Note: Percentages shown depict the growth in revenues over FY2005.*

### Securities market revenue

The favourable macro-economic environment and liquidity pouring into the region fuelled trading activity in FY2006. Daily average trading value surged 52.1% to \$1.02 billion (FY2005: \$0.67 billion). This drove securities market revenue up 45.1% to \$208.5 million (Figure 12).

**Figure 12: Securities market revenue**

\$ million	FY2004	FY2005	<b>FY2006</b>	FY2006 vs FY2005
Securities clearing fees	141.2	95.9	<b>138.8</b>	44.8%
Access fees	4.8	23.5	<b>36.7</b>	56.1%
Securities related processing fees	30.2	24.3	<b>33.0</b>	35.7%
<b>Total</b>	<b>176.2</b>	<b>143.7</b>	<b>208.5</b>	<b>45.1%</b>

## OPERATING AND FINANCIAL REVIEW

### Net derivatives clearing revenue

Net derivatives clearing revenue registered a record \$95.6 million, after hovering at \$50.1 million in FY2004 and \$49.6 million in FY2005. The growth momentum was achieved on the back of our successful efforts in migrating our Nikkei 225 and MSCI Taiwan contracts to our electronic platform and growing our structured warrants market.

We enjoyed strong growth in our Nikkei 225, MSCI Taiwan and Euroyen futures contracts due to increased volatility in the North Asian equity and interest rate markets. The re-pricing of the MSCI Taiwan futures contract, which took effect in November 2005, further boosted our net futures clearing revenue (*Figure 13*).

**Figure 13: Net futures clearing revenue and volume**

\$ million	FY2004	FY2005	<b>FY2006</b>	FY2006 vs FY2005
Net futures clearing revenue	49.9	44.9	<b>84.6</b>	88.5%
million of contracts				
Futures volume				
Nikkei 225	8.0	8.6	<b>16.9</b>	96.8%
MSCI Taiwan	6.5	7.1	<b>9.9</b>	39.4%
Euroyen	2.8	2.4	<b>3.5</b>	45.8%
MSCI Singapore	1.3	1.7	<b>1.9</b>	11.9%

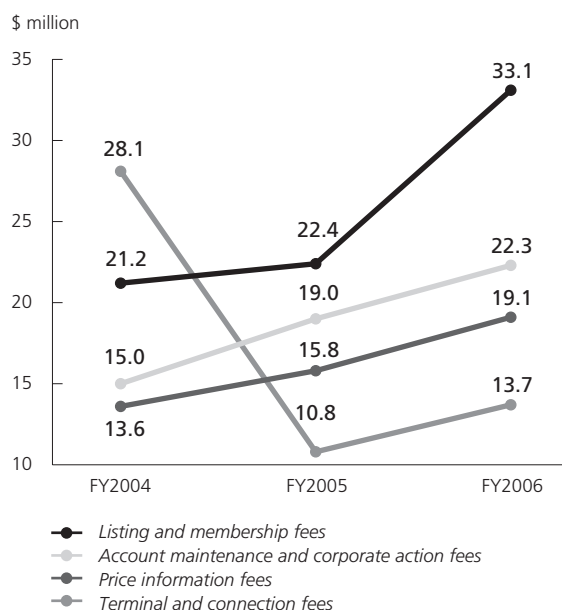
Our structured warrants market continued its upward trend in FY2006 as we expanded our warrants suite with foreign underlying products. The trading turnover value increased 132.0% to \$12.5 billion (FY2005: \$5.4 billion), pushing clearing fees up to \$11.0 million from \$4.7 million previously.

### Stable revenue

Stable revenue contributed \$103.5 million to our total operating revenue in FY2006 (FY2005: \$81.4 million). Listing and membership fees, account maintenance and corporate action fees, price information fees, and terminal and connection fees were the main revenue streams (*Figure 14*).



**Figure 14: Stable revenue – Main revenue streams**



Over the last three financial years, stellar growth in our new listings has increased the number of listed companies in our securities market from 521 to 691. This has helped to bolster listing fees in FY2006. The revision in listing fees, effective January 2006, further strengthened this revenue stream. However, as in FY2005, these gains were partially offset by a drop in membership fees as more members migrated to the e-trading space where the fees for e-trading permits are lower than those for floor trading. Overall, listing and membership fees still registered a 47.5% increase to \$33.1 million.

Account maintenance and corporate action fees increased 17.9% to \$22.3 million, mainly due to higher processing income from the listing of structured warrants and other corporate action-related income.

Since FY2004, there have been intensive efforts to grow our price information fee income by introducing new services, expanding distribution channels and aligning our fee structure to international norms. We launched SGXNews in August 2005 and re-priced the derivatives datafeed in January 2006, boosting price information fee revenue by 21.0% to \$19.1 million in FY2006.

Terminal and connection fees increased 26.2% to \$13.7 million, after dropping 61.5% in FY2005 due to the transfer of access fees from stable revenue to securities market revenue. The increase was attributable to higher forced order charges in the securities market and income from derivatives electronic trading system terminals.

## OPERATING AND FINANCIAL REVIEW

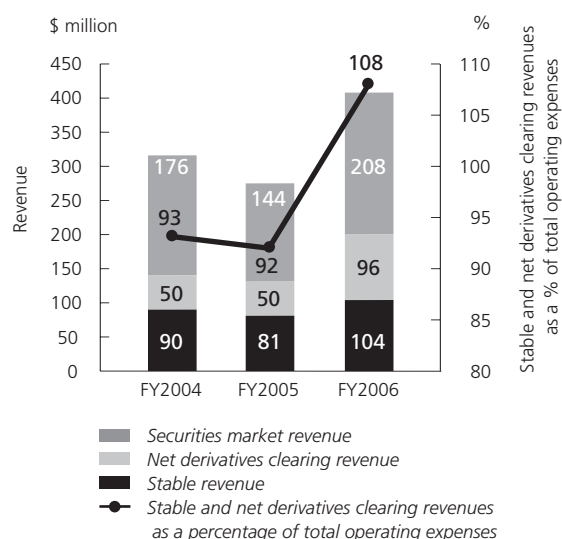
### Other gains

Returns from our externally-managed investments recorded a gain of \$10.5 million (FY2005: \$0.6 million), mainly due to improved market conditions.

### Operating leverage

Over the past three financial years, we have made concerted efforts to grow our stable and net derivatives clearing revenues. Revenues from these two components, which grew from \$140.1 million in FY2004 to \$199.1 million in FY2006, now exceed our total operating expenses. The proportion of operating expenses covered by these revenues rose to an all-time high of 108.4% in FY2006 (*Figure 15*).

**Figure 15: Operating leverage**



### Expense management

At SGX, operating expenses are prudently managed. Along with the significant increase in revenue, our operating expenses have also gone up, albeit at a lower rate. The 28.3% increase in operating expenses, from \$143.1 million in FY2005 to \$183.7 million in FY2006 (*Figure 16*), was primarily due to the following:

- A higher variable bonus provision which accounted for 54.3% (\$22.0 million) of the increase. This came on the back of our record profit and is in line with our performance-linked compensation approach.
- Our decisions to explore and develop new growth areas, outsource non-core technology and enhance our technology infrastructure and systems to improve response time and service quality.
- In particular, professional and consultancy charges grew by \$5.4 million and marketing expenses by \$2.0 million. There was also a \$4.8 million write-off relating to our termination of work with our vendor of the previous order management system. Such expenses were included in other operating expenses.

**Figure 16: Expense components**

\$ million	FY2004	FY2005	<b>FY2006</b>	FY2006 vs FY2005
Staff cost (excluding variable bonus)	45.5	52.8	<b>49.6</b>	(6.0%)
Variable bonus	25.0	11.1	<b>33.1</b>	198.2%
System maintenance and rental	17.5	18.0	<b>28.7</b>	59.6%
Occupancy costs	15.0	16.0	<b>12.2</b>	(23.5%)
Depreciation and amortisation	18.4	15.2	<b>14.3</b>	(6.3%)
Other operating expenses	30.1	30.0	<b>45.8</b>	52.7%
<b>Total operating expenses</b>	<b>151.5</b>	<b>143.1</b>	<b>183.7</b>	<b>28.3%</b>

Staff costs, excluding variable bonus, dropped to \$49.6 million in FY2006, mainly due to retrenchment costs in FY2005 and a lower headcount (FY2006: 546, FY2005: 616) arising from the closure of derivatives trading pits and the outsourcing arrangement with HP.

FY2006 marked a change in our IT sourcing strategy, namely, the outsourcing of our data centre and hardware maintenance and support to HP. The initiative has allowed us to focus on our core business by leveraging on our partner's strengths to improve efficiency. Consequently, our system maintenance and rental costs increased to \$28.7 million in FY2006 from \$18.0 million in FY2005, primarily due to the recurring and milestone payments made to HP.

Occupancy costs declined from \$16.0 million in FY2005 to \$12.2 million in FY2006 as we reversed the over-provision made in FY2005 for the reinstatement costs of OUB Centre and Equity Plaza. The expiry of the lease at Equity Plaza further reduced our rental expenses in FY2006. Depreciation and amortisation also fell 6.3% due to fully depreciated assets.

### **Shareholder returns**

Return on equity improved 10.0 percentage points to a record 32.0% in FY2006, driven by robust earnings.

Given the Group's financial performance, its cash and retained earnings positions and expected future operational funding needs, the board of directors has proposed a final dividend of 11.7 cents per share. This comprises a base dividend of 1.5 cents and a variable dividend of 10.2 cents per share. The total dividend declared for FY2006 is thus 16.2 cents per share (*Figure 17*), representing a 90% payout of the year's profit (FY2005: 81%).

## OPERATING AND FINANCIAL REVIEW

**Figure 17: Compelling dividend**

Net dividend per share (cents)	FY2004	FY2005	FY2006
Base dividend	5.6	6.0	<b>6.0</b>
Variable dividend	5.2	2.5	<b>10.2</b>
<b>Total regular dividend</b>	<b>10.8</b>	<b>8.5</b>	<b>16.2</b>

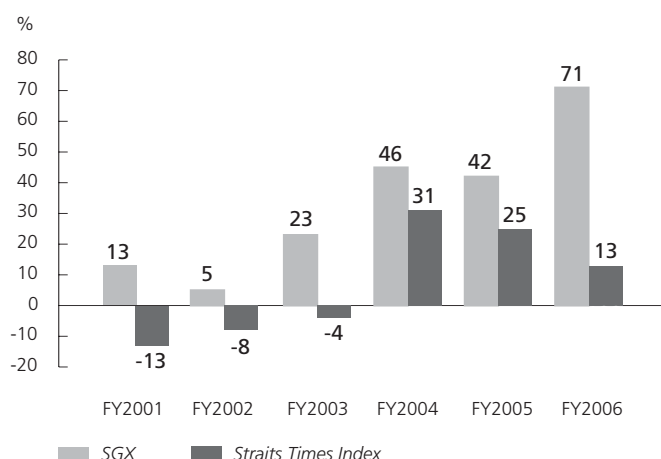
The board has also announced that effective FY2007, barring material adverse circumstances, the annual base dividend per share will be increased to 8.0 cents (i.e., 2.0 cents per quarter) from 6.0 cents previously. The revision underscores our commitment to efficient capital management and confidence in the underlying growth of our business.

As part of our on-going capital management review, we will proceed to invite proposals for the disposal of our non-core asset, SGX Centre, given the improved property market conditions.

Our share price rallied to an all-time high of \$4.94 on 11 May 2006, fuelled by market talk of SGX's possible involvement in a global merger. Our share price has since retraced in line with most other peer exchanges.

Based on the closing price of \$3.52 on 30 June 2006, SGX shares have a dividend yield of 4.6%, surpassing the average dividend yield of 3.3% of SGX Mainboard-listed companies. Our shareholders enjoyed a total return of 71.0% in FY2006 (FY2005: 42.1%), with the return outperforming the benchmark Straits Times Index by 58.0 percentage points (*Figure 18*).

**Figure 18: Total shareholder returns**



**Cash flow and liquidity**

As at 30 June 2006, the Group had cash and cash equivalents of \$246.0 million, compared to \$117.9 million a year ago. The improvement was due to the financial year's strong performance.

Higher operating profits increased the cash generated from operations, before tax and dividends, to \$257.5 million, from \$136.4 million in FY2005.

Our investment activities recorded a net outflow of \$18.0 million as a result of payments for capital expenditure incurred during the financial year. We invested \$5.0 million in Joint Asian Derivatives Pte. Ltd., our new joint venture with CBOT. The net outflow of \$159.0 million in FY2005 was largely due to the placement of \$154.7 million with a broad group of fund managers employing market neutral investment strategies. Going forward, the funding of infrastructure initiatives is expected to be financed through internally-generated resources or leverage as there is nominal debt on our balance sheet.

As for financing activities, the net outflow was lower at \$81.1 million compared to \$276.1 million in FY2005. This was due mainly to a lower dividend payout – \$91.9 million in FY2006 against \$287.0 million (inclusive of a special dividend) in FY2005. About 8.0 million ordinary shares were issued and \$12.3 million received from employees who exercised their share options under the SGX Share Option Plan in FY2006.

As at 30 June 2006, there were 21.7 million outstanding share options. Pursuant to the Share Purchase Mandate obtained at the last Extraordinary General Meeting held on 22 September 2005, no share purchase has been undertaken during the financial year.

**Capital structure and financial risk management**

The Group has been 100% equity financed and debt free since listing in 2000. Excess cash is kept in cash and bank deposits with major financial institutions. To enhance our investment returns, the externally-managed funds remain invested in market neutral funds. We have hedged the currency risk of these investments back into Singapore dollars. Our other foreign exchange exposure arises largely from our derivatives business. To insure against the concentration of foreign exchange risk, all foreign currencies are regularly converted back to Singapore dollars.

We have put in place \$430 million of committed standby bank credit facilities for prudent risk management and emergency funding needs. The facilities comprise \$240 million in unsecured credit lines and \$190 million in share financing.

As at 30 June 2006, we have issued US\$180 million of unsecured standby letters of credit to the Chicago Mercantile Exchange as margins for derivatives trading. These contingent liabilities are backed by margin deposits from member companies. We also provide an unsecured guarantee of AUD4.8 million to ASX International Services Pty Ltd for obligations incurred under the SGX-ASX co-trading link. This arrangement will cease once the link winds down.

## OPERATING AND FINANCIAL REVIEW

In the event of a securities member default, the CDP's clearing rules commit us to provide a standby credit of \$75 million to the CDP Clearing Fund. Similarly, in the case of a derivatives member default, SGX-DC's clearing rules commit us to provide a standby credit of \$22 million as a financial guarantee to our clearing subsidiary, SGX-DC. In addition, both CDP and SGX-DC have default insurance to supplement the respective Clearing Funds.

Apart from insurance for the clearing fund, major group insurance policies put in place include Industrial All Risks, Computer Insurance, Professional Indemnity Insurance and a cover on terrorism. We regularly review our insurable risk profile to optimise insurance coverage and costs.

### Accounting policies

The Group's financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS) issued by the Council on Corporate Disclosure and Governance. The same accounting policies and methods of computation as in the FY2005 audited annual financial statements have been applied for the current reporting period except for the adoption of new FRS that are required for this current reporting period.

Apart from FRS 102 – Share-based Payment, the adoption of other FRS has no material impact on the Group's results. Upon adopting FRS 102, the retained profits as at 30 June 2005 were reduced by \$6.7 million, while the share-based payment reserve was increased by the same amount.

We have re-classified comparative figures to conform with the current year's presentation. These include the re-classification of certain operating expenses – from professional charges to system maintenance and rental expenses – in the financial year ended 30 June 2005 of the Group and the Company. We have also presented derivative financial instruments separately from trade and other payables on the balance sheet. The revised presentation has no impact on the Group's net assets amount.

The Group will adopt INT FRS 104 – Determining whether an Asset Contains a Lease, in FY2007. The implementation of INT FRS 104 is not expected to significantly affect the financial statements for the financial year.

## CORPORATE INFORMATION

### Board of Directors

J Y Pillay (*Chairman*)  
Hsieh Fu Hua (*Chief Executive Officer*)  
Low Check Kian (*Lead Independent Director*)  
Chew Choon Seng (*Independent Director*)  
Ho Tian Yee (*Independent Director*)  
Lee Hsien Yang (*Independent Director*)  
Loh Boon Chye (*Independent Director*)  
Olivia Lum Ooi Lin (*Independent Director*)  
Ng Kee Choe (*Independent Director*)  
Robert Owen (*Independent Director*)  
Tang Wee Loke (*Independent Director*)  
Geoffrey Wong Ee Kay (*Independent Director*)

### Company Secretary

Joyce Fong Foong Chao

### Audit Committee

Ho Tian Yee (*Chairman*)  
Lee Hsien Yang  
Loh Boon Chye  
Olivia Lum Ooi Lin  
Tang Wee Loke  
Geoffrey Wong Ee Kay

Secretary: David Liew Kim Seng

### Nominating Committee

Low Check Kian (*Chairman*)  
J Y Pillay  
Ho Tian Yee  
Loh Boon Chye  
Ng Kee Choe

Secretary: Joyce Fong Foong Chao

### Remuneration Committee

Ng Kee Choe (*Chairman*)  
Low Check Kian  
Chew Choon Seng  
Olivia Lum Ooi Lin  
Geoffrey Wong Ee Kay

Secretary: Joyce Fong Foong Chao

### Risk Management Committee

Loh Boon Chye (*Chairman*)  
J Y Pillay  
Hsieh Fu Hua  
Ho Tian Yee  
Ng Kee Choe  
Robert Owen

Secretary: Joyce Fong Foong Chao

### Conflicts Committee

Robert Owen (*Chairman*)  
Low Check Kian  
Olivia Lum Ooi Lin

Secretary: Joyce Fong Foong Chao

### Executive Committee

Hsieh Fu Hua (*Chairman*)  
Gan Seow Ann  
Seck Wai Kwong  
Chew Hong Gian  
Linus Koh Kia Meng  
Daniel Tan Bak Hiang  
Robert W van Zwieten  
Yeo Lian Sim

Secretary: Gillian Chia Hsu Lien

### Investor Relations

John Gollifer  
Tel: (65) 6236 8540  
Email: johngollifer@sgx.com

### 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

### Share Registrar

Lim Associates (Pte) Ltd  
10 Collyer Quay  
#19-08 Ocean Building  
Singapore 049315

Person-in-Charge: Chia Hui Dih

### Auditors

PricewaterhouseCoopers  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424

Partner-in-Charge: Chua Kim Chiu  
(Appointed from 1 July 2004)

S E T T I N G   T H E   P A C E

A FAIR and  
OPEN  
marketplace



“Well-known as a transparent and well-regulated market, SGX is the clear choice for listing Olam. It not only facilitates compliance to the listing rules but significantly enhances our credit standing and brand.”

**Mr Sunny Verghese**, *CEO & Group Managing Director, Olam International Limited*

## SELF-REGULATORY ORGANISATION GOVERNANCE REPORT

### Introduction

As a demutualised listed company, SGX enhances stakeholder value by maintaining a fair, orderly and transparent marketplace. The pursuit of profit may, in certain circumstances, be perceived as conflicting with the pursuit of high regulatory standards. However, these objectives are not mutually exclusive. High quality regulation sustains an enduring marketplace which is in the interest of SGX shareholders. Proper management of potential Self-Regulatory Organisation (SRO) conflicts is an integral part of SGX's policy on corporate governance. SGX works closely with, and under the supervision of, the Monetary Authority of Singapore which is our statutory regulator.

### Conflicts Committee

SRO conflicts management is an organisation-wide responsibility. However, front-line responsibility for the proper handling of SRO conflicts lies with the Risk Management & Regulation (RMR) Group and the Conflicts Committee. The SGX board delegates authority for the management of SRO conflicts to the Conflicts Committee which only comprises independent directors. In November 2004, the Conflicts Committee's role was expanded from identifying conflicts arising from SGX's listing to addressing conflicts arising from SGX's dual commercial and regulatory objectives.

The Conflicts Committee, which meets regularly to identify and address issues of SRO conflicts, has three main duties:

- (a) to ensure that pursuit of the commercial objectives of SGX does not result in insufficient financial or manpower resources being allocated to its regulatory work;
- (b) to ensure that adequate systems and processes are in place to handle actual and potential SRO conflicts; and
- (c) to make decisions on specific cases of SRO conflicts referred to it.

In FY2006, the Conflicts Committee has examined SGX's handling of potential conflict situations which include listing approvals, the fair and objective enforcement of rules and the adequacy of manpower resources (in terms of both quantity and expertise) within the RMR Group for conducting its regulatory functions effectively.

### SRO Conflicts Code

Within the RMR Group, the Regulatory Policy Unit supports the work of the Conflicts Committee. The Unit drafted the SRO Conflicts Code and Information Barrier Policy which were approved by the SGX board in September 2005. This Code establishes the RMR Group's independent decision-making authority, with guidelines and policies which establish clear boundaries between SGX's regulatory and commercial activities. All SGX staff undertake to comply with this Code. The SRO Conflicts Code is supported by a Whistle-blowing Policy which encourages SGX's employees to act to prevent any abuse and protect SGX's reputation.

**Public consultation**

SGX conducts frequent public consultations on proposed rule changes relating to SGX's listing, trading, clearing and settlement, and depository services. Public feedback is an important part of the rule-making process and forms a critical SRO safeguard against SGX abusing its rule-making powers to serve commercial objectives. From July 2005 to June 2006, SGX conducted 14 public consultations on significant amendments, including amendments to the listing rules and the SGX-DT Rules.

**Reconstitution of Appeals Committee**

In May 2006, SGX's conflicts management framework was strengthened by the re-constitution of the Appeals Committee so that its members are drawn from outside the SGX board. The Appeals Committee is the final arbiter on disciplinary matters. The independent composition of the Appeals Committee is a safeguard against potential misuse of SGX's disciplinary power.

**Conclusion**

SGX's business is founded on maintaining the trust of all market participants. Good corporate governance befits SGX and distinguishes our market. As part of our corporate governance policy, SGX is committed to managing and resolving SRO conflicts scrupulously.

## DISCIPLINARY AND APPEALS COMMITTEES

A member of SGX or a person registered with SGX who fails to comply with the Rules or Requirements of the Exchange or Clearing House may be charged before a Disciplinary Committee. The Disciplinary Committee hears the charge and decides whether the member or the registered person has violated any Rules or Requirements of the Exchange or Clearing House and, if so, decides on the appropriate penalty. A member or registered person charged and convicted before a Disciplinary Committee may be reprimanded, fined, suspended and/or expelled.

SGX has a total of four Disciplinary Committees, two each for securities and derivatives trading and clearing. The Disciplinary Committees comprise experienced industry participants and legal experts with extensive knowledge of the industry. The composition of the Disciplinary Committees is as follows:

### SGX-Derivatives Trading and Derivatives Clearing Disciplinary Committee members

Name	Profession
Ho Tian Yee ( <i>Chairman</i> )	Fund Manager, Pacific Asset Management (S) Pte Ltd
David Yeow	Lawyer, Rajah & Tann
Tan Kah Gee	Futures Broker, The Mizuho Futures (S) Pte Ltd
George Teo Choa Chee	Futures Broker, UOB Bullion & Futures Ltd
Steve Ng Kuan Kuen	Futures Broker, ABN AMRO Futures (S) Ltd

### SGX-Securities Trading and CDP Disciplinary Committee members

Name	Profession
Fong Kwok Jen ( <i>Chairman</i> )	Lawyer, Fong Law Corporation
Nels Radley Friets	Stockbroker, Citigroup Global Markets Singapore Pte Ltd
Leong Mun Wai	Stockbroker, DBS Vickers Securities (Singapore) Pte Ltd
Petrus Huang Yen San	Lawyer, Drew & Napier LLC
Hamidul Haq	Lawyer, Rajah & Tann

The member or registered person may appeal to SGX's Appeals Committee against the decision of the Disciplinary Committee. The decision of the Appeals Committee is final. The Appeals Committee similarly comprises industry experts and professionals with years of experience in the industry. The present composition of the Appeals Committee is as follows:

### SGX Appeals Committee members

Name	Profession
Michael Sydney Hwang ( <i>Chairman</i> )	Lawyer, Michael Hwang
Lim Choo Peng	Consultant
Colin Ng Teck Sim	Lawyer, Colin Ng & Partners
Michael Wong Ping Seng	Futures Broker, Phillip Futures Private Limited
Hugh Young	Fund Manager, Aberdeen Asset Management Asia Limited

## CORPORATE GOVERNANCE REPORT

The Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST) requires all listed companies to describe, in their Annual Reports, their corporate governance practices, with specific reference to the principles of the Singapore Code of Corporate Governance introduced in April 2001 and amended in 2005 (Code). This Report deals with SGX's corporate governance as a listed company, and is to be read in conjunction with the Self-Regulatory Organisation (SRO) Governance Report which sets out SGX's corporate governance as a self-regulatory authority.

For FY2006, we have structured our Corporate Governance Report in a tabular form, stipulating the principles set out in the Code alongside our Report. Significant new requirements of the Code of Corporate Governance 2005 are highlighted as are the changes made to our corporate governance structure to comply with the additional requirements.

### Principle 1: Board's conduct of its affairs

Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the success of the company. The board works with management to achieve this and the management remains accountable to the board.

- 1.1 The board oversees SGX's business affairs. The key matters for board oversight include:
  - (a) approving broad policies, strategies and objectives of the Company;
  - (b) monitoring management performance;
  - (c) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
  - (d) approving annual budgets, major funding proposals, investment and divestment proposals; and
  - (e) assuming responsibility for corporate governance.
- 1.2 To assist in the execution of its responsibilities, the board has established five board committees, namely, the Audit Committee (AC), the Nominating Committee (NC), the Remuneration Committee (RC), the Risk Management Committee (RMC) and the Conflicts Committee (CC). The terms of reference and composition of each board committee are available at [www.sgx.com](http://www.sgx.com). The composition of each board committee can also be found in the "Corporate Information" section of the Annual Report.
- 1.3 The board meets at least four times a year. The frequency of meetings and the attendance of each director at every board and board committee meeting are disclosed in this Report.

*Guideline 1.1 of the Code: The board's role*

*Guideline 1.3 of the Code: Disclosure on delegation of authority by board to board committees*

*Guideline 1.4 of the Code: Board to meet regularly*

## CORPORATE GOVERNANCE REPORT

<p>1.4 Matters which are specifically reserved to the board for approval are:</p> <ul style="list-style-type: none"> <li>(a) matters involving a conflict of interest for a substantial shareholder or a director;</li> <li>(b) material acquisitions and disposal of assets;</li> <li>(c) corporate or financial restructuring;</li> <li>(d) share issuances, dividends and other returns to shareholders;</li> <li>(e) matters which require board approval as specified under the Company's Interested Person Transactions policy; and</li> <li>(f) any investments or expenditures exceeding \$10 million in total.</li> </ul>	<p><i>Guideline 1.5 of the Code: Matters requiring board approval</i></p>
<p>1.5 SGX conducts a comprehensive orientation programme to familiarise new directors with SGX's business and governance practices. The aim of the orientation programme is to give directors a better understanding of SGX's businesses and allow them to assimilate into their new roles.</p>	<p><i>Guidelines 1.6 and 1.8 of the Code: Directors to receive appropriate training</i></p>
<p>1.6 Each director is provided with an annually updated manual containing board and Company 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. Directors are also informed of regulatory changes initiated by or affecting SGX. All directors are appointed to the board by way of a formal letter of appointment indicating the amount of time commitment required and the scope of duties.</p>	<p><i>Guideline 1.7 of the Code: Formal letter to be provided to directors, setting out duties and obligations</i></p>
<p>1.7 SGX has an on-going training budget for directors to receive further relevant training of their choice in connection with their duties. Relevant courses include programmes conducted by the Singapore Institute of Directors. Directors are also welcome to request further explanations, briefings or information on any aspect of SGX's operations or business issues from management.</p>	<p><i>Guidelines 1.6 and 1.8 of the Code: Directors to receive appropriate training</i></p>
<p>1.8 SGX regards the collective effort to assess the board, as detailed under paragraph 5.1, as an essential component of director development. It forms an active, on-the-job training session where directors have access to their own and management's comments on the board's effectiveness and benchmarking studies comparing board and governance practices of SGX with other listed companies. In addition, a strategy meeting is held for directors annually where experts conduct talks to update the board on trends in exchanges and other relevant topics.</p>	

**Principle 2: Board composition and balance**

There should be a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the board's decision-making.

- |     |   |  |
|-----|---|--|
| 2.1 | The board comprises 12 directors. The Chairman and the CEO are the only executive directors while the remaining 10 directors are non-executive and independent of SGX.  | <i>Guideline 2.1 of the Code: One-third of directors to be independent</i>           |
| 2.2 | The board considers that the present board size and number of committees facilitate effective decision-making and are appropriate for the nature and scope of SGX's operations. The board also considers that its directors possess the necessary competencies to lead and govern SGX effectively.  | <i>Guideline 2.3 of the Code: Board to determine its appropriate size</i>            |
| 2.3 | Each director has been appointed on the strength of his calibre, experience, grasp of corporate strategy and potential to contribute to SGX and its businesses. Individual directors' profiles can be found in the "Board of Directors" section of the Annual Report. Each of SGX's directors brings valuable insights from different perspectives vital to the strategic interests of SGX. | <i>Guideline 2.4 of the Code: Board to comprise directors with core competencies</i> |
| 2.4 | Once a year, a formal executive session is arranged for the non-executive directors (NEDs) to meet without the presence of management or executive directors to review any matters that must be raised privately. The session is chaired by the chairman of the NC who is also the Lead Independent Director.   | <i>Guidelines 2.5 and 2.6 of the Code: Role of NEDs and regular meetings of NEDs</i> |

**Principle 3: Chairman and CEO**

There should be a clear division of responsibilities at the top of the company – the working of the board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

- |     |  |   |
|-----|--|---|
| 3.1 | The roles of the Chairman and CEO are separate and their responsibilities are clearly defined to ensure a balance of power and authority within SGX.   | <i>Guideline 3.1 of the Code: Chairman and CEO should be separate persons</i> |
| 3.2 | 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. The Chairman approves the agendas for board and board committee meetings, and exercises control over the quality, quantity and timeliness of information flow between the board and management. | <i>Guideline 3.2 of the Code: Chairman's role</i>                             |

## CORPORATE GOVERNANCE REPORT

- 3.3 The CEO manages the businesses of the Company and implements the board's decisions. The CEO has appointed an Executive Committee (EXCO), comprising senior management executives, to assist him. The CEO is chairman of the EXCO. The CEO and the EXCO are responsible for the day-to-day operation and administration of SGX.
- 3.4 The board has appointed a Lead Independent Director (LID) in May 2006 to lead and co-ordinate the activities of the NEDs of SGX. The LID will, in particular, aid the NEDs to constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. The LID will co-ordinate informal sessions for the NEDs to meet.

*New guideline 3.3 of the Code: Appointment of LID where Chairman and CEO are executives*

### Principle 4: Board membership

There should be a formal and transparent process for the appointment of new directors to the board.

- 4.1 The NC's main role is to ensure a rigorous process of board appointments and re-appointments, the determination of independence of each director, and identification of new directors who have the appropriate knowledge, experience and skills to contribute effectively to the board. The NC also reviews the process of succession planning for the organisation.
- 4.2 The NC is chaired by Mr Low Check Kian, an independent NED. Mr Low is not associated with a substantial shareholder, thus complying with the new requirement in Guideline 4.1 of the Code. The NC comprises five directors, the majority of whom are independent.
- 4.3 The NC recommends all appointments and re-appointments of directors to the board and board committees. As an exchange holding company, all appointments and re-appointments to the board, the NC and the CC are subject to the approval of SGX's regulator, the Monetary Authority of Singapore (MAS).
- 4.4 The NC conducts an annual review of directors' independence. Based on the Code's criteria for independence, all the NEDs are independent.

*Guideline 4.1 of the Code: NC to recommend all board appointments*

*New guideline 4.1 of the Code: NC to comprise at least three directors, majority of whom are independent; chairman not associated with a substantial shareholder*

*Guideline 4.2 of the Code: NC responsible for re-nomination of directors*

*Guideline 4.4 of the Code: NC to determine directors' independence annually*



- 4.5 SGX is also required to comply with MAS' more stringent requirements of independence as set out in The Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005 (SFR 2005). SGX will have the requisite number of independent directors (as defined in the SFR 2005) sitting on the board and board committees after the 2006 Annual General Meeting (AGM), and well before the deadline of the 2007 AGM.
- 4.6 To be independent, a director must be non-executive, and independent of certain business and management relationships with SGX and its subsidiaries. A director cannot have connections with SGX member firms or related companies of SGX member firms to be deemed independent. The director must not be connected to any substantial shareholder of SGX. The NC has ascertained that a majority of the board are independent according to this standard.
- 4.7 As a matter of policy, NEDs are expected to serve for four to six years. The NC may recommend the extension of a director's service. The NC has considered and recommended the extension of the services of Mr Low Check Kian and Mr Ho Tian Yee, who have served for six years as directors.
- 4.8 The policy and procedures for the appointment of NEDs are posted on the SGX website, including a description on the search and nomination process.
- 4.9 SGX places importance on the board renewal process. Since SGX's listing in 2000, only three members of the original board remain.

*New guideline 4.5 of the Code: Description of process for selection and appointment of new directors to be disclosed*

#### **Principle 5: Board performance**

There should be a formal assessment of the effectiveness of the board as a whole and the contribution by each director to the effectiveness of the board.

- 5.1 For the fourth year running, SGX commissioned an independent consultant to conduct a formal and independent assessment of the functions and effectiveness of the board as a whole, based on evaluations by each director and EXCO member.

*Guideline 5.1 of the Code: Board to implement process to assess board performance and disclose the process in Annual Report*

## CORPORATE GOVERNANCE REPORT

- 5.2 The board performance targets include a measure aligned with shareholders' interests, such as total shareholder return (TSR), and a comparison of SGX's TSR against other exchanges, as well as a measure to capture its regulatory responsibilities as a SRO. The board is required to ensure that a proper balance is maintained between the commercial objectives and regulatory responsibilities of SGX.
- 5.3 There is an individual assessment of each NED's effective contribution by the Chairman, and the results of the assessment are discussed with the NC chairman. The criteria for assessment include attendance record, intensity of participation at meetings, the quality of interventions and special contributions.
- 5.4 The assessment of the Chairman's and the CEO's performance is undertaken by the RC and the results are reviewed by the board.

*Guideline 5.3 of the Code: Performance criteria should include company's share price performance and benchmark index of industry peers*

*New guideline 5.4 of the Code: There should be individual evaluation of directors' effective contributions*

### Principle 6: Access to information

In order to fulfil their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

- 6.1 Proposals to the board for decision or mandate sought by management are in the form of memos that give the facts, analysis, resources needed, expected outcomes, conclusions and recommendations. Board and board committee papers are distributed a week in advance of each meeting to directors. Staff who can provide additional insight into matters to be discussed will be present at the relevant time during the board and board committee meetings. Draft agendas for board and board committee meetings are circulated to EXCO and board committee members respectively, in advance, in order for them to add items to the agenda. Additionally, analyst reports on SGX are forwarded to the board every quarter in order for directors to keep abreast of analysts' views on SGX's performance.
- 6.2 Board interaction with, and independent access to, senior management is encouraged. SGX organises a directors' off-site with senior management annually. EXCO members attend board meetings. In addition, board members have the contact details of each EXCO member.
- 6.3 Directors have separate and independent access to the Company Secretary. The Company Secretary's role is to advise the board, through the Chairman, on all governance matters – ensuring that legal and regulatory requirements as well as board policies and procedures are complied with, and facilitating and organising directors' induction and training. The Company Secretary attends all board meetings.

*Guideline 6.1 of the Code: Management obliged to provide board with adequate and timely information*

*Guideline 6.2 of the Code: To include background and explanatory information*

*Guideline 6.1 of the Code: Board should have separate, independent access to senior management*

*Guideline 6.3 of the Code: Directors to have access to Company Secretary; role of Company Secretary to be clearly defined*

- 6.4 Where directors, whether individually or as a group, require independent professional advice in the furtherance of their duties, the Company Secretary will appoint a professional adviser with costs to be borne by SGX.

*Guideline 6.5 of the Code: Procedure for board to take independent professional advice at company's cost*

#### **Principle 7: Procedures for developing remuneration policies**

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

- 7.1 The RC reviews matters concerning board and CEO remuneration. The RC approves the framework of remuneration for the entire organisation, including the structuring of the long-term incentive plans. The RC also approves SGX's annual increment and variable bonus pools for distribution to employees of all grades.

- 7.2 Mr Ng Kee Choe, an independent director, chairs the RC. Mr Ng has many years of experience in senior management positions in a leading Singapore commercial bank, including dealing with remuneration issues. He has also chaired or sat on the remuneration committees of other listed companies. All RC members are non-executive. No RC member or any director is involved in deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

- 7.3 The NC, together with the RC chairman, reviews and recommends to the board the specific remuneration packages for executive directors and the CEO upon recruitment. Subsequently, annual increments, variable bonus, share performance grants and other incentive awards will be reviewed by the RC for recommendation to the board. The RC also reviews the remuneration of senior management annually. SGX's compensation philosophy is set out in the "Remuneration Report" section of the Annual Report.

- 7.4 The RC has access to appropriate advice from an expert human resource adviser who attends all RC meetings.

*New guideline 7.1 of the Code: RC to consist entirely of NEDs; majority, including RC chairman, must be independent*

*New guideline 7.2 of the Code: RC to recommend remuneration of directors and CEO, and to review remuneration of senior management*

*Guideline 7.3 of the Code: RC should seek expert advice, if necessary*

## CORPORATE GOVERNANCE REPORT

### Principle 8: Level and mix of remuneration

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

- 8.1 Both the CEO's and the Chairman's service contracts have a variable component linked to performance.

*Guideline 8.1 of the Code: Package should align executive directors' interests with shareholders' interests*

- 8.2 In FY2006, the RC commissioned a remuneration consultant to advise the RC on the appropriate level of remuneration for its NEDs, considering the contribution, effort, time spent and responsibilities of the NEDs. Based on the recommendations of the consultant, the framework for NED remuneration was revised and approved by the board.

*Guideline 8.2 of the Code: Remuneration to consider contribution, effort, time spent and responsibilities*

- 8.3 NEDs are remunerated under a framework of basic and attendance fees for serving on the board and board committees.

The parameters for directors' fees are as follows:

- (a) Basic fee – \$40,000 per annum;
- (b) Attendance fee – \$1,200 per meeting;
- (c) Committee fees as follows:
  - (i) AC chairman fee – \$20,000;
  - (ii) AC member fee – \$10,000;
  - (iii) Other committee chairman fee – \$15,000;
  - (iv) Other committee member fee – \$8,000.

- 8.4 Fees for NEDs are subject to the approval of shareholders at the AGM. Executive directors do not receive directors' fees. A breakdown of the fees payable to each director is given in the "Remuneration Report" section of the Annual Report.

- 8.5 NEDs are required to seek nomination and re-election at regular intervals. No compensation is payable for the early termination of a NED.

- 8.6 The CEO's fixed-term contract runs from 1 January 2005 to 31 December 2007. The CEO's compensation package and provisions for early termination were reviewed by the RC and board as provided for under Guideline 8.3 of the Code.

*Guideline 8.3 of the Code: Fixed appointment period for executive directors; RC to review compensation for early termination*

<p>8.7 The Chairman has a service contract for the duration of his appointment as a director. There are no compensation provisions for the termination of the Chairman's contract.</p> <p>8.8 The RC administers the SGX Performance Share Plan ("the Plan"). Details of the Plan, including awards made thereunder and the performance conditions for the vesting of the awards are found in the "Directors' Report" section of the Annual Report.</p>	<p><i>Guideline 8.6 of the Code: Notice period for service contract to be six months or less</i></p>
<p><b>Principle 9: Disclosure on remuneration</b> Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.</p>	
<p>9.1 Please refer to the "Remuneration Report" section of the Annual Report for disclosure of the remuneration of the executive directors and the EXCO.</p>	
<p><b>Principle 10: Accountability</b> The board should present a balanced and understandable assessment of the company's performance, position and prospects.</p>	
<p>10.1 The board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within 15 days of the end of the quarter. Annual results are released within 30 days of the financial year-end. In presenting SGX's 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.</p> <p>10.2 Management provides directors with a monthly financial management report which includes the monthly management accounts, other financial statements and an analysis of those accounts. The report is submitted within 30 days of the month-end.</p>	<p><i>Guideline 10.1 of the Code: Board's responsibility to provide balanced, understandable assessment of company's performance and position on interim basis</i></p> <p><i>Guideline 10.2 of the Code: Management should provide board with management accounts on a monthly basis</i></p>

## CORPORATE GOVERNANCE REPORT

### Principle 11: Audit Committee

The board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

11.1	The AC has written terms of reference that are approved by the board and clearly set out its responsibilities (see paragraph 11.5 below).	<i>Guideline 11 of the Code: Board to establish AC with written terms of reference</i>
11.2	The AC is chaired by Mr Ho Tian Yee and comprises six members, all of whom are independent NEDs based on the Code's criteria.	<i>Guideline 11.1 of the Code: AC should comprise at least three directors, all non-executives, and the majority of whom, including the chairman, are independent</i>
11.3	The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.	<i>Guideline 11.2 of the Code: Board to ensure AC members are qualified</i>
11.4	The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of, management and full discretion to invite any director or senior manager to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.	<i>Guideline 11.3 of the Code: AC to have explicit authority to investigate and have full access to management and reasonable resources</i>
11.5	<p>The responsibilities of the AC include:</p> <ul style="list-style-type: none"> <li>(a) to review and approve, on behalf of the board, the Company's financial statements for the first three quarters;</li> <li>(b) to review the fourth quarter and annual financial statements and to recommend them to the board for approval;</li> <li>(c) to review the scope and results of the external and internal audits, and to evaluate, with the assistance of internal and external auditors, the adequacy of the systems of internal and accounting controls, risk management and compliance;</li> <li>(d) to review the cost effectiveness of the external audit and, where the external auditors provide a substantial volume of non-audit services to the Company, to review the nature, extent and costs of such services so as to avoid an erosion of the independence and objectivity of the external auditors;</li> <li>(e) to recommend to the board the nomination of the external auditors and their compensation; and</li> <li>(f) to review the interested person transactions, and improper activities of the Company, if any.</li> </ul>	<p><i>Guideline 11.4 of the Code: Duties of AC</i></p> <p><i>Guideline 11.6 of the Code: AC to review independence of external auditors annually</i></p>

11.6	At least once a year, the AC meets with the internal and external auditors – without the presence of management – to review any matters that might be raised privately.	<i>Guideline 11.5 of the Code: AC to meet internal and external auditors, without presence of management, annually</i>
11.7	The AC meets at least four times a year with management, in the presence of internal and external auditors.	
11.8	SGX has in place a whistle-blowing framework where staff of the Company can access the AC chairman, Chairman, CEO, members of the EXCO, the Head of Internal Audit & Compliance and the Head of Human Resources to raise concerns about improprieties. Contact details of these persons have been made available to all staff.	<i>New guideline 11.7 of the Code: AC to review arrangements for staff to raise concerns/possible improprieties to AC</i>
11.9	In the review of the financial statements for the year ended 30 June 2006, the AC discussed with management and the external auditors the accounting principles that were applied and their judgement of items that might affect the financial statements. Based on the review and discussions, the AC is of the view that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects.	
11.10	The AC has received the requisite information from the external auditors evidencing the latter's independence. It has also reviewed the volume and nature of non-audit services provided by the external auditors during the current financial year. Based on this information, the AC is satisfied that the financial, professional and business relationships between the Company and the external auditors will not prejudice the independence and objectivity of the external auditors.	
11.11	The AC had conducted a Request for Proposal exercise during the financial year 2006 for the provision of statutory audit services. The proposals received were evaluated by a selection panel and a shortlist drawn up. The AC interviewed the shortlisted audit firms and decided to nominate for re-appointment, PricewaterhouseCoopers, as the Company's auditors for the financial year 2007.	

## CORPORATE GOVERNANCE REPORT

### Principle 12: Internal controls

The board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

- 12.1 SGX's control environment includes an organisational framework that sets out clearly the roles and responsibilities, reporting lines and delegated authorities of management and staff. The related policies and procedures are documented and disseminated to staff for their compliance. Staff are also made aware of the need to comply with SGX's core corporate values.
- 12.2 Internal and external auditors conduct regular reviews of the system of internal controls, and significant internal control weaknesses are brought to the attention of the AC and to senior management for remedial action. Additionally, the RMC would be notified of deficiencies in the risk management processes.
- 12.3 The Compliance function assists in maintaining a strong compliance culture in SGX, both in terms of regulations as well as SGX's compliance policies.
- 12.4 The RMC reviews and approves the appropriate risk appetite for SGX to achieve its business strategy. SGX has in place an enterprise-wide risk management framework to enhance its risk management capabilities. The key risks facing SGX have been identified and action plans have been put in place to attempt to mitigate these risks. Risks have been identified at the process levels and controls have been put in place to mitigate these risks. Additional controls will be implemented where necessary. Awareness and ownership of risks and controls by the relevant business and support functions are continuously instilled. SGX's Internal Audit (IA) function will perform independent reviews of the risks and controls identified to provide reasonable assurance to management and the AC that the risks and controls have been adequately addressed.
- 12.5 Based on the information provided to the AC, nothing has come to the AC's attention to cause the AC to believe that the system of internal controls and risk management is inadequate.

*Guideline 12.1 of the Code: AC to review adequacy of financial, operational and compliance controls and risk management policies*

### Principle 13: Internal audit

The company should establish an internal audit function that is independent of the activities it audits.

- 13.1 IA is an independent function within SGX which reports direct to the AC on audit matters, and to the CEO on administrative matters.

*Guideline 13.1 of the Code: IA to report to AC chairman, and to CEO administratively*



13.2	IA has adopted the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and has incorporated these standards into IA's audit practices.	<i>Guideline 13.2 of the Code: IA should meet standards set by internationally-recognised professional bodies</i>
13.3	IA operates within the framework stated in its Internal Audit Charter which is approved by the AC. Its mission is to provide independent, objective assurance and consulting services designed to add value and improve SGX's operations. It helps SGX achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.	
13.4	The AC is satisfied that IA has adequate resources to perform its functions, and has appropriate standing within SGX.	<i>Guideline 13.3 of the Code: AC to ensure IA is adequately resourced</i>
13.5	IA plans its internal audit schedules annually in consultation with, but independent of, management and its plan is submitted to and approved by the AC.	<i>Guideline 13.4 of the Code: AC to ensure adequacy of IA function annually</i>
13.6	Its plans are aligned to the business objectives of SGX. The audit scope is driven primarily from a risk-based audit approach, with audit resources being focused on higher risk assignments. IA also participates in major systems development activities as well as new products and services and outsourcing projects to evaluate the risks, and to ensure that adequate mitigating controls are in place.	
13.7	IA reports are distributed to the AC, management, the external auditors and MAS as and when issued. These reports are discussed with senior management periodically, and with the AC quarterly.	
13.8	IA works closely with the external auditors to discuss IA's audit scope and findings as well as to co-ordinate their specific audit efforts to achieve maximum synergies. IA also works closely with MAS and shares its findings with them.	
13.9	Supervisory reports issued by MAS, the external auditors and IA are actively followed up for implementation by management based on the agreed timelines.	

## CORPORATE GOVERNANCE REPORT

### Principle 14: Communication with shareholders

Companies should engage in regular, effective and fair communication with shareholders.

- 14.1 SGX adopts the practice of regularly communicating major developments in its businesses and operations through SGXNET and, where appropriate, also direct to shareholders, other investors, analysts, the media, the public and its employees.
- 14.2 SGX issues announcements and news releases on an immediate basis where required under the Listing Manual.
- 14.3 SGX does not practise selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released either before, or concurrently with, such meetings. All materials on SGX's quarterly financial results, and webcasts of SGX's half-year and full-year results briefings for analysts and media are available on the SGX website.
- 14.4 For details on SGX's communication with its shareholders, please refer to "Investor relations" in the "Operating and Financial Review" section of the Annual Report.

*Guideline 14.1 of the Code: Company to regularly convey pertinent information*

### Principle 15: Greater shareholder participation

Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

- 15.1 The Articles allow a shareholder to appoint up to two proxies to attend and vote in his place at general meetings. Prior to each AGM, a shareholders' forum is made available on the SGX website to facilitate communication between shareholders on matters that concern them.
- 15.2 The board and management are on hand at general meetings to address questions by shareholders. The external auditors are also present to assist the board.
- 15.3 While SGX does not have a specific limit in the Articles on the number of proxy votes for nominee companies, there is a limit for the number of proxies. This is because SGX does not want to create separate classes of rights in shareholders. Also, under current law, on a show of hands, only one vote is counted.

*Guideline 15.1 of the Code: Shareholders should be allowed to vote in absentia*

*Guideline 15.3 of the Code: Committee chairmen and external auditors to be present at AGMs*

*New guideline 15.4 of the Code: Companies encouraged to amend Articles to avoid imposing limit on number of proxies for nominee companies*

- 15.4 Additionally, all minutes of general meetings, and a summary of the questions and answers raised at general meetings are publicly available on the SGX website.

*Guideline 15.5 of the Code: Companies encouraged to prepare minutes and make minutes available to shareholders upon request*

## **16. Code on Share Dealing and Interested Person Transactions policy**

- 16.1 SGX has adopted internal codes which prohibit dealings in SGX's securities by directors and employees and their "connected persons" for a period of just over one month before the announcement of SGX's quarterly or half-yearly financial results. For year-end results, the period of prohibition is just over two months. Staff or their "connected persons" who want to trade securities of any company listed on SGX-ST must seek prior approval from management. The board and management believe that SGX has not only complied with the SGX-ST Best Practices Guide but with industry best practices.

## CORPORATE GOVERNANCE REPORT

### Meeting attendance report

Name of director	Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk Management Committee		Conflicts Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
J Y Pillay <sup>(1)</sup>	7	7	5*	3*	3	3	2	2	2	2	2*	2*
Hsieh Fu Hua <sup>(1)</sup>	7	7	5*	5*	3*	3*	2	2	2	2	2*	2*
Low Check Kian	7	7	–	–	3	3	2	2	–	–	2	2
Chew Choon Seng	7	6	–	–	–	–	2	2	–	–	–	–
Ho Tian Yee	7	4	5	5	3	2	–	–	2	2	–	–
Lee Hsien Yang	7	7	5	5	–	–	–	–	–	–	–	–
Loh Boon Chye	7	6	5	5	3	3	–	–	2	2	–	–
Olivia Lum Ooi Lin <sup>(2)</sup>	7	5	5	4	–	–	–	–	–	–	2	2
Ng Kee Choe	7	7	–	–	3	2	2	2	2	2	–	–
Robert Owen	7	5	–	–	–	–	–	–	2	1	2	2
Tang Wee Loke	7	5	5	5	–	–	–	–	–	–	–	–
Geoffrey Wong Ee Kay	7	6	5	4	–	–	2	1	–	–	–	–

\* By invitation.

<sup>(1)</sup> Resigned from the Remuneration Committee (RC) on 29 May 2006.

<sup>(2)</sup> Appointed to the RC on 29 May 2006. There were no RC meetings held between 29 May 2006 and 30 June 2006.

## 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 executive directors and senior management of the Group. The RC comprises the following SGX directors:

Ng Kee Choe (*Chairman*)  
Low Check Kian  
Chew Choon Seng  
Olivia Lum Ooi Lin  
Geoffrey Wong Ee Kay.

### Compensation philosophy

SGX adopts a pay-for-performance compensation philosophy that is built upon organisational and individual performances. For this purpose, both internal and external fairness are important in developing, administering and maintaining the reward programmes.

### Compensation mix

Our compensation framework is made up of four key components:

- Fixed pay;
- Short-term incentives;
- Long-term incentives; and
- Benefits.

#### *Fixed pay*

Fixed pay comprises a base salary, annual wage supplement (for non-executives only) and fixed allowances. Our guaranteed base is pegged to the 50th percentile of the reference market in the Singapore banking and financial services industry.

#### *Short-term incentives*

Short-term incentives take the form of an annual variable cash bonus. The variable bonus pool comprises two components:

- (i) a budgeted portion; and
- (ii) a funded portion, which is derived by taking a percentage of net profit before tax minus weighted average cost of capital multiplied by total shareholders' funds.

The allocation of the variable bonus is based on the individual performances of employees and their contributions towards the achievement of SGX's performance.

#### *Long-term incentives*

Following the adoption of the SGX Performance Share Plan at the Extraordinary General Meeting on 22 September 2005 (EGM 2005), the RC terminated the SGX Share Option Plan with regards to 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 SGX Share Option Plan.

## REMUNERATION REPORT

The SGX Performance Share Plan rewards the key senior management team in SGX. Executives at middle management levels and below who are not eligible for the SGX Performance Share Plan may be provided deferred long-term cash incentives on the basis of individual and SGX's performances.

### Benefits

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

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

The Plan is a share-based incentive scheme administered by the RC. It was approved at the EGM 2005 and has replaced the SGX Share Option Plan.

The Plan 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 to continue to strive for the Group's long-term prosperity.

Details of the Plan can be found in the "Directors' Report" section of the Annual Report.

### Disclosure on directors' remuneration (including executive directors)

The following table shows the gross remuneration (in terms of fixed pay, variable bonus and other benefits-in-kind) of the two executive directors and 10 non-executive directors of SGX for FY2006.

Executive director	Fixed pay \$	Variable bonus \$	Ex-gratia payment \$	Benefits-in-kind \$	Total \$
J Y Pillay	542,785	1,080,000	–	69,117	1,691,902
Hsieh Fu Hua	755,289	2,750,000	700,000 <sup>(1)</sup>	71,257	4,276,546

Non-executive director <sup>(2)</sup>	Directors' fees \$
Low Check Kian	87,800
Chew Choon Seng	57,600
Ho Tian Yee	91,600
Lee Hsien Yang	64,400
Loh Boon Chye	92,200
Olivia Lum Ooi Lin	79,200
Ng Kee Choe	86,600
Robert Owen	72,600
Tang Wee Loke	62,000
Geoffrey Wong Ee Kay	71,200
<b>Total</b>	<b>765,200</b>

<sup>(1)</sup> On 28 July 2005, Mr Hsieh Fu Hua waived his entitlement to two million SGX share options for the period from 29 February 2004 to 1 March 2005. The waiver was to have been taken into account through the grant of performance shares under the SGX Performance Share Plan. In lieu thereof, the RC decided to make in June 2006, and Mr Hsieh has agreed to accept, an ex-gratia payment. The payment is termed "ex-gratia" because the RC did not formally link the amount to any formula for determining the value of the performance shares forgone.

<sup>(2)</sup> The non-executive directors' fees are based on the framework of fees and the directors' "Meeting attendance report" found in the "Corporate Governance Report" section of the Annual Report. The total amount is subject to approval at the Annual General Meeting.

### Disclosure on executive remuneration

The following table shows the gross remuneration (in terms of fixed pay, variable bonus and other benefits-in-kind) received by the Executive Committee (EXCO) members of the Group in respect of the financial year ended 30 June 2006 in bands of \$150,000. Instead of only disclosing the remuneration of the top five executives, SGX has chosen to disclose the remuneration of all EXCO members.

Remuneration band <sup>(3)</sup> EXCO member (in alphabetical order)	Percentage distribution by:		
	Fixed pay %	Variable bonus <sup>(4)</sup> %	Benefits-in-kind %
<b>\$700,000 to \$849,999</b>			
Gan Seow Ann	49	50	1
Linus Koh Kia Meng	53	46	1
Seck Wai Kwong	53	46	1
Yeo Lian Sim	57	42	1
<b>\$550,000 to \$699,999</b>			
Chew Hong Gian	52	47	1
Daniel Tan Bak Hiang	56	43	1
<b>\$400,000 to \$549,999</b>			
—	—	—	—
<b>\$250,000 to \$399,999</b>			
Robert W van Zwieten <sup>(5)</sup>	62	0	38

<sup>(3)</sup> The remuneration band excludes performance shares granted.

<sup>(4)</sup> The variable bonuses disclosed are based on actual payments made in the financial year relating to the remuneration of the preceding year.

<sup>(5)</sup> Mr Robert W van Zwieten joined SGX on 1 January 2006. The pro-rated variable bonus will be paid only in September 2006.

S E T T I N G   T H E   P A C E

# Strong Shareholder RETURNS



“I am confident that SGX will continue to deliver a superior return on equity and long-term value for my investment.”

**Ms Ng Fong Keow**, *SGX retail shareholder since 2000*

## DIRECTORS' REPORT

for the financial year ended 30 June 2006

The directors present their report to the shareholders together with the audited financial statements of the Company ("SGX") and of the Group for the financial year ended 30 June 2006.

### Directors

The directors of the Company at the date of this report are:

J Y Pillay	(Chairman)
Hsieh Fu Hua	(Chief Executive Officer)
Low Check Kian	(Lead Independent Director)
Chew Choon Seng	
Ho Tian Yee	
Lee Hsien Yang	
Loh Boon Chye	
Olivia Lum Ooi Lin	
Ng Kee Choe	
Robert Owen	
Tang Wee Loke	
Geoffrey Wong Ee Kay	

### 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 is 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 share capital or debentures of the Company and related corporations, except as follows:

	Number of ordinary shares registered in name of director or nominee		Number of ordinary shares in which a director is deemed to have an interest	
	30.06.2006	01.07.2005	30.06.2006	01.07.2005
<u>The Company</u>				
J Y Pillay	-	-	262,000	262,000
Hsieh Fu Hua	-	-	800,000	800,000

## DIRECTORS' REPORT

for the financial year ended 30 June 2006

### Directors' interests in shares or debentures (continued)

- (b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in the options to subscribe for ordinary shares of the Company granted pursuant to the SGX Share Option Plan as set out below and in the paragraphs on "SGX Share Option Plan".

	Number of unissued ordinary shares under options held by a director	
	30.06.2006	01.07.2005
Hsieh Fu Hua	4,000,000	4,000,000

- (c) 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 2006.

### Directors' contractual benefits

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

### Share plans

The Company offers the following share plans to its employees:

- (a) SGX Share Option Plan
- (b) SGX Performance Share Plan

All share plans are administered by the Remuneration Committee which comprises the following SGX directors:

Ng Kee Choe (Chairman)  
Low Check Kian  
Chew Choon Seng  
Olivia Lum Ooi Lin  
Geoffrey Wong Ee Kay

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

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

## DIRECTORS' REPORT

for the financial year ended 30 June 2006

### Share plans (continued)

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

##### 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 Remuneration Committee from time to time. The subscription price of an option shall be equal to or higher than the Market Price.

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

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

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

## DIRECTORS' REPORT

for the financial year ended 30 June 2006

### Share plans (continued)

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

##### Unissued shares under options

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

Date of grant	Balance as at 01.07.2005 or date of grant, if later	Lapsed	Variation of exercise period*	Options exercised	Balance as at 30.06.2006	Number of option holders as at 30.06.2006	Exercise price**	Exercise period
20.11.2000	108,000	(2,000)	(4,000)	(26,000)	76,000	10	\$0.85	20.11.2002 to 20.11.2007
20.11.2000	-	-	2,000	(2,000)	-	-	\$0.85	05.10.2005 to 04.10.2006
20.11.2000	-	-	2,000	-	2,000	1	\$0.85	13.02.2006 to 20.11.2007
03.12.2001	542,000	(8,000)	(70,000)	(312,000)	152,000	24	\$0.94	03.12.2003 to 02.12.2008
03.12.2001	10,000	(8,000)	-	(2,000)	-	-	\$0.94	01.04.2005 to 30.03.2006
03.12.2001	-	-	16,000	(10,000)	6,000	2	\$0.94	01.10.2005 to 30.09.2006
03.12.2001	-	-	2,000	(2,000)	-	-	\$0.94	05.10.2005 to 04.12.2006
03.12.2001	-	-	52,000	-	52,000	2	\$0.94	13.02.2006 to 02.12.2008
15.01.2002	175,000	-	-	-	175,000	1	\$1.00	16.01.2004 to 15.01.2009
01.10.2002	2,448,000	(2,000)	(28,000)	(1,140,000)	1,278,000	37	\$0.90	01.10.2004 to 30.09.2009
01.10.2002	2,000	-	-	(2,000)	-	-	\$0.90	01.04.2005 to 30.03.2006
01.10.2002	6,000	(6,000)	-	-	-	-	\$0.90	02.10.2004 to 01.10.2005
01.10.2002	-	-	22,000	(16,000)	6,000	1	\$0.90	01.10.2005 to 30.09.2006
01.10.2002	-	-	4,000	(4,000)	-	-	\$0.90	05.10.2005 to 04.10.2006
01.10.2002	-	-	2,000	-	2,000	1	\$0.90	13.02.2006 to 30.09.2009
27.01.2004	16,257,400	(198,600)	(1,126,500)	(4,695,900)	10,236,400	169	\$1.70	27.01.2006 to 26.01.2011
27.01.2004	305,000	-	-	(305,000)	-	-	\$1.70	28.01.2004 to 27.01.2006
27.01.2004	175,000	-	-	-	175,000	1	\$1.70	28.01.2004 to 27.01.2009
27.01.2004	27,000	(5,000)	(4,000)	(18,000)	-	-	\$1.70	01.04.2005 to 30.03.2006
27.01.2004	2,000	-	-	(2,000)	-	-	\$1.70	22.06.2005 to 21.06.2006
27.01.2004	230,700	(2,700)	2,000	(230,000)	-	-	\$1.70	01.07.2005 to 30.06.2006
27.01.2004	-	-	166,800	(140,900)	25,900	3	\$1.70	01.10.2005 to 30.09.2006
27.01.2004	-	-	17,900	(15,900)	2,000	1	\$1.70	05.10.2005 to 04.10.2006
27.01.2004	-	-	63,000	(63,000)	-	-	\$1.70	26.10.2005 to 25.10.2006
27.01.2004	-	-	186,000	(186,000)	-	-	\$1.70	01.11.2005 to 31.10.2006

## DIRECTORS' REPORT

for the financial year ended 30 June 2006

### Share plans (continued)

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

##### Unissued shares under options (continued)

Date of grant	Balance as at 01.07.2005 or date of grant, if later	Lapsed	Variation of exercise period*	Options exercised	Balance as at 30.06.2006	Number of option holders as at 30.06.2006	Exercise price**	Exercise period
27.01.2004	-	-	121,000	(121,000)	-	-	\$1.70	01.01.2006 to 31.12.2006
27.01.2004	-	-	573,800	(476,300)	97,500	9	\$1.70	13.02.2006 to 01.11.2009
01.11.2004	10,121,900	(611,400)	(498,900)	-	9,011,600	253	\$1.60	02.11.2006 to 01.11.2011
01.11.2004	7,500	(7,500)	-	-	-	-	\$1.60	01.04.2005 to 30.03.2006
01.11.2004	103,700	(700)	-	(103,000)	-	-	\$1.60	01.07.2005 to 30.06.2006
01.11.2004	-	-	31,200	(7,800)	23,400	3	\$1.60	01.10.2005 to 30.09.2006
01.11.2004	-	-	3,900	(3,900)	-	-	\$1.60	05.10.2005 to 04.10.2006
01.11.2004	-	-	153,000	(88,000)	65,000	1	\$1.60	01.11.2005 to 30.10.2006
01.11.2004	-	-	310,800	-	310,800	19	\$1.60	02.11.2006 to 01.11.2009
	<b>30,521,200</b>	<b>(851,900)</b>	<b>-</b>	<b>(7,972,700)</b>	<b>21,696,600</b>			

\* The variations of exercise periods for these options had been approved by the Remuneration Committee as provided for under the Scheme.

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

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 2006, executives and employees, including executive directors, who have been granted 5% or more of the total options available under the Scheme are as follows:

Options granted on 27.01.2004 (exercisable from 27.01.2006 to 26.01.2011) to Chief Executive Officer, Hsieh Fu Hua	Number of shares under options
Options granted for financial year ended 30.06.2006	-
Aggregate options granted since commencement of the Scheme to 30.06.2006	4,000,000
Aggregate options exercised since commencement of the Scheme to 30.06.2006	-
Aggregate options outstanding as at 30.06.2006	<u>4,000,000</u>

## DIRECTORS' REPORT

for the financial year ended 30 June 2006

### Share plans (continued)

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

The Plan was approved at the EGM 2005 and is an extension of our "pay-for-performance" philosophy. It recognises and rewards past contributions and services, and motivates key senior management to ensure the long-term success of the Company and to enhance returns for our shareholders. In addition, it seeks to give them an ownership stake in the long-term growth and success of the Company.

#### Share award grant and vesting

The Remuneration Committee has approved the inaugural awards of performance shares for a two-year period. For this grant, attainment of an average return on equity ("ROE") of 25% for the two-year period is the performance condition for vesting.

The vesting schedule for the Financial Year 2006 inaugural grant is as follows:

ROE	Percentage of performance shares to be vested
Below 25%	Nil
At 25%	100%
Above 25% and up to 35%	Additional 5% payout for each incremental ROE of 1%
At 35% or more	150%

The number of SGX shares to be allocated to each Participant (as defined under the Plan) is conditional upon the level of attainment of certain performance conditions over the stipulated period up to the vesting date. 50% of performance shares granted will vest on 30 June 2007 and the final 50% will vest on 30 June 2008.

#### 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 date of award.

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

#### Eligibility

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

The Remuneration Committee may determine to grant a reward, wholly or partly, in the form of 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.

A Participant's entitlement to the awards granted under the Plan will lapse upon cessation of the Participant's service.

## DIRECTORS' REPORT

for the financial year ended 30 June 2006

### Share plans (continued)

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

##### Financial Year 2006 Grant

During the financial year, a tranche of the Plan for Financial Year 2006 was granted on 30 June 2006 to eligible Group Employees. Subject to the terms and conditions of the Plan, the number of performance shares awarded, vested and cancelled during the financial year are as follows:

Participants (as defined under the Plan)	Shares granted during financial year <sup>(1)</sup> (at 100%) <sup>(2)</sup>	Shares cancelled during financial year	Shares released during financial year	Balance as at 30.06.2006	Vesting date 30.06.2007	Vesting date 30.06.2008
<b>Directors' interests</b>						
Hsieh Fu Hua <sup>(3)</sup>	440,000	-	-	440,000	220,000	220,000
<b>EXCO members</b>						
Gan Seow Ann <sup>(3)</sup>	160,000	-	-	160,000	80,000	80,000
Seck Wai Kwong <sup>(3)</sup>	160,000	-	-	160,000	80,000	80,000
Linus Koh Kia Meng <sup>(3)</sup>	120,000	-	-	120,000	60,000	60,000
Yeo Lian Sim <sup>(3)</sup>	120,000	-	-	120,000	60,000	60,000
Daniel Tan Bak Hiang <sup>(3)</sup>	100,000	-	-	100,000	50,000	50,000
Chew Hong Gian	85,000	-	-	85,000	42,500	42,500
Robert W van Zwieten	35,000	-	-	35,000	17,500	17,500
<b>Other selected staff</b>	530,000	-	-	530,000	265,000	265,000
	<b>1,750,000</b>	<b>-</b>	<b>-</b>	<b>1,750,000</b>	<b>875,000</b>	<b>875,000</b>

<sup>(1)</sup> Although the grant date of the performance shares was 30 June 2006, the Participants were awarded and notified of their entitlements under the performance share grant on 24 July 2006.

<sup>(2)</sup> The number of shares represents the shares required if Participants are awarded at 100% of the grant. However, the shares awarded at the vesting date could range from 100% to 150%, depending on the level of achievement against the performance condition. There shall be no award if the achievement falls below the performance condition.

<sup>(3)</sup> Received more than 5% of the total grants available.

Based on current estimates, the Financial Year 2006 grant will reduce the Group and Company net profit after tax by approximately \$5,644,000 and \$1,887,000 in the financial year ending 30 June 2007 and 30 June 2008 respectively. Concurrently, the share-based payment reserve will increase by the same amount. However, the disclosed financial impact may not be representative of future disclosures of the financial impact of performance shares granted, as the final number of shares to be vested may differ from current estimates.

No shares were granted to Associated Company Employees (as defined under the Plan) since the commencement of the Plan.



## **DIRECTORS' REPORT**

for the financial year ended 30 June 2006

### **Audit Committee**

The Audit Committee comprises the following independent non-executive directors:

Ho Tian Yee (Chairman)  
Lee Hsien Yang  
Loh Boon Chye  
Olivia Lum Ooi Lin  
Tang Wee Loke  
Geoffrey Wong Ee Kay

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

There are, however, additional requirements on directors' independence set out in The Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005. Based on the criteria set out in this regulation, Loh Boon Chye, Tang Wee Loke and Geoffrey Wong Ee Kay had been ascertained by the Nomination Committee as non-independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, including a review of the financial statements of the Company and of the Group for the financial year and the auditors' report thereon.

The Audit Committee has undertaken a review of the non-audit services provided by the auditors and in the opinion of the Audit Committee these services would not affect the independence of the auditors.

The Audit Committee has conducted a Request for Proposal for the provision of statutory audit services resulting in proposals received from several audit firms. The Audit Committee decided to nominate PricewaterhouseCoopers for re-appointment as the Company's auditors for financial year 2007. This re-appointment will be put to shareholders' approval at the forthcoming Annual General Meeting.

### **Auditors**

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors



**J Y Pillay**  
Director



**Hsieh Fu Hua**  
Director

27 July 2006

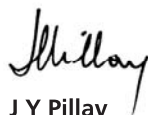
## STATEMENT BY DIRECTORS

for the financial year ended 30 June 2006

In the opinion of the directors,

- (a) the income statement, balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 98 to 155 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 2006, of the results of the business and changes in equity of the Company and of the Group for the financial year then ended, and of the cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors



**J Y Pillay**  
Director



**Hsieh Fu Hua**  
Director

27 July 2006

## AUDITORS' REPORT TO THE SHAREHOLDERS OF SINGAPORE EXCHANGE LIMITED

We have audited the accompanying financial statements of Singapore Exchange Limited set out on pages 98 to 155, for the financial year ended 30 June 2006, comprising the income statement, balance sheet and statement of changes in equity of the Company, and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's directors. 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 plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2006, the results and changes in equity of the Company and of the Group for the financial year ended on that date, and of the cash flows of the Group for the financial year ended on that date, and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



**PricewaterhouseCoopers**  
Certified Public Accountants

Singapore, 27 July 2006

## BALANCE SHEETS

as at 30 June 2006

		The Group		The Company	
		2006	2005	2006	2005
	Note	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	4	245,978	117,882	99,222	6,353
Trade and other receivables	5	289,961	490,763	6,488	3,349
Financial assets at fair value through profit or loss	6	151,862	152,236	-	-
Securities clearing funds	7	36,666	36,201	-	-
		724,467	797,082	105,710	9,702
<b>Non-current assets</b>					
Property, plant and equipment	8	202,173	209,229	23,614	29,365
Software	9	26,002	19,485	1,683	1,556
Club memberships		407	582	407	582
Investments in subsidiaries	10	-	-	581,381	581,381
Investments in joint ventures	11	4,228	177	-	-
Deferred tax assets	15	-	2,287	-	-
		232,810	231,760	607,085	612,884
<b>Total assets</b>		957,277	1,028,842	712,795	622,586
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	12	296,006	490,627	166,769	172,720
Derivative financial instruments	13	117	1,170	117	1,170
Finance lease liabilities	14	2,525	2,004	-	-
Taxation	15	51,821	37,050	7,190	6,688
Provisions	16	4,649	8,144	1,090	3,762
Securities clearing funds - members' contributions	7	11,666	11,201	-	-
		366,784	550,196	175,166	184,340
<b>Non-current liabilities</b>					
Finance lease liabilities	14	1,184	2,778	-	-
Deferred tax liabilities	15	2,450	1,299	428	355
		3,634	4,077	428	355
<b>Total liabilities</b>		370,418	554,273	175,594	184,695
<b>Net assets</b>		586,859	474,569	537,201	437,891
<b>Equity</b>					
<b>Capital and reserves attributable to the Company's equity holders</b>					
Share capital	17	378,452	10,421	378,452	10,421
Share premium		-	353,012	-	353,012
Securities clearing funds reserve	7	25,000	25,000	-	-
Share-based payment reserve		8,243	6,694	8,243	6,694
Retained profits		52,308	34,633	27,650	22,955
Proposed dividends	23	122,856	44,809	122,856	44,809
<b>Total equity</b>		586,859	474,569	537,201	437,891

The accompanying notes form an integral part of these financial statements.  
Auditors' Report – Page 97.

## INCOME STATEMENTS

for the financial year ended 30 June 2006

	Note	The Group		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Operating revenue</b>					
Securities clearing fees		138,804	95,870	-	-
Securities related processing fees		32,963	24,285	7,776	5,827
Access fees		36,706	23,514	-	-
Net derivatives clearing revenue		95,576	49,615	-	-
Account maintenance and corporate action fees		22,346	18,951	1,060	723
Terminal and connection fees		13,677	10,837	-	-
Listing and membership fees		33,088	22,426	-	-
Price information fees		19,143	15,821	-	-
Sale of software and other computer services		7,466	7,014	2,069	1,819
Management fees from subsidiaries		-	-	87,314	67,563
Dividends from subsidiaries		-	-	180,565	328,200
Others		7,791	6,381	2,367	2,203
<b>Total operating revenue</b>		<b>407,560</b>	<b>274,714</b>	<b>281,151</b>	<b>406,335</b>
<b>Operating expenses</b>					
Staff costs	21	82,693	63,861	60,096	43,125
Occupancy costs		12,239	16,007	8,844	10,608
System maintenance and rental		28,666	17,963	6,124	3,818
Depreciation and amortisation		14,259	15,213	6,955	7,730
Provision for surplus leased premises	16(c)	(2,685)	(2,915)	(2,151)	(2,242)
Finance charges		148	107	1	-
Net write-off/impairment of property, plant and equipment and software		4,865	-	-	-
Others	18	43,467	32,876	17,473	15,506
<b>Total operating expenses</b>		<b>183,652</b>	<b>143,112</b>	<b>97,342</b>	<b>78,545</b>
<b>Profit/(loss) from operating activities</b>	19	<b>223,908</b>	<b>131,602</b>	<b>183,809</b>	<b>327,790</b>
<b>Other gains/(losses)</b>	20	<b>13,171</b>	<b>3,026</b>	<b>8,175</b>	<b>3,750</b>
<b>Profit/(loss) before tax and share of results of joint ventures</b>		<b>237,079</b>	<b>134,628</b>	<b>191,984</b>	<b>331,540</b>
Share of results of joint ventures	11	(949)	(27)	-	-
<b>Profit/(loss) before tax</b>		<b>236,130</b>	<b>134,601</b>	<b>191,984</b>	<b>331,540</b>
Tax	15	(48,516)	(30,242)	(17,350)	(65,588)
<b>Net profit after tax</b>		<b>187,614</b>	<b>104,359</b>	<b>174,634</b>	<b>265,952</b>
Attributable to:					
Equity holders of the Company		187,614	104,366	174,634	265,952
Minority interests		-	(7)	-	-
		<b>187,614</b>	<b>104,359</b>	<b>174,634</b>	<b>265,952</b>
<b>Earnings per share based on net profit attributable to the equity holders of the Company (in cents per share)</b>					
- Basic	22	<b>17.96</b>	10.09		
- Diluted	22	<b>17.78</b>	10.05		

The accompanying notes form an integral part of these financial statements.  
Auditors' Report – Page 97.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2006

### The Group

		Attributable to equity holders of the Company							
Note	Share capital	Share premium*	Securities clearing funds reserve*	Cash flow hedge reserve*	Share-based payment reserve*	Retained profits	Proposed dividends	Minority interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2005</b>									
As previously reported	10,421	353,012	25,000	-	-	41,327	44,809	-	474,569
- Effect of adoption of FRS 102	3.2	-	-	-	6,694	(6,694)	-	-	-
- As restated	10,421	353,012	25,000	-	6,694	34,633	44,809	-	474,569
Net profit for the financial year	-	-	-	-	-	187,614	-	-	187,614
<b>Total recognised gains for the financial year</b>	-	-	-	-	-	187,614	-	-	187,614
Dividends paid									
- Final dividends - Financial year 2005	-	-	-	-	-	-	(44,839)	-	(44,839)
- Underprovision of final dividends - Financial year 2005	-	-	-	-	-	(30)	30	-	-
- Interim dividends - Financial year 2006	-	-	-	-	-	(47,025)	-	-	(47,025)
- Underprovision of interim dividends - Financial year 2006	-	-	-	-	-	(28)	-	-	(28)
Proposed dividends									
- Final dividends - Financial year 2006	23	-	-	-	-	(122,856)	122,856	-	-
Effect of Companies (Amendment) Act 2005	17	354,643	(354,643)	-	-	-	-	-	-
Issue of ordinary shares	17	13,388	1,631	-	(2,687)	-	-	-	12,332
Employee share plan									
- value of employee services	-	-	-	-	4,236	-	-	-	4,236
<b>Balance at 30 June 2006</b>	<b>378,452</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>8,243</b>	<b>52,308</b>	<b>122,856</b>	<b>-</b>	<b>586,859</b>

\* These non-distributable reserves are not available for distribution as cash dividends to the shareholders of the Company.

The accompanying notes form an integral part of these financial statements.  
Auditors' Report – Page 97.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2006

### The Group (continued)

Note	Attributable to equity holders of the Company								Total
	Share capital	Share premium*	Securities clearing funds reserve*	Cash flow hedge reserve*	Share-based payment reserve*	Retained profits	Proposed dividends	Minority interests	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2004</b>									
As previously reported	10,294	340,844	25,000	612	-	176,609	87,089	-	640,448
- Effect of adoption of FRS 102	-	-	-	-	1,598	(1,598)	-	570	570
- As restated	10,294	340,844	25,000	612	1,598	175,011	87,089	570	641,018
<b>Net profit</b>									
As previously reported	-	-	-	-	-	109,462	-	(570)	108,892
- Effect of adoption of FRS 102	-	-	-	-	-	(5,096)	-	-	(5,096)
- As restated	-	-	-	-	-	104,366	-	(570)	103,796
Currency exchange loss	-	-	-	196	-	-	-	-	196
Transfer to income statement	-	-	-	(808)	-	-	-	-	(808)
<b>Total recognised gains for the financial year</b>	-	-	-	(612)	-	104,366	-	(570)	103,184
<b>Dividends paid</b>									
- Final dividends - Financial year 2004	-	-	-	-	-	-	(87,221)	-	(87,221)
- Underprovision of final dividends - Financial year 2004	-	-	-	-	-	(132)	132	-	-
- Interim dividends - Financial year 2005	23	-	-	-	-	(43,583)	-	-	(43,583)
- Interim special dividends - Financial year 2005	23	-	-	-	-	(156,220)	-	-	(156,220)
<b>Proposed dividends</b>									
- Final dividends - Financial year 2005	23	-	-	-	-	(44,809)	44,809	-	-
Issue of ordinary shares	17	127	12,168	-	-	-	-	-	12,295
Employee share option scheme									
- value of employee services	-	-	-	-	5,096	-	-	-	5,096
<b>Balance at 30 June 2005</b>	<b>10,421</b>	<b>353,012</b>	<b>25,000</b>	<b>-</b>	<b>6,694</b>	<b>34,633</b>	<b>44,809</b>	<b>-</b>	<b>474,569</b>

\* These non-distributable reserves are not available for distribution as cash dividends to the shareholders of the Company.

The accompanying notes form an integral part of these financial statements.  
Auditors' Report – Page 97.

## STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2006

### The Company

	Note	Share capital \$'000	Share premium* \$'000	Share-based payment reserve* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
<b>Balance at 1 July 2005</b>							
As previously reported		10,421	353,012	-	29,649	44,809	437,891
- Effect of adoption of FRS 102	3.2	-	-	6,694	(6,694)	-	-
- As restated		10,421	353,012	6,694	22,955	44,809	437,891
<b>Total recognised gains for the financial year - net profit</b>		-	-	-	174,634	-	174,634
Dividends paid							
- Final dividends - Financial year 2005		-	-	-	-	(44,839)	(44,839)
- Underprovision of final dividends - Financial year 2005		-	-	-	(30)	30	-
- Interim dividends - Financial year 2006		-	-	-	(47,025)	-	(47,025)
- Underprovision of interim dividends - Financial year 2006		-	-	-	(28)	-	(28)
Proposed dividends							
- Final dividends - Financial year 2006	23	-	-	-	(122,856)	122,856	-
Effect of Companies (Amendment) Act 2005	17	354,643	(354,643)	-	-	-	-
Issue of ordinary shares	17	13,388	1,631	(2,687)	-	-	12,332
Employee share plan - value of employee services		-	-	4,236	-	-	4,236
<b>Balance at 30 June 2006</b>		<b>378,452</b>	<b>-</b>	<b>8,243</b>	<b>27,650</b>	<b>122,856</b>	<b>537,201</b>
<b>Balance at 1 July 2004</b>							
As previously reported		10,294	340,844	-	3,345	87,089	441,572
- Effect of adoption of FRS 102		-	-	1,598	(1,598)	-	-
- As restated		10,294	340,844	1,598	1,747	87,089	441,572
Net profit							
As previously reported		-	-	-	271,048	-	271,048
- Effect of adoption of FRS 102		-	-	-	(5,096)	-	(5,096)
- As restated		-	-	-	265,952	-	265,952
<b>Total recognised gains for the financial year - net profit</b>		-	-	-	265,952	-	265,952
Dividends paid							
- Final dividends - Financial year 2004		-	-	-	-	(87,221)	(87,221)
- Interim dividends - Financial year 2005	23	-	-	-	(43,583)	-	(43,583)
- Interim special dividends - Financial year 2005	23	-	-	-	(156,220)	-	(156,220)
- Underprovision of final dividends - Financial year 2004		-	-	-	(132)	132	-
Proposed dividends							
- Final dividends - Financial year 2005	23	-	-	-	(44,809)	44,809	-
Issue of ordinary shares	17	127	12,168	-	-	-	12,295
Employee share plan - value of employee services		-	-	5,096	-	-	5,096
<b>Balance at 30 June 2005</b>		<b>10,421</b>	<b>353,012</b>	<b>6,694</b>	<b>22,955</b>	<b>44,809</b>	<b>437,891</b>

\* These non-distributable reserves are not available for distribution as cash dividends to the shareholders of the Company.

The accompanying notes form an integral part of these financial statements.  
Auditors' Report – Page 97.



## CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 30 June 2006

	Note	2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax and share of results of joint ventures		237,079	134,628
Adjustments for:			
- Depreciation and amortisation		14,259	15,213
- Net write-off/impairment of property, plant and equipment and software		4,865	-
- Disposal of club membership		175	-
- Net (gain)/loss on financial assets at fair value through profit or loss		(8,923)	(642)
- Net (gain)/loss on disposal of property, plant and equipment and software		49	59
- Net (gain)/loss on disposal of financial assets at fair value through profit or loss		(1,546)	170
- Provision for surplus leased premises		(2,685)	(2,915)
- Share-based payment expense		4,236	5,096
- Finance charges		148	107
- Interest income		(5,208)	(3,901)
Operating cash flow before working capital change		242,449	147,815
Change in operating assets and liabilities			
- Trade and other receivables		211,547	(206,916)
- Trade and other payables		(196,484)	195,509
Cash generated from operations		257,512	136,408
Income tax paid		(30,307)	(35,621)
<b>Net cash provided by operating activities</b>		227,205	100,787
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and software		(18,473)	(16,013)
Proceeds from disposal of property, plant and equipment and software		145	1,018
Purchases of financial assets at fair value through profit or loss		(77,015)	(154,661)
Interest received		4,817	3,865
Investment in joint venture		(5,000)	-
Acquisition of shares from minority shareholders		-	(565)
Proceeds from sale/redemption of financial assets at fair value through profit or loss		77,505	7,328
<b>Net cash used in investing activities</b>		(18,021)	(159,028)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		12,332	12,295
Dividends paid	32	(91,892)	(287,024)
Repayment of lease liabilities		(1,380)	(1,292)
Finance charges		(148)	(107)
<b>Net cash used in financing activities</b>		(81,088)	(276,128)
<b>Net increase/(decrease) in cash and cash equivalents held</b>		128,096	(334,369)
Cash and cash equivalents at the beginning of the financial year		117,882	452,251
<b>Cash and cash equivalents at the end of the financial year</b>	4	245,978	117,882

The accompanying notes form an integral part of these financial statements.  
Auditors' Report – Page 97.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. General

The Company is incorporated and domiciled in Singapore. On 23 November 2000, the Company was admitted to the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the registered office is:

2 Shenton Way  
#19-00 SGX Centre 1  
Singapore 068804

The principal activities of the Company are those of investment holding, treasury management, provision of management and administrative services to related corporations, provision of securities related processing services and sale of software and other computer 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.

### 2. Significant accounting policies

#### (a) Basis of preparation

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. The preparation of financial statements in conformity with Singapore Financial Reporting Standards ("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.

From 1 July 2005, 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 2006. 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 FRS and INT FRS that are relevant to the Group:

FRS 1 (revised 2004)	Presentation of Financial Statements
FRS 8 (revised 2004)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised 2004)	Events after the Balance Sheet Date
FRS 16 (revised 2004)	Property, Plant and Equipment
FRS 17 (revised 2004)	Leases
FRS 21 (revised 2004)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised 2004)	Related Party Disclosures
FRS 27 (revised 2004)	Consolidated and Separate Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (a) Basis of preparation (continued)

FRS 31 (revised 2004)	Interests in Joint Ventures
FRS 32 (revised 2004)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised 2004)	Earnings per Share
FRS 36 (revised 2004)	Impairment of Assets
FRS 38 (revised 2004)	Intangible Assets
FRS 39 (revised 2004)	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment
FRS 103	Business Combinations
INT FRS 101	Changes in Existing Decommissioning, Restoration and Similar Liabilities
Amendments to INT FRS 12	Consolidation - Special Purpose Entities

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies except as disclosed in Note 3.

#### (b) Group accounting

##### (1) *Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated unless losses cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (b) Group accounting (continued)

##### (1) *Subsidiaries* (continued)

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities, at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess losses applicable to the minority are attributable to the equity holders of the Company, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are attributable to the equity holders of the Company until the minority's share of losses previously absorbed by the equity holders of the Company has been recovered.

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

##### (2) *Joint ventures*

Joint ventures are those equity investments in companies, in which the Group has a long-term interest and has, by way of contractual arrangements, joint control in the companies' operational and financial affairs.

Joint ventures are accounted for under the equity method whereby the Group's share of profit or losses of joint ventures is included in the consolidated income statement and the Group's share of net assets or liabilities is included in the consolidated balance sheet. 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(f) for the Company's accounting policy on investments in joint ventures.

##### (3) *Transaction costs*

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (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 ("the functional currency"). The presentation currency of consolidated financial statements is Singapore Dollars, which is the Company's functional currency.

##### (2) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Foreign currency monetary assets and liabilities are translated into functional currency at the rates of exchange prevailing at the balance sheet date. Currency translation differences arising are recognised in the income statement.

##### (3) *Hedging*

Foreign exchange derivative instruments (mainly forward foreign exchange contracts) undertaken to hedge against foreign currencies denominated investments are accounted for as fair value hedges whereby the changes in the fair values of both the hedging derivatives and the hedged items attributable to the hedged risk are recognised in the income statement.

Foreign exchange derivative instruments undertaken to hedge against highly probable forecasted transactions in foreign currencies are accounted for as cash flow hedges. The effective portion of the change in the fair value of the hedging instrument that is designated and qualified as a cash flow hedge is recognised in a cash flow hedge reserve. The amount in this reserve is transferred to either the cost of the hedged non-monetary asset upon acquisition or the income statement when the hedged operating expenses are incurred.

The gain or loss relating to the ineffective portion of the hedging instruments as well as any derivative instrument that does not qualify for hedge accounting is recognised immediately in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (d) 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 established 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. The amount of the allowance is recognised in the income statement.

#### (e) Financial assets at fair value through profit or loss

Investments, which are designated as financial assets at fair value through profit or loss at inception, are initially recognised at fair value 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 investments have expired or all risks and rewards of ownership has been transferred. Changes in the fair value of the investments are included in the income statement. The fair values of quoted investments in an active market are based on bid prices at the balance sheet date. For investments in managed funds that are not quoted in an active market, the Group establishes their fair value by using the net asset value of the managed funds as advised by external fund administrators.

#### (f) Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. Impairment losses are recognised in the income statement in the year in which it is determined.

On disposal of an investment, the difference between the net proceeds and its carrying amount is recognised in the income statement.

Please refer to Note 2(r) for the Company's accounting policy on impairment of investments in subsidiaries and joint ventures.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (g) Property, plant and equipment

##### (1) *Land and buildings*

Land and buildings are initially recorded at cost. Freehold land are subsequently stated at cost less accumulated impairment losses (Note 2(r)). Buildings and leasehold land are subsequently stated at cost less accumulated depreciation and accumulated impairment losses (Note 2(r)).

##### (2) *Other property, plant and equipment*

All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (Note 2(r)).

##### (3) *Component of costs*

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is required to be incurred for the purpose of acquiring and using the asset.

##### (4) *Depreciation of property, plant and equipment*

No depreciation is provided on freehold land and work-in-progress.

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives as follows:

Leasehold land	Remaining term of the lease from date of occupation ranging from 26 to 99 years
Freehold and leasehold buildings	Lower of 30 to 50 years or remaining lease period
Leasehold improvements	Lower of 5 years or remaining lease period
Furniture, fittings and office equipment	3 to 10 years
Computer hardware	3 to 7 years
Motor vehicles	4 years

Fully depreciated assets still in use are retained in the financial statements.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year end.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (g) Property, plant and equipment (continued)

##### (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 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. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

##### (6) *Disposal*

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

#### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks.

#### (i) Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

#### (j) 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.

##### *Surplus leased premises*

Provision is made for surplus leased premises which are currently leased under non-cancellable operating leases and are expected to be sublet for lower rentals than it is presently obliged to pay under the existing lease.

The provision is calculated on the basis of the amount which the Group has to pay to the landlord less any rental expected to be received from subletting the surplus leased premises.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (k) 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.

#### (l) Revenue recognition

Revenue is recognised on the following basis:

- (i) clearing fees and related income, net of rebates, on a due date basis;
- (ii) listing and membership fees, terminal and connection fees and rental income on a time proportion basis;
- (iii) access, price information and processing fees, account maintenance and corporate action fees, sale of software and other computer services and other income, 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 income statement in the financial year in which a dividend is declared; and
- (vi) management fees, when the services are rendered.

#### (m) Deferred income taxes

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. Currently enacted tax rates are used in the determination of deferred income tax.

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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (n) Leases

##### (1) *Where a group company is the lessee:*

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased property or the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of return on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance charge is charged to the income statements over the lease period. Plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset.

Operating lease payments are recognised in the income statement 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.

#### (o) Government grants

Grants from the government are recognised at their fair value when there is a 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (p) Employee benefits

##### *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.

##### *Employment benefits*

The Group makes legally required contributions to the Central Provident Fund. The Group's obligation, in regard to the defined contribution plan, is limited to the amount it contributes to the Fund. The expenses are disclosed under employees' remuneration (Note 21).

##### *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 expense in the income statement 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 expense 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 are credited to share capital when the options are exercised.

#### (ii) *Performance shares*

The fair value of the employee services received in exchange for the grant of the performance shares is recognised as share-based payment expense in the income statement 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 performance shares on grant date and the expected number of performance shares to be vested on vesting date.

The expected number of performance shares to be vested varies with non-market conditions. Any changes to the expected number of shares to be vested will entail a corresponding adjustment to the share-based payment expense and share-based payment reserve. The Company assesses this change at the end of each financial reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (q) Intangible assets

##### *Software*

Costs that are directly associated with identifiable software controlled by the Group and 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 as incurred.

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use of the software. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Computer software costs and acquired computer software licences are stated at cost less accumulated amortisation and accumulated impairment losses (Note 2(r)). These costs are amortised using the straight-line method over their estimated useful lives, a period of not exceeding 7 years. Where an indication of impairment exists, the carrying cost is assessed and written down immediately to its recoverable amount.

The amortisation period and amortisation method of the software are reviewed at least at each financial year end. The effects of any revision of the amortisation period or amortisation method are included in the income statement for the period in which the changes arise.

#### (r) Impairment of non-financial assets

Assets including property, plant and equipment, other intangible assets and investments in subsidiaries 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.

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, recoverable amount is determined for the cash-generating units to which the asset belongs. A cash-generating unit 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.

The impairment is recognised in the income statement.

#### (s) Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 2. Significant accounting policies (continued)

#### (t) Financial instruments

##### *Forward foreign exchange contracts*

Forward foreign exchange contracts are used to hedge the Group's exposure to foreign currency risks. The fair values of the forward foreign exchange contracts are recognised in the financial statements. The fair value of foreign currency purchased or sold is based on the quoted bid price or offer price respectively at the financial reporting date. The notional principal amounts of the forward foreign exchange contracts are recorded as off-balance sheet items.

### 3. Effects on financial statements on adoption of new or revised FRS

#### 3.1 FRS 16 (revised 2004) *Property, Plant and Equipment*

##### *Depreciable amount*

Previously, in accordance with the requirements of FRS 16 (now superseded by FRS 16 (revised 2004)), residual values were estimated only at the date of acquisition and not subsequently adjusted for changes in price.

In accordance with the requirements of FRS 16 (revised 2004) which requires the re-measurement of the residual value of an item of property, plant and equipment at least at each financial year end, the Group has re-measured the residual value of its property, plant and equipment on 1 July 2005 and 30 June 2006.

This change did not materially affect the financial statements for the years ended 30 June 2005 and 30 June 2006.

#### 3.2 FRS 102 *Share-based Payment*

Previously, the granting of share options to employees did not result in any charge in the income statement. The Group and Company recognised an increase in share capital and share premium when the options were exercised. On adoption of FRS 102, an expense for employee services is recognised in the income statement for share options issued with a corresponding increase in the share-based payment reserve (Note 2(p)).

This change was effected retrospectively for share options issued after 22 November 2002 and not yet vested by 1 July 2005. Consequently, the following previously reported balances as at/for the year ended 30 June 2005 were adjusted.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 3. Effects on financial statements on adoption of new or revised FRS (continued)

#### 3.2 FRS 102 *Share-based Payment* (continued)

	The Group and The Company \$'000
Increase/(decrease) in:	
Retained profits	(6,694)
Share-based payment reserve	6,694
Staff costs	5,096
Net profit after tax	(5,096)
Basic earnings per share (\$ per share)	(0.49)
Diluted earnings per share (\$ per share)	(0.48)

The effects on the balance sheet as at 30 June 2006 and income statement for the year ended 30 June 2006 are as follows:

	The Group and The Company \$'000
Increase/(decrease) in:	
Retained profits	(10,930)
Share-based payment reserve	10,930
Staff costs	4,236
Net profit after tax	(4,236)
Basic earnings per share (\$ per share)	(0.41)
Diluted earnings per share (\$ per share)	(0.40)

### 4. Cash and cash equivalents

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash at bank and on hand	53,928	39,832	10,222	6,353
Fixed deposits with banks	192,050	78,050	89,000	-
	245,978	117,882	99,222	6,353

The carrying amounts of cash and cash equivalents approximate their fair value.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 4. Cash and cash equivalents (continued)

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore dollar	<b>239,257</b>	108,109	<b>98,772</b>	6,153
United States dollar	<b>6,206</b>	6,092	<b>450</b>	200
Euro	<b>91</b>	3,178	-	-
Others	<b>424</b>	503	-	-
	<b>245,978</b>	117,882	<b>99,222</b>	6,353

Fixed deposits which are denominated in Singapore dollar have the following average maturity from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2006	2005	2006	2005
Average maturity (days)	<b>3.8</b>	29	<b>3</b>	-
Effective weighted average interest rate (% per annum)	<b>3.19</b>	1.93	<b>3.19</b>	-

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 31(ii).

### 5. Trade and other receivables

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade receivables (net) (Note (a))	<b>272,366</b>	481,328	<b>1,712</b>	1,114
Other receivables (Note (b))	<b>17,595</b>	9,435	<b>4,776</b>	2,235
	<b>289,961</b>	490,763	<b>6,488</b>	3,349

#### (a) Trade receivables comprise:

Receivables from clearing members:

- Daily settlements of accounts for due contracts and rights	<b>223,568</b>	445,645	-	-
- Clearing and other fees	<b>24,768</b>	16,920	-	-
Other trade receivables	<b>24,713</b>	19,404	<b>1,755</b>	1,114
	<b>273,049</b>	481,969	<b>1,755</b>	1,114
Less: Allowance for impairment of trade receivables	<b>(683)</b>	(641)	<b>(43)</b>	-
	<b>272,366</b>	481,328	<b>1,712</b>	1,114

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 5. Trade and other receivables (continued)

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(b) Other receivables comprise:				
Interest receivable	6,932	3,143	218	-
Prepayments	5,795	2,517	3,039	712
Deposits	2,173	2,268	1,348	1,392
Staff advances	193	312	71	127
Others (non-trade)	2,502	1,195	100	4
	<b>17,595</b>	<b>9,435</b>	<b>4,776</b>	<b>2,235</b>

Trade and other receivables are carried at their fair value.

The weighted average effective interest rate for staff advances is 4% (2005: 4%).

### (c) Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore dollar	231,723	373,506	6,153	3,054
United States dollar	56,647	112,286	335	295
Others	1,591	4,971	-	-
	<b>289,961</b>	<b>490,763</b>	<b>6,488</b>	<b>3,349</b>

### 6. Financial assets at fair value through profit or loss

	The Group	
	2006 \$'000	2005 \$'000
Managed funds, at fair value	<b>151,862</b>	152,236

### 7. Securities clearing funds

	The Group	
	2006 \$'000	2005 \$'000
Cash at bank - contributed by		
CDP clearing members	11,246	10,781
OCC clearing members	420	420
	<b>11,666</b>	11,201
CDP	25,000	25,000
	<b>36,666</b>	36,201
Contributions by CDP clearing members in the form of bank guarantees	<b>7,250</b>	6,850



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 7. Securities clearing funds (continued)

As at 30 June 2006, all cash contributions which are denominated in Singapore dollar are placed in interest bearing accounts with banks.

The bank guarantees are not included in the Group's balance sheet.

The corresponding liabilities to clearing members for their cash contributions are recorded as current liabilities of the Group.

The corresponding reserve for the contributions by CDP is recorded as securities clearing funds reserve.

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 obligations and liabilities of defaulting clearing members arising from transactions in approved securities and options.

#### (a) CDP Clearing Fund

CDP has prescribed that the fund size will be \$160 million. CDP has contributed \$25 million in cash to the Clearing Fund. Clearing members of the securities exchange are required to contribute a total of at least \$15 million in cash, acceptable assets or an equivalent amount in the form of bank guarantees, each member's contribution being in proportion to their market share. CDP has also purchased \$45 million insurance cover and has provided from its own resources standby credit amounting to \$75 million to support the Clearing Fund.

Payments out of the CDP Clearing Fund shall be made in the following order:

- (i) Contributions by defaulting clearing members
- (ii) Contributions of CDP
- (iii) Contributions by all other clearing members on pro rata basis in the proportion of each clearing member's turnover to the total turnover of all clearing members at that point of default
- (iv) Insurance
- (v) Standby line of credit provided by CDP

#### (b) OCC Clearing Fund

Each clearing member is required to contribute a base deposit of an initial amount of \$30,000 in cash to the Clearing Fund. In addition to the base deposit, each clearing member shall be liable to contribute a variable deposit which shall be based upon the amount of business transacted or cleared by the clearing member. The clearing member's clearing fund total deposit shall consist of the aggregate amount of the base and variable deposit paid by the clearing member.

Payments out of the OCC Clearing Fund shall be made in the following order:

- (i) Total deposits of defaulting clearing members
- (ii) Base deposits of all other clearing members on a pro rata basis
- (iii) Insurance

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 8. Property, plant and equipment

	Freehold land	Freehold buildings	Leasehold land and buildings	Leasehold improvements	Furniture, fittings and office equipment	Computer hardware	Motor vehicles	Work-in- progress(a)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Group</b>									
<b>Cost</b>									
At 1 July 2005	17,478	8,261	214,784	37,026	6,635	84,904	533	12,983	382,604
Reclassification	-	-	-	-	24	483	-	(507)	-
Additions	-	-	-	-	146	1,208	-	3,425	4,779
Disposals	-	-	-	-	(162)	(1,356)	(1)	(33)	(1,552)
Write-off	-	-	-	(143)	(2,157)	(904)	-	(729)	(3,933)
At 30 June 2006	17,478	8,261	214,784	36,883	4,486	84,335	532	15,139	381,898
<b>Accumulated depreciation</b>									
At 1 July 2005	-	2,713	9,171	26,656	5,140	79,388	11	-	123,079
Depreciation charge	-	265	2,217	5,376	519	2,514	132	-	11,023
Disposals	-	-	-	-	(126)	(1,343)	-	-	(1,469)
Write-off	-	-	-	(52)	(2,043)	(813)	-	-	(2,908)
At 30 June 2006	-	2,978	11,388	31,980	3,490	79,746	143	-	129,725
<b>Accumulated impairment charge</b>									
At 1 July 2005	5,000	-	45,000	90	115	91	-	-	50,296
Write-off	-	-	-	(90)	(115)	(91)	-	-	(296)
At 30 June 2006	5,000	-	45,000	-	-	-	-	-	50,000
<b>Net book value</b>									
<b>At 30 June 2006</b>	<b>12,478</b>	<b>5,283</b>	<b>158,396</b>	<b>4,903</b>	<b>996</b>	<b>4,589</b>	<b>389</b>	<b>15,139</b>	<b>202,173</b>
<b>Cost</b>									
At 1 July 2004	17,478	8,261	214,784	36,750	5,539	81,452	734	9,047	374,045
Reclassification	-	-	-	2,090	1,050	1,656	-	(4,796)	-
Additions	-	-	-	15	50	2,989	523	8,742	12,319
Disposals	-	-	-	(1,829)	(4)	(1,193)	(724)	(10)	(3,760)
At 30 June 2005	17,478	8,261	214,784	37,026	6,635	84,904	533	12,983	382,604
<b>Accumulated depreciation</b>									
At 1 July 2004	-	2,448	6,954	22,078	4,579	77,497	727	-	114,283
Depreciation charge	-	265	2,217	5,584	566	2,855	8	-	11,495
Disposals	-	-	-	(1,006)	(5)	(964)	(724)	-	(2,699)
At 30 June 2005	-	2,713	9,171	26,656	5,140	79,388	11	-	123,079
<b>Accumulated impairment charge</b>									
At 1 July 2004 and 30 June 2005	5,000	-	45,000	90	115	91	-	-	50,296
<b>Net book value</b>									
<b>At 30 June 2005</b>	<b>12,478</b>	<b>5,548</b>	<b>160,613</b>	<b>10,280</b>	<b>1,380</b>	<b>5,425</b>	<b>522</b>	<b>12,983</b>	<b>209,229</b>

(a) Work-in-progress comprises mainly system infrastructure under development.

The carrying amount of work-in-progress held under finance leases at 30 June 2006 amounted to \$6,978,000 (2005: \$6,074,000).

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 8. Property, plant and equipment (continued)

	Freehold land	Freehold buildings	Leasehold improvements	Furniture, fittings and office equipment	Computer hardware	Motor vehicles	Work-in- progress(a)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Company</b>								
<i>Cost</i>								
At 1 July 2005	17,478	8,261	31,263	967	19,023	533	158	77,683
Additions	-	-	-	21	287	-	148	456
Intercompany transfer	-	-	-	5	262	-	(223)	44
Disposals	-	-	-	(96)	(775)	(1)	-	(872)
At 30 June 2006	17,478	8,261	31,263	897	18,797	532	83	77,311
<i>Accumulated depreciation</i>								
At 1 July 2005	-	2,713	21,538	773	18,283	11	-	43,318
Depreciation charge	-	265	5,161	83	524	132	-	6,165
Intercompany transfer	-	-	-	-	81	-	-	81
Disposals	-	-	-	(94)	(773)	-	-	(867)
At 30 June 2006	-	2,978	26,699	762	18,115	143	-	48,697
<i>Accumulated impairment charge</i>								
At 1 July 2005 and 30 June 2006	5,000	-	-	-	-	-	-	5,000
<b>Net book value</b>								
<b>At 30 June 2006</b>	<b>12,478</b>	<b>5,283</b>	<b>4,564</b>	<b>135</b>	<b>682</b>	<b>389</b>	<b>83</b>	<b>23,614</b>
<i>Cost</i>								
At 1 July 2004	17,478	8,261	31,060	898	19,275	734	2,265	79,971
Reclassification	-	-	2,017	30	162	-	(2,209)	-
Additions	-	-	15	45	292	523	172	1,047
Intercompany transfer	-	-	-	(2)	3	-	(60)	(59)
Disposals	-	-	(1,829)	(4)	(709)	(724)	(10)	(3,276)
At 30 June 2005	17,478	8,261	31,263	967	19,023	533	158	77,683
<i>Accumulated depreciation</i>								
At 1 July 2004	-	2,448	17,175	681	18,082	727	-	39,113
Depreciation charge	-	265	5,369	97	748	8	-	6,487
Intercompany transfer	-	-	-	(1)	2	-	-	1
Disposals	-	-	(1,006)	(4)	(549)	(724)	-	(2,283)
At 30 June 2005	-	2,713	21,538	773	18,283	11	-	43,318
<i>Accumulated impairment charge</i>								
At 1 July 2004 and 30 June 2005	5,000	-	-	-	-	-	-	5,000
<b>Net book value</b>								
<b>At 30 June 2005</b>	<b>12,478</b>	<b>5,548</b>	<b>9,725</b>	<b>194</b>	<b>740</b>	<b>522</b>	<b>158</b>	<b>29,365</b>

(a) Work-in-progress comprises mainly system infrastructure under development.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 8. Property, plant and equipment (continued)

The properties owned by the Group which are used for its operations and staff recreation are as follows:

Brief description	Tenure	Net book value as at 30 June 2006 \$'000
Office building complex, SGX Centre, Singapore	99 years lease commencing from 13.11.1995	158,082
Industrial building, located at 18 New Industrial Road, Singapore	Freehold	17,761
Villa at Bintan Lagoon Golf and Beach Resort, Indonesia	26 years lease commencing from 14.06.1996	314

### 9. Software

	Software \$'000	Work-in-progress software \$'000	Total \$'000
<b>The Group</b>			
<i>Cost</i>			
At 1 July 2005	30,954	9,046	40,000
Reclassification	2,104	(2,104)	-
Additions	188	13,812	14,000
Disposals	(82)	(30)	(112)
Write-off	(96)	(4,136)	(4,232)
At 30 June 2006	33,068	16,588	49,656
<i>Accumulated amortisation</i>			
At 1 July 2005	20,456	-	20,456
Amortisation charge	3,236	-	3,236
Disposals	(1)	-	(1)
Write-off	(37)	-	(37)
At 30 June 2006	23,654	-	23,654
<i>Accumulated impairment charge</i>			
At 1 July 2005	59	-	59
Write-off	(59)	-	(59)
At 30 June 2006	-	-	-
<b>Net book value</b>			
<b>At 30 June 2006</b>	<b>9,414</b>	<b>16,588</b>	<b>26,002</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 9. Software (continued)

	Software	Work-in-progress software	Total
	\$'000	\$'000	\$'000
<b><u>The Group</u></b>			
<i>Cost</i>			
At 1 July 2004	20,071	10,179	30,250
Reclassification	10,568	(10,568)	-
Additions	333	9,435	9,768
Disposals	(18)	-	(18)
At 30 June 2005	30,954	9,046	40,000
<i>Accumulated amortisation</i>			
At 1 July 2004	16,740	-	16,740
Amortisation charge	3,718	-	3,718
Disposals	(2)	-	(2)
At 30 June 2005	20,456	-	20,456
<i>Accumulated impairment charge</i>			
At 1 July 2004 and 30 June 2005	59	-	59
<i>Net book value</i>			
At 30 June 2005	10,439	9,046	19,485
<b><u>The Company</u></b>			
<i>Cost</i>			
At 1 July 2005	7,409	534	7,943
Reclassification	1,139	(1,139)	-
Additions	72	1,018	1,090
Intercompany transfer	-	(94)	(94)
Disposals	(80)	-	(80)
At 30 June 2006	8,540	319	8,859
<i>Accumulated amortisation</i>			
At 1 July 2005	6,387	-	6,387
Amortisation charge	789	-	789
At 30 June 2006	7,176	-	7,176
<i>Net book value</i>			
At 30 June 2006	1,364	319	1,683

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 9. Software (continued)

	Software	Work-in-progress software	Total
	\$'000	\$'000	\$'000
<b><u>The Company</u></b>			
<i>Cost</i>			
At 1 July 2004	6,286	1,318	7,604
Reclassification	852	(852)	-
Additions	271	106	377
Intercompany transfer	-	(38)	(38)
Disposals	-	-	-
At 30 June 2005	7,409	534	7,943
<i>Accumulated amortisation</i>			
At 1 July 2004	5,144	-	5,144
Amortisation charge	1,243	-	1,243
At 30 June 2005	6,387	-	6,387
<i>Net book value</i>			
At 30 June 2005	1,022	534	1,556

### 10. Investments in subsidiaries

	The Company	
	2006 \$'000	2005 \$'000
Investments at cost	581,381	581,381

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 10. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Note	Principal activities	Country of business and incorporation	Equity held by			
				The Company		Subsidiaries	
				2006 %	2005 %	2006 %	2005 %
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	-	-
Singapore Exchange Derivatives Clearing Limited	(a)	Providing clearing, counterparty guarantee and related services for derivatives transactions	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 IT Solutions Pte Limited	(a)	Providing computer services and maintenance, and software maintenance	Singapore	100	100	-	-
Macronet Information Pte Ltd	(a)	Providing corporate share registration and custody-related services	Singapore	-	-	100	100
Options Clearing Company (Pte) Limited	(a)	Providing facilities for the registration of options and the maintenance of margin for the options relating to securities	Singapore	-	-	100	100
SGX America Ltd	(b)	Inactive	United States of America	-	-	100	100
Asia Converge Pte Ltd	(a)	Inactive	Singapore	-	-	100	100
SGXLink Pte Ltd	(a)	Facilitating cross-border linkage trade of selected securities listed on Singapore Exchange Securities Trading Limited and Australian Stock Exchange Limited	Singapore	100	100	-	-
Securities Clearing and Computer Services (Pte) Limited	(a)	Dormant	Singapore	100	100	-	-
CDP Nominees Pte Ltd	(a)	Dormant	Singapore	-	-	100	100
CDP Nominees (II) Pte Ltd	(a)	Dormant	Singapore	-	-	100	100
Asiaclear Pte Ltd	(a)	Dormant	Singapore	-	-	100	100
Globalclear Pte Ltd	(a)	Dormant	Singapore	-	-	100	100
SGX Investment (Mauritius) Limited	(c)	Investment holding	Mauritius	100	100	-	-

(a) Audited by PricewaterhouseCoopers, Singapore.

(b) Not required to be audited in the United States of America.

(c) Audited by PricewaterhouseCoopers, Mauritius.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 11. Investments in joint ventures

	The Group	
	2006 \$'000	2005 \$'000
Investments at cost	5,940	940
Share of results	(1,712)	(763)
	<b>4,228</b>	<b>177</b>

Name of joint ventures	Principal activities	Country of business and incorporation	Equity holding	
			2006 %	2005 %
American Stock Exchange - SGX Pte Ltd	Promote the listing and trading of exchange traded funds	Singapore	50	50
Joint Asian Derivatives Pte. Ltd.	Business management and consultancy services	Singapore	50	-

The following amounts represent the Group's 50% share of the assets and liabilities and results of the joint ventures which have been equity accounted for in the consolidated balance sheet and income statement:

	The Group	
	2006 \$'000	2005 \$'000
Assets:		
Current assets	4,617	195
Non-current assets	-	-
	<b>4,617</b>	<b>195</b>
Liabilities:		
Current liabilities	389	18
Non-current liabilities	-	-
	<b>389</b>	<b>18</b>
Net assets	<b>4,228</b>	<b>177</b>
Revenue	-	-
Expenses	949	27
Profit before tax	(949)	(27)
Tax	-	-
Profit after tax	<b>(949)</b>	<b>(27)</b>
Operating cash inflows/(outflows)	(582)	(38)
Financing cash inflows/(outflows)	5,000	-
Total cash inflows/(outflows)	<b>4,418</b>	<b>(38)</b>
Capital commitments in relation to interest in joint ventures	-	-
Proportionate interest in joint ventures' commitments	-	-



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 12. Trade and other payables

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade payables (Note (a))	<b>239,396</b>	454,895	-	-
Other payables (Note (b))	<b>56,610</b>	35,732	<b>34,050</b>	19,694
Amount due to subsidiaries (non-trade) (Note (c))	-	-	<b>132,719</b>	153,026
	<b>296,006</b>	490,627	<b>166,769</b>	172,720
(a) Trade payables comprise:				
Payables to clearing members				
- daily settlements of accounts for due contracts and rights	<b>223,568</b>	445,645	-	-
Other trade payables	<b>15,828</b>	9,250	-	-
	<b>239,396</b>	454,895	-	-
(b) Other payables comprise:				
Accrual for operating expenses	<b>11,494</b>	8,797	<b>7,949</b>	5,933
Accrual for bonus	<b>33,030</b>	17,997	<b>24,611</b>	12,369
Central Provident Fund payable	<b>704</b>	838	<b>416</b>	515
Interest payable to members	<b>5,868</b>	2,753	-	-
Advance receipts	<b>3,271</b>	4,023	<b>19</b>	35
Others (non-trade)	<b>2,243</b>	1,324	<b>1,055</b>	842
	<b>56,610</b>	35,732	<b>34,050</b>	19,694

(c) Amount due to subsidiaries is unsecured, non-interest bearing and repayable on demand.

(d) The carrying amounts of current trade and other payables approximate their fair values.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore dollar	<b>247,912</b>	378,309	<b>166,526</b>	172,573
United States dollar	<b>46,379</b>	107,300	<b>243</b>	123
Others	<b>1,715</b>	5,018	-	24
	<b>296,006</b>	490,627	<b>166,769</b>	172,720

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 13. Derivative financial instruments

The table below sets out the notional principal amounts of the outstanding forward foreign exchange contracts of the Group and the Company, and their corresponding fair values at the balance sheet date:

	Notional principal		Financial assets at fair value		Financial liabilities at fair value	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
United States Dollar	<b>153,623</b>	150,633	-	-	<b>117</b>	1,170

The fair values of forward foreign exchange contracts have been calculated using the rates quoted by the Group's bankers to terminate the contracts at the balance sheet date.

At 30 June 2006, the settlement dates on forward foreign exchange contracts range between 1 and 3 months.

### 14. Finance lease liabilities

	The Group	
	2006 \$'000	2005 \$'000
Current	<b>2,525</b>	2,004
Non-current	<b>1,184</b>	2,778
	<b>3,709</b>	4,782

The weighted average effective interest rate of finance lease liabilities is 3% (2005: 3%).

	The Group	
	2006 \$'000	2005 \$'000
Minimum lease payments due:		
- not later than one year	<b>2,602</b>	2,120
- later than one year but not later than five years	<b>1,199</b>	2,840
	<b>3,801</b>	4,960
Less: Future finance charges	<b>(92)</b>	(178)
Present value of finance lease liabilities	<b>3,709</b>	4,782

The present value of finance lease liabilities may be analysed as follows:

	The Group	
	2006 \$'000	2005 \$'000
Not later than one year	<b>2,525</b>	2,004
Later than one year but not later than five years	<b>1,184</b>	2,778
	<b>3,709</b>	4,782

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 15. Income taxes

#### (a) Income tax expense

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Tax expense attributable to profit is made up of:				
- current income tax	<b>45,178</b>	28,624	<b>17,278</b>	65,740
- deferred income tax	<b>3,438</b>	1,318	<b>72</b>	(152)
	<b>48,616</b>	29,942	<b>17,350</b>	65,588
Under/(over) provision in preceding financial years:				
- current income tax	<b>(100)</b>	300	-	-
	<b>48,516</b>	30,242	<b>17,350</b>	65,588

#### (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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Profit before tax and share of results of joint ventures	<b>237,079</b>	134,628	<b>191,984</b>	331,540
Tax calculated at a tax rate of 20% (2005: 20%)	<b>47,416</b>	26,926	<b>38,397</b>	66,308
Tax effect of:				
Different tax rates in other countries	<b>(79)</b>	(175)	-	-
Singapore statutory income exemption	<b>(66)</b>	(66)	<b>(11)</b>	(11)
Income not subject to tax	<b>(2,179)</b>	(54)	<b>(22,000)</b>	(3,785)
Expenses not deductible for tax purposes	<b>3,524</b>	3,311	<b>964</b>	3,076
	<b>48,616</b>	29,942	<b>17,350</b>	65,588

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 15. Income taxes (continued)

#### (c) Movements in provision for tax

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at the beginning of the financial year	37,050	43,747	6,688	10,923
Income tax (paid)/recovered	(30,307)	(35,621)	(16,776)	(69,975)
Tax expense on profit for the financial year	45,178	28,624	17,278	65,740
Under/(over) provision in preceding financial years	(100)	300	-	-
Balance at the end of the financial year	51,821	37,050	7,190	6,688

#### (d) Deferred income tax

The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred tax assets:				
- to be recovered within 12 months	-	(1,192)	-	-
- to be recovered after more than 12 months	-	(1,095)	-	-
	-	(2,287)	-	-
Deferred tax liabilities:				
- to be settled within 12 months	718	813	270	324
- to be settled after more than 12 months	1,732	486	158	31
	2,450	1,299	428	355
	2,450	(988)	428	355

The movement in the gross deferred tax assets and liabilities during the financial year is as follows:

#### The Group - deferred tax liabilities

	Accelerated tax depreciation	
	2006 \$'000	2005 \$'000
Balance at the beginning of the financial year	1,299	1,230
Charged/(credited) to income statement	1,151	69
Balance at the end of the financial year	2,450	1,299

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 15. Income taxes (continued)

#### (d) Deferred income tax (continued)

##### The Group - deferred tax assets

	Capital allowances \$'000
<b>2006</b>	
Balance at the beginning of the financial year	(2,287)
Charged/(credited) to income statement	2,287
Balance at the end of the financial year	-
<b>2005</b>	
Balance at the beginning of the financial year	(3,536)
Charged/(credited) to income statement	1,249
Balance at the end of the financial year	(2,287)

##### The Company - deferred tax liabilities

	Accelerated tax depreciation	
	2006 \$'000	2005 \$'000
<b>2006</b>		
Balance at the beginning of the financial year	355	507
Charged/(credited) to income statement	73	(152)
Balance at the end of the financial year	428	355

Deferred tax assets have not been recognised in respect of the following items:

	The Group	
	2006 \$'000	2005 \$'000
Tax losses	15,463	15,407
Unutilised wear and tear allowances	615	615

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The tax losses and unutilised wear and tear allowances are subject to the relevant provisions of the Singapore Income Tax Act and confirmation by the tax authorities.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 16. Provisions

#### (a) Current

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Provision for SGX-MAS Market Development Scheme	2,965	3,059	-	-
Provision for surplus leased premises	-	2,685	-	2,151
Provision for unutilised leave	1,684	2,400	1,090	1,611
	<b>4,649</b>	<b>8,144</b>	<b>1,090</b>	<b>3,762</b>

#### (b) Movements in provision for SGX-MAS Market Development Scheme are as follows:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at the beginning of the financial year	3,059	3,750	-	-
Utilisation of provision	(94)	(691)	-	-
Balance at the end of the financial year	<b>2,965</b>	<b>3,059</b>	<b>-</b>	<b>-</b>

#### (c) Movements in provision for surplus leased premises are as follows:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at the beginning of the financial year	2,685	5,600	2,151	4,393
Utilisation of provision	(2,685)	(2,915)	(2,151)	(2,242)
Balance at the end of the financial year	<b>-</b>	<b>2,685</b>	<b>-</b>	<b>2,151</b>

#### (d) Movements in provision for unutilised leave are as follows:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at the beginning of the financial year	2,400	2,100	1,611	1,295
Write-back during the financial year	(716)	-	(521)	-
Provision made during the financial year	-	300	-	316
Balance at the end of the financial year	<b>1,684</b>	<b>2,400</b>	<b>1,090</b>	<b>1,611</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 17. Share capital of Singapore Exchange Limited

	The Company		The Company	
	2006 Number of shares '000	2005 Number of shares '000	2006 Paid-up share capital \$'000	2005 Paid-up share capital \$'000
Balance at the beginning of the financial year	1,042,078	1,029,422	10,421	10,294
Issue of shares under employee share option plans	7,973	12,656	13,388	127
Effect of Companies (Amendment) Act 2005*	-	-	354,643	-
Balance at the end of the financial year	1,050,051	1,042,078	378,452	10,421

\* Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital are abolished. The amount in the share premium account as of 30 January 2006 became part of the Company's share capital.

#### (a) Share options

##### (i) Outstanding options

Share options are granted to executive directors and employees.

At the EGM on 22 September 2005 ("EGM 2005"), the Remuneration Committee terminated the SGX Share Option Plan ("the Scheme"), with regards to grant of further options, following the adoption of the SGX Performance Share Plan. However, options granted and outstanding prior to the aforesaid termination will continue to be valid and be subject to the terms and conditions of the Scheme.

Upon the aforesaid termination, no options were granted to the Group Employees under the Scheme during the financial year.

Movements in the number of unissued ordinary shares under options which are outstanding at the balance sheet date are as follows:

	The Group and The Company	
	2006	2005
Balance at the beginning of the financial year	30,521,200	34,989,500
Granted	-	10,552,900
Exercised	(7,972,700)	(12,656,000)
Lapsed	(851,900)	(2,365,200)
Balance at the end of the financial year	21,696,600	30,521,200

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 17. Share capital of Singapore Exchange Limited (continued)

#### (a) Share options (continued)

##### (i) Outstanding options (continued)

As at 30 June 2006, the outstanding options granted to executive directors and employees to subscribe for ordinary shares were as follows:

Number of ordinary shares under options	Exercise price \$	Exercise period
76,000	0.85	20.11.2002 to 20.11.2007
2,000	0.85	13.02.2006 to 20.11.2007
152,000	0.94	03.12.2003 to 02.12.2008
6,000	0.94	01.10.2005 to 30.09.2006
52,000	0.94	13.02.2006 to 02.12.2008
175,000	1.00	16.01.2004 to 15.01.2009
1,278,000	0.90	01.10.2004 to 30.09.2009
6,000	0.90	01.10.2005 to 30.09.2006
2,000	0.90	13.02.2006 to 30.09.2009
10,236,400	1.70	27.01.2006 to 26.01.2011
175,000	1.70	28.01.2004 to 27.01.2009
25,900	1.70	01.10.2005 to 30.09.2006
2,000	1.70	05.10.2005 to 04.10.2006
97,500	1.70	13.02.2006 to 01.11.2009
9,011,600	1.60	02.11.2006 to 01.11.2011
23,400	1.60	01.10.2005 to 30.09.2006
65,000	1.60	01.11.2005 to 30.10.2006
310,800	1.60	02.11.2006 to 01.11.2009
<b>21,696,600</b>		

The terms of the exercise of options are set out in the Directors' Report under the caption "SGX Share Option Plan".



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 17. Share capital of Singapore Exchange Limited (continued)

#### (a) Share options (continued)

#### (ii) Options exercised during the year

During the financial year ended 30 June 2006, options for 7,972,700 (2005: 12,656,000) shares were exercised as follows:

Number of ordinary shares under options	Exercise price	Proceeds	Exercise month
	\$	\$	
2,000	0.85	1,700	July 2005
3,000	0.94	2,820	July 2005
13,000	0.90	11,700	July 2005
6,000	1.70	10,200	July 2005
176,000	0.94	165,440	August 2005
10,000	0.90	9,000	August 2005
14,000	0.94	13,160	September 2005
148,000	0.90	133,200	September 2005
307,000	1.70	521,900	September 2005
12,000	0.85	10,200	October 2005
26,000	0.94	24,440	October 2005
265,000	0.90	238,500	October 2005
119,000	1.70	202,300	October 2005
7,900	1.60	12,640	October 2005
4,000	0.90	3,600	November 2005
8,000	1.70	13,600	November 2005
3,000	1.60	4,800	November 2005
215,000	0.90	193,500	December 2005
34,800	1.70	59,160	December 2005
7,800	1.60	12,480	December 2005
6,000	0.85	5,100	January 2006
18,000	0.94	16,920	January 2006
102,000	0.90	91,800	January 2006
514,000	1.70	873,800	January 2006
75,000	1.60	120,000	January 2006
4,000	0.85	3,400	February 2006
34,000	0.94	31,960	February 2006
127,000	0.90	114,300	February 2006
3,106,900	1.70	5,281,730	February 2006
96,000	1.60	153,600	February 2006
50,000	0.94	47,000	March 2006
109,000	0.90	98,100	March 2006
1,044,300	1.70	1,775,310	March 2006
1,000	0.94	940	April 2006
75,000	0.90	67,500	April 2006
634,100	1.70	1,077,970	April 2006
13,000	1.60	20,800	April 2006
4,000	0.85	3,400	May 2006
4,000	0.94	3,760	May 2006
200,500	1.70	340,850	May 2006
94,000	0.90	84,600	June 2006
279,400	1.70	474,980	June 2006
<b>7,972,700</b>		<b>12,332,160</b>	

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 17. Share capital of Singapore Exchange Limited (continued)

#### (a) Share options (continued)

##### (iii) Fair value of share options

Fair value of 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 options at grant date	Exercise price**	Expected dividend yield	Risk-free interest rate	Expected volatility rate	Time to maturity at grant date
			\$	\$	%	%	%	Years
27.01.2004	27.01.2006 to 26.01.2011	10,236,400	0.48	1.70	3.03	2.84	29.86	7.00
27.01.2004	01.10.2005 to 30.09.2006	25,900	0.48	1.70	3.03	2.84	29.86	7.00
27.01.2004	05.10.2005 to 04.10.2006	2,000	0.48	1.70	3.03	2.84	29.86	7.00
27.01.2004	26.10.2005 to 25.10.2006	-	0.48	1.70	3.03	2.84	29.86	7.00
27.01.2004	01.11.2005 to 31.10.2006	-	0.48	1.70	3.03	2.84	29.86	7.00
27.01.2004	01.01.2006 to 31.12.2006	-	0.48	1.70	3.03	2.84	29.86	7.00
27.01.2004	13.02.2006 to 01.11.2009	97,500	0.48	1.70	3.03	2.84	29.86	7.00
01.11.2004	02.11.2006 to 01.11.2011	9,011,600	0.43	1.60	3.15	2.64	27.94	7.00
01.11.2004	01.10.2005 to 30.09.2006	23,400	0.43	1.60	3.15	2.64	27.94	7.00
01.11.2004	05.10.2005 to 04.10.2006	-	0.43	1.60	3.15	2.64	27.94	7.00
01.11.2004	01.11.2005 to 30.10.2006	65,000	0.43	1.60	3.15	2.64	27.94	7.00
01.11.2004	02.11.2006 to 01.11.2009	310,800	0.43	1.60	3.15	2.64	27.94	7.00

\*\* The exercise price has been adjusted following a special dividend paid in 2005.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 17. Share capital of Singapore Exchange Limited (continued)

#### (a) Share options (continued)

##### (iv) Options committed to Chief Executive Officer

The Chief Executive Officer Hsieh Fu Hua's previous contract, which was effective on 1 March 2003, provided that options for a minimum of 2 million shares would be granted to him for each completed year of service with the Company. His contract was renewed before its expiry on 28 February 2006. The new term runs from 1 January 2005 to 31 December 2007. Under the new contract, share options granted to-date will be exercisable through the seventh anniversary date of grant should he leave the Company at the end of the term, or if SGX prematurely terminates his employment through no fault of his own. He is not entitled to any share options under the new contract.

On 28 July 2005, Hsieh Fu Hua waived his entitlement to 2 million SGX share options for the period from 29 February 2004 to 1 March 2005. The waiver was to have been taken into account through the grant of performance shares under the SGX Performance Share Plan. In lieu thereof, the Remuneration Committee ("RC") decided to make in June 2006, and Hsieh Fu Hua agreed to accept, an ex-gratia payment. The payment is termed "ex-gratia" because the RC did not formally link the amount to any formula for determining the value of the performance shares forgone.

#### (b) Performance share plans

##### (i) Outstanding performance shares

Details of performance shares awarded to participants at the balance sheet date are as follows:

	The Group and The Company	
	2006	2005
Balance at the beginning of the financial year	-	-
Granted	<b>1,750,000</b>	-
Exercised	-	-
Lapsed	-	-
Balance at the end of the financial year	<b>1,750,000</b>	-

The above number of shares represents the shares required if participants are awarded at 100% of the grant. However, the shares awarded at the vesting date could range from 100% to 150%, depending on the level of achievement against the performance condition. There shall be no award if the achievement falls below the performance condition.

Based on current estimates, the Financial Year 2006 grant will reduce the Group and Company net profit after tax by approximately \$5,644,000 and \$1,887,000 in the financial year ending 30 June 2007 and 30 June 2008 respectively. Concurrently, the share-based payment reserve will increase by the same amount. However, the disclosed financial impact may not be representative of future disclosures of the financial impact of performance shares granted, as the final number of shares to be vested may differ from current estimates.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 17. Share capital of Singapore Exchange Limited (continued)

#### (b) Performance share plans (continued)

##### (ii) Fair value of performance shares

Fair value of performance shares was estimated by adopting the Monte Carlo simulation methodology at the grant date, based on the following information and assumptions on expected dividend yield, risk-free interest rate and expected volatility rate:

Date of grant	Vesting date	Number of performance shares	Expected dividend yield	Risk-free interest rate	Expected volatility rate	Share price on day preceding date of grant	Fair value per performance share on date of grant
			%	%	%	\$	\$
30.06.2006	30.06.2007	875,000	3.90	2.76	21.92	3.38	3.26
30.06.2006	30.06.2008	875,000	3.90	3.10	21.92	3.38	3.13

### 18. Other operating expenses

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Professional charges	13,003	7,633	5,539	3,868
Marketing and travelling	5,682	3,720	2,263	1,113
Communication charges	2,557	2,844	1,574	1,415
Fees to MAS for transfer of participant supervision function	2,300	2,300	2,300	2,300
Allowance/(reversal) for impairment of trade receivables (net)	168	(86)	76	73
Net foreign exchange loss/(gain)	606	49	2	(1)
Net (gain)/loss on disposal of property, plant and equipment and software	49	59	2	542
Cost for processing and royalties	14,201	11,160	1,408	1,500
Others	4,901	5,197	4,309	4,696
	<b>43,467</b>	<b>32,876</b>	<b>17,473</b>	<b>15,506</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 19. Profit from operating activities

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b><u>Profit from operating activities</u></b>				
<b><u>is arrived at after:</u></b>				
<i>Charging:</i>				
Audit services by auditors of the Company				
- current year	431	513	207	165
- (over)/underprovision in prior years	(9)	(2)	8	-
Other services by auditors of the Company	249	286	75	139
Rental expenses - operating leases	7,213	8,362	5,006	5,724
(Write-back)/provision for unutilised leave	(716)	300	(521)	316
Net write-off/impairment of property, plant and equipment	729	-	-	-
Net write-off/impairment of software	4,136	-	-	-
<i>And crediting:</i>				
Grants received from Financial Sector Development Fund	48	199	2	-

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 20. Other gains/(losses)

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Gains/(losses) on financial assets at fair value through profit or loss (Note (a))	<b>10,469</b>	726	-	-
Interest income, other income and expenses (Note (b))	<b>2,702</b>	2,300	<b>8,175</b>	3,750
	<b>13,171</b>	3,026	<b>8,175</b>	3,750
 (a) <u>Gains/(losses) on financial assets at fair value through profit or loss</u>				
Gain on managed funds				
- Net gain/(loss) on disposal	<b>1,546</b>	-	-	-
- Unrealised gain/(loss) on revaluation	<b>8,923</b>	642	-	-
	<b>10,469</b>	642	-	-
Bonds and debenture				
- Interest income	-	254	-	-
- Loss	-	(170)	-	-
	-	84	-	-
	<b>10,469</b>	726	-	-
 (b) <u>Interest income, other income and expenses</u>				
Fixed deposits with banks	<b>3,954</b>	3,071	<b>1,244</b>	555
Bank interest income	<b>1,170</b>	554	<b>213</b>	132
Other interest income	<b>84</b>	22	<b>16</b>	10
Net foreign exchange (loss)/gain	<b>(2,506)</b>	(1,347)	<b>6,702</b>	3,053
	<b>2,702</b>	2,300	<b>8,175</b>	3,750

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 21. Employees' remuneration

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Salary and wages	<b>41,814</b>	41,493	<b>28,404</b>	27,240
Employer's contribution to Central Provident Fund on salary and wages	<b>3,409</b>	3,773	<b>2,178</b>	2,316
Variable bonus	<b>29,747</b>	11,383	<b>22,969</b>	8,042
Employer's contribution to Central Provident Fund on variable bonus	<b>3,353</b>	(284)	<b>2,617</b>	(320)
	<b>33,100</b>	11,099	<b>25,586</b>	7,722
Retrenchment benefits	<b>134</b>	2,400	<b>(308)</b>	751
Share-based payment expense	<b>4,236</b>	5,096	<b>4,236</b>	5,096
	<b>82,693</b>	63,861	<b>60,096</b>	43,125

Included in employees' remuneration is remuneration of executives and directors under the employment of the Group and the Company, further disclosed in Note 30.

### 22. Earnings per share

	The Group	
	2006 \$'000	2005 \$'000
Net profit attributable to the equity holders of the Company	<b>187,614</b>	104,359
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	<b>1,044,851</b>	1,034,242
Adjustment for assumed exercise of share options ('000)	<b>10,618</b>	3,963
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>1,055,469</b>	1,038,205

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 purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted as if all share options that are dilutive were exercised. The adjustment shown above 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 market price (determined as the Company's average share price for the financial year) for the same total proceeds.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 23. Dividends

	The Group and The Company	
	2006 \$'000	2005 \$'000
Interim gross dividends of nil cents per share net of tax at 20% paid (2005: Gross 5.25 cents net of tax at 20%)	-	43,583
Interim tax exempt one-tier dividends of 4.50 cents per share	<b>47,053</b>	-
Interim special tax exempt one-tier dividends of nil cents per share (2005: 15.00 cents)	-	156,220
Proposed final tax exempt one-tier dividends of 11.70 cents per share (2005: 4.30 cents)	<b>122,856</b>	44,809
	<b>169,909</b>	244,612

The directors have proposed a final tax exempt one-tier dividend for 2006 of 11.70 cents (2005: 4.30 cents) per share amounting to a total of \$122,856,000 (2005: \$44,809,000). The proposed dividend has been transferred from retained profits to a proposed dividend reserve.

### 24. Segment information

#### Primary reporting format - business segments

	Securities market \$'000	Derivatives market \$'000	Other operations \$'000	The Group \$'000
<b>2006</b>				
<b>SEGMENT REVENUE</b>				
External revenue	281,866	122,444	3,250	407,560
Inter-segment revenue	(215)	-	-	(215)
	281,651	122,444	3,250	407,345
Less: Consolidation elimination	215	-	-	215
	<b>281,866</b>	<b>122,444</b>	<b>3,250</b>	<b>407,560</b>
<b>RESULTS</b>				
Segment results	194,565	63,020	(491)	257,094
Unallocated costs				(33,186)
Profit from operating activities				223,908
Other gains/(losses)				13,171
Share of results of joint ventures				(949)
Tax				(48,516)
Profit after tax				<b>187,614</b>



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 24. Segment information (continued)

#### Primary reporting format - business segments (continued)

	Securities market	Derivatives market	Other operations	The Group
	\$'000	\$'000	\$'000	\$'000
<b>2006</b>				
<b>OTHER INFORMATION</b>				
Segment assets	525,403	137,830	6,589	669,822
Unallocated assets				287,455
Consolidated total assets				<b>957,277</b>
Segment liabilities	285,205	29,236	572	315,013
Unallocated liabilities				55,405
Consolidated total liabilities				<b>370,418</b>
Capital expenditure	17,212	1,272	295	<b>18,779</b>
Depreciation and amortisation	8,427	5,800	32	<b>14,259</b>
<b>2005</b>				
<b>SEGMENT REVENUE</b>				
External revenue	197,296	73,527	3,891	274,714
Inter-segment revenue	317	1	-	318
	197,613	73,528	3,891	275,032
Less: Consolidation elimination	(317)	(1)	-	(318)
	197,296	73,527	3,891	274,714
<b>RESULTS</b>				
Segment results	130,979	23,413	(1,223)	153,169
Unallocated costs				(21,567)
Profit from operating activities				131,602
Other gains/(losses)				3,026
Share of results of joint ventures				(27)
Tax				(30,242)
Profit after tax				<b>104,359</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 24. Segment information (continued)

#### Primary reporting format - business segments (continued)

	Securities market	Derivatives market	Other operations	The Group
	\$'000	\$'000	\$'000	\$'000
<b>2005</b>				
<b>OTHER INFORMATION</b>				
Segment assets	707,194	123,113	5,107	835,414
Unallocated assets				193,428
Consolidated total assets				<u>1,028,842</u>
Segment liabilities	492,284	19,037	793	512,114
Unallocated liabilities				42,159
Consolidated total liabilities				<u>554,273</u>
Capital expenditure	18,250	3,825	13	<u>22,088</u>
Depreciation and amortisation	9,114	6,079	20	<u>15,213</u>

The Group is organised into three main business segments:

- (i) Securities market – providing trading, clearing and depository services for the securities market.
- (ii) Derivatives market – providing trading and clearing services for the derivatives market.
- (iii) Other operations – providing mainly information technology services to financial sector participants.

Financial information about business segments is presented in the tables above.

Inter-segment results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to external parties for similar services. Those transfers are eliminated on consolidation.

Segment assets comprise mainly securities clearing funds, property, plant and equipment, software, operating cash, receivables and investments.

Segment liabilities comprise mainly securities clearing funds and payables. Capital expenditure comprises additions to property, plant and equipment and software.

Expenses, assets and liabilities which are common and cannot be meaningfully allocated to the business segments are presented under unallocated expenses, assets and liabilities respectively.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 24. Segment information (continued)

#### Secondary reporting format - geographical segments

The Group operates in Singapore and holds an investment portfolio of \$151,862,000 (2005: \$152,236,000) through a subsidiary in Mauritius.

Previously, Mauritius was reported as a separate geographical segment. It has been decided that, with effect from financial year ended 30 June 2006, this is not a reportable geographical segment as it is not a distinguishable component of the Group engaged in providing products or services within a particular economic environment. This treatment will be adopted consistently going forward.

### 25. Securities and Derivatives Fidelity Funds

Fidelity funds are maintained by the securities and derivatives exchange subsidiaries, as required by Section 176 of the Securities and Futures Act as follows:

	2006 \$'000	2005 \$'000
Securities Exchange Fidelity Fund	32,470	31,890
Derivatives Exchange Fidelity Fund	22,047	21,584
	<b>54,517</b>	53,474

The purposes of the fidelity funds pursuant to Section 186 of the Securities and Futures Act are as follows:

- 1.1 to compensate any person (other than an accredited investor) who has suffered a pecuniary loss from any default and defalcation committed
  - (a) in the course of, or in connection with, dealing in securities, or the trading of a futures contract;
  - (b) by a member of a securities exchange or a futures exchange or by any agent of such member; and
  - (c) in relation to any money or other property entrusted to or received:
    - (i) by that member or of its agents; or
    - (ii) by that member or any of its agents as trustee or on behalf of the trustees of that money or property.
- 1.2 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 25. Securities and Derivatives Fidelity Funds (continued)

- 1.3 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.

The assets of the Funds belong to the respective exchange subsidiaries but are kept separate from all other assets, and are held in trust for the purposes set out in the Securities and Futures Act.

No further provision has been made in the financial year ended 30 June 2006 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 reached.

	2006 \$'000	2005 \$'000
The assets and liabilities of the Funds are as follows:		
<b>Assets</b>		
Fixed deposits with banks	45,279	43,138
Quoted bonds	8,324	9,950
Interest receivable	356	245
Bank balance	1,039	355
	<b>54,998</b>	53,688
<b>Liabilities</b>		
Other payables and accruals	10	7
Taxation	400	159
Deferred tax liabilities	71	48
	<b>481</b>	214
<b>Net assets</b>	<b>54,517</b>	53,474

The assets and liabilities of the Funds are not included in the Group's balance sheet as they are held in trust.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 26. SGX-DC Common Bond System

The rules of the derivatives clearing subsidiary, Singapore Exchange Derivatives Clearing Limited ("SGX-DC"), enable SGX-DC to mobilise substantial resources to meet any liabilities should a derivatives clearing member become insolvent and be unable to pay its full losses to SGX-DC. The resources available to SGX-DC would be utilised in the following priority:

- (a) the defaulting derivatives clearing member's margin deposits, security deposits, letters of credit and/or all other assets and securities of that derivatives clearing member;
- (b) the capital of SGX-DC not exceeding \$68,000,000, \$22,000,000 net proceeds of financial guarantee and \$46,000,000 default insurance;
- (c) up to 50% of the SGX-DT Compensation Fund established by SGX-DT (Note 27);
- (d) security deposits in equal amounts from each non-defaulting derivatives clearing member; and
- (e) further assessments on derivatives clearing members based on a formula that takes into consideration their capital requirements and share of volume and open interest on SGX-DC (capped at \$8,000,000 if a letter of credit of that amount is posted with SGX-DC to comply with financial resources requirements).

### 27. SGX-DT Compensation Fund

The SGX-DT Compensation Fund was established by Singapore Exchange Derivatives Trading Limited ("SGX-DT") for the primary purpose of providing compensation to SGX-DT, SGX-DC, customers of any SGX-DT member who suffer, sustain or incur a loss in consequence of the default of that SGX-DT member in meeting its obligations in connection with the trading of futures contracts on any market association or exchange established or approved by SGX-DT. The Fund also compensates in relation to losses of any money or property entrusted to or received by any SGX-DT member or by any of its directors or employees for and on behalf of any other persons or was entrusted to or received by the SGX-DT member as a trustee.

The Deed of Settlement dated 25 November 1986 states that upon the winding up of the Fund, which should be no later than 24 November 2006, the net assets of the Fund shall be distributed in such proportion as the Trustees think fit, to a trust having objects sufficiently similar to the Fund, to SGX-DT or to such charitable institutions or other charitable objects.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 27. SGX-DT Compensation Fund (continued)

	2006 \$'000	2005 \$'000
The assets and liabilities of the Fund are as follows:		
<b>Assets</b>		
Fixed deposits	23,187	17,814
Bank balances	902	347
Quoted bonds	9,030	12,719
Quoted government securities	-	1,502
Interest receivable	201	182
	<b>33,320</b>	<b>32,564</b>
<b>Liabilities</b>		
Other payables and accruals	5	4
Taxation	285	135
Deferred tax liabilities	40	36
	<b>330</b>	<b>175</b>
<b>Net assets</b>	<b>32,990</b>	<b>32,389</b>

The assets and liabilities of the Fund are not included in the Group's balance sheet as they are held in trust.

### 28. Contingent liabilities

#### (a) Singapore Exchange Derivatives Clearing Limited ("SGX-DC")

As the clearing house for futures and options traded on SGX-DT, SGX-DC becomes the novated counterparty for these derivative instruments.

The rules of SGX-DC require its clearing members to deposit, as security for their derivatives clearing obligations to SGX-DC, the higher of US\$250,000 or 2.5% of monthly average risk margin in cash or irrevocable letter of credit.

In addition, the rules also require its clearing members to provide collateral in the form acceptable to SGX-DC as margin funds to guarantee the performance of the obligations associated with futures or option positions. The total margins required by SGX-DC at 30 June 2006 were approximately \$2,813,850,000 (2005: \$1,782,500,000).

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 28. Contingent liabilities (continued)

#### (a) Singapore Exchange Derivatives Clearing Limited ("SGX-DC") (continued)

As at that date, clearing members had lodged the following collateral with SGX-DC for security deposit and margin fund purposes:

	2006 \$'000	2005 \$'000
<b>Security deposits</b>		
Cash	49,930	29,706
Irrevocable letters of credit	43,487	44,536
<b>Margin funds</b>		
Cash	4,080,718	2,509,205
Quoted government securities, at fair value	883,308	810,309
Irrevocable letters of credit	147,075	190,123

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.

As these items are held in trust, none of these assets, together with the corresponding liabilities are recorded in the consolidated balance sheet of the Group.

#### (b) At the balance sheet date, the Group and the Company have unsecured contingent liabilities as follows:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unsecured guarantees by the derivatives clearing subsidiary to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange for members' open positions on these exchanges. These guarantees are supported by members' margin deposits as set out above.	286,200	139,648	-	-
Standby line of credit provided by CDP to the Clearing Fund to be utilised in accordance with CDP's Clearing Rules (Note 7(a))	75,000	75,000	-	-
Unsecured guarantees by the Company in respect of obligations of a subsidiary	-	-	5,781	6,187
Financial guarantee provided to SGX-DC for the Common Bond Fund to be utilised in accordance with SGX-DC's Clearing Rules (Note 26(b))	22,000	22,000	22,000	22,000
	<b>383,200</b>	<b>236,648</b>	<b>27,781</b>	<b>28,187</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 29. Commitments

#### (a) Operating lease commitments - where a group company is a lessee

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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Not later than one financial year	231	7,741	137	5,122
Later than one financial year but not later than five financial years	-	231	-	137
	<b>231</b>	<b>7,972</b>	<b>137</b>	<b>5,259</b>

In respect of non-cancellable operating leases, the following provision has been recognised:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Provision for surplus leased premises (Note 16)	-	2,685	-	2,151

#### (b) Operating lease commitments - where a group company is a lessor

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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Not later than one financial year	228	8,217	228	1,663
Later than one financial year but not later than five financial years	247	17,878	247	475
	<b>475</b>	<b>26,095</b>	<b>475</b>	<b>2,138</b>

The leasing of computer hardware associated with an order management system has been terminated in the financial year ended 30 June 2006.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 29. Commitments (continued)

#### (c) Capital commitments

Capital commitments contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Property, plant and equipment and software	<b>1,820</b>	1,311	-	-

#### (d) Other expenditure commitments

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Fees payable to the Monetary Authority of Singapore for assumption of inspection function	<b>4,600</b>	6,900	<b>4,600</b>	6,900
Annual regulatory fee payable to the Monetary Authority of Singapore	<b>1,390</b>	1,390	<b>250</b>	250
	<b>5,990</b>	8,290	<b>4,850</b>	7,150

### 30. Related party transactions

#### Directors' fees and key management's remuneration

Key management's remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit is included. The amounts disclosed below include the bonuses payable to the Chairman and the Chief Executive Officer for the financial year which have been approved by the Remuneration Committee and the actual bonuses paid to other key management relating to the preceding financial year. The directors' fees and key management's remuneration are as follows:

	The Group	
	2006 \$'000	2005 \$'000
Salaries and other short-term employee benefits	<b>11,335</b>	9,541
Employer's contribution to Central Provident Fund	<b>64</b>	65
Share-based payment expense	<b>1,091</b>	1,502
	<b>12,490</b>	11,108

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 30. Related party transactions (continued)

#### Directors' fees and key management's remuneration (continued)

Included in the above is total remuneration to directors of the Company amounting to \$6,734,000 (2005: \$4,111,000).

The aggregate number of shares under options granted to key management of the Group during the financial year was nil (2005: 2,270,000). The share options were granted under the same terms and conditions as those offered to other employees of the Company.

The aggregate number of shares under performance share plan granted to key management of the Group during the financial year was 1,220,000 (2005: nil). The performance shares were granted under the same terms and conditions as those offered to other employees of the Company.

### 31. Financial risk management

#### (i) Foreign exchange risk

The Group's foreign exchange exposure arises mainly from the clearing and settlement of various products and services and investments in managed funds denominated in foreign currency. The Group has ensured that there is no concentration of foreign exchange risk in a single foreign currency, and excessive foreign currencies are converted back to Singapore dollars. The Group manages the currency exposure through derivative financial instruments such as foreign exchange forward contracts.

#### (ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risks mainly arise from finance lease liabilities, fixed deposits and investments in managed funds. The tables below set out the Group's and the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 31. Financial risk management (continued)

#### (ii) Cash flow and fair value interest rate risks (continued)

##### The Group

	Variable rates		Fixed rates				Non-interest bearing	Total
	Less than 6 months	6 to 12 months	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2006</b>								
<b>Assets</b>								
Cash and cash equivalents	52,786	-	192,000	50	-	-	1,142	245,978
<b>Liabilities</b>								
Finance lease	-	-	-	-	3,709	-	-	3,709
<b>At 30 June 2005</b>								
<b>Assets</b>								
Cash and cash equivalents	38,881	-	78,000	50	-	-	951	117,882
<b>Liabilities</b>								
Finance lease	-	-	-	-	4,782	-	-	4,782

##### The Company

	Variable rates		Fixed rates				Non-interest bearing	Total
	Less than 6 months	6 to 12 months	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2006</b>								
<b>Assets</b>								
Cash and cash equivalents	9,757	-	89,000	-	-	-	465	99,222
<b>At 30 June 2005</b>								
<b>Assets</b>								
Cash and cash equivalents	6,136	-	-	-	-	-	217	6,353

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 31. Financial risk management (continued)

#### (iii) Counterparty and credit risk

Counterparty and credit risk refers to the potential loss arising from any failure by counterparties to fulfil their obligations, as and when they fall due. The Group's credit exposure arises mainly from clearing related services for securities and derivatives transactions and guarantees provided. The Group has policies in place to only deal with counterparties who meet certain credit requirements, and requires collateral where considered appropriate to reduce its credit risk.

The Group maintains Securities and Derivatives Fidelity Funds (Note 25), SGX-DC Common Bond System (Note 26) and SGX-DT Compensation Fund (Note 27) to provide compensation in the event of default.

#### (iv) Liquidity risk

The Group, through prudent liquidity risk management, maintains sufficient cash and marketable securities, and available funding through adequate amount of committed credit facilities.

### 32. Comparatives

(i) Where necessary, comparative figures have been reclassified to conform with current year's presentation.

(a) Certain operating expenses in the financial year ended 30 June 2005 of the Group and the Company amounting to \$1,364,000 and \$1,160,000 respectively have been reclassified from professional charges under other operating expenses to system maintenance and rental.

The revised presentation is to better reflect the nature of the expenses as they are information technology related expenses, and do not result in a change in total operating expenses of the Group and the Company.

(b) Derivative financial instruments are separately shown from trade and other payables on the balance sheet. The revised presentation does not result in a change in the net assets of the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2006

### 32. Comparatives (continued)

#### (ii) Cash flow statement

In the financial statements for the year ended 30 June 2004, dividend paid was classified as "Cash flows from operating activities". In the financial statements for the year ended 30 June 2005, dividend paid was classified as "Cash flows from financing activities" with prior year figure reclassified accordingly. The new classification better reflects the nature of the dividends paid not solely from cash generated from operating activities for the financial year but from cash built up from previous years as well. The classification of dividend paid as "Cash flows from financing activities" will be adopted consistently.

The revised presentation does not result in the change in the net cash movement of the Group and the Company.

### 33. New accounting standards and FRS interpretations

Certain new accounting standards and IFRIC interpretations have been published which are mandatory for accounting periods beginning on or after 1 January 2006. The Group's assessment of those standards and interpretations that are relevant to the Group is INT FRS 104, *Determining whether an Asset Contains a Lease*.

The Group will adopt INT FRS 104 on 1 July 2006. Implementation of INT FRS 104 is not expected to significantly affect the financial statements for the financial year ended 30 June 2006.

### 34. Authorisation of financial statements

These financial statements have been authorised for issue by the Board of Directors on 27 July 2006.

## STATISTICS OF SHAREHOLDINGS

as at 2 August 2006

Share capital	: \$1,050,691,000
Number of issued shares	: 1,050,691,000
Class of shares	: Ordinary shares
Voting rights	: One vote per share

### Distribution of shareholdings

Size of shareholdings	Number of shareholders	%	Number of shares	%
1 - 999	77	0.49	21,907	0.00
1,000 - 10,000	13,066	82.26	47,633,530	4.53
10,001 - 1,000,000	2,710	17.06	149,789,072	14.26
1,000,001 and above	30	0.19	853,246,491	81.21
<b>Total</b>	<b>15,883</b>	<b>100.00</b>	<b>1,050,691,000</b>	<b>100.00</b>

Based on information available to the Company as at 2 August 2006, approximately 99.90% 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	Number of shares	%
1	SEL Holdings Pte Ltd <sup>(1)</sup>	249,991,184	23.79
2	DBS Nominees Pte Ltd	148,028,525	14.09
3	DBSN Services Pte Ltd	101,556,121	9.67
4	Citibank Nominees Singapore Pte Ltd	90,077,404	8.57
5	HSBC (Singapore) Nominees Pte Ltd	89,484,497	8.52
6	Raffles Nominees Pte Ltd	72,914,433	6.94
7	Morgan Stanley Asia (Singapore) Securities Pte Ltd	21,081,649	2.01
8	Phillip Securities Pte Ltd	12,683,135	1.21
9	United Overseas Bank Nominees Pte Ltd	11,223,774	1.07
10	UOB Kay Hian Pte Ltd	7,808,906	0.74
11	Macquarie Securities (Singapore) Pte Ltd	5,547,790	0.53
12	DB Nominees (S) Pte Ltd	5,319,850	0.51
13	Merrill Lynch (Singapore) Pte Ltd	4,600,118	0.44
14	Leong Khuen Nyeon	4,515,000	0.43
15	AMEX Nominees (S) Pte Ltd	3,312,878	0.32
16	Wong Kong Choo	2,930,000	0.28
17	OCBC Securities Private Ltd	2,331,000	0.22
18	Societe Generale Singapore branch	2,086,498	0.20
19	NTUC FairPrice Co-Operative Ltd	2,000,000	0.19
20	Nomura Securities Singapore Pte Ltd	1,850,000	0.18
<b>Total</b>		<b>839,342,762</b>	<b>79.91</b>

<sup>(1)</sup> Pursuant to Section 11 (2)(b) of the Exchanges (Demutualisation & Merger) Act 1999 (the "Merger Act"), SEL Holdings Pte Ltd ("SEL"), being the special purpose company set up under the Merger Act to hold the SGX shares for the benefit of the Financial Sector Development Fund, shall not exercise or control the exercise of votes attached to the SGX shares. Owing to the restriction in the exercise of votes attached to the shares, SEL is not regarded as a substantial shareholder of SGX.

### Substantial shareholders

According to the Register of Substantial Shareholders maintained by the Company, the Company had no substantial shareholders as at 2 August 2006.

**NOTICE OF ANNUAL GENERAL MEETING AND BOOKS CLOSURE DATE**

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Singapore Exchange Limited (the "Company") will be held at SGX Auditorium, 2 Shenton Way, 2nd Level, SGX Centre 1, Singapore 068804 on 29 September 2006 at 10.00 am to transact the following business:

**(A) Ordinary Business****Resolution 1**

To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 30 June 2006 with the Auditors' Report thereon.

**Resolution 2**

To re-appoint Mr Joseph Yuvaraj Pillay pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, as a director of the Company to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.

**Resolution 3**

To re-elect Mr Ng Kee Choe retiring by rotation under Article 99 of the Company's Articles of Association (the "Articles") and who, being eligible, offers himself for re-election.

**Resolution 4**

To re-elect Mr Lee Hsien Yang retiring by rotation under Article 99 of the Articles and who, being eligible, offers himself for re-election.

**Resolution 5**

To re-elect Ms Olivia Lum Ooi Lin retiring by rotation under Article 99 of the Articles and who, being eligible, offers herself for re-election.

**Resolution 6**

To appoint Ms Euleen Goh Yiu Kiang under Article 101 of the Articles to hold office as director of the Company.

To note the retirement of Mr Geoffrey Wong Ee Kay as director, who will be retiring by rotation pursuant to Article 99 of the Articles and has decided not to seek re-election.

The biodata of Ms Euleen Goh Yiu Kiang is found in the "Proposed Director" section of the Annual Report.

**Resolution 7**

To approve the sum of \$765,200 as directors' fees for the financial year ended 30 June 2006 (FY2005: \$491,859).

**Resolution 8**

To declare a net final (tax-exempt one-tier) dividend of \$0.117 per share for the financial year ended 30 June 2006 (FY2005: \$0.043 per share).

**Resolution 9**

To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the directors to fix their remuneration.

## NOTICE OF ANNUAL GENERAL MEETING AND BOOKS CLOSURE DATE

### (B) Special Business

#### Resolution 10

That authority be and is hereby given to the directors of the Company to:

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued 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 issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent consolidation or sub-division of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the Monetary Authority of Singapore) and the Articles of Association for the time being of the Company; and



## NOTICE OF ANNUAL GENERAL MEETING AND BOOKS CLOSURE DATE

- (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.

### Resolution 11

That approval be and is hereby given to the directors to offer and grant options in accordance with the provisions of the SGX Share Option Plan and/or to grant awards in accordance with the provisions of the SGX Performance Share Plan and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the SGX Share Option Plan and/or such number of fully-paid shares as may be required to be issued pursuant to the vesting of awards under the SGX Performance Share Plan, provided that the aggregate number of new shares to be issued pursuant to the SGX Share Option Plan and the SGX Performance Share Plan shall not exceed 10 per cent of the total number of issued ordinary shares in the capital of the Company from time to time.

### **(C) To Transact Any Other Business**

By Order Of The Board



**Joyce Fong Foong Chao**  
Company Secretary  
Singapore Exchange Limited  
30 August 2006

### **Statement pursuant to Article 59 of the Company's Articles of Association**

**Ordinary Resolution 10** 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 issued 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 number of issued shares in the capital of the Company at the time that Ordinary Resolution 10 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 10 is passed, and (b) any subsequent consolidation or sub-division of shares.

## NOTICE OF ANNUAL GENERAL MEETING AND BOOKS CLOSURE DATE

Although the Company's Articles of Association enable 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.

**Ordinary Resolution 11** is to empower the directors to offer and grant options and/or grant awards, and to issue new ordinary shares in the capital of the Company, pursuant to the SGX Share Option Plan (which was approved by shareholders at the Extraordinary General Meeting held on 1 November 2000) and the SGX Performance Share Plan (which was approved by shareholders at the Extraordinary General Meeting held on 22 September 2005), both as modified by the Committee from time to time, provided that the aggregate number of new ordinary shares to be issued pursuant to the SGX Share Option Plan and the SGX Performance Share Plan shall not exceed 10 per cent of the total number of issued ordinary shares in the capital of the Company from time to time.

**Notes:**

- (1) 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.
- (2) A proxy need not be a member of the Company.
- (3) The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof) must be deposited at the registered office of the Company at 2 Shenton Way, #19-00 SGX Centre 1, Singapore 068804 not less than 48 hours before the time appointed for holding the Annual General Meeting.

### Notice of books closure date and payment date for final dividend

The Company gives notice that, subject to the approval of the shareholders to the final dividend at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 4 October 2006 after 5.00 pm to 6 October 2006, both dates inclusive, for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 6 October 2006. Duly completed registered transfers of ordinary shares in the capital of the Company received by the Company's Share Registrar, Lim Associates (Pte) Ltd, at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315 before 5.00 pm on 4 October 2006, will be registered in the Register of Members and the Transfer Books of the Company to determine shareholders' entitlements to the final dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the final dividend will be paid by the Company to CDP which will, in turn, distribute the entitlements to the final dividend to CDP account-holders in accordance with its normal practice.

The final dividend, if approved by shareholders, will be paid on 16 October 2006.

**Note:**

This Notice of Annual General Meeting dated 30 August 2006 set out herein is for information purposes only. We have issued the Notice of Annual General Meeting to the Shareholders in accordance with Section 177(2) of the Companies Act, Chapter 50 of Singapore, together with our Summary Annual Report.



**Singapore Exchange Limited**  
Company Registration No. 199904940D

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