

Singapore Exchange Limited  
Annual Report 2008

# **BUILDING AN ENDURING MARKETPLACE** **GATEWAY TO GROWTH**



# OUR MISSION

**WE AIM TO OFFER A HIGHLY TRUSTED SECURITIES  
AND DERIVATIVES MARKETPLACE FOR CAPITAL  
RAISING, RISK TRANSFER, TRADING, CLEARING AND  
SETTLEMENT, AND TO SERVE OUR STAKEHOLDERS.**

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# SGX PROFILE

Singapore Exchange Limited (SGX) is an integral component of the broader financial ecosystem in Singapore, from which we draw our strengths.

Underpinned by a rigorous regulatory framework and supported by a network of local and international intermediaries, our horizontally and vertically-integrated business provides and supports a broad range of services and activities. These include listing, trading, clearing and settlement of securities and derivatives and depository services. Our seamless end-to-end solutions, from trading to depository, enable us to efficiently meet the needs of our customers and optimise our revenue streams.

We are recognised for our market-leading developments and product innovations as reflected in our attractive listings platforms, broad suite of Asian derivatives and other market access products.

As an Asian offshore risk management centre, we also facilitate the trading and clearing of commodity futures and over-the-counter (OTC) clearing.

We serve a wide array of customers, from domestic retail investors to some of the world's largest financial institutions, and from large capitalised entities to small, fast-growing companies.

We continue to form strategic partnerships and global alliances to extend our product range and market reach, as well as improve access for customers the world over.

Anchored in Singapore, yet firmly plugged into the global markets, SGX is the Gateway to Growth, providing a sound, transparent and efficient marketplace in an increasingly borderless world.

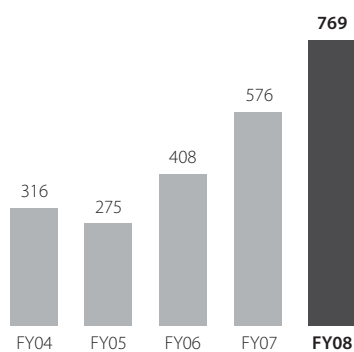


# STEADY PERFORM

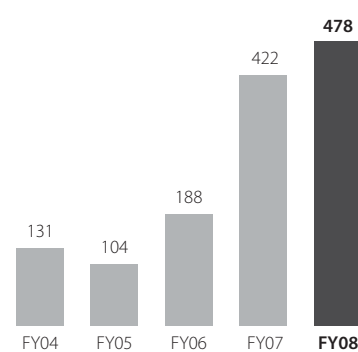
## MARKING THE GROWTH OF AN ENDURING MARKETPLACE

### FINANCIAL PERFORMANCE

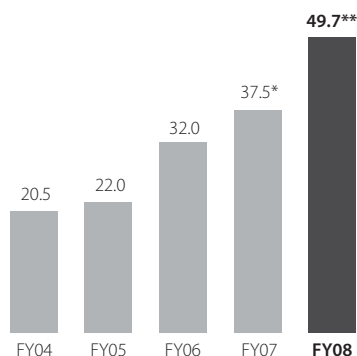
Revenue  
(\$million)



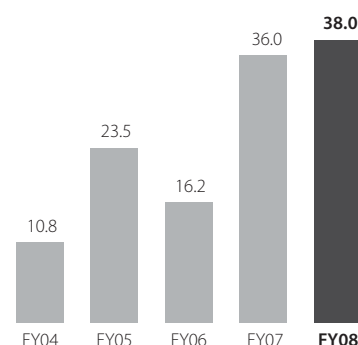
Profit attributable to  
equity holders  
(\$million)



Return on equity  
(%)



Total dividend  
per share  
(cents)



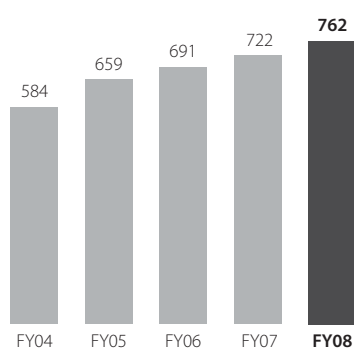
\* Excludes the \$45.0 million write-back of allowance for impairment and \$65.5 million gain on disposal of SGX Centre

\*\* Excludes the \$34.0 million distribution from SGX-DT Compensation Fund

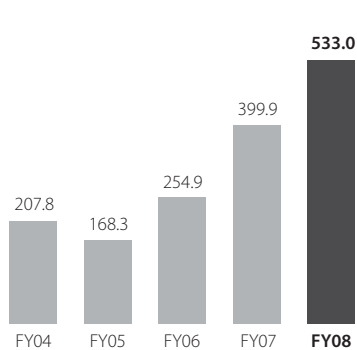
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## SECURITIES MARKET

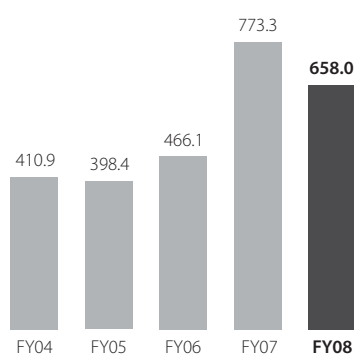
### Number of listed companies\*



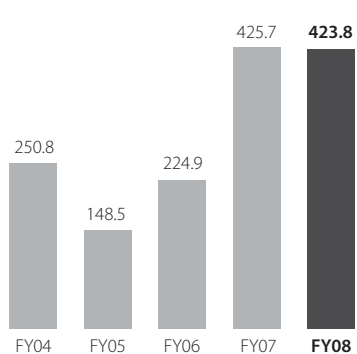
### Trading value (\$billion)



### Market capitalisation of listed companies\* (\$billion)

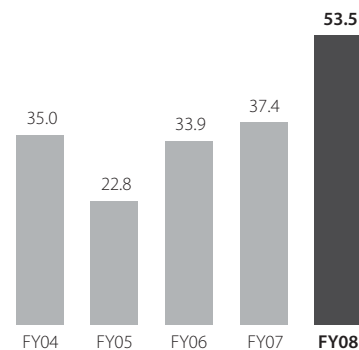


### Trading volume (billion shares)

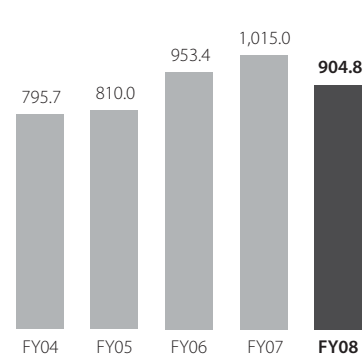


## DERIVATIVES MARKET

### Futures & options trading volume (million contracts)



### Futures & options open interest\* (thousand contracts)



\* As at 30 June

# GROUP HIGHLIGHT

## GROUP FINANCIAL HIGHLIGHTS

	FY2008	FY2007	FY2006	FY2005 <sup>1</sup>	FY2004 <sup>1</sup>
<b>For the year</b> (\$million)					
Operating revenue	<b>769</b>	576	408	275	316
Operating expenses	<b>240</b>	211	184	143	151
EBITDA <sup>2</sup>	<b>588</b>	509	251	150	183
Operating profit	<b>529</b>	365	224	132	165
Other gains/(losses)	<b>47</b>	128	13	3	–
Profit attributable to equity holders					
– excluding one-off gains <sup>3</sup>	<b>444</b>	311	188	104	131
– including one-off gains <sup>3</sup>	<b>478</b>	422	188	104	131
Operating cash flow	<b>506</b>	355	227	101	189
<b>At year-end</b> (\$million)					
Net current assets	<b>708</b>	684	358	247	418
Total assets	<b>1,930</b>	1,851	957	1,029	1,004
Total liabilities	<b>1,036</b>	1,021	370	554	363
Shareholders' funds <sup>4</sup>					
– Share capital	<b>410</b>	399	378	10	10
– Share premium	<b>–</b>	–	–	353	341
– Reserves	<b>484</b>	431	209	111	289
Shares issued (million)	<b>1,067</b>	1,061	1,050	1,042	1,029
<b>For the year</b> (%)					
Revenue growth	<b>33.4</b>	41.4	48.4	(13.1)	44.8
Operating profit margin	<b>68.8</b>	63.4	54.9	47.9	52.1
Net profit margin <sup>5</sup>	<b>56.8</b>	52.5	44.6	37.6	41.6
Cost-to-income ratio	<b>31.2</b>	36.6	45.1	52.1	47.9
Return on equity <sup>5</sup>	<b>49.7</b>	37.5	32.0	22.0	20.5
<b>Per share data</b> (cents)					
Operating cash flow	<b>47.44</b>	33.41	21.64	9.67	18.40
Basic earnings					
– excluding one-off gains <sup>3</sup>	<b>41.88</b>	29.48	17.96	10.09	12.87
– including one-off gains <sup>3</sup>	<b>45.09</b>	39.95	17.96	10.09	12.87
Net tangible assets	<b>83.78</b>	78.23	55.89	45.54	62.22
Net dividend	<b>38.00</b>	36.00	16.20	23.50	10.80
a) Base	<b>12.00</b>	8.00	6.00	6.00	5.60
b) Variable	<b>26.00</b>	28.00	10.20	2.50	5.20
c) Special	<b>–</b>	–	–	15.00	–
Average share price (\$)	<b>10.45</b>	5.83	3.12	1.85	1.67
Share price at financial year-end (\$)	<b>6.91</b>	9.80	3.52	2.11	1.68

<sup>1</sup> Figures have been re-stated to reflect the Employee Share Option Plan expenses following the adoption of FRS102

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

<sup>3</sup> One-off gains relate to the \$34.0 million distribution from SGX-DT Compensation Fund in FY2008, \$45.0 million write-back of allowance for impairment and \$65.5 million gain on disposal of SGX Centre in FY2007

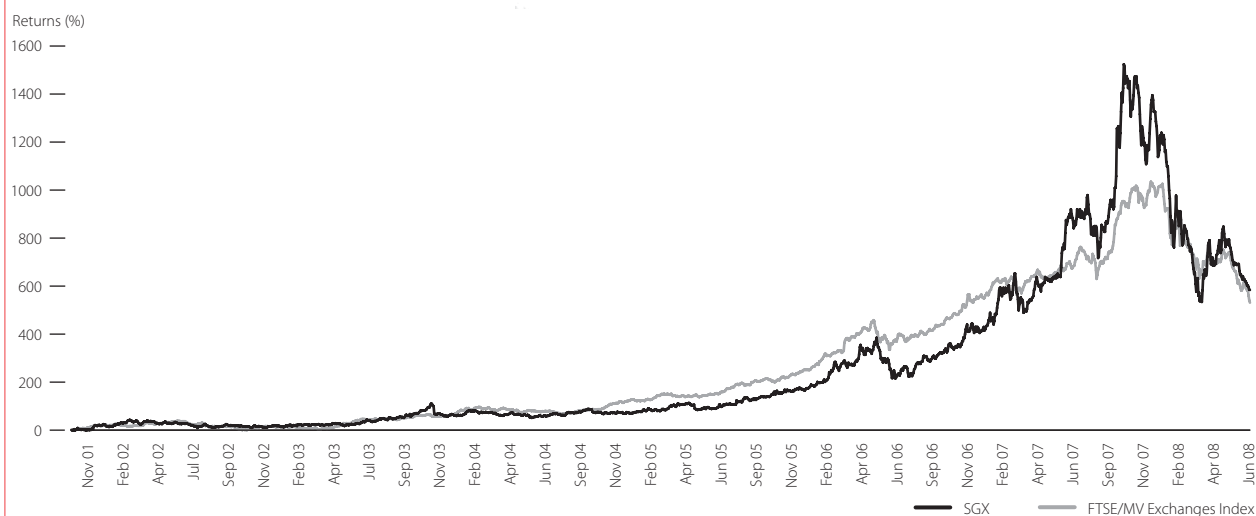
<sup>4</sup> Under the Companies (Amendment) Act 2005 effective 30 January 2006, the concepts of par value and authorised share capital are abolished and the amount in the share premium account as of 30 January 2006 becomes part of the Company's share capital

<sup>5</sup> Excludes one-off gains

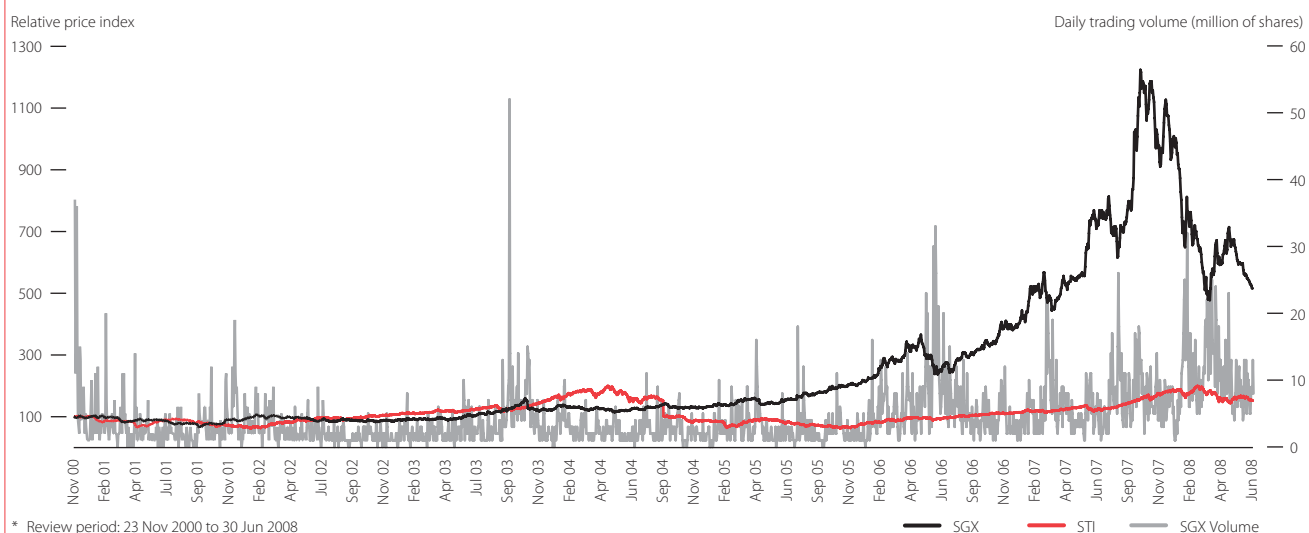
# TS

## SGX SHARE PERFORMANCE

### SGX share price vs FTSE/MV Exchanges Index



### SGX share performance vs Straits Times Index (STI)\*



\* Review period: 23 Nov 2000 to 30 Jun 2008

# PRODUCTS AND SERVICES

**SGX's GROWING SUITE OF PRODUCTS AND SERVICES CATERS TO INCREASINGLY INTERNATIONAL AND SOPHISTICATED MARKET PLAYERS.**

## Securities

Our securities products include:

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



# ICES

## Derivatives

## Other services

Our derivatives products consist of a wide range of international risk management and trading instruments. These products include:

- Equity Index Futures and Options on Futures
- Short-Term Interest Rate Futures and Options on Futures
- Long-Term Interest Rate Futures and Options on Futures
- Structured Warrants
- Certificates

We own Singapore Commodity Exchange Ltd (SICOM), a commodities exchange, that trades and clears rubber contracts. SGX also operates an OTC clearing facility, SGX AsiaClear®, for the clearing of oil and freight derivatives.

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

- SGX SecuritiesBook
- SGX DerivativesQuote
- SGX News
- Orders and Trade Data
- Mobile Data Services
- Listed Companies Data
- Historical Market Data
- Publications

# HIGHLIGHTS OF THE YEAR

**28 JULY 2007**

Annual SGX Investor Relations Open Day

**21 AUGUST 2007**

SGX, Lyxor Asset Management and the Tokyo Stock Exchange, introduced the first Japanese ETF in Singapore based on TOPIX®

**12 OCTOBER 2007**

The Bull Run® 2007, our annual charity fun run in the central business district, raised a record \$3.5 million for 14 voluntary welfare organisations

**19 NOVEMBER 2007**

Launched Mini Nikkei 225 Index Futures contract

Reduced contract size for SGX Nifty India Index Futures and SGX FTSE/Xinhua China A50 Index Futures contracts

**28 NOVEMBER 2007**

SGX AsiaClear launched the clearing of Half-Day OTC forward freight agreements

**3 DECEMBER 2007**

Revised securities listing rules to improve transparency, market efficiency and promote accountability of listed companies

**10 DECEMBER 2007**

Admitted Barclays Bank PLC as the first bank Derivatives Clearing Member

**12 DECEMBER 2007**

MOU signed with Taiwan Futures Exchange

**17 DECEMBER 2007**

SESDAQ transformed into Catalist board, Asia's first sponsor-supervised listings platform for fast-growing companies

**24 DECEMBER 2007**

Revised minimum bid size schedule for the securities market



## FY2008 SAW SGX ATTAINING SOME KEY ACHIEVEMENTS.

### **7 JANUARY 2008**

Futures & Options market posted record volume in 2007, with derivatives contracts exceeding 44 million

### **10 JANUARY 2008**

Singapore Press Holdings, SGX and FTSE Group launched the revamped STI and 18 new sub-indices

### **15 JANUARY 2008**

Established the Audit Committee Guidance Committee with the Monetary Authority of Singapore and the Accounting and Corporate Regulatory Authority

### **31 JANUARY 2008**

Acquired a 20% equity stake in Philippine Dealing System Holdings Corp

### **1 FEBRUARY 2008**

Launched Regulator's Column on SGX website

### **25 FEBRUARY 2008**

SGX was the first foreign exchange on which Taiwanese issuer Yuanta Securities launched structured warrants

### **1 MARCH 2008**

Introduced "watch-list" for listed companies on SGX Mainboard

### **18 MARCH 2008**

Introduced Asia's first Indian ETF on Nifty Index

### **10 APRIL 2008**

MOU signed with Mongolian Stock Exchange

### **18 APRIL 2008**

SGX Beijing Representative Office officially opened by Singapore's Minister for Trade and Industry, Mr Lim Hng Kiang

### **6 MAY 2008**

Extended the Research Incentive Scheme for a further two years to promote research coverage on SGX-listed companies

### **20 MAY 2008**

First exchange in Asia to offer sub-millisecond trading access

### **21 MAY 2008**

Launched MSCI Asia APEX 50 Index futures

### **27 MAY 2008**

Launched Singapore's first Shariah-compliant ETF

### **10 JUNE 2008**

Announced that banks can be admitted as Securities Clearing Members with effect from 1 July 2008

### **25 JUNE 2008**

First IPO on Catalist board

### **30 JUNE 2008**

Acquired SICOM

# CHAIRMAN STATEMENT

**IMMEDIATE OUTLOOK IS WEAK** Turbulence in global financial markets in the second half of the year, coupled with unwinding of economic imbalances, turned out to be a double-edged sword for SGX. Securities trading softened, while derivatives volumes were buoyant.

After a very strong first half, securities market trading value declined to a daily average of \$1.8 billion, from \$2.5 billion. The average for the entire year rose to \$2.1 billion, up a respectable 33% from the previous year's \$1.6 billion.

That same financial turmoil, on the other hand, besides other factors, drove volumes up in the derivatives market, from a daily average of 191,000 contracts in the first half to 236,000 contracts in the second. The year's average was 213,000 contracts, up 43% from the previous year's 149,000 contracts.

The remaining component of our revenue base, termed "stable" revenue because it is presumed to be less susceptible to swirling financial forces, behaved predictably. It expanded by 22% during the year.

The combined result of the varying fortunes of the three revenue streams was a rise in revenue of 33%, to \$769 million from \$576 million in FY07; while net profit after tax (NPAT) rose 13%, to \$478 million from \$422 million. Profit in FY07 was boosted by special gains of \$111 million from the write-back of allowance for impairment and the sale of our office premises. In FY08, a special gain of \$34 million from the winding down of the Compensation Fund was booked. Excluding those gains, the rise in NPAT was 43%.

The unfavourable winds in the securities market look set to continue into the ensuing year. However, derivatives turnover and stable revenue should provide some relief.

**CONTINUE STRENGTHENING ORGANISATIONAL AND BUSINESS CAPABILITIES** However the numbers turn out, SGX has to continue to build up its corporate and business muscle to take advantage of the promising possibilities in the market. We shall persevere with the roll-out of new products and services, supported by customer-oriented marketing. One notable example is the Catalyst board, designed to attract rapidly-growing companies. That drive will be complemented by the strengthening and modernisation of IT and operations systems, the backbone of the business.

**INTERNATIONAL COMPLEXION OF SGX'S BUSINESS** We are now a leading hub in Asia for the trading of financial instruments with an international flavour. The evidence is clear. Based on the domicile of contracts and companies offered on our exchange, foreign activity accounts for 45% of SGX's business, up 3 percentage points from the previous year. That share will continue to grow briskly.

To account for that situation of international confidence in the market, we have to turn to the sound regulatory system that underlies the vibrancy of business activity and stability of operations. SGX is a vital component of that system. Our efforts are directed at strengthening the regulatory system, in keeping with the evolving needs and capabilities of the industry. Besides, we seek to safeguard the resources necessary to preserve our resilience to shocks in the marketplace.

Meanwhile, we observe with interest the growing pace of integration among exchanges in the West, a pattern that eventually will reach other regions.

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**"WE ARE NOW A LEADING  
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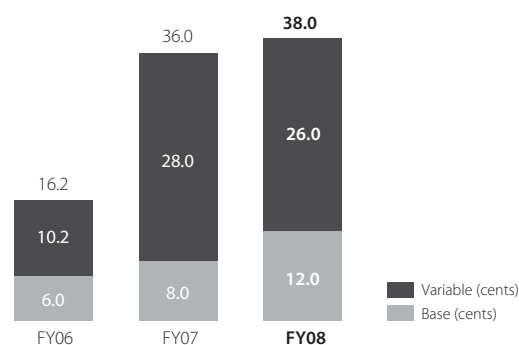
**THE SGX FRANCHISE** As long as we continue to develop the business under a robust regulatory system, we shall continue to retain the confidence of the paramount regulator and supervisor. We recognise our role not only to expand and develop our business, but to do so in the interests of the Singapore financial centre. SGX is a vital component of that financial marketplace, which in turn is the basis of our well-being. Whatever the future may hold, that symbiotic relationship between Exchange and financial centre will continue.

The board and management remain conscious of the need to preserve the implicit trust placed in the company by its regulator. For the time being, SGX is the only licensee for the operation of a diversified financial exchange in Singapore. By no means does that position suggest that SGX enjoys an exclusive franchise for the performance of any of its functions. A glance at the list of derivative products reveals the domination of contracts that are domiciled outside Singapore. In the cash market, the growing prominence of foreign listings is notable. At the same time, domestic companies enjoy the option of a spectrum of exchanges besides SGX to list on.

**DIVIDEND** In recognition of the satisfactory performance of the company, the board recommends a final dividend of 29 cents. Our payout policy remains to distribute no less than 80% of profit, while raising the minimum quarterly dividend from 3.0 cents to 3.5 cents from FY09. We are confident of our ability to sustain the higher dividend rate.

**ACKNOWLEDGEMENTS** It remains for me to thank my dedicated colleagues on the board, who are unstinting in the provision of their time and talents; to the hardworking and imaginative CEO, management team and staff; and to our diverse constituencies, not least our shareholders. We have worked together, cooperatively and productively.

**Total dividend per share (net)**



One director, Ms Olivia Lum, has asked to retire from the board because of her heavy burden of duties elsewhere. The board has reluctantly accepted her departure. I thank her for her insights and clarity in board discussions.

We look forward to the future with equanimity and optimism.

**J Y PILLAY**  
Chairman  
7 August 2008

# CEO'S MESSAGE

It has been yet another year of record profits for SGX. Our performance was boosted in the first half of our financial year by record volumes, on the back of buoyant securities markets. The latter half of the year has been clouded by the global credit crisis and rising inflation, the effects of which triggered a slide in equity markets.

Competition remains intense. On both listings and trading fronts, we face increasing pressure from traditional as well as non-traditional platforms. The persistent trend of global consolidation of exchanges also poses fresh challenges and opportunities.

Against this backdrop, we continue to extend the reach of our Asian Gateway. A clear example last year was the success of our Nifty futures contract, which has become a key derivatives contract, comparable to our Nikkei 225 and MSCI Taiwan contracts. The Nifty futures contract, together with our Indian ETFs and some significant listings, will expand our India product offering, and complement our strong China listings platform.

Our listings proposition for small and medium-sized enterprises (SMEs) has been reinforced by the launch of the Catalist board, with new listings coming onstream and a steady pipeline of companies, both local and from across the region. Equally important, this revamp of SESDAQ to a sponsor-supervised regulatory model will further improve the quality of our listed companies.

Our operating systems and technology infrastructure have also been strengthened. We continue to roll out market-leading solutions for ourselves, our customers and intermediaries. Our market structure was improved to set the stage for new growth areas, such as algorithmic trading. These initiatives will provide the cornerstones for future growth.

**LISTINGS PLATFORM** New listings rose 36.7% to 67 listings<sup>1</sup>, with a total market capitalisation of \$22.9 billion compared to \$21.8 billion previously. Of these, four had a market capitalisation in excess of \$1 billion. Our value proposition as a listing hub for SMEs remains strong, along with our efforts to broaden our marketing reach. This will be complemented by the Catalist board, which is a platform for growth in the SME segment, and for fast-growing companies.

Our strengths in REITs and business trust segments continued to gain traction, with the addition of three REITs and three business trusts. These include our first Japanese REIT, our first business trust of Indian assets, and a business trust comprising water treatment plants in China. The marine/offshore sector also grew, with the listing of companies, from countries such as India, Thailand and Malaysia.

The number of new foreign listings rose 40% to 49, and accounted for more than 70% of all new listings for the year. These foreign listings include companies from China, Hong Kong, Taiwan, India, Thailand, Indonesia, Japan and Malaysia. China remains an important source of new listings, as the number of Chinese listings doubled from 17 to 33. The establishment of our Beijing representative office on 18 April 2008 enables us to offer closer support to listing aspirants and provide more effective post-listing services.

<sup>1</sup> Includes seven Reverse Takeovers

## "THE NUMBER OF NEW FOREIGN LISTINGS ROSE 40% TO 49, AND ACCOUNTED FOR MORE THAN 70% OF ALL NEW LISTINGS FOR THE YEAR."

Particular progress has been made in tapping the India market. This includes the listing of two business trusts of Indian assets with a combined market capitalisation exceeding \$3 billion, our first Indian shipping company and eight GDRs.

**SECURITIES TRADING** Overall, securities turnover value rose 33.3% to \$533.0 billion, and the turnover velocity rose from 65.0% to 72.2%. However, the market downturn resulted in turnover tailing off in the second half of the year, and we anticipate these conditions to persist in the near term.

Product innovation and development is essential in diversifying and strengthening the Asian Gateway strategy. For example, the popular MSCI India ETF saw a 205.1% growth in traded value to \$1.5 billion. In addition, we are augmenting our market access product suite with a healthy pipeline of certificates and ETFs, offering access to investment themes ranging from luxury goods to environmental plays and commodities.

Another important structural change was the revamp of the STI in January 2008, along with the introduction of 18 sub-indices. The new indices, which cover sectors such as SGX's S-shares, REITs, and oil & gas companies, should stimulate the development of more index-related products.

SGX has identified algorithmic trading as one of our key business drivers going forward. In December 2007, the minimum bid size schedule for our securities market was fine-tuned to reduce transaction costs. This was followed by the launch, in May 2008, of a low-latency proximity hosting service which is an essential feature for algorithmic trading. We will continue to enhance our technology, operational and regulatory frameworks to nurture this important market segment.

In addition to new products and structural changes, our market ecosystem was enriched with six new clearing members. Furthermore, our membership structure was broadened to include banks as third-party clearing members. These new participants should add a greater level of activity to our market.

**RISK MANAGEMENT CENTRE** Market volatility has helped our derivatives business as volumes increased 43.1% from 37.4 million to 53.5 million contracts. The Nikkei 225 and MSCI Taiwan contracts both registered record volumes. The highlight for the derivatives segment has been our re-sized Nifty futures contract, which has, in a short span of time, risen from a very low base to 6.8 million contracts<sup>2</sup>. The Nifty contract complements our existing suite of securities products offering access to the fast-growing Indian economy.

We remain focused on building our derivatives suite. Trading in our new MSCI Asia APEX 50 Index futures contract commenced in May 2008. This contract provides hedging opportunities for fund managers and a cost-efficient way to gain exposure to Asian companies for investors. We believe this contract will give SGX the opportunity to anchor a pan-Asian product in Singapore.

Our structured warrants market also experienced healthy growth, with trading value rising 61.7% to reach \$30.5 billion. New listings of structured warrants increased 30.2% to 1,702 in the year. With the entry of Yuanta Securities, the first Taiwanese issuer for structured warrants, we now have a total of 16 issuers for these structured instruments.

<sup>2</sup> With effect from 19 November 2007, the contract size of SGX CNX Nifty India Futures contract was reduced by five times

# CEO'S MESSAGE

For domestic contracts, we announced our plans to launch Single Stock Derivatives (SSDs) on mainboard listed securities in FY09. SSDs will facilitate short or spread strategies and hedging to improve capital efficiency and risk management. This should provide SGX with the ability to build liquidity, both in bullish and bearish markets.

Our product offering will be further enhanced with our recent acquisition of SICOM and its flagship rubber contract. We look forward to establishing a vibrant commodities market in the years to come.

SGX AsiaClear has exhibited strong growth. The value of OTC trades cleared increased by more than three times over the past year and revenue exceeded \$1 million. Our network of counterparties grew to more than 200, supported by 19 clearing members and 25 inter-dealer brokers. To expand our services, six new contracts were added, bringing our current product suite to 28 contracts. We believe SGX AsiaClear's OTC clearing services complement our positioning as an Asian risk management centre.

**TECHNOLOGY** During the year, we strengthened our technology capabilities through the appointment of key senior staff. We made significant progress in implementing technology initiatives to improve our systems robustness to support future growth. We decommissioned the securities trading terminal, SESOPS, and

upgraded our Data Centre capacity as well as refreshed key systems. In February 2008, a new Derivatives data engine, which offers faster capture and delivery of data, was launched.

On 7 July 2008, the CLOB system, which served us for the past 19 years, was successfully replaced by the new QUEST-ST securities trading engine. The planned launch of the post-trade settlement system SGX Prime in FY09 should improve operational efficiencies for our stakeholders by automating the settlement process for institutional and CPF trades. Plans are on track to upgrade the QUEST-DT derivatives trading system by December 2008 and introduce the new clearing system by July 2009.

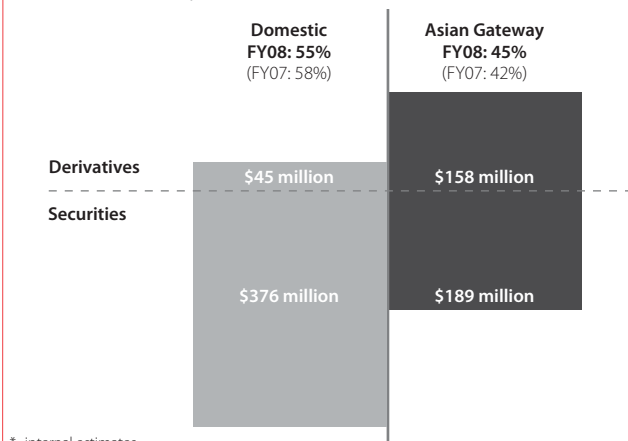
**RISK MANAGEMENT AND REGULATION** SGX is a Self-Regulatory Organisation (SRO) with both commercial and regulatory obligations. SRO governance initiatives in FY08 include the formulation of a comprehensive SRO handbook for staff and the re-validation of our SRO governance arrangements by an external consultant.

High regulatory standards continue to be the foundation for SGX's business. A watchlist for underperforming companies was introduced in March 2008, not only to improve transparency for investors, but also to encourage these companies to improve their operations.

To keep abreast with market developments, we adopted rules to allow the continued trading of cash companies, shorten the minimum duration of trading halts and mandate immediate announcements of grants of employee share options to pre-empt the back-dating of options.



## Asian Gateway revenue\*



**“OUR ASIAN GATEWAY STRATEGY HAS PRODUCED REVENUE STREAMS THAT NOW COMPRISE 45% OF OUR REVENUES.”**

17 December 2007 marked the transition from SESDAQ to Catalist, the sponsor-supervised board for high-growth companies. In addition to attracting new listings of growth companies, the Catalist framework represents a transformational approach to corporate governance, by partnering companies with approved sponsors. This should improve overall market quality.

**FINANCIAL PERFORMANCE** Our return on equity rose from 37.5%<sup>3</sup> to 49.7%<sup>4</sup>, with a 42.7% increase in NPAT to \$444 million<sup>4</sup>. Despite challenging market conditions in the latter half of FY08, SGX registered new records in all revenue categories. Securities market revenue rose 37.9%, derivatives market revenue rose 33.6% and stable revenue rose 22.1%.

Total operating expenses grew 13.5% to \$239.6 million, principally due to increased rental following the sale of SGX Centre in 2007, staff and technology expenses. Nevertheless, the ratio of our stable revenue and derivatives clearing revenue to total operating expenses remained healthy, at 133.1%. Whilst cost management is an area we watch with vigilance, we are mindful of the need to take a long-term view of the important task of building human capital and technology capacity.

**CONCLUDING REMARKS** We have built a robust business with strong organisational capabilities. Our Asian Gateway strategy has produced revenue streams that now comprise 45% of our revenues. Notwithstanding the financial turmoil and expected economic slowdown, we continue to pursue opportunities across Asia as a regional hub for capital raising and risk management.

SGX's success today is attributable to the tireless efforts of my colleagues, along with the support of our customers, intermediaries, shareholders, and regulators, and the guidance of our Chairman and Board. To all, I thank you.

**HSIEH FU HUA**  
Chief Executive Officer  
7 August 2008

<sup>3</sup> Excludes the \$45.0 million write-back of allowance for impairment and \$65.5 million gain on disposal of SGX Centre

<sup>4</sup> Excludes the \$34.0 million distribution from SGX-DT Compensation Fund

# OUR STRONG GOVERNANCE



# RNANCE

**AS BOTH REGULATOR AND LISTED COMPANY,  
SGX STRIVES TO UPHOLD THE HIGHEST STANDARDS  
OF CORPORATE GOVERNANCE.**

# BOARD OF DIRECTORS

## **J Y PILLAY**

### **Non-executive Chairman**

Mr Pillay has served as Chairman of the SGX board since 18 November 1999. On 28 September 2007, Mr Pillay was re-designated to serve as a non-executive Chairman and a non-independent director on the SGX board.

Mr Pillay also serves as Chairman of the Council of Presidential Advisers and member of the Presidential Council for Minority Rights of the Republic of Singapore, Life Trustee of the Singapore Indian Development Association, member of the Council for Third Age, Senior Fellow of the Ministry of Foreign Affairs Diplomatic Academy, and Chairman of the Board of Trustees of the Catholic Social and Community Council Limited Agape Fund.

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, national development, Monetary Authority of Singapore and 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). He was also the Chairman of the Council on Corporate Disclosure and Governance from 2002 till its dissolution in 2007.

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

Mr Pillay was last re-elected as a director at the Annual General Meeting on 28 September 2007.



**WITH A BROAD RANGE OF EXPERTISE AND A GOOD PROPORTION OF INDEPENDENT DIRECTORS, THE BOARD PROVIDES EFFECTIVE AND KNOWLEDGEABLE OVERSIGHT. THE INTERESTS OF BOTH SGX AND OUR INVESTORS ARE SOUNDLY SAFEGUARDED.**

**HSIEH FU HUA**

**Chief Executive Officer**

Mr Hsieh has served as CEO and a non-independent director on the SGX board since 1 March 2003.

Mr Hsieh is a member of the National University of Singapore Board of Trustees, the boards of Government of Singapore Investment Corporation and the National Arts Council. He is also Chairman of SIM Pte Ltd (a subsidiary of the Singapore Institute of Management).

Mr Hsieh's career has been in merchant banking and capital markets in Asia. Mr Hsieh 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.

Mr Hsieh graduated from the University of Singapore in Business Administration in 1974.

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

**LOW CHECK KIAN**

**Lead Independent Director**

Mr Low has served as an independent director on the SGX board since 20 July 2000 and was appointed Lead Independent Director in May 2006.

Mr Low serves on the board of Fibrechem Technologies Limited and AWAK Technologies Pte. Ltd.

Mr Low was previously a Senior Vice-President and member of the Executive Management Committee of Merrill Lynch & Co., as well as their Chairman for the Asia Pacific Region.

Mr Low graduated from the London School of Economics with a Bachelor of Science (Economics) (First Class Honours) in 1983 and a Master of Science (Economics) in 1984.

Mr Low was last re-elected as a director at the Annual General Meeting on 28 September 2007.

# BOARD OF DIRECTORS

## **CHEW CHOON SENG**

### **Non-executive Director**

Mr Chew has served as an independent director on the SGX board since 1 December 2004.

Mr Chew 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 a director of the Government of Singapore Investment Corporation and a member of the Board of Governors of the International Air Transport Association.

Mr Chew 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 the Annual General Meeting on 28 September 2007.

## **EULEEN GOH YIU KIANG**

### **Non-executive Director**

Ms Goh has served as an independent director on the SGX board since 29 September 2006.

She is the non-executive Chairman of the Singapore International Foundation. She is a non-executive board member of Singapore Airlines Limited, CapitaLand Financial Limited and MediaCorp Pte Ltd, Chairman of the Accounting Standards Council, Chairman of the Financial Industry Competency Standards Committee, Council member of the Singapore Institute of Banking and Finance, and Adviser to the Singapore Institute of International Affairs.

Ms Goh had previously served as the non-executive Chairman of International Enterprise Singapore. She had also served on the National Heritage Board, MOH Holdings Pte Ltd Board and as a member of the Council on Corporate Disclosure and Governance. Ms Goh held various senior management positions in Standard Chartered Bank, retiring in March 2006 after some 21 years with the Bank. She was CEO of Standard Chartered Bank, Singapore from 2001 until March 2006.

Ms Goh is a Chartered Accountant with professional qualifications in banking and taxation.

For her contributions to the financial services sector, Ms Goh was awarded a Public Service Medal by the President of Singapore in 2005.

Ms Goh was appointed as a director at the Annual General Meeting on 29 September 2006.

**HO TIAN YEE****Non-executive Director**

Mr Ho has served as an independent director on the SGX board since 15 November 1999.

Mr Ho is currently Executive Director of Pacific Asset Management (S) Pte Ltd. Mr Ho holds directorship on the boards of Fraser and Neave Limited and Singapore Power Limited. He is Chairman of Times Publishing Ltd and a member of the Risk Committee of the Government of Singapore Investment Corporation.

Mr Ho was previously General Manager and Managing Director of Bankers Trust Company Singapore.

He holds a Bachelor of Economics (Honours) from Portsmouth University, UK.

Mr Ho was last re-elected as a director at the Annual General Meeting on 28 September 2007.

**LEE HSIEN YANG****Non-executive Director**

Mr Lee has served as an independent director on the SGX board since 17 September 2004.

He is currently the Chairman of Fraser and Neave Limited and is an independent director of The Islamic Bank of East Asia Limited. Mr Lee chairs the Republic Polytechnic's Board of Governors and is a member of the Governing Board of the Lee Kuan Yew School of Public Policy.

Mr Lee served as Group CEO of Singapore Telecommunications Ltd from May 1995 until March 2007.

A President's Scholar and an SAF Scholar, Mr Lee obtained First Class Honours in Engineering from Cambridge University, UK and a Master of Science (Management) degree from Stanford University, USA.

Mr Lee was last re-elected as a director at the Annual General Meeting on 29 September 2006.

# BOARD OF DIRECTORS

## **LOH BOON CHYE**

### **Non-executive Director**

Mr Loh has served as an independent director on the SGX board since 22 October 2003.

Mr Loh currently chairs the Singapore Foreign Exchange Market Committee.

Mr Loh began his career as an Investment Officer with the Monetary Authority of Singapore 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).

Mr Loh holds a Bachelor of Engineering (Mechanical) from the National University of Singapore.

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

## **OLIVIA LUM OOI LIN**

### **Non-executive Director**

Ms Lum has served as an independent director on the SGX board since 17 September 2004.

Currently, Ms Lum holds directorship in Hyflux Ltd. She is also a member of the National University of Singapore Board of Trustees.

Ms Lum 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.

Ms Lum graduated from the National University of Singapore with a Bachelor of Science (Honours) in 1986.

Ms Lum was last re-elected as a director at the Annual General Meeting on 29 September 2006.

She will be stepping down as director at the forthcoming Annual General Meeting on 3 October 2008.



**NG KEE CHOE****Non-executive Director**

Mr Ng has served as an independent director on the SGX board since 22 October 2003.

Mr Ng has been a director of Singapore Airport Terminal Services Limited (SATS) since 1 March 2000 and is a member of the Board Exco and Audit Committee of SATS.

In addition, Mr Ng is Chairman of Singapore Power Ltd, SP AusNet, comprising SP Australia Networks (Transmission) Ltd, SP Australia Networks (RE) Ltd and SP Australia Networks (Distribution) Ltd, NTUC Income Insurance Co-Operative Ltd and Tanah Merah Country Club. He is President-Commissioner of PT Bank Danamon Indonesia Tbk. He is a member of Temasek Advisory Panel and International Advisory Council of China Development Bank.

Mr Ng was the Vice-Chairman of DBS Group Holdings (DBS). He retired from his executive position in July 2003 after 33 years of service with DBS.

For his contributions to the public service, Mr Ng was awarded the Public Service Star Award in 2001.

Mr Ng graduated with a Bachelor of Science (Honours) degree from the University of Singapore.

Mr Ng was last re-elected as a director at the Annual General Meeting on 29 September 2006.

**ROBERT OWEN****Non-executive Director**

Mr Owen has served as an independent director on the SGX board since 17 September 2004.

Mr Owen is Chairman of Crosby Capital Partners Inc., IB Daiwa Corp and International Securities Consultancy Ltd. and a non-executive director of Citibank (Hong Kong) Ltd. and a number of other companies and investment funds. Mr Owen is currently a board member of the Dubai Financial Services Authority. He is also a Governor of Repton School.

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 to implement reforms to the regulation and operation of Hong Kong's securities and futures markets. In 1989, he became the first Executive Chairman of the Securities and Futures Commission of Hong Kong, where he served until 1992. He was a member of the Council and Regulatory Board of Lloyds of London from 1993 to 1995.

He graduated with First Class Honours from the University of Oxford, UK, in 1961.

Mr Owen was last re-elected as a director at the Annual General Meeting on 28 September 2007.

# BOARD OF DIRECTORS

## PRESENT AND PAST DIRECTORSHIPS

### Present directorships (As at 30 June 2008)

#### JOSEPH YUVARAJ PILLAY

##### SGX Group

SGX Investment Mauritius Limited

##### Others

Board of Trustees of the Catholic Social and Community Council  
Limited Agape Fund (*Chairman*)

Council for Third Age (*Member*)

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

Lee Kuan Yew School of Public Policy (*Adjunct Professor*)

Ministry of Foreign Affairs Diplomatic Academy (*Senior Fellow*)

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

Singapore Indian Development Association (*Life Trustee*)

### Past directorships over the preceding three years (From 30 June 2005 to 29 June 2008)

Assisi Hospice (*Chairman*)

Commonwealth Africa Investments Limited (*Chairman*)

Council on Corporate Disclosure and Governance (*Chairman*)

Financial Sector Development Fund Advisory Committee

of the Monetary Authority of Singapore (*Member*)

Investment Committee of the United Nations Pension Fund  
(*Member*)

Mount Alvernia Hospital

SGXLink Pte Ltd

Singapore Exchange Derivatives Clearing Limited

Singapore Exchange Derivatives Trading Limited

Singapore Exchange Securities Trading Limited

Singapore Hospice Council (*Member*)

Temasek Advisory Panel of the Temasek Holdings (Private)  
Limited (*Member*)

Temasek International Panel of the Temasek Holdings  
(Private) Limited (*Chairman*)

The Central Depository (Pte) Limited

**Present directorships**  
(As at 30 June 2008)

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**HSIEH FU HUA**

**SGX Group**

Singapore Exchange Derivatives Clearing Limited  
Singapore Exchange Derivatives Trading Limited  
Singapore Exchange Securities Trading Limited  
The Central Depository (Pte) Limited  
American Stock Exchange – SGX Pte Ltd  
Asian Gateway Investments Pte. Ltd  
(previously known as CDP Nominees (II) Pte. Ltd.)  
Joint Asian Derivatives Pte Ltd  
SGX Investment (Mauritius) Limited  
Singapore Commodity Exchange Limited (SICOM)

**Others**

Government of Singapore Investment Corporation Pte Ltd  
National Arts Council (*Member*)  
National Gallery (Ministry of Information Communications &  
the Arts) (*Member, Steering Committee*)  
National University of Singapore (*Board of Trustees*)  
SIM Pte Ltd (formerly SIM International Pte Ltd) (*Chairman*)

**Personal**

Hogarth Limited  
Sunshine Portfolio Sdn Bhd

**Past directorships over the preceding three years**  
(From 30 June 2005 to 29 June 2008)

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AsiaClear Pte Ltd  
Binjai Inc.  
CDP Nominees Pte Ltd  
GlobalClear Pte Ltd  
Macronet Information Pte Ltd  
Measurex Engineering Pte Ltd  
National University of Singapore (*Council Member*)  
Options Clearing Company (Pte) Limited  
PrimeFounders Inc.  
(formerly PPAC Inc)  
PrimePartners Assets Inc.  
(formerly PrimePartners Asset Management Inc)  
PrimePartners Management Pte Ltd  
Securities Clearing and Computer Services (Pte) Limited  
ServTouch Holdings Pte Ltd  
(formerly WyWy Office Solutions Group Pte Ltd)  
SGXLink Pte Ltd  
Singapore Exchange IT Solutions Pte Limited  
Singapore Institute of Management (*Council Chairman*)  
TIF Ventures Pte Ltd

# BOARD OF DIRECTORS

## PRESENT AND PAST DIRECTORSHIPS

### Present directorships (As at 30 June 2008)

#### CHEW CHOON SENG

##### SIA Group

SIA Engineering Company Limited  
Singapore Airlines Limited  
Singapore Airport Terminal Services Limited

##### Others

Board of Governors of the International Air Transport Association  
Government of Singapore Investment Corporation

### Past directorships over the preceding three years (From 30 June 2005 to 29 June 2008)

Singapore Aircraft Leasing Enterprise Pte Ltd  
Singapore International Foundation  
Virgin Atlantic Airways Limited  
Virgin Atlantic Limited  
Virgin Travel Group Limited

#### EULEEN GOH YIU KIANG

Accounting Standards Council (*Chairman*)  
CapitaLand Financial Limited (*Deputy Chairman*)  
Financial Industry Competency Standards Committee (*Chairman*)  
MediaCorp Pte Ltd (*Chairman of Audit & Risk Committee*)  
Northlight School (*Chairman/Board of Governors*)  
Singapore Airlines Limited  
(*Chairman of Audit Committee and Member of Board Exco*)  
Singapore Chinese Girls' School  
Singapore Institute of International Affairs (*Adviser*)  
Singapore International Foundation (*Chairman*)  
Standard Chartered Bank Malaysia Berhad  
Standard Chartered Bank (Thai) Pcl  
The Institute of Banking & Finance, Singapore (*Council Member*)

Asfinco Singapore Limited  
Chartered Corporate Services Singapore Limited  
International Enterprise Singapore (*Chairman*)  
MOH Holdings Pte Ltd  
National Heritage Board  
Raffles Nominees (Pte.) Limited  
S C Learning Pte Ltd  
Scope International (M) Sdn Bhd  
Scope International Private Limited  
(registered in Chennai)  
Singapore International Chamber of Commerce  
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

#### HO TIAN YEE

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

Centrepont Properties Ltd  
CPL (China) Pte Ltd  
Great Eastern Holdings Ltd  
SP PowerAsset Ltd  
SPI Australia Group Pty Ltd  
The Great Eastern Life Assurance Company Ltd  
The Overseas Assurance Corporation Limited

**Present directorships**  
(As at 30 June 2008)

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**LEE HSIEN YANG**

Fraser and Neave Limited (*Chairman*)  
Governing Board of Lee Kuan Yew School of Public Policy (*Member*)  
Kwa Geok Choo Pte Ltd  
Republic Polytechnic (*Chairman*)  
The Islamic Bank of Asia Limited

**Past directorships over the preceding three years**  
(From 30 June 2005 to 29 June 2008)

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INSEAD  
L & L Services (Pte) Ltd  
Land Transport Authority (*Member*)  
NCS Pte Ltd  
Singapore Post Limited  
Singapore Telecom Australia Investments Pty Ltd.  
Singapore Telecom International Pte Ltd  
Singapore Telecom Mobile Pte Ltd  
Singapore Telecommunications Limited  
SingTel Optus Pty Limited

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**LOH BOON CHYE**

BC Capital Pte Ltd  
BC Investments Holdings Ltd  
Financial Sector Development Fund Advisory Committee  
of MAS (*Member*)  
Gym & Sports Pte Ltd  
IBF Council  
Singapore Foreign Exchange Market Committee (*Chairman*)  
Wah Hin & Co Investment Committee (*Member*)

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

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**LOW CHECK KIAN**

AWAK Technologies Limited  
Fibrechem Technologies Limited  
NewSmith Capital Partners (Asia) Pte Ltd (*Chairman*)

Infocomm Development Authority of Singapore  
Infocomm Investments Pte Ltd (*Chairman*)  
Singapore Workforce Development Agency  
Singapore Workforce Development Agency Investment  
Committee (*Chairman*)

# BOARD OF DIRECTORS

## PRESENT AND PAST DIRECTORSHIPS

### Present directorships (As at 30 June 2008)

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#### NG KEE CHOE

##### Singapore Power Group

Singapore Power Limited (*Chairman*)  
SP Australia Networks (Distribution) Ltd (*Chairman*)  
SP Australia Networks (RE) Ltd (*Chairman*)  
SP Australia Networks (Transmission) Ltd (*Chairman*)

##### Others

Advisory Council of China Development Bank (*Member*)  
NTUC Income Insurance Co-Operative Limited (*Chairman*)  
PT Bank Danamon Indonesia Tbk (*President-Commissioner*)  
Singapore Airport Terminal Services Limited (*Director*)  
Tanah Merah Country Club (*Chairman*)  
Temasek Advisory Panel of Temasek Holdings  
(Private) Limited (*Member*)

### Past directorships over the preceding three years (From 30 June 2005 to 29 June 2008)

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DBS Bank Ltd  
DBS Group Holdings Ltd  
Singapore International Foundation (*Governor*)  
Wing Lung Bank Ltd

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#### OLIVIA LUM OOI LIN

##### Hyflux Group

Hydrochem Engineering (Shanghai) Co. Ltd.  
Hyflux Filtech (Shanghai) Co. Ltd.  
Hyflux Filtech (Singapore) Pte Ltd  
Hyflux Ltd  
Hyflux Marmon Development Pte Ltd  
Hyflux Water Trust Management Pte Ltd  
Marmon Hyflux Investments Pte Ltd  
Newspring Huludao Co. Ltd.  
Sinolac (Singapore) Pte Ltd

##### Others

National University Health System Pte Ltd (*Director*)  
National University of Singapore (*Board of Trustees*)  
Singapore-Jiangsu Cooperation Council (*Member*)  
Singapore-Tianjin Economic & Trade Council (*Member*)  
Singapore Water Association (*President*)  
Temasek Life Sciences Laboratory Limited (*Director*)  
The Chinese Development Assistance Council (*Trustee Member*)  
The Singapore Productivity Association (*Patron*)

##### Hyflux Group

Hydrochem (S) Pte Ltd  
Hyflux Aquosus (Singapore) Pte Ltd  
Hyflux International Ltd (BVI)  
Hyflux Lifestyle Products (S) Pte Ltd  
Hyflux Newspring Construction Engineering (Shanghai) Co.  
Menaspring Utility (S) Pte Ltd  
Nanomax Pte Ltd

##### Others

Health Sciences Authority (*Board Member*)  
Matex International Ltd  
Singapore-SiChuan Trade & Investment Committee (*Member*)  
Spring Singapore (*Board Member*)  
UNESCAP Business Advisory Council (*Member*)  
Yeo Hiap Seng Ltd

**Present directorships**

(As at 30 June 2008)

**ROBERT OWEN**

Citibank (Hong Kong) Ltd  
Crosby Active Opportunities Feeder Fund Limited  
Crosby Active Opportunities Master Fund Limited  
Crosby Capital Partners Inc. (*Chairman*)  
(listed on the Alternative Investment Market in London)  
Crosby China Chips Fund Ltd  
ECK & Partners Ltd.  
IB Daiwa Corporation (*Chairman*)  
International Financial Services Consultancy Ltd  
International Securities Consultancy Ltd. (*Chairman*)  
International Securities Information Services Ltd  
International Securities Institute Ltd  
ISI Publications Ltd.  
KASB Funds Ltd  
Repton Foundation Ltd  
Repton Preparatory School  
Repton School (*Governor*)  
Securities Institute of Hong Kong Ltd  
Sir John Port's Charity  
The Dubai Financial Services Authority

**Past directorships over the preceding three years**

(From 30 June 2005 to 29 June 2008)

CMEC GE Capital China Industrial Holdings Ltd.  
Crosby Asset Management (Hong Kong) Ltd  
Crosby Capital Partners (Holdings) Limited  
Crosby Capital Partners (Hong Kong) Ltd  
Crosby Capital Partners Limited  
Crosby Capital Partners (Shanghai) Limited  
European Capital Company Limited  
Nirvana Capital Limited  
Nomura International (HK) Ltd  
Regent Pacific Ltd  
Sunday Communications Ltd.  
Techpacific Capital Ltd.

# EXECUTIVE COMMITTEE

## **HSIEH FU HUA**

### **Chief Executive Officer**

Mr Hsieh's profile can be found on page 19 of this Annual Report.

## **GAN SEOW ANN**

### **Senior Executive Vice President**

Mr Gan is Senior Executive Vice President and Head of Markets. He also oversees the development of Singapore Commodity Exchange (SICOM) and SGX's Corporate & Marketing Communications function.

As Head of Markets, Mr Gan is responsible for the development and management of SGX's securities, derivatives and commodities markets, as well as the clearing business. This involves the development of new products and services, intermediaries and channels, and key customer segments including institutional and private investors; facilitating their access and participation in SGX's markets. Mr Gan is also responsible for the development of SGX as the choice venue for raising funds and premier risk management centre.

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

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



# TEE

## **SECK WAI KWONG**

### **Senior Executive Vice President and Chief Financial Officer**

Mr Seck joined SGX on 2 June 2003. He is Senior Executive Vice President and CFO. Mr Seck also oversees Legal and Governance.

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

He is currently on the boards of the Energy Market Authority, the Financial Sector Development Fund, and the Institute of Banking and Finance and a member of the Securities Industry Council. He is Chairman of the Graduate Board of Nanyang Business School in Nanyang Technological University. He also chairs the Investment Committee and serves as Trustee of the Home Affairs Uniformed Services INVEST Board.

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

## **YEO LIAN SIM**

### **Senior Executive Vice President**

Ms Yeo is Senior Executive Vice President and Head of Risk Management & Regulation group, which is responsible for maintaining a robust regulatory framework for SGX's operation of a fair, orderly and transparent market. The group encompasses member supervision, issuer regulation, market surveillance, enforcement, risk management and regulatory policy. It also works closely with the Monetary Authority of Singapore (MAS) in developing and enforcing rules and regulations for market participants. Ms Yeo has been with SGX since 1 July 2004 and was promoted to Senior Executive Vice President on 1 August 2007.

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

Ms Yeo 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.

# EXECUTIVE COMMITTEE

## **MUTHUKRISHNAN RAMASWAMI**

### **Senior Executive Vice President and Chief Operations Officer**

Mr Ramaswami is Senior Executive Vice President and Chief Operations Officer. He heads both the Operations & Technology Group and the Market Services Group. As Head of Operations & Technology, his charter includes market control, clearing and settlement, depository operations, IT planning and governance, IT solutions and services delivery. In his role as Head of Market Services, Mr Ramaswami is responsible for data related services and the transformation of SGX into a post-trade processing hub and the development of ancillary services arising out of its core trading and clearing activities. In addition, Mr Ramaswami oversees Business Integration & Programme Management at SGX.

Mr Ramaswami joined SGX on 1 July 2007. He was previously from Citigroup Global Consumer Bank where he was the Chief Information Officer with the International Consumer Business. He also held senior executive positions in Citigroup's international and regional offices.

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

## **LAWRENCE WONG**

### **Executive Vice President**

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

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

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

Mr Wong currently serves as a member on the Appeal Advisory Committee for Securities and Futures Act, Financial Advisers Act, Insurance Act, Trust Companies Act and Business Trust Act.

**K A CHANG****Executive Vice President and Chief Human Resource Officer**

Mr Chang is responsible for the management of SGX's human resource and organisational development initiatives. His charter is to align human capital strategy with business priorities, to further enhance SGX as an Asian gateway for raising capital and achieving investment objectives.

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

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

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

**CHEW SUTAT****Executive Vice President**

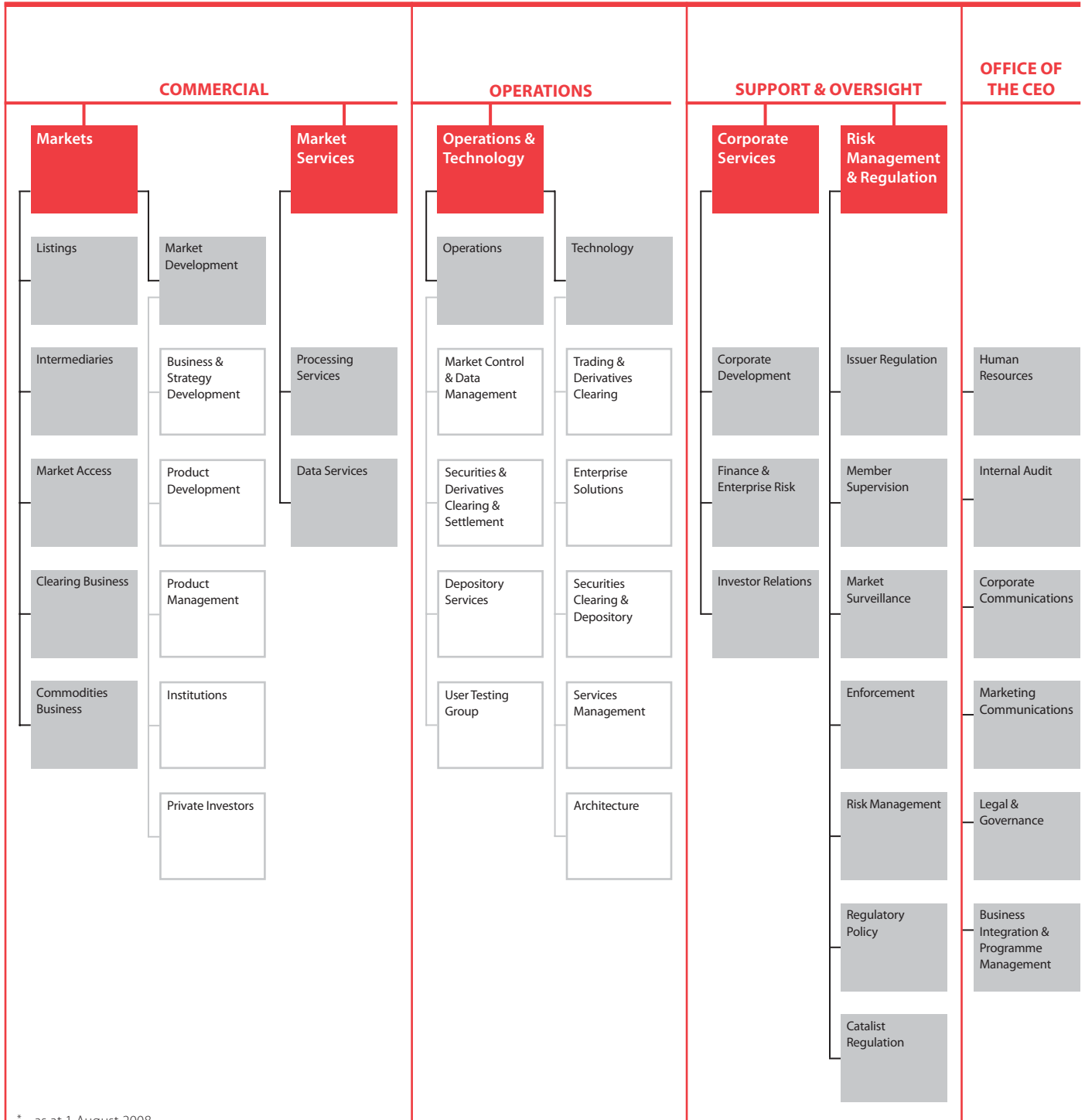
Mr Chew joined SGX in June 2007 to lead the Development team in identifying, structuring and nurturing strategic business and product offerings for the Exchange.

Prior to joining SGX, he was Group Head, Investment & Treasury Products at Standard Chartered Bank. He was responsible for the Global Wealth Management investment and treasury products business, strategy and development in the bank's existing geographic franchises as well as new ventures.

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

Mr Chew graduated with a Bachelor of Arts (1st Class Honours) degree in Philosophy Politics & Economics (PPE) from Oxford University, Keble College in 1996. He also holds a Master of Arts degree from Oxford.

## CHIEF EXECUTIVE OFFICER



\* as at 1 August 2008

## **OFFICE OF THE CHIEF EXECUTIVE OFFICER**

Teams under this group are responsible for the alignment of key strategic business functions with the corporate vision. These include the development and management of strategic communications programmes, human capital development and management, internal audit, legal and company secretarial functions, design of enterprise systems and oversight of key projects.

## **MARKETS**

The group is responsible for the development of SGX's securities, derivatives and commodities markets, driving growth by executing business strategies and enhancing relationships with key market participants from issuers, intermediaries, channels and traders, to institutional and private investors.

The group is also tasked with developing and introducing new and innovative products and services, expanding SGX's clearing business, broadening access into SGX's markets, as well as improving trading efficiency. At the vanguard of SGX's marketing efforts, Markets group identifies new customers and customer segments, and increases distribution of its products and services. It promotes Singapore as the choice listing venue and positions SGX as a premier risk management centre.

## **MARKET SERVICES**

The group is responsible for the post-trade processing, and Data Services businesses. In addition, the group oversees the development of ancillary services arising out of the core trading and clearing activities.

## **OPERATIONS & TECHNOLOGY**

This group is responsible for SGX's IT infrastructure planning and implementation, and the development of IT solutions for market participants. The group also manages the securities and derivatives trading, clearing and settlement operations, securities depository and customer service functions.

## **CORPORATE SERVICES**

The group takes charge of the overall financial management of SGX and drives the corporate development and investor relations functions. Corporate Services also ensures good capital and treasury management, enterprise risk management and compliance, financial planning and reporting, as well as facilities management.

## **RISK MANAGEMENT & REGULATION**

Through the establishment of a robust risk management and regulatory framework, as well as effective market surveillance and enforcement, the Risk Management & Regulation group promotes a fair, orderly and transparent marketplace, and a safe and financially sound clearing system. The group works closely with the Monetary Authority of Singapore in developing and enforcing rules and regulations for issuers and market participants.

# CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, it is incumbent on us to nurture and support the wider community. This means that we take cognizance of the economic, social and environmental concerns of our members, customers, employees and the general public.

Our Corporate Governance efforts have been recognised in independent surveys both locally and globally. RiskMetrics Group's Investor Shareholder Services (ISS) Corporate Governance Quotient (CGQ) has ranked SGX as follows<sup>1</sup>:

- i) Index Ranking – SGX outperformed 98.5% of companies in ISS's ranking of companies in the MSCI EAFE Index;
- ii) Industry Ranking – SGX outperformed 98.2% of the companies in the ISS diversified financial services.

For both scores SGX is rated against non US companies only.

## NURTURING OUR PEOPLE

SGX success rests on its people. SGX is committed to a high level of employee engagement and strives to create a sustainable work environment with equal employment opportunities.

Several initiatives were launched during the year to engage and recognise staff and to drive excellence in the workplace. *SGX impacts!* enables managers to engage staff in identifying and implementing workplace improvements, while *SGX applauds!* recognises and rewards staff for living the SGX's Mission and Guiding Principles. The programme has been very well-received, with 147 staff receiving the Spot Award.

The company recognises that a healthy work-life balance is essential for sustainable high performance. Regular social and recreational events, including relaxing massages, movie nights and a futsal tournament, inject fun, relieve work-stress and provide bonding opportunities. A professional in-house counselling service is also available throughout the year to promote mental well-being.

We introduced a pilot scheme for part-time employment to help staff to better manage their family responsibilities. The SGX Social & Recreation Committee also launched a company-wide Workplace Health programme, encompassing initiatives such as subsidised health screenings, exercise classes and health talks.

## REACHING OUT TO OUR COMMUNITY

We continued to raise the bar on our community outreach programmes. This includes not only the investment community but the wider public as well.

Apart from one-off monetary donations, we broadened the scope of our community programmes and engaged our staff at all levels, including senior management, to volunteer their time and energy. Staff are also encouraged to form their own teams to plan and exercise ownership over such programmes. This helps to promote inter-department bonding and strengthen staff morale.

## INVESTMENT COMMUNITY

At SGX, we place a premium on fostering a strong relationship with our stakeholders. We support the work of the Securities Investors Association of Singapore, the Investor Relations Professionals Association (Singapore), the Society of Remisiers (Singapore) and the Securities Association of Singapore. We also partner the National University of Singapore in supporting academic research under the Risk Management Institute. For the general public, SGX promotes investor education and financial literacy through regular seminars and events.

## THE BULL RUN® 2007

SGX continued to take the lead in rallying thousands of people from the financial services industry and listed companies to take part in The Bull Run 2007, raising a record \$3.5 million for 14 charity organisations to help children, families and youths in need.

Since its launch in 2004, the annual event has raised more than \$10 million for charity. The event also gives beneficiaries an opportunity to interact with the corporate world and showcase their causes.

<sup>1</sup> This was the score as of June 2008

## OVERSEAS INITIATIVES

For the second consecutive year, SGX extended its community outreach efforts overseas. In FY08, our staff raised more than \$12,000 in aid of the Sekolah Kanak-kanak Terencat Akal (School for Mentally Retarded Children) in Penang, Malaysia. The funds went towards building a new life-skills kitchen, as well as general maintenance and upkeep of the school premises. SGX staff spent two days interacting with the children and painting wall-murals at the school.

SGX also responded generously to the Myanmar cyclone and Sichuan earthquake disasters in May 2008. Over \$324,000 was raised from our staff and SGX, including a corporate donation of \$200,000 to aid the relief efforts in China.

During the year, SGX received two awards from the Community Chest of Singapore. The Corporate Gold Award recognised our significant outright donations, while the Special Events Platinum Award acknowledged our fund-raising efforts.

## CARING FOR OUR ENVIRONMENT

SGX is conscious of the impact of our business on the environment. As such, we have taken steps to reduce our carbon footprint and play an industry leading role.

Our FY07 Summary Annual Report and Annual Report were printed on recycled paper. For FY08, SGX shareholders will receive their Summary Annual Report in a CD-ROM. Looking ahead, we aim to eventually migrate these reports to a fully-electronic version, via the internet.

## UPHOLDING CORPORATE GOVERNANCE

Corporate Governance (CG) sets out the principles, standards and processes by which institutions and organisations, through their board of directors and senior management, regulate their business activities. These principles balance safe and sound business operations while complying with the relevant laws and regulations.

At the Singapore Corporate Awards 2008, SGX was presented with the:

- Best Managed Board Award (Gold);
- Best Investor Relations Award (Gold) and;
- Best Annual Report Award (Bronze).

The Business Times Corporate Transparency Index also continued to rank SGX among Singapore's top 10 companies.

Full details on our CG practices are reported in the Corporate Governance Report, and those relating to our role as an SRO, are reported in the Self-Regulatory Organisation Governance Report of this Annual Report.

## MOVING FORWARD

We will continue to develop and build on our CSR framework and lead the market place in engaging our community, and empowering our staff, thereby enriching our stakeholders and the marketplace in which we operate.

# SELF-REGULATORY ORGANISATION GOVERNANCE REPORT

## INTRODUCTION

SGX's regulatory role stems primarily from its responsibility as a market regulator under the Securities and Futures Act (the SFA). Its statutory regulatory functions are to maintain fair, orderly and transparent markets, and to operate safe and efficient clearing facilities. Whilst SGX's regulatory function is central to achieving its business objectives, perceived and actual conflicts of interest may arise from SGX's dual role as both regulator and commercial entity (SRO conflicts). The management of SRO conflicts is therefore an essential part of SGX's effective corporate governance policy.

SRO governance within SGX focuses on ensuring that regulatory decision-making is not compromised by commercial or financial objectives, and includes ensuring that resources dedicated to its regulatory function are adequate. The Monetary Authority of Singapore, as our statutory regulator, has a collaborative relationship with SGX in regard to SRO governance and the maintenance of high regulatory standards.

## REGULATORY CONFLICTS COMMITTEE

The Regulatory Conflicts Committee (RCC) is a specialised board committee, which comprises solely independent directors, to assist the SGX Board in reviewing the adequacy of resources allocated to SGX's regulatory work, ensuring that adequate systems and processes are in place to manage regulatory conflicts and, where necessary, making decisions on specific cases of SRO conflicts referred to it. The RCC changed its name this year from "Conflicts Committee" to better reflect these responsibilities.

For FY08, the RCC has overseen enhancement to SGX's SRO governance framework and reviewed the handling of potential SRO conflict situations. The RCC is satisfied that SGX has adopted appropriate measures to address regulatory and SRO conflicts issues adequately. The RCC is satisfied, both in terms of quality and quantity, with the adequacy of resources being devoted to regulation.

## DEVELOPMENTS TO SGX'S SRO GOVERNANCE FRAMEWORK

More comprehensive SRO governance policies and procedures were established in FY07, which included the implementation of an SRO Conflicts Training Programme and SRO Conflicts Handbook. During the course of FY08, SGX has continued with the ongoing development of these measures which aim to embed an organisational culture of awareness and sensitivity towards SRO conflicts. Our SRO initiatives include imposing distinctive regulatory decision-making procedures on our regulatory dealings with collaborators and competitors to ensure that regulatory dealings remain both objective and impartial.

SGX continues to refine its regulatory Key Performance Indicators (KPIs) for both regulatory and business units, to ensure both are aligned in pursuit of business without subordinating regulatory objectives. SGX also developed a holistic approach to planning for Risk Management and Regulation (RMR).

## APPOINTMENT OF CHIEF OF STAFF FOR RISK MANAGEMENT AND REGULATION

A Chief of Staff has been appointed for RMR to provide leadership in spearheading people strategy, including talent management, staff development and retention, leadership succession and knowledge acquisition. This year, a staff rotation policy was instituted to broaden market knowledge and develop breadth of experience, and a Training and Competency Framework was introduced to enhance staff capabilities.



## RE-APPOINTMENT OF INDEPENDENT REVIEW

As the maintenance of effective SRO governance is a key priority for SGX, in May 2008, the RCC appointed Mr Robert Nottle, former Chairman of the Securities and Futures Commission of Hong Kong, and former Director of the ASX Supervisory Review Pty Limited, to conduct a second review of SGX's progress with respect to SRO governance matters since his initial review in June 2006.

During the course of his review, Mr Nottle examined SGX's SRO governance framework, interviewed members of executive management and key SGX staff, the MAS, and industry representatives comprising issue managers, brokers, lawyers, accountants, institutional investors and the Securities Investors Association of Singapore (SIAS). The findings of Mr Nottle's report were positive. He noted SGX's progress in implementing his recommendations in the 2006 Report. He also made recommendations for further refinements in specific areas.

Mr Nottle noted achievements from the systematic codification of SGX's arrangements for the management of SRO conflicts in the SRO Conflicts Handbook. He acknowledged the clearly documented and well implemented staff education programme, as well as the level of participation by SGX staff in the programme.

The Report noted the increased vibrancy and cohesiveness of RMR, its efforts to improve work planning processes, and to establish qualitative KPIs to reflect desired market outcomes.

The Report made various recommendations for SGX's consideration regarding further enhancements to its SRO conflicts governance framework. Key recommendations were as follows:

- In relation to the SRO Conflicts Code and Information Barrier Policy (the Code), Mr Nottle recommended that the concept of regulatory decisions being made "independently" from SGX's commercial interests be reviewed. Mr Nottle observed that it would be impractical for regulatory decisions to be independent from all commercial considerations. Instead, he proposed an alternative concept of SGX staff having primary regard to SGX's duty not to act contrary to the public interest;
- In respect of the Explanatory Note to the Code, which provides further guidance on the principle that SGX's commercial groups must not place undue pressure on RMR in its discharge of SGX's regulatory responsibilities, it was recommended that SGX monitor its operational impact and assess it in twelve months time;
- The "holistic" approach to work planning for RMR could be improved by including details of the regulatory objectives it intends to achieve, placing increased emphasis on critical regulatory functions, and linking the work plan more directly to its KPIs; and
- Rule waivers granted by SGX to its Members are currently published by circular. Mr Nottle recommended that SGX consider further enhancing transparency by publishing member rule waivers on the SGX website.

SGX has developed an action plan to implement these recommendations during FY09.

# DISCIPLINARY AND APPEALS COMMITTEES

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

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

(collectively “Disciplinary Tribunals”)

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

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

## SGX-DT, SGX-DC, SGX-ST and CDP Disciplinary Committees

The SGX-ST Disciplinary Committee heard one case in the year, in February 2008. The respondent, who was a trading representative, was fined S\$15,000, suspended for three months and required to attend an educational programme. The respondent appealed. The appeal was heard by the SGX Appeals Committee, who affirmed the SGX-ST Disciplinary Committee’s decision. No charges were proffered against any Regulated Person in the remaining three Disciplinary Committees.

The composition of the respective Disciplinary Committees is as follows:

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

Name	Profession
Ho Tian Yee (Chairman)	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	Former Futures Broker
Steve Ng Kuan Kuen	Banker, Deutsche Bank

## SGX-ST and CDP Disciplinary Committee members

Name	Profession
Nels Radley Friets (Chairman)	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
Lam Chee Kin	Chief Operating Officer, JPMorgan Chase Bank

## SGX Appeals Committee

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

\* Regulated Persons include in the case of the SGX-DT, SGX-DC, SGX-ST and CDP Disciplinary Committees, a trading member or a clearing member registered with SGX under the Rules, or any of the members’ directors, trading representatives, officers, employees or agents; and in the case of the Catalist Disciplinary Committee, a Sponsor or Registered Professional registered with Catalist.

The composition of the SGX Appeals Committee is as follows:

Name	Profession
Michael Sydney Hwang (Chairman)	Lawyer, Senior Counsel, Michael Hwang SC
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

#### Catalist Disciplinary Committee and Catalist Appeals Committee

Two new committees, namely the Catalist Disciplinary Committee and the Catalist Appeals Committee were formed in December 2007 to discipline Sponsors\*\* and Registered Professionals\*\* where there is a violation of the Catalist Rules and Regulations.

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

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

#### Catalist Disciplinary Committee members

Name	Profession
Nels Radley Friets (Chairman)	Stockbroker, Citigroup Global Markets Singapore Pte Ltd
Hamidul Haq	Lawyer, Rajah & Tann
Petrus Huang Yen San	Lawyer, Drew & Napier LLC
Leong Mun Wai	Stockbroker, DBS Vickers Securities (Singapore) Pte Ltd
Kan Shik Lum	Corporate Finance Practitioner, DBS Bank Ltd
Mah Kah Loon	Corporate Finance Practitioner, CIMB-GK
Lam Chee Kin	Chief Operating Officer, JPMorgan Chase Bank

The Sponsor or Registered Professional may appeal to the Catalist Appeals Committee against the decision of the Catalist Disciplinary Committee.

The composition of the Catalist Appeals Committee is as follows:

#### Catalist Appeals Committee members

Name	Profession
Michael Sydney Hwang (Chairman)	Lawyer, Senior Counsel, Michael Hwang SC
Lim Choo Peng	Consultant
Michael Wong Ping Seng	Futures Broker, Phillip Futures Private Limited
Colin Ng Teck Sim	Lawyer, Colin Ng & Partners
George Lee	Corporate Finance Practitioner, OCBC Bank Ltd
Tracey Woon	Corporate Finance Practitioner, Citigroup Global Markets Pte Ltd
Hugh Young	Fund Manager, Aberdeen Asset Management Asia Limited

#### Independence of the Disciplinary and Appeals Committees

In order to ensure independence of the Disciplinary Tribunals and that due process is observed in the hearings,

- The members of the Disciplinary Tribunals are industry experts and professionals; and
- The process of managing the hearings by the Disciplinary Tribunals is undertaken by the Legal and Governance unit, which is a unit separate from the Enforcement unit reporting to the Head of Risk Management and Regulation. The Enforcement unit proffers the charges against Regulated Persons.

\*\* As defined in the Catalist Rules & Regulations

# CORPORATE GOVERNANCE REPORT

Good corporate governance is essential to the success of SGX as it translates into investor confidence and confidence of the market in our overall systems and processes.

As a regulator, we employ rigorous standards in ensuring that we not only meet local requirements and guidelines on corporate governance but that we continuously study corporate governance practices and guidelines of other jurisdictions, and apply them appropriately to our local context. An example is our disclosure of remuneration of our top executives which exceeds the requirements of the Singapore Code of Corporate Governance introduced in April 2001 and amended in 2005 (Code) and the Listing Manual (Listing Manual) of Singapore Exchange Securities Trading Limited (SGX-ST).

In addition, SGX plays a lead role in collaborations and discussions with the Accounting and Corporate Regulatory Authority (ACRA) on key issues. SGX pays special attention to providing valuable and practical feedback to ACRA and other organisations on surveys or recommendations on improvements relating to corporate governance of companies.

## Accolades: Singapore Corporate Awards 2008

We participated in and received awards in the following categories:

- i) Best Annual Report – Bronze Award;
- ii) Best Investor Relations – Gold Award; and
- iii) Best Managed Board – Gold Award.

## SGX Corporate Governance framework

The management of our corporate governance is broadly divided into two main categories as follows:

- i) Corporate Governance as a listed company
  - independence of the board;
  - transparency and disclosure; and

- ii) Self-Regulatory Organisation Governance (SRO Governance).

To understand how our various corporate governance practices fit into the framework, we have described the general framework and our corporate governance practices in relation to this framework on our website at [www.sgx.com](http://www.sgx.com).

## Corporate Governance practices with specific reference to the Code

The Listing Manual requires all listed companies to describe, in their Annual Reports, their corporate governance practices, with specific reference to the principles of the Code. This report deals with our corporate governance as a listed company and is to be read in conjunction with the SRO Governance Report, which sets out our corporate governance as a self-regulatory organisation (SRO).

## We have applied all the principles and comply with all the guidelines of the Code.

The Corporate Governance Report (Report) is structured in a tabular form, stipulating each principle and guideline of the Code in running order. Alongside the guidelines we have indicated whether we have complied with the recommendation and elaborated on our corporate governance procedures where necessary.

Unless specified otherwise, references to independence of directors, are references to independence as defined under the Code.

The independence requirements under the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005 (SFR 2005) are also set out in tabular form in this Report for ease of reference.

## 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.**

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>1.1</b> The board's role is to:		The board oversees the company's business affairs.
a) Provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the company to meet its objectives;	✓	The key matters for board oversight include: a) approving broad policies, strategies and objectives of the company;
b) Establish a framework of prudent and effective controls which enables risk to be assessed and managed;	✓	b) monitoring management performance;

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
c) Review management performance; and  d) Set the company's values and standards and ensure that obligations to shareholders and others are understood and met.	✓	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.  See Principle 12 on internal controls and risk management.  The Remuneration Committee reviews, on an annual basis, management performance to determine the award of variable bonus and other incentive schemes as set out in the Remuneration Report.  The board approves the Mission Statement and the appropriate balance between SGX's regulatory and commercial objectives. It has appointed the Regulatory Conflicts Committee to manage the supervision of SGX's SRO conflicts. Please refer to the SRO Governance Report.
<b>1.2</b> All directors must objectively take decisions in the interests of the company.	✓	
<b>1.3</b> The company should disclose any delegation of authority by the board to any board committee to make decision on certain board matters.	✓	Please refer to the Terms of Reference of board committees at <a href="http://www.sgx.com">www.sgx.com</a> .
<b>1.4</b> a) The board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members.	✓	Besides the scheduled board meetings, the board meets on an ad-hoc basis as warranted by particular circumstances. Please refer to the Directors' Meeting Attendance Report for full details of board and board committee meetings.
b) The company is encouraged to amend the Articles of Association to provide for telephonic and videoconference meetings.	✓	Article 106(B) of the company's Articles of Association (Articles).
c) The company should disclose the number of board and board committee meetings held in the year as well as the attendance of every board member at these meetings in the company's annual report.	✓	Please refer to the Directors' Meeting Attendance Report.

# CORPORATE GOVERNANCE REPORT

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>1.5</b> The company should adopt internal guidelines setting forth matters that require board approval and specify in the corporate governance disclosures the type of material transactions that require the board approval under such internal guidelines.	✓	<p>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 transaction policy; and</li> <li>f) any investments or expenditures exceeding \$10 million in total.</li> </ul>
<b>1.6</b> Every director should receive appropriate training <sup>1</sup> , particularly on relevant new laws, regulations and changing commercial risks and including duties as a director and how to discharge such duties, when he/she is first appointed to the board.	✓	We conduct a comprehensive orientation programme to familiarise new directors with the company's business and governance practices. The aim of the orientation programme is to give directors a better understanding of our businesses and allow them to assimilate into their new roles.
<b>1.7</b> Upon appointment of each director, the company should provide a formal letter to the director, setting out the director's duties and obligations.	✓	Please refer to paragraph 4.6(b).
<b>1.8</b> The company is encouraged to provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.	✓	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 the company, prohibition on dealings in our securities and restrictions on the disclosure of price-sensitive information. Directors are also informed of regulatory changes initiated by or affecting us. We have an ongoing training budget for directors to receive further relevant training of their choice in connection with their duties. Relevant courses include programmes run by the Singapore Institute of Directors. Directors are also welcome to request further explanations, briefings or information on any aspect of our operations or business issues from management.

<sup>1</sup> The training should include an orientation programme to ensure that incoming directors are familiar with the company's business and governance practices.

## PRINCIPLE 2: Board composition and guidance

**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.**

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>2.1</b> The company should have at least one-third of the board comprising independent directors <sup>2</sup> .	✓	<p>The board comprises 11 directors. CEO is the only executive director while the remaining 10 directors are non-executive directors (NEDs). In compliance with the requirements of the SFR 2005, 8 of the 11 directors are independent from management and business relationships and are independent directors as defined under the SFR 2005. All directors are independent from substantial shareholders as defined under the SFR 2005.</p> <p>A table setting out each director's independence under the Code and under the SFR 2005 is included in this Report.</p>
<b>2.2</b> Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code, which would otherwise deem him as non-independent, the nature of the director's relationship and the reason for considering him as independent should be disclosed.	✓	<p>Under the SFR 2005, it is mandatory for the nominating committee (NC) to determine if a director is independent. If the NC considers a director independent notwithstanding that he is deemed non-independent under the SFR, the NC must write to the Monetary Authority of Singapore (MAS) with an explanation of its decision as to why the director should be considered independent. MAS may object to the NC's determination of a director's independence and may require a change to the composition of the board or relevant board committee. To date, MAS has not objected to the NC's findings on independence of directors.</p>
<b>2.3</b> The board should, taking into account the scope and nature of the operations of the company, examine the size and decide on what it considers an appropriate size for the board, which facilitates effective decision-making.	✓	<p>The board considers that the present board size (11) and number of board committees facilitate effective decision-making. The board feels that 10 to 13 directors will provide sufficient diversity of expertise without interfering with efficient decision-making.</p>
<b>2.4</b> The board should comprise directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.	✓	<p>The board considers that its directors possess the necessary competencies to lead and govern SGX effectively.</p>

<sup>2</sup> An "independent" director is one who has no relationship with the company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interest of the company. A related company in relation to a corporation includes its subsidiary, fellow subsidiary or parent company.

# CORPORATE GOVERNANCE REPORT

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>2.5</b> NEDs:		
a) Constructively challenge and help develop proposals on strategy; and	✓	Once a year, a formal executive session is arranged for the 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 (LID). The terms of reference of the LID are available at <a href="http://www.sgx.com">www.sgx.com</a> .
b) Review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.	✓	The RC, comprising only NEDs, reviews management's performance and determines the rewards for such performance.
<b>2.6</b> NEDs are encouraged to meet regularly without management presence.	✓	The LID co-ordinates informal meeting sessions for NEDs to meet.

## PRINCIPLE 3: Chairman and Chief Executive Officer

**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.**

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>3.1</b> a) The Chairman and Chief Executive Officer (CEO) should be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision-making.	✓	
b) The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing and agreed by the board.	✓	<p>The Chairman manages the business of the board and the board committees, and monitors the translation of the board's decisions and wishes into executive action. He approves the agendas for board and board committee meetings, and exercises control over the quality, quantity and timeliness of information flow between the board and management. The Chairman plays a key role in the development and maintenance of strategic relations with SGX's business partners. In addition, he provides close oversight, guidance, advice and leadership to the CEO and management.</p> <p>The CEO manages the businesses of the company and implements the board's decisions. He 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 the company.</p>



Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
c) The company should disclose the relationship between the Chairman and CEO where they are related to each other.	✓	There is no relationship between the Chairman and CEO.
<b>3.2</b> The Chairman should:		
a) Lead the board to ensure effectiveness on all aspects of its role and set the agenda;	✓	The Chairman approves the agendas for the board. Agendas for board committees are approved by Chairman together with the chairmen of the board committees.
b) Ensure that the directors receive accurate, timely and clear information;	✓	The Chairman exercises control over the quality, quantity and timeliness of information flow between the board and management.
c) Ensure effective communication with shareholders;	✓	Please refer to Principles 14 and 15.
d) Encourage constructive relations between the board and management;	✓	Board interaction with, and independent access to, senior management is encouraged. We organise a directors' meeting with senior management annually. EXCO members are invited to attend board meetings. In addition, board members have the contact details of each EXCO member.
e) Facilitate the effective contribution of NEDs in particular;	✓	This role is performed by the Chairman and the LID.
f) Encourage constructive relations between executive directors and NEDs; and	✓	This role is performed by the Chairman and the LID.
g) Promote high standards of corporate governance.	✓	The Chairman is committed to SGX complying with the Code, and in some areas going beyond the Code. See for example the Code on Share Dealing and Interested Person Transactions Policy at paragraph 16.
<b>3.3</b> The company may appoint an independent NED to be lead independent director where the Chairman and the CEO is the same person or related by close family ties or part of the executive management team.	✓	The board appointed Mr Low Check Kian as LID in May 2006 to lead and co-ordinate the activities of the NEDs of the company. The LID aids 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.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 4: Board membership

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

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>4.1</b> The company should:		
a) establish a nominating committee (NC) comprising at least three directors, a majority of whom including the Chairman, are independent of any substantial shareholder <sup>3</sup> ; and	✓	<p>The NC is chaired by Mr Low Check Kian, who is the LID. He is not associated with any substantial shareholder. Mr Low is also independent from management and business relationships as defined under the SFR 2005.</p> <p>The majority of the NC members are independent. In compliance with the requirements of the SFR 2005, the NC has five members. Four of the five are independent from business and management relationships and are independent directors as defined under the SFR 2005. All five are independent from any substantial shareholder as defined under the SFR 2005.</p>
b) disclose the membership in the annual report.	✓	Please refer to the Corporate Information section in the Annual Report.
The NC should have written terms of reference that describe the responsibilities of NC members.	✓	Please refer to the NC terms of reference at <a href="http://www.sgx.com">www.sgx.com</a>
<b>4.2</b> The NC should be responsible for re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) as an independent director.	✓	
All directors are required to submit themselves for re-nomination and re-election at regular interval and at least every three years.	✓	We place importance on the board renewal process. Since our listing in 2000, only three members of the original board remain. Our Articles provide that at each Annual General Meeting (AGM), one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

<sup>3</sup> A substantial shareholder is a shareholder with interest of 5% or more in the voting shares of the company.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<p><b>4.3</b> The NC should be responsible for determining annually if a director is independent. If the NC determines that a director, who has one or more of the relationships, mentioned in Guideline 2.1 can be considered independent, the company should make a disclosure as stated in Guideline 2.2.</p>	✓	<p>The NC conducts an annual review of director independence. The NC also considers the length of a director's tenure to determine their independence. Based on the Code's criteria for independence, 9 out of the 11 NEDs are independent.</p> <p>Mr J Y Pillay was re-designated to serve as a NED since 28 September 2007. Under the SFR 2005 and the Code, he is deemed non-independent as he was an executive director in the last three years.</p> <p>We are also required to comply with MAS' more stringent requirements of independence as set out in the SFR 2005. We have had the requisite number of independent directors as defined in the SFR 2005 sitting on the board and board committees since the 2006 AGM.</p> <p><u>SFR 2005 Director's Independence</u></p> <p>To be independent as defined under the SFR 2005, a director must be non-executive, and independent of certain business and management relationships with the company and its subsidiaries. A director cannot have connections with our member firms or related companies of our member firms to be deemed independent. The director must not be connected to any substantial shareholder of the company. The NC has ascertained that a majority of the board members are independent according to this criterion. A table setting out the independence requirements for the board under the SFR 2005, and our compliance, is set out in this Report.</p>
<p><b>4.4</b> The NC should decide if a director, who has multiple board representations, is able to and has been adequately carrying out his/her duties as a director of the company.</p>	✓	<p>The NC considers whether directors who serve on many boards are able to commit the necessary time to discharge their responsibilities.</p>
<p><b>4.5</b> A description of the process for the selection and appointment of new directors, including disclosure on the search and nomination process, to the board should be disclosed.</p>	✓	<p>The policy and procedures for the appointment of NEDs are posted on our website, including a description on the search and nomination process.</p>

# CORPORATE GOVERNANCE REPORT

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>4.6</b> The following information should be disclosed in the company's annual report: a) Key information of directors: <ul style="list-style-type: none"> <li>• academic/professional qualifications;</li> <li>• shareholding in the company and its subsidiaries;</li> <li>• board committees, date of first appointments &amp; date of last re-election; and</li> <li>• directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments.</li> </ul>	✓ ✓ ✓ ✓	Please refer to Board of Directors section of the Annual Report. Please refer to directors' interests in the Directors' Report section of the Annual Report. Please refer to Board of Directors and Corporate Information sections of the Annual Report. Please refer to Board of Directors section of the Annual Report.
b) Corporate governance, which directors are executive, non-executive or considered to be independent.	✓	Please refer to the table setting out the independence status of the individual directors in this Report.
The names of the directors submitted for election or re-election should also be accompanied by details and information to enable shareholders to make informed decisions.	✓	Generally all new directors are proposed for election by shareholders at the AGMs with sufficient details of their Curriculum Vitae to enable shareholders to make an informed decision. Subsequently, a formal letter of appointment is provided to the appointed director. The formal letter of appointment indicates the amount of time commitment required and the scope of duties.

## 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.**

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>5.1</b> Every board should implement a process to be carried out by the NC for assessing the effectiveness of the board as a whole and for assessing the contribution by each individual director to the effectiveness of the board. This assessment process should be disclosed in the annual report.	✓	

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>5.2</b> The NC should decide how the board's performance may be evaluated and propose objective performance criteria.	✓	<p>See 5.2 to 5.6 below.</p> <p>Last year, the NC reviewed the process for evaluation of the board as a whole.</p> <p>The board evaluation process is as follows:</p> <ol style="list-style-type: none"> <li>1) The NC will assess and discuss the performance of the board as a whole every year, and will ascertain key areas for improvement and requisite follow-up actions.</li> <li>2) Every two years, independent consultants will be appointed to assist in the board evaluation process. Board and board committee performance will be evaluated by each director and EXCO member.</li> </ol>
<p>Performance criteria, which allow for comparison with industry peers, should be approved by the board and address how the board has enhanced long-term shareholders' value and should not be changed from year to year.</p>	✓	<p>The board performance targets include a measure aligned with shareholders' interests, 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 our commercial objectives and our regulatory responsibilities taking into account MAS' report and views of SGX's external consultant. Please refer to the SRO Governance Report for more details.</p>
<b>5.3</b> The performance evaluation should also consider the company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index (STI) and a benchmark index of its industry peers.	✓	<p>The board has adopted the recommendation of using quantitative financial indications. The measures are:</p> <ol style="list-style-type: none"> <li>i) an absolute SGX Total Shareholder Return (TSR);</li> <li>ii) SGX TSR against the STI TSR (on a 3-year and 5-year rolling average basis); and</li> <li>iii) SGX TSR against the FTSE/Mondo Visione Exchanges Index TSR.</li> </ol>
<b>5.4</b> Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties).	✓	<p>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.</p> <p>Some factors considered in the individual review are directors' attendance and participation at meetings, the quality of directors' interventions and special skills and contributions made by directors.</p> <p>The assessment of CEO's performance is undertaken by the RC together with the chairman of the NC and the results reviewed by the board.</p>

# CORPORATE GOVERNANCE REPORT

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
5.5 The Chairman of the board should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the board or seek the resignation of directors, in consultation with the NC.	✓	The result of the performance evaluation of individual directors is taken into account in their re-appointment. Specific needs which arise from time to time are taken into account in any appointment of new directors.
5.6 Other performance criteria that may be used include return on assets (ROA), return on equity (ROE), return on investment (ROI) and economic value added (EVA) over a longer-term period.	✓	

## PRINCIPLE 6: Access to information

**Board members should be provided with complete, adequate and timely information prior to board meetings and on an ongoing basis.**

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
6.1 Management has an obligation to supply the board with complete, adequate information in a timely manner. Relying purely on what is volunteered by management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his or her duties properly. Hence, the board should have separate and independent access to the company's senior management.	✓	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 the 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.
6.2 Information provided should include background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.	✓	Analyst reports on SGX are forwarded to the board every quarter in order for directors to keep abreast of analysts' views on our performance. Monthly financial management reports are also provided to the board. Please refer to paragraph 10.2.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<p><b>6.3</b> Directors should have separate and independent access to the Company Secretary. The role of the Company Secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with.</p>	✓	
<p>Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management and NEDs, as well as facilitating orientation and assisting with professional development as required.</p>	✓	
<p>The Company Secretary should attend all board meetings.</p>	✓	
<p><b>6.4</b> The appointment and the removal of the Company Secretary should be a matter for the board as a whole.</p>	✓	
<p><b>6.5</b> The board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.</p>	✓	

#### 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.**

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<p><b>7.1</b> The board should set up a remuneration committee (RC) comprising entirely of NEDs, the majority of whom, including the chairman, should be independent, to minimise the risk of any potential conflict of interest.</p>	✓	<p>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.</p> <p>All five RC members are independent non-executive directors. No RC member is involved in deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him. All four directors are independent as defined under the SFR 2005.</p>

# CORPORATE GOVERNANCE REPORT

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>7.2</b> The RC:		
a) Will recommend to the board a framework of remuneration, and the specific remuneration packages for each director and the CEO (or executive of equivalent rank) if the CEO is not a director. The RC's recommendations should be submitted for endorsement by the entire board.	✓	The RC reviews matters concerning remuneration of the board, CEO and senior management. The RC approves the framework of remuneration for the entire organisation including the structuring of the long-term incentive plans. The RC also approves annual salary increment pool and variable bonus pool for distribution to employees of all grades.
b) Should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits-in-kind.	✓	The RC chairman together with the NC, review and recommend to the board the specific remuneration packages for executive directors and the CEO upon recruitment. Subsequently, annual increments, variable bonuses, performance share grants and other incentive awards, will be reviewed by the RC for recommendation to the board. The RC also reviews the remuneration of senior management annually. Our compensation philosophy and actual performance targets for the award of long-term incentives is set out in the Remuneration Report section of the Annual Report.
<b>7.3</b> The RC should seek expert advice inside and/or outside the company on remuneration of all directors.	✓	The RC has access to appropriate advice from the Head of Human Resources, who attends all RC meetings.

## 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 and a significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.**

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>8.1</b> The performance-related elements of remuneration should be designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance.	✓	The RC administers the Performance Share Plan (PSP). Details of the PSP, including awards made thereunder and the performance conditions for the vesting of the awards are found in the Remuneration Report section of the Annual Report.
<b>8.2</b> The remuneration of NEDs should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors and should not be over compensated.	✓	In FY2008, the RC reviewed the remuneration of the NEDs, considering factors such as the scope and extent of a director's responsibilities and obligations, the level of contribution and time spent. The directors' fees were compared against a reference benchmark to ensure they are in line with market norms. Based on the proposal by the RC, the framework for NED remuneration was revised and approved by the board.  The Board Chairman receives an annual fee plus other benefits. NEDs receive basic director fees, additional fees for serving as a board committee member and attendance fees for board and board committee meetings.



Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
		<p>The parameters for directors' fees are as follows:</p> <ul style="list-style-type: none"> <li>a) Basic fee – \$55,000 per annum;</li> <li>b) Attendance fee – \$1,500 per meeting;</li> <li>c) Committee fees as follows: <ul style="list-style-type: none"> <li>i) AC chairman – \$30,000;</li> <li>ii) AC member – \$18,000;</li> <li>iii) Other committee chairman – \$22,000; and</li> <li>iv) Other committee member – \$12,000.</li> </ul> </li> </ul> <p>The fees for NEDs are subject to the approval of shareholders at the AGM.</p> <p>Executive directors do not receive directors' fees.</p>
<b>8.3</b> There should be a fixed appointment period, which is not excessively long, for all service contracts for executive directors and there are no onerous removal clauses or early termination clauses.	✓	CEO's contract stipulates a fixed term. His service contract does not contain onerous removal clauses or early termination clauses.
<b>8.4</b> The RC should encourage long-term incentive schemes and review whether directors should be eligible to participate as well as the costs and benefits of the schemes.	✓	There is in place a long-term incentive scheme for executive directors and staff, which includes share options and performance shares. Please refer to the Remuneration Report for details.
Offer of shares or granting of options or other forms of deferred remuneration should vest over a period of time with vesting schedules, whereby only a portion of benefits can be exercised each year.	✓	Under the company's Share Option Plan, participants can exercise their options to purchase company's shares two years after grant. Under the PSP, performance shares vest in accordance with a vesting schedule only if the performance targets are met.
Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.	✓	Under the PSP, participants are required to retain 50% of shares released to them for at least one calendar year from vesting date.
<b>8.5</b> The company should be aware of pay and employment conditions within the industry and in comparable companies when setting remuneration packages.	✓	The company's compensation is made up of four components – fixed pay, short-term incentives, long-term incentives and benefits. The fixed salary is pegged to the 50th percentile of the reference market in the Singapore banking and financial services.
<b>8.6</b> Notice periods in service contracts should be set at a period of six months or less.	✓	CEO's contract provides for a notice period of six months or less.

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## PRINCIPLE 9: Disclosure of remuneration

The company should provide clear disclosure of its remuneration policy, level and mix of remuneration and the procedures for setting remuneration in the company's annual report to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>9.1</b> The company should, as best practice, disclose in the annual report, the remuneration of each individual director and at least five top key executives (who are not directors) of the company.	✓	Please refer to the Remuneration Report section of the Annual Report for disclosure of the remuneration of the executive directors and the five top-earning executives.
<b>9.2</b> The annual report should set out the names of directors and at least the top five key executives (who are not also directors) earning remuneration which falls within bands of \$250,000, with a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, and stock options granted and other long-term incentives. Companies are encouraged, as best practice, to fully disclose the remuneration of each individual director.	✓	<p>Our Remuneration Report sets out all the details of the remuneration of key executives and directors.</p> <p>Previously we disclosed the remuneration of the top key executives in bands of \$150,000. Since last year, we have disclosed the remuneration of the five top-earning executives in actual figures, with a breakdown in terms of fixed pay, bonus, long-term incentive and benefits-in-kind.</p> <p>A breakdown of the fees payable to each director is given in the Remuneration Report section of the Annual Report</p>
<b>9.3</b> The annual report should disclose, on a no-name basis with clear indication of which director or the CEO the employee is related to, remuneration details of employees who are immediate family members <sup>4</sup> of a director or the CEO whose remuneration exceeds \$150,000 during the year.	✓	Based on disclosures and checks conducted, none of the current employees/directors are related to each other.
<b>9.4</b> The annual report should also contain details of employee share schemes to enable shareholders to assess the benefits and potential cost to the company.	✓	The details of employee share schemes are contained in the Directors' Report.
The important terms of the share schemes, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant, market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted, should be disclosed.	✓	The details of employee share schemes are contained in the Directors' Report.

<sup>4</sup> As defined in the Listing Manual of the Singapore Exchange to mean the spouse, child, adopted child, step-child, brother, sister and parent.

## PRINCIPLE 10: Accountability

The board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>10.1</b> The board's responsibility to provide a balanced performance, position and prospects extends to interim and other price sensitive public reports and reports to regulators (if required).	✓	The board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within 30 days of the end of the quarter. Annual results are released within 45 days of the financial year-end. In presenting our annual and quarterly financial statements to shareholders, the board aims to provide shareholders with a balanced and clear assessment of the company position and prospects.
<b>10.2</b> Management should provide all members of the board with management accounts which present a balanced and understandable assessment of the company's performance, position and prospects on a monthly basis.	✓	Management provides directors with a monthly financial management report which includes the management accounts, other financial statements and an analysis of the company's performance. The report is submitted within 20 days of the month-end.

## PRINCIPLE 11: Audit committee

The board should establish an audit committee (AC) with written terms of reference which clearly set out its authority and duties.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>11.1</b> The AC should comprise at least three directors, all non-executive, the majority of whom, including the chairman, should be independent.	✓	The AC is chaired by Mr Lee Hsien Yang and comprises five members, all of whom are independent NEDs based on the Code's criteria. In compliance with the requirements of the SFR 2005, at least three members of the AC are independent from management and business relationships, and a majority are independent directors as defined under the SFR 2005.
<b>11.2</b> The board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members should have accounting or related financial management expertise or experience.	✓	The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

# CORPORATE GOVERNANCE REPORT

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>11.3</b> The AC should have explicit authority to investigate any matter within the terms of reference, full access to and co-operation by management and full discretion to invite any director or executive officer to attend AC meetings, and reasonable resources to enable to discharge the functions properly.	✓	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.
<b>11.4</b> The duties of the AC should include:		
a) Review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;	✓	The AC reviews the scope and results of audit work carried out by external auditors, the cost effectiveness of the audit, and the independence and objectivity of the external auditors. The AC also undertakes regular reviews of the nature, extent and costs of non-audit services provided by the external auditors, seeking to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money services.
b) Review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;	✓	The AC meets on a quarterly basis to review the quarterly and audited annual financial statements and related disclosures, integrity of financial reporting of the company including accounting principles. The AC approves, on behalf of the board, each of the first three quarterly financial statements and corresponding SGXNET announcements. The AC recommends to the board for approval, the annual financial results and related SGXNET announcements.
c) Review the adequacy of the company's internal controls;	✓	The AC reviews and assesses the adequacy and effectiveness of the company's system of internal controls and management information systems through discussions with management, the Head of SGX Internal Audit (IA) and the external auditor at its quarterly AC meetings.
d) Review the effectiveness of the company's internal audit function;	✓	<p>The AC considers and reviews with management and the Head of IA:</p> <ul style="list-style-type: none"> <li>• significant internal audit observations and management's responses thereto;</li> <li>• any changes required in the planned scope of the Head of IA annual audit plans and any difficulties encountered in the course of the reviews, including any restrictions on the scope of IA's work or access to required information; and</li> <li>• the IA's budget and staffing.</li> </ul>

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
e) Make recommendations to the board on the appointment, re-appointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor.	✓	The AC recommends to the board the appointment, re-appointment and removal of the external auditors, and approves the remuneration and terms of engagement of the external auditors.
<b>11.5</b> The AC should meet with the external auditors and the internal auditors, without the presence of the company's management, at least annually.	✓	At least once a year, the AC meets with the internal and external auditors without the presence of management to review any matter that might be raised privately.
<b>11.6</b> The AC should review the independence of the external auditors annually.	✓	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.
<b>11.7</b> The AC should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up action.	✓	We have in place a whistleblowing framework where staff of the company can access the Chairman, CEO, AC chairman, members of the EXCO, the Head of IA and the Head of Human Resources to raise concerns about improprieties. Contact details of these persons have been made available to all staff.
<b>11.8</b> The board should disclose the names of AC members and the details of the AC's activities in the company's annual report.	✓	In the review of the financial statements for the year ended 30 June 2008, 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 accounting standards in all material aspects.

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## 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.**

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>12.1</b> The AC should, with the assistance of internal and/or public accountants <sup>5</sup> , review the adequacy of the company's internal financial controls, operational and compliance controls and risk management policies and systems established by the management at least annually.	✓	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 Risk Management Committee (RMC) would be notified of deficiencies in the risk management processes.
<b>12.2</b> The board should comment on the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems in the company's annual report.	✓	<p>The RMC assists the board in the oversight of risk management in SGX. Its responsibilities include the reviewing and recommending to the board for approval the type and level of business risk that the company undertakes on an integrated basis to achieve its business objectives.</p> <p>SGX has in place an enterprise-wide risk management framework to enhance its risk management capabilities. The key risks facing the company have been identified and action plans have been put in place to mitigate these risks. In addition, risks at the process levels have been identified and controls have been put in place to mitigate these risks. Awareness and ownership of risks and controls by the relevant business and support functions are continuously instilled.</p> <p>In accordance with the approved annual audit plan, IA will perform independent reviews of the risks and controls identified to provide reasonable assurance to management and the AC that the key risks and controls have been adequately addressed.</p>

<sup>5</sup> Provided the public accountant is also the external auditor of the company.

## PRINCIPLE 13: Internal audit

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

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>13.1</b> The IA's primary line of reporting should be to the chairman of the AC although the IA would also report administratively to the CEO.	✓	IA is an independent function within the company which reports direct to the AC on audit matters, and to the CEO on administrative matters.
<b>13.2</b> The IA should meet or exceed the standards set out by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	✓	IA is a member of The Institute of Internal Auditors Singapore and has adopted the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. Based on the review conducted by a qualified and independent external reviewer, IA meets all the 46 requirements of the Standards.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>13.3</b> The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm or performed by a major shareholder, holding company, parent company or controlling enterprise with an IA staff.	✓	<p>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 our operations. It helps us achieve our objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.</p> <p>The AC is satisfied that IA has adequate resources to perform its functions, and has appropriate standing within the company.</p>
<b>13.4</b> The AC should, at least annually, ensure the adequacy of the internal audit function.	✓	<p>IA's annual workplan is established in consultation with, but independent of, management. The workplan is submitted to and approved by the AC.</p>

#### PRINCIPLE 14: Communication with shareholders

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

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>14.1</b> The company should regularly convey pertinent information, gather views or inputs, and address shareholders' concerns. Information should be descriptive, detailed and as forthcoming as possible and avoid boilerplate disclosure.	✓	<p>We adopt the practice of regularly communicating major developments in our businesses and operations through SGXNET and where appropriate, also direct to shareholders, other investors, analysts, the media, the public and our employees.</p> <p>We also hold annual Investor Relations open days where shareholders are briefed on the performance prospects of the company and are given the chance to meet with SGX senior management.</p>
<b>14.2</b> The company should disclose information on a timely basis. Investors (retail and institutional) should be entitled to the same level of communication and disclosure. If information is inadvertently disclosed to one group, it should be made public as soon as possible.	✓	<p>We issue announcements through SGXNET and news releases on an immediate basis where required under the Listing Manual.</p> <p>We do 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 our quarterly financial results, and webcasts of our half-year and full-year results briefings for analysts and media, are available on our website.</p> <p>For details on our communication with shareholders, please refer to Investor Relations in the Operating and Financial Review section of the Annual Report.</p>

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 15: Greater shareholder participation

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

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<b>15.1</b> Shareholders should have the opportunity to participate effectively and to vote at AGMs, whether in person or in absentia.	✓	Our 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 our website to facilitate communication between shareholders on matters that concern them. Our AGM procedures provide shareholders the opportunity to ask questions relating to each resolution tabled for approval.
The company is encouraged to make the appropriate provisions in the Articles of Association to allow for absentia voting methods such as by mail, email, fax, etc, if the shareholders so consent.	✓	
<b>15.2</b> There should be separate resolutions at general meetings on each substantially separate issue.	✓	See the agenda items in the Notice of AGM.
The company should avoid bundling resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", the company should explain the reasons and material implications.	✓	All our resolutions at our general meetings are single item resolutions.
<b>15.3</b> The chairpersons of the AC, NC and RC should be present and available to address questions at general meetings.	✓	The board and management are on hand at general meetings to address questions by shareholders.
The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.		The external auditors are present to assist the board and address shareholders' queries.
<b>15.4</b> The company is encouraged to amend the Articles of Association to avoid imposing a limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend AGMs as proxies.	✓	We do not have a specific limit in our Articles on the number of proxy votes for nominee companies. However, there is a limit for the number of proxies for all shareholders to two. This is because we cannot create separate classes of rights for shareholders. Also, under current law, on a show of hands, only one vote is counted per shareholder. As and when the law allows for nominee companies to have more than one vote on a show of hands, SGX will increase the number of proxies for nominee companies to more than two.



Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
<p><b>15.5</b> The company is encouraged to prepare minutes or notes of general meetings, which include substantial comments or queries from shareholders and responses from the board and make the minutes or notes available to shareholders upon their request.</p>	✓	<p>All minutes of general meetings, and a summary of the questions and answers raised at general meetings are publicly available on our website.</p> <p>In our 2006 AGM/EGM we announced (at the meeting) the number of proxy votes for and against each resolution, after each vote by hand. In our May 2007 EGM, we went one step further by making an SGXNet announcement of proxy vote results, which we shall continue to do. Disclosure of results of proxy votes acknowledges the views of shareholders and enhances the quality of disclosure to shareholders.</p>
<p>The company is encouraged to adopt best practices set out in the Operating and Financial Review Guide and disclose information when preparing the operating and financial review in the annual reports. This will be effective for all AGMs held on or after 1 January 2007.</p>	✓	

## 16: Code on share dealing and interested person transactions policy

This is not a requirement under the Code.

- 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

## Composition Requirements for Board and Board Committees and Compliance with Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005

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

\* independent from management and business relationships, and from any substantial shareholder

## ASSESSMENT OF INDEPENDENCE OF INDIVIDUAL DIRECTORS

All references to Regulations are a reference to the regulations of the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005 (SFR 2005)

The SFR 2005 can be obtained from [www.agc.gov.sg](http://www.agc.gov.sg)

No.	Name of Director	Independence status under Code of Corporate Governance 2005	Independence status under SFR 2005	Reg 3(1)(a) Independent from management relationship	Reg 3(1)(b) Independent from business relationship	Reg 4 Independent from substantial fulfilled
1.	J Y Pillay	Non-independent	Non-independent <sup>1</sup>	No <sup>2</sup>	Yes	Yes
2.	Hsieh Fu Hua	Non-independent	Non-independent	Management	Management	Yes
3.	Low Check Kian	Independent	Independent	Yes	Yes	Yes
4.	Chew Choon Seng	Independent	Independent	Yes	Yes	Yes
5.	Euleen Goh Yiu Kiang	Independent	Independent	Yes	Yes	Yes
6.	Ho Tian Yee	Independent	Independent	Yes	Yes	Yes
7.	Lee Hsien Yang	Independent	Independent	Yes	Yes	Yes
8.	Loh Boon Chye	Independent	Non-independent <sup>3</sup>	Yes	No	Yes
9.	Ng Kee Choe	Independent	Independent	Yes	Yes	Yes
10.	Olivia Lum Ooi Lin	Independent	Independent	Yes	Yes	Yes
11.	Robert Owen	Independent	Independent	Yes	Yes	Yes

### Notes:

<sup>1</sup> J Y Pillay was an Executive Chairman of SGX till 28 September 2007.

<sup>2</sup> J Y Pillay was employed by SGX as an Executive Chairman till 28 September 2007. He is non-independent from management relationship by virtue of Reg 3(2)(a).

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

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' MEETING ATTENDANCE REPORT

Name of Director	SGX Board		Audit Committee (AC)				Nominating Committee (NC)			
	Number of meetings held	Number of meetings attended	Chairman	Member	Number of meetings held	Number of meetings attended	Chairman	Member	Number of meetings held	Number of meetings attended
J Y Pillay (SGX Chairman)	8	8			4 <sup>#</sup>	3 <sup>#</sup>			2 <sup>#</sup>	2 <sup>#</sup>
Hsieh Fu Hua (CEO)	8	8			4 <sup>#</sup>	4 <sup>#</sup>			2 <sup>#</sup>	2 <sup>#</sup>
Chew Choon Seng	8	7			–	–		√	2 <sup>(*)</sup>	1
Euleen Goh Yiu Kiang	8	8		√	3 <sup>(*)</sup>	2			–	–
Ho Tian Yee	8	8	√ <sup>(*)</sup>	√	4	4		√	2	2
Lee Hsien Yang	8	7	√ <sup>(*)</sup>		4	4			–	–
Loh Boon Chye	8	8		√	4	4		√	2	2
Low Check Kian	8	7			–	–	√		2	2
Ng Kee Choe	8	6			–	–		√	2	2
Olivia Lum Ooi Lin	8	8		√	4	4			–	–
Robert Owen	8	6			–	–			–	–
Tang Wee Loke	3 <sup>(*)</sup>	3			–	–			–	–
<b>Total meetings attended</b>		<b>84</b>				<b>25</b>				<b>13</b>

# By invitation

(\*)1 Appointed as member of the Nominating Committee on 21 January 2008

(\*)2 Appointed as member of the Audit Committee as at 28 September 2007

(\*)3 Stepped down as Chairman of the Audit Committee on 27 July 2007

(\*)4 Appointed as Chairman of the Audit Committee on 27 July 2007

(\*)5 Appointed as member of the Remuneration Committee on 28 September 2007

(\*)6 Stepped down as Director on 28 September 2007

(\*)7 Stepped down as Risk Management Committee member upon his resignation as Director [See (\*)6 above]

Remuneration Committee (RC)				Risk Management Committee (RMC)				Regulatory Conflicts Committee (RCC)				Total meetings attended
Chairman	Member	Number of meetings held	Number of meetings attended	Chairman	Member	Number of meetings held	Number of meetings attended	Chairman	Member	Number of meetings held	Number of meetings attended	
		3 <sup>#</sup>	3 <sup>#</sup>			4 <sup>#</sup>	4 <sup>#</sup>			4 <sup>#</sup>	4 <sup>#</sup>	24
		3 <sup>#</sup>	2 <sup>#</sup>			4 <sup>#</sup>	4 <sup>#</sup>			4 <sup>#</sup>	4 <sup>#</sup>	24
	✓	3	2			–	–			–	–	10
		–	–		✓	4	4		✓	4	4	18
		–	–		✓	4	4			–	–	18
	✓	1 <sup>(*)5</sup>	1			–	–			–	–	12
		–	–	✓		4	4			–	–	18
	✓	3	2			–	–		✓	4	2	13
✓		3	3		✓	4	2			–	–	13
	✓	3	3			–	–		✓	4	4	19
		–	–		✓	4	3	✓		4	4	13
		–	–		✓	1 <sup>(*)7</sup>	1			–	–	4
			16				26				22	186

# REMUNERATION REPORT

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

Ng Kee Choe (Chairman)  
Chew Choon Seng  
Lee Hsien Yang (appointed on 28 September 2007)  
Low Check Kian  
Olivia Lum Ooi Lin

## COMPENSATION PHILOSOPHY

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

## COMPENSATION MIX

Our compensation framework is made up of four key components:

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

### Fixed pay

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

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

### Benefits

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

## 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 calculated using the formula:

A percentage of [net profit before tax – (cost of equity x total shareholders' funds)]

The Committee reviews and approves the variable bonus pool for distribution. The allocation of the variable bonus is based on the individual performance of employees and their contribution towards the achievement of SGX's performance.

## Long-term incentives

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

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

### The SGX Performance Share Plan

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

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

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

### Restrictions

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

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

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

### Eligibility

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

### Performance Share Plans for FY06, FY07 and FY08

The Committee has approved the Plan for FY06, FY07 and FY08, and has absolute discretion in the granting of performance shares. Details are as follows:

#### a) FY06 Grant

The number of SGX shares awarded to each participant was based on the achievement of Return on Equity as the performance target over a two-year period from 1 July 2005 to 30 June 2007.

\* Defined under the Plan as "A Group Employee or an Associated Company Employee who has been granted an Award".

### ROE

(Weight = 100%)

Average over 2FYs (%)	Payout % (% of base allocation)
Above Target: > 35%	150%
Above Target: > 25% up to 35%	Additional 5.0 percentage points payout for each incremental ROE of 1.0 percentage point
At Target: 25%	100%
Below Target: < 25%	Nil

Under the FY06 grant, 50% of the performance shares vested on 30 June 2007 and the balance 50% (comprising 1,162,500 shares) vested on 30 June 2008. Shares were purchased from the open market to fulfil the obligations under the grant.

Details of the shares vested to participants of the FY06 grant are as follows:

Participants (as defined under the Plan)	Shares granted at grant date	Balance as at 01.07.2007	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2008
<b>Directors' Interests</b>					
Hsieh Fu Hua <sup>1</sup>	440,000	330,000	—	(330,000)	—
<b>EXCO members</b>					
Gan Seow Ann <sup>1</sup>	160,000	120,000	—	(120,000)	—
Seck Wai Kwong <sup>1</sup>	160,000	120,000	—	(120,000)	—
Linus Koh Kia Meng <sup>1,2</sup>	120,000	90,000	(90,000)	—	—
Yeo Lian Sim <sup>1</sup>	120,000	90,000	—	(90,000)	—
Daniel Tan Bak Hiang <sup>1,3</sup>	100,000	75,000	—	(75,000)	—
Chew Hong Gian <sup>4</sup>	85,000	63,750	—	(63,750)	—
<b>Other staff</b>	565,000	363,750	—	(363,750)	—
	<b>1,750,000</b>	<b>1,252,500</b>	<b>(90,000)</b>	<b>(1,162,500)</b>	<b>—</b>

<sup>1</sup> Received more than 5% of the 1,750,000 shares granted under the FY06 grant.

<sup>2</sup> The balance 50% of the FY06 grant awarded to Linus Koh Kia Meng lapsed as his last day of service with the company was 31 August 2007.

<sup>3</sup> Daniel Tan Bak Hiang ended his service with the company on 31 March 2008.

<sup>4</sup> Chew Hong Gian ended his service with the company on 31 May 2008.

# REMUNERATION REPORT

## b) FY07 Grant

In the FY07 grant, the SGX Total Shareholder Return (TSR) was introduced as an additional performance criterion to better align the senior management award with total shareholder return.

The grant will vest upon achievement of the following measures over a three-year performance period from 1 July 2006 to 30 June 2009:

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

ROE (Weight = 50%)		+	SGX TSR against STI TSR (Weight = 25%)		+	Absolute TSR (Weight = 25%)	
Average over 3FYs (%)	Payout % (% of base allocation)		Average spread over 3FYs (%)	Payout % (% of base allocation)		Average over 3FYs (%)	Payout % (% of base allocation)
Above Target: > 35.0%	150%		Above Target: ≥ 10.0 percentage points	150%		Above Target: ≥ COE* +9.0%	150%
At Target: 30.0%	100%		At Target: 6.5 percentage points	100%		At Target: COE* +6.0%	100%
Threshold: 25.0%	50%		Threshold: 3.0 percentage points	50%		Threshold: COE* +3.0%	50%
Below Threshold: < 25.0%	Nil		Below Threshold: < 3.0 percentage points	Nil		Below Threshold: < COE* +3.0%	Nil
						* COE represents cost of equity.	

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

The performance shares will vest on 2 November 2009. Details of the shares granted to the participants are as follows:

Participants (as defined under the Plan)	Shares granted at grant date	Balance as at 01.07.2007 <sup>1</sup>	Shares lapsed during financial year	Balance as at 30.06.2008
<b>Directors' Interests</b>				
Hsieh Fu Hua <sup>2</sup>	415,000	415,000	–	415,000
<b>EXCO members</b>				
Gan Seow Ann <sup>2</sup>	155,000	155,000	–	155,000
Seck Wai Kwong <sup>2</sup>	155,000	155,000	–	155,000
Linus Koh Kia Meng <sup>2,3</sup>	100,000	100,000	(100,000)	–
Yeo Lian Sim <sup>2</sup>	100,000	100,000	–	100,000
Daniel Tan Bak Hiang <sup>4</sup>	80,000	80,000	(80,000)	–
Chew Hong Gian <sup>5</sup>	80,000	80,000	(80,000)	–
Wong Liang Ying Lawrence	65,000	65,000	–	65,000
Chang Kuan Aun	30,000	30,000	–	30,000
<b>Other staff</b>	480,000	455,000	–	455,000
	<b>1,660,000</b>	<b>1,635,000</b>	<b>(260,000)</b>	<b>1,375,000</b>

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

<sup>2</sup> Received more than 5% of the 1,660,000 shares granted under the FY07 grant.

<sup>3</sup> Linus Koh Kia Meng ended his service with the company on 31 August 2007.

<sup>4</sup> Daniel Tan Bak Hiang ended his service with the company on 31 March 2008.

<sup>5</sup> Chew Hong Gian ended his service with the company on 31 May 2008.



c) FY08 Grant

The FY08 grant will vest upon achievement of the following measures over a three-year performance period from 1 July 2007 to 30 June 2010:

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

ROE (Weight = 50%)		+	SGX TSR against STI TSR (Weight = 25%)		+	Absolute TSR (Weight = 25%)	
Average over 3FYs (%)	Payout % (% of base allocation)		Average spread over 3FYs (%)	Payout % (% of base allocation)		Average over 3FYs (%)	Payout % (% of base allocation)
Above Target: $\geq 47.5\%$	150%		Above Target: $\geq 10.0$ percentage points	150%		Above Target: $\geq \text{COE}^* + 9.0\%$	150%
At Target: 42.5%	100%		At Target: 6.5 percentage points	100%		At Target: $\text{COE}^* + 6.0\%$	100%
Threshold: 37.5%	50%		Threshold: 3.0 percentage points	50%		Threshold: $\text{COE}^* + 3.0\%$	50%
Below Threshold: $< 37.5\%$	Nil		Below Threshold: $< 3.0$ percentage points	Nil		Below Threshold: $< \text{COE}^* + 3.0\%$	Nil
						* COE represents cost of equity.	

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

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

Participants (as defined under the Plan)	Shares granted during financial year <sup>1</sup>	Shares lapsed during financial year	Balance as at 30.06.2008
<b>Directors' Interests</b>			
Hsieh Fu Hua <sup>2</sup>	225,000	—	225,000
<b>EXCO members</b>			
Gan Seow Ann <sup>2</sup>	86,000	—	86,000
Seck Wai Kwong <sup>2</sup>	73,100	—	73,100
Muthukrishnan Ramaswami <sup>2</sup>	64,500	—	64,500
Yeo Lian Sim <sup>2</sup>	64,500	—	64,500
Wong Liang Ying Lawrence <sup>2</sup>	51,600	—	51,600
Chang Kuan Aun	43,000	—	43,000
Chew Sutat	38,700	—	38,700
<b>Other staff</b>	245,800	(25,800)	220,000
	<b>892,200</b>	<b>(25,800)</b>	<b>866,400</b>

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

<sup>2</sup> Received more than 5% of the 892,000 shares granted under the FY08 grant.

# REMUNERATION REPORT

## The SGX Deferred Long-Term Incentives Scheme

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

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

### Restrictions

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

### Eligibility

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

### FY08 Award

There were two awards in FY08. Both awards were given in the form of shares. One award has a one-year vesting period which will vest on 3 November 2008. Another will vest in three equal instalments over a period of three years with the first instalment vesting on 3 November 2008.

Below are the details of shares awarded:

Participants (as defined under the LTI Scheme)	Shares awarded during financial year	Shares lapsed during financial year	Balance as at 30.06.2008
Award with three-year vesting period	484,100	(40,500)	443,600
Award with one-year vesting period	23,000	(4,000)	19,000
<b>Total</b>	<b>507,100</b>	<b>(44,500)</b>	<b>462,600</b>

## DISCLOSURE ON DIRECTORS' REMUNERATION

The tables below show the gross remuneration of the executive directors and non-executive directors of SGX for FY08.

Executive Directors	Fixed pay \$	Bonus \$	Long-term incentive <sup>1</sup> \$	Benefits-in-kind \$	Total gross remuneration \$
J Y Pillay <sup>2</sup>	136,550	–	–	133,923	270,473
Hsieh Fu Hua <sup>3</sup>	754,068	5,301,687	1,054,020	71,317	7,181,092

<sup>1</sup> Second and final partial vesting of the Plan for FY06 based on fair value on the grant date. The performance shares were released on 30 June 2008.

<sup>2</sup> Re-designated as Non-Executive Chairman with effect from 28 September 2007.

<sup>3</sup> The bonus was determined by the Committee after taking into account the achievement of specific quantitative and qualitative KPIs and objectives set for FY08.

<b>Non-Executive Directors</b>	<b>Directors' fees \$</b>
J Y Pillay <sup>1</sup>	587,500
Low Check Kian	120,500
Chew Choon Seng	87,000
Euleen Goh Yiu Kiang	119,500
Ho Tian Yee	125,000
Lee Hsien Yang	111,000
Loh Boon Chye	134,000
Ng Kee Choe	120,500
Olivia Lum Ooi Lin	125,500
Robert Owen	108,500
Tang Wee Loke	22,750
<b>Total</b>	<b>1,661,750</b>

<sup>1</sup> Fees are prorated from 1 October 2007 to 30 June 2008 and include \$25,000 for other benefits.

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

Please refer to the Corporate Governance Report on page 42 for the remuneration framework of non-executive directors.

## DISCLOSURE ON FIVE TOP-EARNING EXECUTIVES' REMUNERATION

The following table shows the gross remuneration of the five top-earning executives for the financial year ended 30 June 2008.

<b>Name of Executives</b>	<b>Fixed pay \$</b>	<b>Bonus for FY08<sup>1</sup> \$</b>	<b>Long-term incentives<sup>2</sup> \$</b>	<b>Benefits-in-kind \$</b>	<b>Total gross remuneration \$</b>
Gan Seow Ann	407,844	1,553,262	383,280	2,194	2,346,580
Seck Wai Kwong	405,684	1,402,362	383,280	4,031	2,195,357
Yeo Lian Sim	404,064	1,151,687	287,460	1,764	1,844,975
Muthukrishnan Ramaswami <sup>3</sup>	405,864	1,402,362	—	1,798	1,810,024
Wong Liang Ying Lawrence	355,680	882,362	—	400	1,238,442

<sup>1</sup> The bonuses for SGX senior management were determined after taking into account the achievement of specific individual and organisational KPIs set for FY08.

<sup>2</sup> Second and final partial vesting of the Plan for FY06 based on fair value on the grant date. The performance shares were released on 30 June 2008.

<sup>3</sup> Excludes hiring incentive payment of \$1,001,001 being compensation for loss of long term and retirement benefits accrued from previous employment.

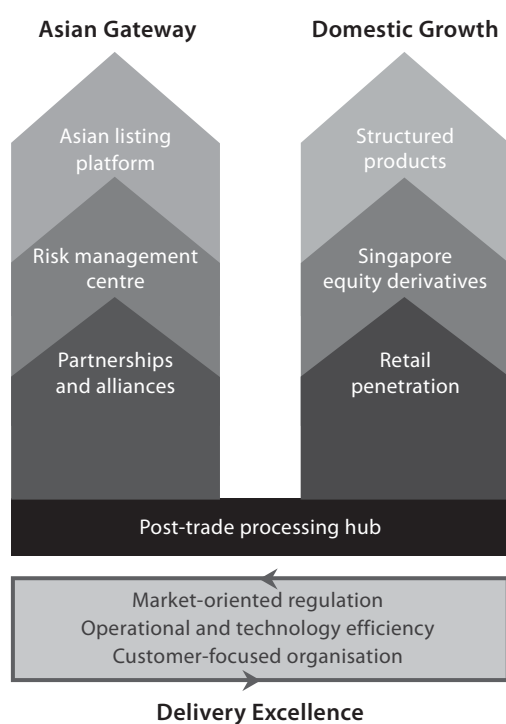
# OUR OPERATIONAL EXCELLENCE

# ONAL ELLE

**GUIDED BY THE PRINCIPLES OF TRUST,  
PASSION AND SERVICE, OUR OPERATIONS  
CONTINUE TO BUILD A TRANSPARENT,  
EFFICIENT AND ENDURING MARKETPLACE.**

# OPERATIONAL FINANCIAL

Fig. 1 | Building SGX as an enduring marketplace



## CORPORATE STRATEGY

Building SGX as an enduring marketplace in Asia continues to underscore our strategic direction (Fig 1). We are committed to serve our customers and deliver growing value to shareholders through three key strategic objectives:

- Strengthening our Asian Gateway proposition;
- Growing our Domestic Market; and
- Delivery Excellence.

Developing and sustaining our position as an Asian Gateway is a major thrust of our strategy as we seek to strengthen our competitive edge, both as an Asian listings platform and a risk management centre.

A key lever driving domestic growth is the level of retail participation, which is encouraged through concerted investor education programmes as well as introduction of new products targeted at retail investors.

The competitive environment has also compelled a sharper focus on delivery excellence, as we exploit operational and technological efficiencies to develop a post-trade processing hub offering a comprehensive suite of back-office processing capabilities for market participants.

# NG & REVIEW

## COMPETITIVE LANDSCAPE

SGX experienced higher levels of capital raising and trading activity in the first half of FY08 on the back of buoyant market conditions and the growing demand for Asian products. However, the global credit crisis and rising inflation in the latter half dampened investment sentiment, triggering sell-offs in equity markets including Singapore.

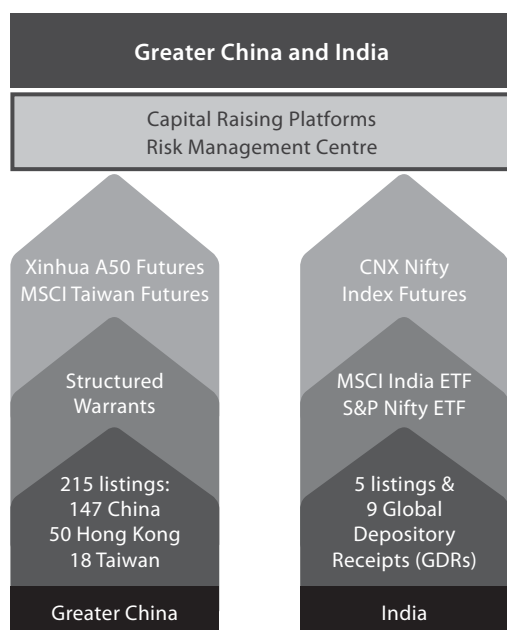
Competition has been a consistent presence and is unlikely to abate in the global markets. The exchange combinations through mergers and acquisitions over the last 18 months are likely to pose new challenges and opportunities.

Whilst global and regional exchanges are gearing up to court new listings of fast-growing Asian companies, electronic trading and globalisation have also broken down the geographical barriers which existed in the past. Global derivatives volumes continued to grow notwithstanding the increased competitive activity. Concurrently, exchanges also seek to deepen market participation through competitive pricing and technology advances which improve trading efficiency.

Non-traditional equity trading venues, spurred by regulatory and technology developments, are rapidly gaining credence in the US and Europe. Although the presence of such trading venues are currently not as prevalent in Asia, several consortiums have emerged in recent months, seeking to enter these markets.

**A TRULY INTERNATIONAL EXCHANGE, SGX OFFERS COMPANIES AND INVESTORS A COMPREHENSIVE AND EFFICIENT INFRASTRUCTURE FOR RAISING CAPITAL AND ACHIEVING INVESTMENT OBJECTIVES.**

Fig. 2 | Gateway to growth



## GATEWAY TO GROWTH

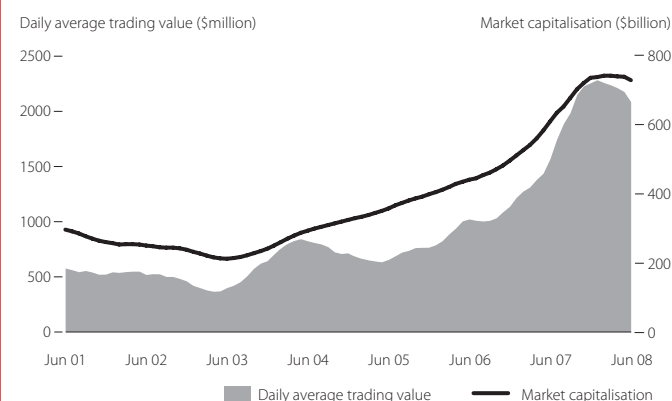
As an integrated exchange, we have developed an expanded range of complementary products that provide the investment community with access into the various Asian markets. This underpins our ability to expand our reach as an Asian Gateway – a key differentiating factor from peer exchanges.

China has been our key growth engine in the past few years. With the good progress we have achieved in our Indian product offerings, we believe that India would be the next growth driver for our Asian Gateway strategy. (Fig 2)

## TRADING ACTIVITIES IN FY08

Our securities market trading value registered a growth of 33.3% in FY08, with the daily average trading value rising to \$2.1 billion from \$1.6 billion a year ago. The higher turnover velocity (FY08: 72.2% and FY07: 65.0%), healthy growth in market capitalisation, as well as buoyant market conditions in the first half of the year fuelled trading activities. (Fig 3)

Fig 3 | Securities market trading and market capitalisation



(The above is based on 12-month moving basis)



In the derivatives market, our futures and options traded a record 53.5 million contracts in FY08, driven by the strong performance of our flagship Asian equity futures contracts, namely Nikkei 225, MSCI Taiwan, MSCI Singapore and CNX Nifty. (Fig 4)

Structured warrants enjoyed a 61.7% growth in turnover value to \$30.5 billion, compared to \$18.8 billion in FY07. Notably, structured warrants with foreign underlying securities grew at a higher rate than those with domestic underlying securities. (Fig 5)

Fig 4 | **Futures and options trading volume** (million of contracts)

	FY04	FY05	FY06	FY07	FY08	% Change (FY08/FY07)	CAGR (FY04-FY08)
<b>Asian Equity Derivatives</b>	<b>16</b>	<b>18</b>	<b>29</b>	<b>32</b>	<b>51</b>	<b>56%</b>	<b>34%</b>
Nikkei 225	8	9	17	18	23	28%	31%
MSCI Taiwan	7	7	10	11	16	41%	25%
MSCI Singapore	1	2	2	3	5	64%	37%
CNX Nifty	–	–	0	0	7	NM	NM
Others*	4	3	5	5	3	-45%	-9%
<b>Total volume</b>	<b>20</b>	<b>21</b>	<b>34</b>	<b>37</b>	<b>54</b>	<b>43%</b>	<b>28%</b>

\* Excludes Eurodollar contracts

NM = Not meaningful

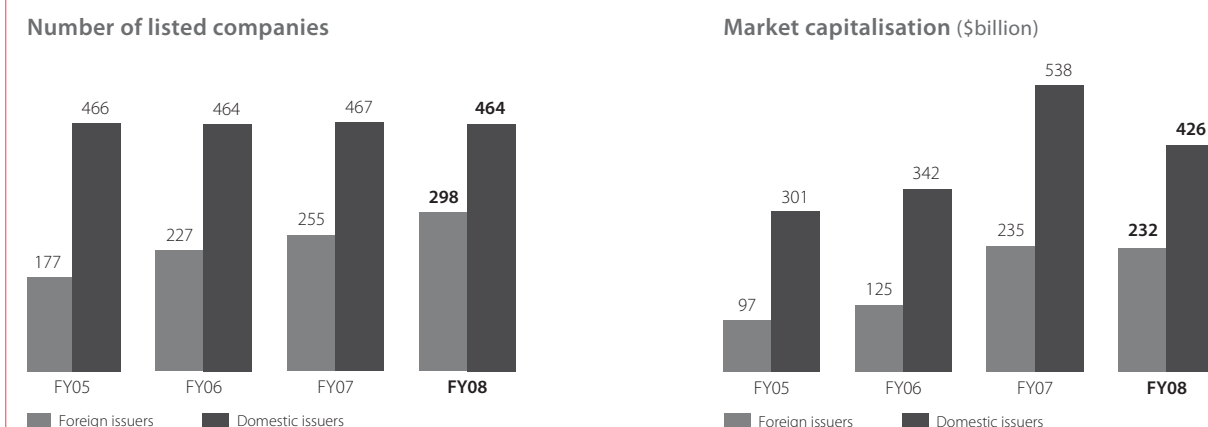
Fig 5 | **Structured warrants**

	FY04	FY05	FY06	FY07	FY08	% Change (FY08/FY07)
<b>Total value traded (\$billion)</b>	<b>0.2</b>	<b>5.4</b>	<b>12.6</b>	<b>18.8</b>	<b>30.5</b>	<b>62%</b>
Domestic underlying securities	NA	NA	10.6	12.3	18.3	49%
Foreign underlying securities	NA	NA	2.0	6.5	12.2	87%
<b>Number of new listings</b>	<b>27</b>	<b>329</b>	<b>806</b>	<b>1,307</b>	<b>1,702</b>	<b>30%</b>
Domestic underlying securities	NA	NA	719	920	1,165	27%
Foreign underlying securities	NA	NA	87	387	537	39%

NA = Not available

# OPERATING & FINANCIAL REVIEW

Fig 6 | Number of listed companies and market capitalisation (as at 30 June 2008)



## ASIAN LISTINGS PLATFORM

There were 762 companies (30 June 2007: 722) listed on SGX, with a total market capitalisation of \$658 billion as at 30 June 2008 (30 June 2007: \$773 billion). (Fig 6)

It is evident that our foreign listings strategy has been gaining traction over the last few years. Foreign companies now account for 39.1% of the total listed companies and 35.0% of market capitalisation as at 30 June 2008.

### New listings

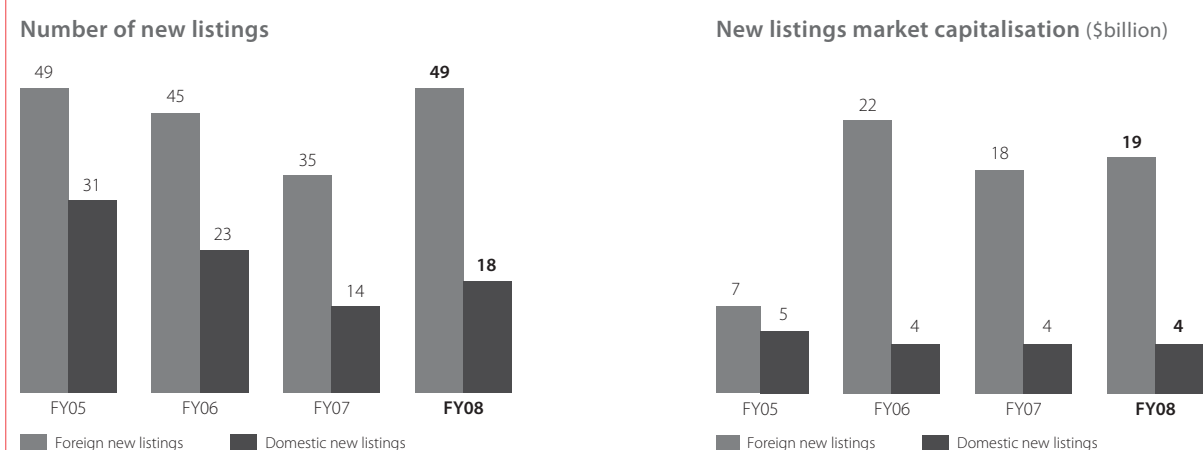
A total of 67 new listings<sup>1</sup> (FY07: 49) with market capitalisation of \$23 billion (FY07: \$22 billion) was added to our marketplace last year. We attained the highest proportion of new foreign listings – 73.1%

of total new listings – in FY08. Indeed, foreign new issuers have consistently outnumbered domestic issuers in terms of the number of issues and market capitalisation in the last four financial years (Fig 7). This is testimony to the success of our foreign listings strategy.

## GEOGRAPHICAL DIVERSIFICATION

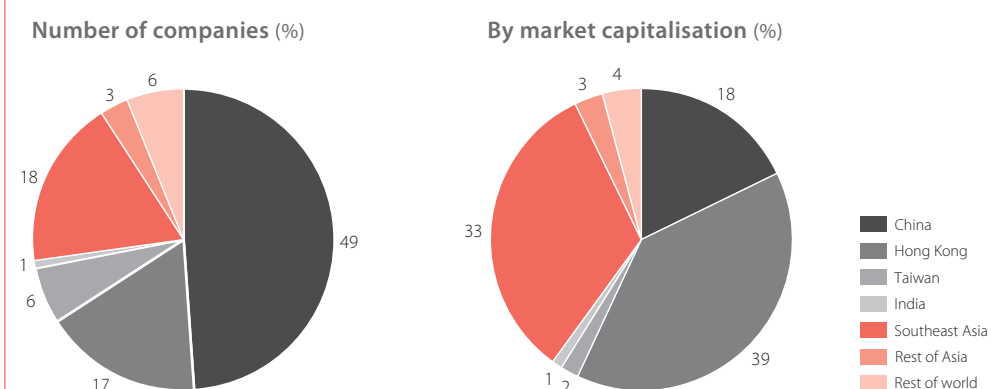
Companies from Greater China, South East Asia, and India formed the bulk of our foreign listings as at 30 June 2008. Out of the 298 foreign issuers, 215 listings were from Greater China: 147 from China, 50 from Hong Kong and 18 from Taiwan. Our Indian listings strategy is also showing encouraging progress. We now have in our stable 14 Indian issues, comprising three Indian listed companies, two property trusts and nine GDRs. (Fig 8)

Fig 7 | New listings and market capitalisation



<sup>1</sup> Includes initial public offerings and reverse takeovers

Fig 8 | Our foreign listings



We will continue with our geographical diversification strategy, reaching out to IPO aspirants from the region and other emerging countries.

### SECTORAL STRENGTHS

Building up sector strengths is another key plank in our listings strategy. We will continue to leverage on Singapore's economic strengths, supportive fiscal and regulatory framework, and its global positioning to establish our sector focus. These complement SGX's positioning as a preferred listings venue for sectors such as Offshore & Marine, REITs and Business Trusts, and Energy & Resources. Last year, we were successful in attracting 17 companies (25.4% of the new listings) from these sectors. (Fig 9)

Fig 9 | Offshore & Marine, REITs & Business Trusts and Energy & Resources sectors

(as at 30 June 08)	Offshore & Marine	REITs & Business Trusts	Energy & Resources
Number of listings	30	26	25
Number of foreign listings	11	9	17
Market capitalisation (\$billion)	58	27	70
Turnover velocity in FY08	117%	74%	84%
Number of new listings in FY08	5	6	6

# OPERATING & FINANCIAL REVIEW

## CATALIST: A SPONSOR-SUPERVISED LISTINGS PLATFORM

In February 2008, our SESDAQ was replaced with Catalist. Complementing the SGX Mainboard, Catalist enhances SGX's position as a choice capital formation hub for a more diverse range of companies.

Catalist, a sponsor-supervised board, is designed to serve as a capital raising and listings platform for fast-growing companies. Under this regime, sponsors play a key role in attracting and assessing potential listees, as well as guiding each company through the listing process and advising them on the post-listing responsibilities and continuing obligations.

## RISK MANAGEMENT CENTRE

### Asian equity derivatives

We remain focused on building our Asian equity derivatives suite to enhance our appeal as an Asian risk management centre.

We reduced the notional contract size of CNX Nifty contracts by five times in November 2007. This, together with some onshore regulatory changes, has spurred the trading in our Nifty contracts, making it one of our key derivatives revenue-drivers.

MSCI Asia APEX 50 Index futures – the first internationally available pan-Asian futures contract – was added to our suite of equity derivatives in May 2008. This contract offers investors a convenient and cost-effective way via SGX, to tap into fast-growing Asian economies.

We have also revised specifications of selected contracts to improve trading flexibility: we revised the exercise of Nikkei options from American to European style, increased position limits for MSCI Taiwan and MSCI Singapore contracts, reduced the contract size of FTSE/Xinhua China A50 index futures, and introduced the SGX Mini Nikkei Stock Average Futures to complement our Nikkei 225 contracts.

### Domestic equity derivatives

The soon-to-be launched Single Stock Derivatives (SSDs) on Mainboard-listed securities are expected to drive the growth of our domestic derivatives market. SSDs can facilitate the execution of different trading strategies and portfolio hedging for capital efficiency and risk management purposes. This would help improve SGX's ability to build liquidity, both in bullish and bearish market conditions.

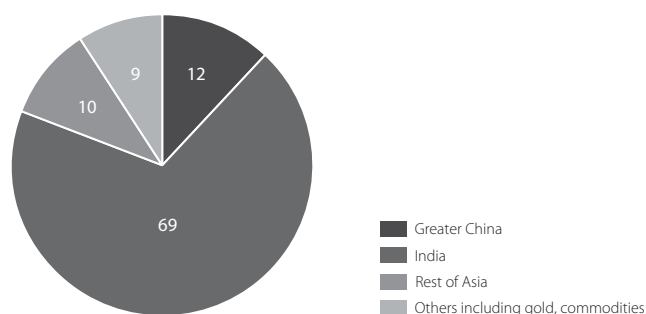
Separately, the introduction of STI's 18 sub-indices, covering sectors such as SGX's S-shares, REITs and other sectoral strengths, would pave the way for more index-related product developments.

### Developing a commodities market

SGX is better-positioned to develop an Asian commodities market after our recent acquisition of SICOM, which is well-known internationally for its rubber price benchmark.

Leveraging on SICOM's established base of members and market participants, including rubber producers, manufacturers, consumers and traders, we look forward to developing a vibrant international commodities market in the years to come.

Fig 10 | ETFs value traded by investment themes (%)



### MARKET ACCESS PRODUCTS

To reinforce our position as an Asian Gateway, we strive to provide investors with a broad range of products offering different investment themes, as well as country exposures. Various cost-efficient and innovative structured products such as GDRs, ETFs, structured warrants, certificates, amongst others, are now available.

Albeit in its nascent stage, trading value of SGX-listed ETFs hit a record high of \$2.2 billion in FY08, up 170.4% from \$0.8 billion in FY07. Investors can now access markets like Greater China, India, Korea and Japan, as well as other asset classes such as gold and commodities through our suite of 19 ETFs. (Fig 10)

Particular success has been achieved in the structured warrants and certificates market. This includes increased popularity of put warrants, the launch of Asia's first listed certificates linked to the Rogers International Commodity Indices, and entry of three new issuers in FY08, including Yuanta Securities, the first Taiwanese issuer to launch structured warrants on Taiwanese underlying outside of Taiwan.

### STRATEGIC ALLIANCES

We continue to form strategic alliances and partnerships to extend our market reach and product offerings, which in turn strengthen SGX's Asian Gateway position.

In January 2008, we completed the acquisition of a 20% stake for \$4 million in Philippine Dealing System Holdings Corp (PDS), the only fixed income exchange and equities depository in the Philippines. Strategically, this investment provides us an opportunity to expand into a new geographical market and a new asset class.

Through our 5% equity stake, we are exploring product development opportunities with Bombay Stock Exchange (BSE). Similarly, discussions with Tokyo Stock Exchange (TSE), which holds a 4.99% stake in SGX, are underway to explore opportunities in the area of derivatives trading and clearing.

### POST-TRADE PROCESSING HUB

#### SGX AsiaClear®

Demand for our OTC clearing services gained traction in FY08. The value of trades cleared increased almost fivefold to US\$7.2 billion from US\$1.5 billion in FY07. Six new products, including OTC Benzene Swaps and three Half-Day FFAs, were launched during the year, bringing our product suite to 28 contracts.

We continue to expand our network of market participants which comprise 19 clearing members and 25 inter-dealer brokers and more than 220 counterparty accounts from countries such as Australia, China, Hong Kong, Japan, Korea, Singapore and the United Kingdom.

#### SGX Prime

SGX Prime is scheduled to be launched in FY09. SGX Prime is a post-trade securities settlement system, which automates the settlement process, and paves the way for straight-through processing. This should in turn improve operational efficiencies for the stakeholders: depository agents, custodian and settlement banks.

# OPERATING & FINANCIAL REVIEW

## GROWING OUR DOMESTIC MARKET

Our domestic market remains a key pillar of our strategy. Retail participation in our marketplace remained relatively active in FY08, although market sentiment began to weaken in the last quarter of FY08.

Approximately 48,000 accounts<sup>2</sup> were opened with the Central Depository (CDP) during the year. The average base of active<sup>3</sup> retail investors increased by 11.1% to 213,103.

### Investor education

We are committed to organising investor education programmes to heighten awareness of the wide range of investment products available in our marketplace.

In FY08, a total of 45 seminars and 21 courses on diverse investment topics were conducted. In addition, we introduced a series of webcasts on different products such as ETFs, structured warrants and shipping trusts.

A Futures Trading Simulator was launched in December 2007 to give the general public an experience of real-time futures trading. More than 3,000 users have since signed up to test their trading plans.

## DELIVERY EXCELLENCE

Delivery excellence is critical when striving to build an enduring marketplace, especially in a highly competitive environment. Our delivery excellence is underpinned by three core components, namely, market-oriented regulation, operational and technological efficiency and customer focus.

## Market-oriented regulation

### *Our dual obligations*

SGX has obligations both as a market regulator under the Securities and Futures Act and as a commercial entity. Our regulatory and commercial objectives are aligned, and adherence to high regulatory standards is in the interests of our shareholders and market participants. Our management of potential Self-Regulatory Organisation (SRO) conflicts can be found in the "Self-Regulatory Organisation Governance Report" section of this Annual Report.

### *Review of rules*

We regularly review our business rules in listing, trading and clearing to maintain the quality of the marketplace, enhance corporate governance and keep pace with international developments.

In the past year, our Listing Manual was amended to allow continuous trading of cash companies, shorten the minimum duration of trading halts to 30 minutes, and mandate the immediate announcements of grants of employee share options to prevent back-dating of options.

### *Introduction of a "Watch-list"*

A new "Watch-list" system was introduced in March 2008 as part of our efforts to promote investor confidence and improve the overall quality of listed companies.

Underperforming Mainboard-listed companies with pre-tax losses for the preceding three consecutive years and market capitalisation of less than \$40 million over the last 120 days will be placed on the "Watch-list". Once placed on the "Watch-list", companies are required to provide the market with regular updates of their financial situation and take active steps to restore financial health within 24 months, failing which they may be de-listed.

<sup>2</sup> Refers to new individual and joint accounts

<sup>3</sup> Active retail investors/CDP account holders are those who have made at least one stock transaction in the preceding three months

#### ***Public consultations***

To facilitate the development of sound and responsive regulation, SGX actively seeks market feedback and input through public consultation for proposed rule amendments. Overall transparency of the consultation process has been improved following the decision to publish our responses to market feedback received during consultations.

In FY08, SGX conducted 12 public consultations covering a broad range of key initiatives, including amendments to the Securities Trading Rules and Central Depository Clearing Rules, to allow product offerings on a broader suite of asset classes in the securities market.

#### ***Catalist regulation***

A key feature of Catalist is the sponsor-supervised regime in which listed companies are supervised by approved sponsors.

Under this framework, sponsors undertake direct supervision of Catalist companies while SGX maintains its role as market regulator and responsibility for the surveillance of the Catalist market. In addition, SGX has the authority to inquire into the activities of, as well as to impose disciplinary actions against, the Catalist companies in the same way it does for Mainboard-listed companies.

The sponsors are supervised and regulated by SGX through strict admission criteria and continuing obligations. To date, we have admitted 11 Full Sponsors and six Continuing Sponsors, which include international and local investment banks and securities firms as well as corporate finance and law firms.

#### ***Audit Committee Guidance Committee***

SGX, together with the Monetary Authority of Singapore and the Accounting & Corporate Regulatory Authority, established the Audit Committee Guidance Committee on 15 January 2008. Through industry best practices, this Committee will develop practical guidance to assist audit committees of SGX-listed companies in better appreciating their responsibilities and improving their effectiveness.

#### ***Operational and technological efficiency***

Significant progress has been made in improving SGX's operational and technological efficiency to support future growth.

#### ***Improving trading efficiency***

We have begun efforts to widen the breadth of market participants by cultivating the international community of algorithmic traders venturing into Asia. The presence of these high-velocity traders will serve to deepen liquidity and complement the trading activities in our marketplace.

Several initiatives we have undertaken to capitalise on the growth of algorithmic trading in Asia include the reduction of the minimum bid size schedule in the securities market, introduction of a low-latency proximity hosting solution, as well as scheduled technological upgrades with new trading functionalities and increased capacity.

# OPERATING & FINANCIAL REVIEW

## **Improving robustness**

SGX successfully implemented several major IT projects over the past year.

SGX DerivativesQuote was launched in February 2008 to replace the existing derivatives data engine. The first in the world to be powered by OMX's next generation distribution system for market data, it offers subscribers high-performance access to richer data content such as greater market depth and value-added calculations.

We successfully launched a new securities trading engine, QUEST-ST, on 7 July 2008, replacing the previous CLOB. QUEST-ST is capable of supporting new trading functionalities, a wider range of products and significantly higher trading volumes.

A new clearing system is also targeted to be launched in July 2009. This will enhance SGX's capability to clear a wider range of products and offer a new set of clearing services to its derivatives members to improve operational efficiency in post-trade processing.

## **Business Continuity Planning (BCP)**

To prepare for unexpected operational disruptions, SGX conducts regular BCP activities such as assessment of business continuity risks, testing and exercising of continuity plans, review and update of plans, and training and awareness activities.

SGX conducted its most recent annual industry BCP exercise in September 2007. Over 80 market participants from both securities and derivatives markets, as well as internal BCP recovery teams and key IT outsourcing vendors, were involved in the large-scale exercise.

This year, we will be participating in another financial industry-wide BCP exercise organised by the Association of Banks in Singapore.

## **Customer focus**

SGX established its first representative office in Beijing this year. This significant milestone raises the profile of SGX and fosters a closer working relationship with key stakeholders in China. The representative office will enhance the ground support for our listed companies and IPO professionals.

Leveraging on our status as the only approved Asian exchange outside Greater China for Qualified Domestic Institutional Investor (QDII) investments, the representative office will help enhance the profile of our listed companies among Chinese QDII investors.

We have also appointed representatives in London and Tokyo to spearhead marketing initiatives in Europe and East Asia respectively, as part of our plan to widen our distribution network and customer base.

## **INVESTOR RELATIONS**

As an exchange and a listed company, SGX takes a keen interest in promoting Investor Relations (IR) in the marketplace.

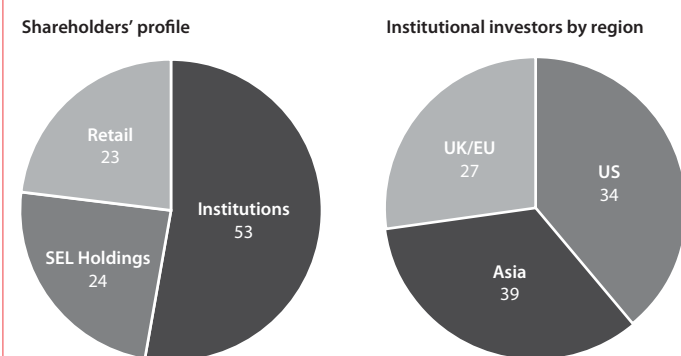
In FY08, the IR team participated in various international investor conferences and local events, including our annual IR Open Day for retail shareholders.

Our shareholder register continues to reflect a good balance across various types of investors and geography. (Fig 11)

Our IR performance and efforts are measured by an independent, annual perception study in which our target audience of existing and prospective shareholders, as well as leading research analysts, assesses our performance. SGX continues to be top-ranked in IR amongst Singapore blue-chips and its peer exchanges. In the most recent study by Carter Research Consulting, *Global Barometer 2007*, we scored 4.32 (FY07: 4.17) on a scale of 1 to 5. This compared well with a mean score of 3.61 for other Singapore companies and peer exchanges.



Fig 11 | **Our shareholders (%)**



To cap a great year, SGX won the Gold Award for Best Investor Relations in the Singapore Corporate Awards 2008, under the category of "Companies with market capitalisation of \$500 million or more – Best Investor Relations".

We also participate actively in market development initiatives undertaken by the Investor Relations Professionals Association (Singapore) (IRPAS), which was established in 2006 to develop the IR profession in Singapore and raise the profile of IR among SGX-listed companies. For example, IRPAS and SGX partnered IR Magazine for the third consecutive year to stage the annual South East Asia IR Conference and Awards in Singapore.

## HUMAN RESOURCES

SGX had 588 employees, comprising 520 executives and 68 non-executives as at 30 June 2008.

## Nurturing talent

We have developed a new Apprenticeship Programme to nurture internal talent and address the shortage of talented specialists. This programme is expected to accelerate the development of domain expertise and raise the engagement level of our staff. Separately, in FY08, our recruitment efforts were centred on improving the quality of hires and reducing SGX's hiring cycle by improving the online application process.

To draw more management associates and scholars to join SGX, we refined our talent attraction process. In particular, we geared up our efforts with junior colleges, polytechnics and universities, conducting career talks which introduce the broad opportunities and experiences that SGX offers. In collaboration with the National University of Singapore, SGX also organised our inaugural SGX Business Case Competition in the first quarter of 2008, targeting the three local universities. This competition provided the opportunity to engage with the local student community to tap fresh ideas, raise awareness of SGX and its business and identify new talent.

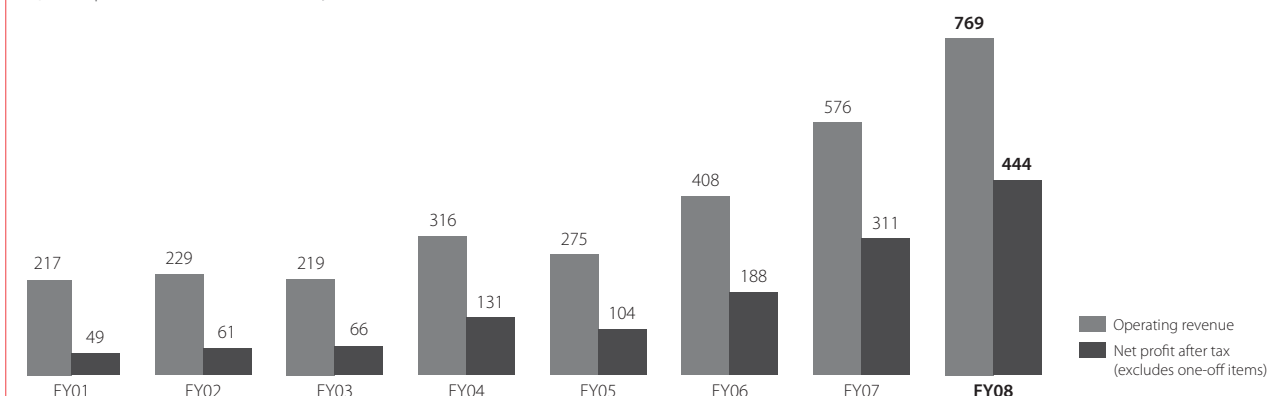
## Leadership and succession planning

We recognise the crucial role a strong team of leaders plays in the continued success of our company. For succession planning, we are developing a strategy that identifies and cultivates candidates, both internally and externally.

During the year in review, we maintained a strong focus on executive and leadership development. We improved our leadership bench-strength at the Unit Head and Team Leader levels with external recruits of diverse experience, while at the same time, grooming internal staff for promotion.

# OPERATING & FINANCIAL REVIEW

Fig 12 | Another record year (\$million)



## FINANCIAL REVIEW

### Highlights of the year:<sup>4</sup>

- Total revenue : \$769 million (+33.4%)
- Total expenses : \$240 million (+13.5%)
- Net profit after tax<sup>5</sup> : \$444 million (+42.7%)
- Total dividends : 38.0 cents (+5.6%)
- Return on equity<sup>5</sup> : 49.7% (+12.2 percentage points)

### Record performance

The Group achieved a record net profit after tax of \$444 million (Fig 12) on the back of strong earnings momentum across all three revenue streams: securities market revenue, net derivatives clearing revenue and stable revenue. Our return on equity hit a high of 49.7%.

Our operating leverage continued to improve in FY08 where the net derivatives clearing revenue and stable revenue covered 133% of our total operating expenses. (Fig 13)

### Securities market revenue

Securities market revenue rose 37.9% to \$450 million in FY08 (FY07: \$326 million), driven by buoyant market conditions in the first half of the financial year. (Fig 14)

### Net derivatives clearing revenue

Our derivatives business has been growing from strength to strength. Net futures clearing revenue grew from \$102 million in FY07 to \$136 million in FY08, driven by the strong showing in our Asian derivatives contracts, in particular the Nikkei 225, MSCI Taiwan, MSCI Singapore and CNX Nifty contracts.

Structured warrants continued their uptrend with the clearing fees increasing by 33% to \$20 million as put warrants gained popularity amongst investors. (Fig 15)

Fig 13 | Operating leverage

(\$million)	FY04	FY05	FY06	FY07	FY08	% Change (FY08/FY07)	CAGR (FY04-FY08)
Securities market revenue	176	144	208	326	<b>450</b>	38%	26%
Net derivatives clearing revenue	50	50	96	117	<b>156</b>	34%	33%
Stable revenue	90	81	104	133	<b>163</b>	22%	16%
Total operating revenue	316	275	408	576	<b>769</b>	33%	25%
Total operating expenses	151	143	184	211	<b>240</b>	14%	12%
Operating leverage							
Net derivatives clearing revenue and stable revenue as a % of total operating expenses	93%	92%	108%	119%	<b>133%</b>		

<sup>4</sup> Figures indicated in brackets are the year-on-year comparison

<sup>5</sup> Excludes one-off gains. One-off gains refer to the \$110.5 million write-back of allowance for impairment and gain on disposal of the SGX Centre in FY07 and the \$34.0 million distribution from the SGX-DT Compensation Fund upon its expiry in FY08.

Fig 14 | **Securities market revenue**

(\$million)	FY04	FY05	FY06	FY07	FY08	% Change (FY08/FY07)	CAGR (FY04-FY08)
Securities clearing fees	141	96	139	221	<b>301</b>	36%	21%
Securities related processing fees	30	24	33	48	<b>68</b>	42%	23%
Access fees	5	24	36	57	<b>81</b>	40%	102%
Total securities market revenue	176	144	208	326	<b>450</b>	38%	26%
Securities daily average value (\$billion)	0.8	0.7	1.0	1.6	<b>2.1</b>	33%	27%

Fig 15 | **Net derivatives clearing revenue**

(\$million)	FY04	FY05	FY06	FY07	FY08	% Change (FY08/FY07)	CAGR (FY04-FY08)
Net futures clearing revenue	50	45	85	102	<b>136</b>	34%	27%
Nikkei 225	15	15	34	36	<b>42</b>	17%	28%
MSCI Taiwan	6	7	24	33	<b>41</b>	27%	64%
MSCI Singapore	5	6	7	10	<b>17</b>	68%	36%
CNX Nifty	–	–	–	–	<b>11</b>	NM	NM
Other contracts	24	17	20	23	<b>25</b>	13%	2%
Structured warrants clearing fees	–	5	11	15	<b>20</b>	33%	NM
Total net derivatives clearing revenue	50	50	96	117	<b>156</b>	34%	33%

Average daily trading:

Futures contracts volume*							
('000 contracts)	78	83	136	149	<b>213</b>	43%	29%
Structured warrants trading value	1	22	50	75	<b>121</b>	61%	229%
(\$million)							

\* Excludes Eurodollar contracts in FY04 and FY05

NM = Not meaningful

# OPERATING & FINANCIAL REVIEW

## Stable revenue

Stable revenue, which is less susceptible to market volatility, contributed \$163 million to our total operating revenue in FY08. Over the years, steps have been taken to grow these revenue lines through new listings, price information business, and pricing reviews. (Fig 16)

Account maintenance and corporate action fees increased from \$35 million in FY07 to \$42 million in FY08, mainly driven by higher corporate action related income and dividend processing income.

Listing fees were \$42 million, up 32.0% from a year ago, due to the increase in the number of listed companies and structured warrants.

Our continued efforts to expand the subscriber base of the securities and derivatives datafeed services, coupled with increased usage and re-pricing, led to an increase in the price information fees by 25.3% to \$29 million in FY08.

Bolstered by higher SGXAccess connection income and forced order charges, our terminal and connection fees increased by 27.9% to \$23 million in FY08.

## Operating expenses

We remain vigilant in managing our cost base. However, we are also mindful of the need for continued investment to strengthen our organisational capability and system's robustness to support future growth.

Excluding variable costs, namely variable bonuses and cost of processing and royalties, our fixed expenses grew moderately at 15.5% to \$168 million in FY08 mainly attributable to three cost components: rental of premises, staff, and system maintenance. (Fig 17)

Rental and maintenance of premises increased to \$17 million in FY08, compared to \$6 million a year ago, following the sale and leaseback of our office premises, SGX Centre, in June 2007.

Fig 16 | Stable revenue

(\$million)	FY04	FY05	FY06	FY07	FY08	% Change (FY08/FY07)	CAGR (FY04-FY08)
Account maintenance and corporate action fees	15	19	22	35	<b>42</b>	19%	29%
Listing fees	8	12	26	31	<b>42</b>	32%	51%
Price information fees	14	16	19	23	<b>29</b>	25%	21%
Terminal and connection fees	28	11	14	18	<b>23</b>	28%	-5%
Membership fees	13	10	8	7	<b>9</b>	35%	-8%
Others	12	13	15	19	<b>18</b>	-3%	11%
Total stable revenue	90	81	104	133	<b>163</b>	22%	16%

Fig 17 | Operating expenses

(\$million)	FY04	FY05	FY06	FY07	FY08	% Change (FY08/FY07)	CAGR (FY04-FY08)
Staff costs (excluding variable bonus)	45	53	50	60	<b>67</b>	13%	10%
System maintenance and rental	17	18	29	34	<b>39</b>	17%	22%
Rental and maintenance of premises	15	16	12	6	<b>17</b>	177%	3%
Depreciation and amortisation	18	15	14	16	<b>12</b>	-26%	-10%
Other operating expenses	18	19	32	30	<b>34</b>	9%	18%
Sub-total: Fixed	113	121	137	146	<b>169</b>	16%	10%
Variable bonuses	25	11	33	46	<b>50</b>	8%	19%
Cost of processing and royalties	13	11	14	19	<b>21</b>	12%	13%
Sub-total: Variable	38	22	47	65	<b>71</b>	9%	17%
Total operating expenses	151	143	184	211	<b>240</b>	14%	12%
Variable bonus as % of NPAT	19%	11%	18%	15%	<b>11%</b>		

System maintenance and rental rose by 16.7% to \$39 million as we continued to upgrade our data centre capacity and introduce key systems such as the new derivatives data engine and QUEST-ST securities trading engine.

Staff costs (excluding variable bonuses) rose 12.6% to \$67 million in FY08, mainly due to salary adjustments in a tight labour market and increase in headcount.

#### Other gains

Other gains of \$47 million were primarily attributable to three components:

- the \$34 million distribution from the SGX-DT Compensation Fund upon its expiry on 24 November 2007. This amount has been transferred to the derivatives clearing fund reserve and is not available for distribution as dividends;

# OPERATING & FINANCIAL REVIEW

- b) the \$16 million from interest income and revaluation gain on forward foreign exchange hedging contracts; and
- c) a loss of \$2 million from the externally managed market neutral funds, which were fully liquidated by December 2007. Cumulative gain of this portfolio yielded an annualised return of 3.1% over the period from August 2004 to December 2007.

## Shareholder return

We are committed to improving shareholder return. Return on equity improved 12.2 percentage points to a record 49.7% in FY08. (Fig 18)

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 29.0 cents per share. This brings the total dividends for FY08 to 38.0 cents per share, representing a 91% payout of the year's profit. (Fig 19)

In addition, effective FY09, the minimum annual base dividend has been increased to 14.0 cents per share, reflecting the Group's growing core sustainable earnings.

Fig 18 | Return on equity (%)

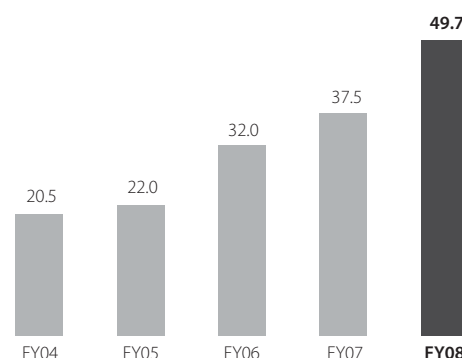
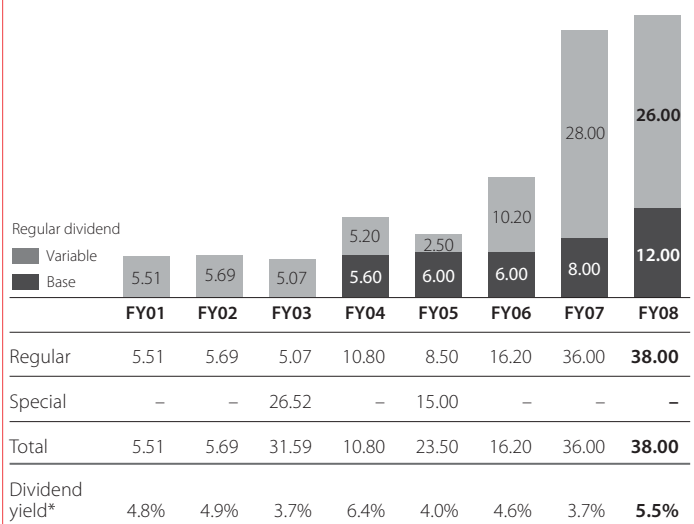


Fig 19 | Net dividend per share (cents)



\* Calculated based on SGX closing price as at 30 June

#### Cash flow (Fig 20)

##### Operating activities

Our net cash inflow from operating activities was up 42.7% to \$506 million, boosted by improved operational performance.

##### Investing activities

The investing cash inflow was \$92 million in FY08, compared to \$204 million a year ago. The higher investing cash inflow in FY07 was mainly attributable to the \$266 million proceeds from the disposal of our office premises, which was partially offset by a \$76 million investment, representing a 5% stake, in Bombay Stock Exchange.

In FY08, we received \$131 million redemption proceeds from our market neutral funds portfolio whilst the key cash outflows include the \$8 million for a 100% stake in SICOM and \$4 million for a 20% stake in PDS.

##### Financing activities

Net cash outflow of \$390 million for financing activities was mainly attributed to the payment of dividends which totalled \$414 million, representing \$318 million in final dividend for FY07 and \$96 million in interim dividends for FY08. As part of the overall capital management, the \$34 million distribution proceeds from the DT Compensation Fund has been transferred to the derivatives clearing fund reserve, and is not available for distribution as dividends.

##### Free cash flow

The Group continues to generate a healthy free cash flow from its operating activities. As at 30 June 2008, the Group's cash and cash equivalents stood at \$648 million, 23.7% higher than the previous year.

Fig 20 | Summary cash flow

(\$million)	FY07	FY08	% Change (FY08/FY07)
Net cash inflow from operating activities	355	<b>506</b>	43%
Net cash inflow from investing activities	204	<b>92</b>	-55%
Net cash outflow from financing activities	(191)	<b>(390)</b>	104%
Free cash flow	368	<b>208</b>	-43%
Cash and cash equivalents at the end of financial year (excluding funds set aside for the SGX-DC Clearing Fund)	524	<b>648</b>	24%

# OPERATING & FINANCIAL REVIEW

## Capital management

The Group's capital management objectives are to optimise returns to shareholders whilst supporting the growth requirements of the business and fulfilling its obligations to the relevant regulatory authorities and other stakeholders.

Given the dynamic nature of our business, we regularly review and monitor the Group's capital position to ensure that the business activities and growth are prudently funded. In addition, we will seek opportunities to optimise shareholders' return by creating a more efficient capital structure to reduce the overall cost of capital.

On dividend policy, SGX maintains a base dividend commitment which has risen over time, reflecting the Group's growing sustainable core earnings.

## Financial risk and management

The Group is exposed to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from its business activities. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial positions. The Group's risk management approach is discussed in detail in Note 33 to the Financial Statements.

Each of our clearing subsidiaries, CDP and SGX-DC, maintains a clearing fund that will be deployed in the event that their clearing members are not able to discharge their settlement obligations to the clearing houses. For more details, please refer to Note 6 and Note 27 to the Financial Statements.

The Group reviews its insurable risk profile regularly to ensure optimal coverage and costs. Major group insurance policies include Directors and Officers Liability, Industrial All Risks, Computer, Professional Indemnity and Comprehensive Crime Insurance, and Terrorism Insurance.

## 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 FY07 audited financial statements have been applied for the current reporting period except for the adoption of new FRS and Interpretations to FRS that are required for the current reporting period.

Amendments to FRS1	Presentation of Financial Statements – Capital Disclosures
FRS 107	Financial Instruments: Disclosures
INT FRS 110	Interim Financial Reporting and Impairment
INT FRS 111	Group and Treasury Share Transactions

The adoption of the above FRS and INT FRS did not result in substantial changes to the financial statements for the year.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-executive Chairman

J Y Pillay

### Chief Executive Officer

Hsieh Fu Hua

### Lead Independent Director

Low Check Kian

### Non-Executive Directors

Chew Choon Seng

Euleen Goh Yiu Kiang

Ho Tian Yee

Lee Hsien Yang

Loh Boon Chye

Olivia Lum Ooi Lin<sup>1</sup>

Ng Kee Choe

Robert Owen

### COMPANY SECRETARY

Joyce Fong Foong Chao

## AUDIT COMMITTEE

Lee Hsien Yang (Chairman)

Euleen Goh Yiu Kiang

Ho Tian Yee

Loh Boon Chye

Olivia Lum Ooi Lin<sup>1</sup>

Secretary:

Lim Meng Wee

## NOMINATING COMMITTEE

Low Check Kian (Chairman)

Chew Choon Seng<sup>2</sup>

Ho Tian Yee

Loh Boon Chye

Ng Kee Choe

Secretary:

Joyce Fong Foong Chao

## REGULATORY CONFLICTS COMMITTEE

Robert Owen (Chairman)

Euleen Goh Yiu Kiang

Low Check Kian

Olivia Lum Ooi Lin<sup>1</sup>

Secretary:

Joyce Fong Foong Chao

## REMUNERATION COMMITTEE

Ng Kee Choe (Chairman)

Chew Choon Seng

Lee Hsien Yang

Low Check Kian

Olivia Lum Ooi Lin<sup>1</sup>

Secretary:

Joyce Fong Foong Chao

## RISK MANAGEMENT COMMITTEE

Loh Boon Chye (Chairman)

Euleen Goh Yiu Kiang

Ho Tian Yee

Ng Kee Choe

Robert Owen

Secretary:

Joyce Fong Foong Chao

## EXECUTIVE COMMITTEE

Hsieh Fu Hua (Chairman)

Chang Kuan Aun<sup>3</sup>

Chew Sutat<sup>3</sup>

Gan Seow Ann

Muthukrishnan Ramaswami

Seck Wai Kwong

Lawrence Wong Liang Ying<sup>3</sup>

Yeo Lian Sim

Secretary:

Glenn Seah Kim Ming

## 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

3 Church Street

#08-01 Samsung Hub

Singapore 049483

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)

<sup>1</sup> stepping down on 3 October 2008

<sup>2</sup> appointed on 21 January 2008

<sup>3</sup> appointed on 5 May 2008



# OUR GOOD RE

# **RESULTS**

**IN A DIFFICULT YEAR,  
SGX DELIVERED GOOD RESULTS.**

# DIRECTORS' REPORT

For the financial year ended 30 June 2008

The directors present their report to the shareholders together with the audited financial statements of Singapore Exchange Limited ("the Company" or "SGX") and of the Group for the financial year ended 30 June 2008.

## 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	
Euleen Goh Yiu Kiang	
Ho Tian Yee	
Lee Hsien Yang	
Loh Boon Chye	
Olivia Lum Ooi Lin	
Ng Kee Choe	
Robert Owen	

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object 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	
	At 30.06.2008	At 01.07.2007	At 30.06.2008	At 01.07.2007
<b>The Company</b>				
J Y Pillay	—	—	262,000	262,000
Hsieh Fu Hua	330,000	415,000	3,080,000	800,000

# DIRECTORS' REPORT

For the financial year ended 30 June 2008

## 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	
	At 30.06.2008	At 01.07.2007
Hsieh Fu Hua	2,000,000	3,550,000

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

	Number of shares vested	
	At 30.06.2008	At 01.07.2007
Hsieh Fu Hua	660,000	330,000

Subject to the terms and conditions of the SGX Performance Share Plan, 640,000 shares granted to Hsieh Fu Hua will vest between 2 November 2009 and 1 November 2010.

- d) There was no change in any of the abovementioned interests in the Company or in related corporations between the end of the financial year and 21 July 2008.

## 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.

# DIRECTORS' REPORT

For the financial year ended 30 June 2008

## SHARE PLANS

The Company offers the following share plans to its employees:

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

All share plans are administered by the Remuneration Committee.

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

The Scheme was approved at the Extraordinary General Meeting of SGX on 1 November 2000 ("EGM 2000"). At the EGM on 22 September 2005 ("EGM 2005"), the 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.

#### *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 exercise price of an option shall be equal to or higher than the Market Price.

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

#### *Options granted under the Scheme*

As the 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 the Market Price.

# DIRECTORS' REPORT

For the financial year ended 30 June 2008

## SHARE PLANS (continued)

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

#### Unissued shares under options

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

Date of grant	Balance as at 01.07.2007	Lapsed	Variation of exercise period*	Options exercised	Balance as at 30.06.2008	Number of option holders as at 30.06.2008	Exercise price**	Exercise period
20.11.2000	56,000	(2,000)	–	(54,000)	–	–	\$0.85	20.11.2002 to 20.11.2007
03.12.2001	54,000	(10,000)	–	(18,000)	26,000	7	\$0.94	03.12.2003 to 02.12.2008
03.12.2001	1,000	–	–	(1,000)	–	–	\$0.94	01.10.2006 to 30.09.2007
01.10.2002	52,000	(4,000)	–	(18,000)	30,000	7	\$0.90	01.10.2004 to 30.09.2009
27.01.2004	5,882,900	(6,000)	(100,000)	(3,264,200)	2,512,700	20	\$1.70	27.01.2006 to 26.01.2011
27.01.2004	3,000	–	–	(3,000)	–	–	\$1.70	01.10.2006 to 30.09.2007
27.01.2004	175,000	–	–	–	175,000	1	\$1.70	28.01.2004 to 27.01.2009
27.01.2004	67,000	–	–	–	67,000	3	\$1.70	13.02.2006 to 01.11.2009
27.01.2004	–	–	100,000	–	100,000	1	\$1.70	01.04.2008 to 31.12.2009
01.11.2004	3,990,500	(3,900)	(500,000)	(2,245,100)	1,241,500	28	\$1.60	02.11.2006 to 01.11.2011
01.11.2004	7,500	–	–	(7,500)	–	–	\$1.60	01.10.2006 to 30.09.2007
01.11.2004	42,000	–	–	(42,000)	–	–	\$1.60	02.11.2006 to 01.11.2009
01.11.2004	–	–	500,000	–	500,000	2	\$1.60	01.04.2008 to 31.12.2009
	<b>10,330,900</b>	<b>(25,900)</b>	<b>–</b>	<b>(5,652,800)</b>	<b>4,652,200</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 2008, 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 30.06.2008	–
Aggregate options granted since commencement of the Scheme to 30.06.2008	4,000,000
Aggregate options exercised since commencement of the Scheme to 30.06.2008	(2,000,000)
Aggregate options outstanding as at 30.06.2008	2,000,000

# DIRECTORS' REPORT

For the financial year ended 30 June 2008

## SHARE PLANS (continued)

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

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

#### Eligibility

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

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

#### Restrictions

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

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

#### Share award grant and vesting

##### (i) Financial Year ("FY") 2006 Grant

The number of SGX shares awarded to each participant was based on the achievement of certain prescribed performance targets over a two-year performance period from 1 July 2005 to 30 June 2007.

Under the Plan, 50% of the performance shares vested on 30 June 2007. Of the balance 50% comprising 1,252,500 shares, 90,000 shares lapsed during the financial year while 1,162,500 shares vested on 30 June 2008. The awards of performance shares vested were fulfilled by the delivery of shares purchased from the market. The details of the shares vested to the participants for the FY2006 Grant are as follows:

Participants (as defined under the Plan)	Shares granted at grant date	Balance as at 01.07.2007	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2008
<b>Directors' Interests</b>					
Hsieh Fu Hua <sup>1</sup>	440,000	330,000	—	(330,000)	—
<b>EXCO Members</b>					
Gan Seow Ann <sup>1</sup>	160,000	120,000	—	(120,000)	—
Seck Wai Kwong <sup>1</sup>	160,000	120,000	—	(120,000)	—
Linus Koh Kia Meng <sup>1</sup>	120,000	90,000	(90,000)	—	—
Yeo Lian Sim <sup>1</sup>	120,000	90,000	—	(90,000)	—
Daniel Tan Bak Hiang <sup>1</sup>	100,000	75,000	—	(75,000)	—
Chew Hong Gian	85,000	63,750	—	(63,750)	—
<b>Other staff</b>	565,000	363,750	—	(363,750)	—
	<b>1,750,000</b>	<b>1,252,500</b>	<b>(90,000)</b>	<b>(1,162,500)</b>	<b>—</b>

<sup>1</sup> Received more than 5% of the 1,750,000 shares granted under the FY2006 grant.



# DIRECTORS' REPORT

For the financial year ended 30 June 2008

## SHARE PLANS (continued)

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

#### Share award grant and vesting (continued)

#### ii) Financial Year ("FY") 2007 Grant

The number of SGX shares to be awarded to each participant will be based on the achievement of certain prescribed performance targets, over a three-year performance period from 1 July 2006 to 30 June 2009. The entitlement to the award is conditional on the participant remaining in service up to the specified vesting date. The award is subject to the absolute discretion of the Remuneration Committee. The performance shares will vest on 2 November 2009.

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

Participants (as defined under the Plan)	Shares granted at grant date	Balance as at 01.07.2007 <sup>1</sup>	Shares lapsed during financial year	Balance as at 30.06.2008
<b>Directors' interests</b>				
Hsieh Fu Hua <sup>2</sup>	415,000	415,000	–	415,000
<b>EXCO members</b>				
Gan Seow Ann <sup>2</sup>	155,000	155,000	–	155,000
Seck Wai Kwong <sup>2</sup>	155,000	155,000	–	155,000
Linus Koh Kia Meng <sup>2</sup>	100,000	100,000	(100,000)	–
Yeo Lian Sim <sup>2</sup>	100,000	100,000	–	100,000
Daniel Tan Bak Hiang	80,000	80,000	(80,000)	–
Chew Hong Gian	80,000	80,000	(80,000)	–
Wong Liang Ying Lawrence	65,000	65,000	–	65,000
Chang Kuan Aun	30,000	30,000	–	30,000
<b>Other staff</b>	480,000	455,000	–	455,000
	<b>1,660,000</b>	<b>1,635,000</b>	<b>(260,000)</b>	<b>1,375,000</b>

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

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

# DIRECTORS' REPORT

For the financial year ended 30 June 2008

## SHARE PLANS (continued)

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

#### Share award grant and vesting (continued)

#### iii) Financial Year ("FY") 2008 Grant

The number of SGX shares to be awarded to each participant will be based on the achievement of certain prescribed performance targets, over a three-year performance period from 1 July 2007 to 30 June 2010. The entitlement to the award is conditional on the participant remaining in service up to the specified vesting date. The award is subject to the absolute discretion of the Remuneration Committee. The performance shares will vest on 1 November 2010.

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

Participants (as defined under the Plan)	Shares granted during financial year <sup>1</sup>	Shares lapsed during financial year	Balance as at 30.06.2008
<b>Directors' interests</b>			
Hsieh Fu Hua <sup>2</sup>	225,000	–	225,000
<b>EXCO members</b>			
Gan Seow Ann <sup>2</sup>	86,000	–	86,000
Seck Wai Kwong <sup>2</sup>	73,100	–	73,100
Muthukrishnan Ramaswami <sup>2</sup>	64,500	–	64,500
Yeo Lian Sim <sup>2</sup>	64,500	–	64,500
Wong Liang Ying Lawrence <sup>2</sup>	51,600	–	51,600
Chang Kuan Aun	43,000	–	43,000
Chew Sutat	38,700	–	38,700
<b>Other staff</b>	245,800	(25,800)	220,000
	<b>892,200</b>	<b>(25,800)</b>	<b>866,400</b>

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

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

#### iv) Summary of the Plan

The summary of the total number of shares granted, lapsed, vested and outstanding as at 30 June 2008 are as follows:

	Shares granted during financial year	Aggregate shares granted since commencement of the Plan to 30.06.2008	Aggregate shares lapsed since commencement of the Plan to 30.06.2008	Aggregate shares vested since commencement of the Plan to 30.06.2008	Aggregate outstanding as at 30.06.2008
<b>Participants who received more than 5% of the total grants available</b>					
Hsieh Fu Hua	225,000	1,300,000	–	(660,000)	640,000
Gan Seow Ann	86,000	481,000	–	(240,000)	241,000
Seck Wai Kwong	73,100	468,100	–	(240,000)	228,100
Yeo Lian Sim	64,500	344,500	–	(180,000)	164,500
<b>Participants who received less than 5% of the total grants available</b>					
Other staff	443,600	2,552,350	(463,300)	(1,121,250)	967,800
	<b>892,200</b>	<b>5,145,950</b>	<b>(463,300)</b>	<b>(2,441,250)</b>	<b>2,241,400</b>

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 2008

## SHARE PLANS (continued)

### c) SGX Deferred Long-Term Incentives Scheme ("the LTI Scheme")

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

#### *Eligibility*

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

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

The Remuneration Committee may determine to grant a reward, wholly or partly, in the form of SGX shares, which will be free of charge, or in the form of cash. If the grant is in the form of SGX shares, the LTI Scheme only allow the delivery of SGX shares held in treasury by the Company to fulfil its obligations to participants. If the grant is in the form of cash, the amount released is based on the market value of such shares on vesting date.

#### *Share award and vesting*

#### *Financial Year ("FY") 2008 Award*

There were two awards in FY2008. Both awards were in the form of SGX shares. The first was awarded in August 2007, and the second in November 2007. Subject to the terms of the LTI Scheme, 23,000 shares awarded will vest on 3 November 2008 while the balance, 484,100 shares, will vest in three instalments over a period of three years. The first tranche will vest on 3 November 2008.

The details of shares awarded are as follows:

	Shares granted during financial year	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2008
Participants (as defined under the LTI Scheme)	507,100	(44,500)	–	462,600
<b>Total</b>	<b>507,100</b>	<b>(44,500)</b>	<b>–</b>	<b>462,600</b>

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

# DIRECTORS' REPORT

For the financial year ended 30 June 2008

## AUDIT COMMITTEE

The Audit Committee comprises the following non-executive directors:

Lee Hsien Yang (Chairman)  
Euleen Goh Yiu Kiang  
Ho Tian Yee  
Loh Boon Chye  
Olivia Lum Ooi Lin

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

There are, however, additional requirements on directors' independence set out in the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005. Based on these criteria, Loh Boon Chye has been ascertained by the Nominating Committee as non-independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Section 14 of the Securities & Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005, the Singapore Code of Corporate Governance, and the SGX-ST Listing Manual. These functions include a review of the financial statements of the Company and of the Group for the financial year and the independent auditor's report thereon.

Accordingly, the Audit Committee has also undertaken a review of the nature and extent of non-audit services provided by the firm acting as the auditor. In the opinion of the Audit Committee, these services would not affect the independence of the auditor.

The Audit Committee has recommended to the Board that the auditor, PricewaterhouseCoopers, be nominated for re-appointment at the forthcoming Annual General Meeting.

## INDEPENDENT AUDITOR

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

On behalf of the directors



**J Y Pillay**  
Director



**Hsieh Fu Hua**  
Director

7 August 2008

# STATEMENT BY DIRECTORS

For the financial year ended 30 June 2008

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 109 to 172 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 2008, 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

7 August 2008

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SINGAPORE EXCHANGE LIMITED

We have audited the accompanying financial statements of Singapore Exchange Limited (the "Company") and its subsidiaries (the "Group") set out on pages 109 to 172, for the financial year ended 30 June 2008, which comprise the balance sheet, income statement and statement of changes in equity of the Company, and the consolidated financial statements of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap. 50) (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- b) selecting and applying appropriate accounting policies; and
- c) making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion,

- a) the accompanying financial statements of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008, 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 auditor, have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers  
Public Accountants and Certified Public Accountants

Singapore, 7 August 2008

# BALANCE SHEETS

As at 30 June 2008

		The Group		The Company	
	Note	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	822,082	613,691	415,285	219,153
Trade and other receivables	4	877,901	913,003	6,024	6,540
Derivative financial instruments	14	3,081	–	245	–
Financial assets at fair value through profit or loss	5	–	138,666	–	–
Securities clearing funds – cash	6	38,011	36,959	–	–
		1,741,075	1,702,319	421,554	225,693
<b>Non-current assets</b>					
Financial assets, available-for-sale	7	76,956	75,812	76,956	75,812
Property, plant and equipment	8	32,980	38,312	22,279	23,212
Software	9	70,574	32,109	6,967	2,879
Club memberships		423	423	423	423
Investments in subsidiaries	10	–	–	422,418	581,381
Investments in joint ventures	11	121	1,734	–	–
Investments in associated companies	12	3,767	–	4,389	–
Goodwill	13	2,721	–	–	–
Deferred tax assets	16	1,446	649	1,446	649
		188,988	149,039	534,878	684,356
<b>Total assets</b>		<b>1,930,063</b>	<b>1,851,358</b>	<b>956,432</b>	<b>910,049</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	15	910,910	921,801	142,652	115,970
Derivative financial instruments	14	–	1,108	–	1,108
Taxation	16	102,328	76,305	7,493	8,157
Provisions	17	7,235	7,357	4,342	4,238
Securities clearing funds – members' contributions	6	13,011	11,959	–	–
		1,033,484	1,018,530	154,487	129,473
<b>Non-current liability</b>					
Deferred tax liabilities	16	2,647	2,460	–	–
<b>Total liabilities</b>		<b>1,036,131</b>	<b>1,020,990</b>	<b>154,487</b>	<b>129,473</b>
<b>Net assets</b>		<b>893,932</b>	<b>830,368</b>	<b>801,945</b>	<b>780,576</b>
<b>Equity</b>					
<b>Capital and reserves attributable to the Company's equity holders</b>					
Share capital	18	409,880	398,533	409,880	398,533
Treasury shares	18	(27,271)	(12,393)	(27,271)	(12,393)
Derivatives clearing fund reserve	29	34,021	–	–	–
Securities clearing fund reserve	6	25,000	25,000	–	–
Share-based payment reserve		11,656	8,457	11,656	8,457
Currency translation reserve		(579)	–	–	–
Retained profits		132,679	92,360	99,134	67,568
Proposed dividends	24	308,546	318,411	308,546	318,411
<b>Total equity</b>		<b>893,932</b>	<b>830,368</b>	<b>801,945</b>	<b>780,576</b>

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 108.

# INCOME STATEMENTS

For the financial year ended 30 June 2008

		The Group		The Company	
	Note	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Operating revenue</b>					
Securities clearing fees		301,240	220,860	–	–
Securities related processing fees		68,104	47,886	13,358	11,119
Access fees		80,261	57,248	–	–
Net derivatives clearing revenue		156,305	116,979	–	–
Account maintenance and corporate action fees		41,910	35,252	1,728	1,336
Terminal and connection fees		22,578	17,659	–	–
Listing fees		41,587	31,511	–	–
Membership fees		9,411	6,993	–	–
Price information fees		28,846	23,014	–	–
Sale of software and other computer services		11,021	10,069	2,932	2,277
Management fees from subsidiaries		–	–	119,654	104,610
Dividends from subsidiaries		–	–	429,990	434,372
Others		7,316	8,752	921	1,285
<b>Total operating revenue</b>		<b>768,579</b>	<b>576,223</b>	<b>568,583</b>	<b>554,999</b>
<b>Operating expenses</b>					
Staff costs	22	117,262	106,066	84,193	78,453
Rental and maintenance of premises		16,955	6,122	11,368	5,177
System maintenance and rental		39,098	33,509	11,152	6,304
Depreciation and amortisation		12,088	16,326	3,760	5,249
Write-off/impairment of property, plant and equipment and software		538	175	–	–
Others	19	53,642	48,876	22,449	20,255
<b>Total operating expenses</b>		<b>239,583</b>	<b>211,074</b>	<b>132,922</b>	<b>115,438</b>
<b>Profit from operating activities</b>	20	<b>528,996</b>	<b>365,149</b>	<b>435,661</b>	<b>439,561</b>
<b>Other gains</b>	21	<b>47,152</b>	<b>127,685</b>	<b>3,010</b>	<b>5,756</b>
<b>Profit before tax and share of results of joint ventures and associated companies</b>		<b>576,148</b>	<b>492,834</b>	<b>438,671</b>	<b>445,317</b>
Share of results of joint ventures and associated companies		(622)	(2,494)	–	–
<b>Profit before tax</b>		<b>575,526</b>	<b>490,340</b>	<b>438,671</b>	<b>445,317</b>
Tax	16	(97,206)	(68,563)	(3,125)	(23,674)
<b>Net profit after tax</b>		<b>478,320</b>	<b>421,777</b>	<b>435,546</b>	<b>421,643</b>
Attributable to:					
Equity holders of the Company		<b>478,320</b>	<b>421,777</b>	<b>435,546</b>	<b>421,643</b>
<b>Earnings per share based on net profit attributable to the equity holders of the Company (in cents per share)</b>					
– Basic	23	<b>45.09</b>	39.95		
– Diluted	23	<b>44.78</b>	39.68		

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 108.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2008

## THE GROUP

	Note	Share capital \$'000	Derivatives clearing fund reserve* \$'000	Securities clearing fund reserve* \$'000	Share-based payment reserve* \$'000	Treasury shares \$'000	Currency translation reserve* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
Balance at 1 July 2007		398,533	–	25,000	8,457	(12,393)	–	92,360	318,411	830,368
Net profit for the financial year		–	–	–	–	–	–	478,320	–	478,320
<b>Total recognised gains for the financial year</b>		–	–	–	–	–	–	478,320	–	478,320
Dividends paid										
– Final dividends										
– Financial year 2007		–	–	–	–	–	–	–	(318,411)	(318,411)
– Overprovision of final dividends										
– Financial year 2007		–	–	–	–	–	–	118	–	118
– Interim dividends										
– Financial year 2008		–	–	–	–	–	–	(95,730)	–	(95,730)
– Overprovision of interim dividends										
– Financial year 2008		–	–	–	–	–	–	178	–	178
Proposed dividends										
– Final dividends										
– Financial year 2008	24	–	–	–	–	–	–	(308,546)	308,546	–
Issue of ordinary shares	18	11,884	–	–	(2,579)	–	–	–	–	9,305
Net currency translation differences of financial statements of associated companies		–	–	–	–	–	(579)	–	–	(579)
Transfer to derivatives clearing fund reserve		–	34,021	–	–	–	–	(34,021)	–	–
Employee share plan – value of employee services		–	–	–	9,533	–	–	–	–	9,533
Purchase of treasury shares	18	–	–	–	–	(19,057)	–	–	–	(19,057)
Vesting of shares under performance share plan	18	(537)	–	–	(3,755)	4,292	–	–	–	–
Tax effect on treasury shares **	18	–	–	–	–	(113)	–	–	–	(113)
<b>Balance at 30 June 2008</b>		<b>409,880</b>	<b>34,021</b>	<b>25,000</b>	<b>11,656</b>	<b>(27,271)</b>	<b>(579)</b>	<b>132,679</b>	<b>308,546</b>	<b>893,932</b>

\* These reserves are not available for distribution as dividends to the equity holders of the Company.

\*\* Tax effect relates to the deferred tax benefit/(liability) available on the difference between consideration paid for treasury shares and share-based payment expense.

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 108.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2008

## THE GROUP (continued)

	Note	Share capital \$'000	Securities clearing fund reserve* \$'000	Share-based payment reserve* \$'000	Treasury shares \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
Balance at 1 July 2006		378,452	25,000	8,243	–	52,308	122,856	586,859
Net profit for the financial year		–	–	–	–	421,777	–	421,777
<b>Total recognised gains for the financial year</b>		–	–	–	–	421,777	–	421,777
Dividends paid								
– Final dividends – Financial year 2006		–	–	–	–	–	(122,856)	(122,856)
– Underprovision of final dividends								
– Financial year 2006		–	–	–	–	(346)	–	(346)
– Interim dividends – Financial year 2007		–	–	–	–	(63,378)	–	(63,378)
– Overprovision of interim dividends								
– Financial year 2007		–	–	–	–	410	–	410
Proposed dividends								
– Final dividends – Financial year 2007	24	–	–	–	–	(318,411)	318,411	–
Issue of ordinary shares	18	21,852	–	(4,374)	–	–	–	17,478
Employee share plan – value of employee services		–	–	8,630	–	–	–	8,630
Purchase of treasury shares	18	–	–	–	(18,649)	–	–	(18,649)
Vesting of shares under performance share plan	18	(1,771)	–	(4,042)	5,813	–	–	–
Tax effect on treasury shares **	18	–	–	–	443	–	–	443
<b>Balance at 30 June 2007</b>		<b>398,533</b>	<b>25,000</b>	<b>8,457</b>	<b>(12,393)</b>	<b>92,360</b>	<b>318,411</b>	<b>830,368</b>

\* These reserves are not available for distribution as dividends to the equity holders of the Company.

\*\* Tax effect relates to the deferred tax benefit/(liability) on the difference between consideration paid for treasury shares and share-based payment expense.

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2008

## THE COMPANY

	Note	Share capital \$'000	Share-based payment reserve * \$'000	Treasury shares \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
<b>Balance at 1 July 2007</b>		398,533	8,457	(12,393)	67,568	318,411	780,576
<b>Total recognised gains for the financial year – net profit</b>		–	–	–	435,546	–	435,546
Dividends paid							
– Final dividends – Financial year 2007		–	–	–	–	(318,411)	(318,411)
– Overprovision of final dividends – Financial year 2007		–	–	–	118	–	118
– Interim dividends – Financial year 2008		–	–	–	(95,730)	–	(95,730)
– Overprovision of interim dividends – Financial year 2008		–	–	–	178	–	178
Proposed dividends							
– Final dividends – Financial year 2008	24	–	–	–	(308,546)	308,546	–
Issue of ordinary shares	18	11,884	(2,579)	–	–	–	9,305
Employee share plan – value of employee services		–	9,533	–	–	–	9,533
Purchase of treasury shares	18	–	–	(19,057)	–	–	(19,057)
Vesting of shares under performance share plan	18	(537)	(3,755)	4,292	–	–	–
Tax effect on treasury shares **	18	–	–	(113)	–	–	(113)
<b>Balance at 30 June 2008</b>		<b>409,880</b>	<b>11,656</b>	<b>(27,271)</b>	<b>99,134</b>	<b>308,546</b>	<b>801,945</b>
<b>Balance at 1 July 2006</b>		378,452	8,243	–	27,650	122,856	537,201
<b>Total recognised gains for the financial year – net profit</b>		–	–	–	421,643	–	421,643
Dividends paid							
– Final dividends – Financial year 2006		–	–	–	–	(122,856)	(122,856)
– Underprovision of final dividends – Financial year 2006		–	–	–	(346)	–	(346)
– Interim dividends – Financial year 2007		–	–	–	(63,378)	–	(63,378)
– Overprovision of interim dividends – Financial year 2007		–	–	–	410	–	410
Proposed dividends							
– Final dividends – Financial year 2007	24	–	–	–	(318,411)	318,411	–
Issue of ordinary shares	18	21,852	(4,374)	–	–	–	17,478
Employee share plan – value of employee services		–	8,630	–	–	–	8,630
Purchase of treasury shares	18	–	–	(18,649)	–	–	(18,649)
Vesting of shares under performance share plan	18	(1,771)	(4,042)	5,813	–	–	–
Tax effect on treasury shares **	18	–	–	443	–	–	443
<b>Balance at 30 June 2007</b>		<b>398,533</b>	<b>8,457</b>	<b>(12,393)</b>	<b>67,568</b>	<b>318,411</b>	<b>780,576</b>

\* These reserves are not available for distribution as dividends to the equity holders of the Company.

\*\* Tax effect relates to the deferred tax benefit/(liability) available on the difference between consideration paid for treasury shares and share-based payment expense.

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax and share of results of joint ventures and associated companies		576,148	492,834
Adjustments for:			
– Depreciation and amortisation		12,088	16,326
– Write-off/impairment of property, plant and equipment and software		538	175
– Net gain on financial assets at fair value through profit or loss		–	(10,356)
– Net (gain)/loss on disposal of property, plant and equipment and software		(106)	1
– Net gain on disposal of SGX Centre		–	(65,520)
– Write-back of allowance for impairment on SGX Centre		–	(45,000)
– Net loss/(gain) on disposal of financial assets at fair value through profit or loss		2,423	(379)
– Distribution from SGX-DT Compensation Fund upon its expiry		(34,021)	–
– Share-based payment expense		9,533	8,630
– Impairment of investment in associated company		682	–
– Purchase of club membership		–	(16)
– Dividend income		(181)	–
– Interest income		(15,253)	(9,465)
Operating cash flow before working capital change		551,851	387,230
Change in operating assets and liabilities, net of effects from acquisition of subsidiaries			
– Trade and other receivables		40,083	(617,820)
– Trade and other payables		(13,850)	629,494
Cash generated from operations		578,084	398,904
Income tax paid		(71,906)	(44,275)
<b>Net cash provided by operating activities</b>		<b>506,178</b>	<b>354,629</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment and software		165	1
Purchases of property, plant and equipment and software		(45,786)	(14,498)
Net proceeds on disposal of SGX Centre		–	266,269
Dividend received		181	–
Interest received		14,421	9,382
Investment in financial assets, available-for-sale		(1,144)	(75,812)
Investment in associated company		(5,139)	–
Acquisition of subsidiaries, net of cash acquired		(1,370)	–
Proceeds from sale/redemption of financial assets at fair value through profit or loss		130,461	19,902
Purchases of financial assets at fair value through profit or loss		–	(1,110)
<b>Net cash provided by investing activities</b>		<b>91,789</b>	<b>204,134</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		9,305	17,478
Purchase of treasury shares		(19,057)	(18,649)
Dividends paid		(413,845)	(186,170)
Repayment of lease liabilities		–	(3,709)
Distribution from SGX-DT Compensation Fund upon its expiry		34,021	–
<b>Net cash used in financing activities</b>		<b>(389,576)</b>	<b>(191,050)</b>
<b>Net increase in cash and cash equivalents</b>		<b>208,391</b>	<b>367,713</b>
Cash and cash equivalents at beginning of financial year		523,691	155,978
Cash set aside for SGX Derivatives Clearing Limited's Clearing Fund		(84,521)	–
<b>Cash and cash equivalents at end of financial year</b>	3	<b>647,561</b>	<b>523,691</b>

The accompanying notes form an integral part of these financial statements. Independent Auditor's Report – page 108.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

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 in accordance with Singapore Financial Reporting Standards ("FRS") and under the historical cost convention except as disclosed in the accounting policies below. The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions, based on management's best knowledge, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year.

From 1 July 2007, 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 2008. 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:

Amendments to FRS 1	Presentation of Financial Statements - Capital Disclosures
FRS 107	Financial Instruments: Disclosures
INT FRS 110	Interim Financial Reporting and Impairment
INT FRS 111	Group and Treasury Share Transactions

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements. FRS 107 and the complementary amended FRS 1 introduced new disclosures relating to financial instruments and capital respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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. Please refer to note 2(s)(1) for the accounting policy on goodwill on acquisition of subsidiaries.

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

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(g) for the Company's accounting policy on investments in subsidiaries.

#### 2) Associated companies

Associated companies are entities over which the Group has significant influence, but not control. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet includes goodwill (net of any accumulated impairment losses) identified on acquisition. Please refer to the paragraph 2(s)(1) for the Group's accounting policy on goodwill.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

Please refer to note 2(g) for the Company's accounting policy on investments in associated companies.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## **2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

#### **3) Joint ventures**

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

Joint ventures are accounted for under the equity method whereby the Group's share of profit or losses of joint ventures is included in the consolidated 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(g) for the Company's accounting policy on investments in joint ventures.

#### **4) Transaction costs**

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

### **c) Currency translation**

#### **1) Functional and presentation currency**

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The presentation currency of the 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 dates of transactions. 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 the functional currency at the rates of exchange prevailing at the balance sheet date. Currency translation differences are recognised in the income statement.

#### **3) Hedging**

Foreign exchange derivative instruments (mainly currency forward 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.

### **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 recognised when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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. These investments are those that are managed and their performance are evaluated on a fair value basis, in accordance with the documented Group's investment strategy. 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) Financial assets, available-for-sale

Investments, which are designated in this category, are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Purchase and sales of investments are recognised on trade date, on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investment have expired or all risks and rewards of ownership has been transferred. Changes in the fair value of monetary assets denominated in a foreign currency are analysed into translation differences resulting from changes in amortised cost of the asset and other changes. The translation differences are recognised in the income statement, and other changes are recognised in the fair value reserve within equity. The fair values of investments not traded in an active market are determined by using valuation techniques.

Dividends on available-for-sale equity securities are recognised in the income statement when the Group's right to receive payment is established. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the fair value reserve within equity are included in the income statement.

The Group assesses at each balance sheet date whether there is objective evidence that the financial assets are impaired. A significant or prolonged decline in the fair value of the asset below its cost is considered an indicator that the security is impaired. When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve within equity and recognised in the income statement. The cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### g) Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. Impairment losses are recognised in the 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(t)(2) 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 2008

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### h) Property, plant and equipment

#### 1) Land and buildings

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

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

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

#### 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	1 to 7 years
Motor vehicles	4 years

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

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

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 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.

### i) Cash and cash equivalents

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

### j) Trade and other payable

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

### k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### l) Share capital and treasury shares

Ordinary shares are classified as equity.

When any entity within the Group purchases the Company's ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's equity holders and presented as "treasury shares" within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of the treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the retained profits of the Company, if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee performance shares scheme, the cost of the treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is taken to the share capital account of the Company.

### m) 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.

### n) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### o) Income taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are measured at:

- i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and
- ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax jurisdiction.

### p) 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.

### q) Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants relating to expenses are offset against the related expenses. Government grants relating to assets are deducted against the carrying amount of the assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### r) Employee benefits

#### 1) 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.

#### 2) 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 Group's contributions are recognised as employee compensation expense when they are due.

#### 3) Long-term incentive scheme (cash-based)

The Group awards long-term incentive to employees. The entitlement to this benefit is conditional on the employee remaining in service up to the specified service period. The expected costs of this benefit are accrued over the specified service period.

#### 4) Share-based compensation

##### i) Share options

The fair value of the employee services received in exchange for the grant of the share options is recognised as share-based payment 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 and the related balance previously recognised in the share-based payment reserve are credited to share capital when the options are exercised.

##### ii) Performance shares/ Deferred long-term incentives scheme (share-based)

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

At the end of each financial reporting period, the Company revises its estimates of the expected number of shares that the participants are expected to receive. Any changes to the expected number of shares to be vested will entail a corresponding adjustment to the share-based payment expense and share-based payment reserve.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### s) Intangible assets

#### 1) Goodwill on acquisitions

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiaries and associated companies at the date of acquisition.

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

Goodwill on associated companies is included in the carrying amount of the investments.

#### 2) Software

Costs that are directly associated with identifiable software controlled by the Group that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs incurred for maintaining computer software programmes are recognised as an expense when incurred.

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and 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(t)(2)). These costs are amortised using the straight-line method over their estimated useful lives, a period not exceeding 7 years. Where an indication of impairment exists, the carrying cost is assessed and written down immediately to its recoverable amount.

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

### t) Impairment of non-financial assets

#### 1) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in associated company is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## **2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **t) Impairment of non-financial assets** (continued)

#### **2) Intangible assets**

##### *Property, plant and equipment*

##### *Investment in subsidiaries, associated companies and joint ventures*

Assets including property, plant and equipment, other intangible assets and investments in subsidiaries, associated companies and joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling value and its value in use.

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.

### **u) 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.

### **v) Financial instruments**

#### *Currency forward contracts*

Currency forward contracts are used to hedge the Group's exposure to currency risks. The fair values of the currency forward contracts are recognised in the financial statements. The fair value of currency forward contracts 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 currency forward contracts are recorded as off-balance sheet items.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 3 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank and on hand	34,880	28,310	11,257	653
Fixed deposits with banks	787,202	585,381	404,028	218,500
	822,082	613,691	415,285	219,153

For the purposes of the consolidated cash flow statement, the consolidated cash and cash equivalents comprised the following:

	The Group	
	2008 \$'000	2007 \$'000
Cash and bank balances (as above)	822,082	613,691
Less: Cash set aside for Singapore Exchange Derivatives Clearing Limited ("SGX-DC") Clearing Fund (Note 27)	(174,521)	(90,000)
Cash and cash equivalents per consolidated cash flow statement	647,561	523,691

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

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Singapore dollar	797,306	585,590	395,390	218,871
United States dollar	22,821	25,009	19,833	282
Others	1,955	3,092	62	-
	822,082	613,691	415,285	219,153

Fixed deposits have the following average maturity from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2008	2007	2008	2007
Average maturity (days)	107	34	97	22
Effective weighted average interest rate (% per annum)	1.34	2.36	1.33	2.25

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 34.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 3 CASH AND CASH EQUIVALENTS (continued)

### Acquisition of subsidiaries

The Group acquired two subsidiaries, Joint Asian Derivatives Pte. Ltd. ("JADL") and Singapore Commodity Exchange Limited ("SICOM") during the financial year. Details of the acquisition are set out in Note 10.

The aggregate effects of the acquisition of subsidiaries on the cashflows of the Group are as follows:

	The Group	
	At fair values \$'000	Carrying amounts in acquiree's books \$'000
<b>Identifiable assets and liabilities</b>		
Cash and cash equivalents	7,422	7,422
Trade and other receivables	1,399	1,399
Property, plant and equipment	16	16
Software	16	16
Total assets	8,853	8,853
Trade and other payables	1,679	1,679
Total liabilities	1,679	1,679
Identifiable net assets	7,174	7,174
Less: Share of identifiable net assets in joint venture	(1,103)	(1,103)
Identifiable net assets acquired	6,071	6,071
Goodwill (Note 13)	2,721	
Cash consideration paid	8,792	
Less: Cash and cash equivalents in subsidiaries acquired	(7,422)	
Net cash outflow on acquisition	1,370	



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 4 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables (net) (Note (a))	867,602	899,267	2,349	2,637
Other receivables (Note (b))	10,299	13,736	3,675	3,903
	877,901	913,003	6,024	6,540

### a) Trade receivables comprise:

Receivables from clearing members and settlement banks:				
– Daily settlements of accounts for due contracts and rights	793,526	816,795	–	–
– Clearing and other fees	36,118	46,472	–	–
Other trade receivables	38,302	36,438	2,349	2,658
	867,946	899,705	2,349	2,658
Less: Allowance for impairment of trade receivables	(344)	(438)	–	(21)
	867,602	899,267	2,349	2,637

### b) Other receivables comprise:

Interest receivable	3,015	7,115	514	294
Prepayments	5,426	5,616	2,898	3,218
Deposits	224	573	130	250
Staff advances	78	120	21	40
Others (non-trade)	1,556	312	112	101
	10,299	13,736	3,675	3,903

The carrying amounts of trade and other receivables approximate their fair values.

The weighted average effective interest rate for staff advances is 4% (2007: 4%) per annum.

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

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Singapore dollar	780,202	811,288	5,859	6,481
United States dollar	96,346	97,799	97	59
Others	1,353	3,916	68	–
	877,901	913,003	6,024	6,540

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2008 \$'000	2007 \$'000
Managed funds, at fair value	–	138,666

Managed funds consist of listed and unlisted funds managed by independent fund managers. On 27 July 2007, the Board approved the liquidation of these funds. The funds were fully redeemed during the financial year.

## 6 SECURITIES CLEARING FUNDS

	The Group	
	2008 \$'000	2007 \$'000
Cash at bank – contributed by		
CDP clearing members	12,591	11,539
OCC clearing members	420	420
	13,011	11,959
CDP	25,000	25,000
	38,011	36,959
Contributions by CDP clearing members in the form of bank guarantees	6,450	7,200

As at 30 June 2008, all cash contributions which are denominated in Singapore dollar are placed in interest bearing accounts with banks.

The bank guarantees are not recorded in the consolidated balance sheet of the Group.

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 respective obligations and the liabilities of defaulting clearing members arising from transactions in approved securities, futures and options.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 6 SECURITIES CLEARING FUNDS (continued)

Payments out of the securities clearing funds shall be made in the following order:

### a) CDP Clearing Fund

- i) Contributions by defaulting clearing members
- ii) Contributions by CDP of \$25 million in cash
- iii) Contributions by all other clearing members on a pro rata basis in the proportion of each clearing member's turnover to the total turnover of all clearing members at the time of default
- iv) Insurance. SGX has purchased a \$45 million insurance cover
- v) Standby line of credit provided by CDP of \$75 million

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.

### b) OCC Clearing Fund

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

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

## 7 FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at beginning of financial year	75,812	–	75,812	–
Additions				
– Unlisted equity securities – Bombay Stock Exchange Limited	1,144	75,812	1,144	75,812
Balance at end of financial year	76,956	75,812	76,956	75,812

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 8 PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Freehold buildings \$'000	Leasehold land and buildings \$'000	Leasehold improve- ments \$'000	Furniture, fittings and office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress <sup>a</sup> \$'000	Total \$'000
<b>The Group</b>									
<b>Cost</b>									
At 1 July 2007	17,478	8,261	433	34,350	4,096	84,808	532	6,934	156,892
Acquisition of subsidiaries (Note 3)	–	–	–	–	4	12	–	–	16
Reclassification	–	–	–	788	–	226	–	(1,014)	–
Additions	–	–	–	127	454	497	–	1,628	2,706
Disposals	–	–	–	–	(12)	(310)	–	–	(322)
Write-off	–	–	–	–	–	(4,481)	–	–	(4,481)
At 30 June 2008	17,478	8,261	433	35,265	4,542	80,752	532	7,548	154,811
<b>Accumulated depreciation</b>									
At 1 July 2007	–	3,243	137	30,122	3,417	76,385	276	–	113,580
Depreciation charge	–	265	19	1,554	354	5,192	131	–	7,515
Disposals	–	–	–	–	(12)	(309)	–	–	(321)
Write-off	–	–	–	–	–	(3,943)	–	–	(3,943)
At 30 June 2008	–	3,508	156	31,676	3,759	77,325	407	–	116,831
<b>Accumulated impairment charge</b>									
At 1 July 2007 and 30 June 2008	5,000	–	–	–	–	–	–	–	5,000
<b>Net book value</b>									
At 30 June 2008	12,478	4,753	277	3,589	783	3,427	125	7,548	32,980
<b>Cost</b>									
At 1 July 2006	17,478	8,261	214,784	36,883	4,486	84,335	532	15,139	381,898
Reclassification	–	–	–	–	2	8,605	–	(8,607)	–
Additions	–	–	–	3,007	85	828	–	402	4,322
Disposals	–	–	(214,351)	–	(96)	(170)	–	–	(214,617)
Write-off	–	–	–	(5,540)	(381)	(8,790)	–	–	(14,711)
At 30 June 2007	17,478	8,261	433	34,350	4,096	84,808	532	6,934	156,892
<b>Accumulated depreciation</b>									
At 1 July 2006	–	2,978	11,388	31,980	3,490	79,746	143	–	129,725
Depreciation charge	–	265	2,351	3,519	390	5,599	133	–	12,257
Disposals	–	–	(13,602)	–	(94)	(170)	–	–	(13,866)
Write-off	–	–	–	(5,377)	(369)	(8,790)	–	–	(14,536)
At 30 June 2007	–	3,243	137	30,122	3,417	76,385	276	–	113,580
<b>Accumulated impairment charge</b>									
At 1 July 2006	5,000	–	45,000	–	–	–	–	–	50,000
Write-back	–	–	(45,000)	–	–	–	–	–	(45,000)
At 30 June 2007	5,000	–	–	–	–	–	–	–	5,000
<b>Net book value</b>									
At 30 June 2007	12,478	5,018	296	4,228	679	8,423	256	6,934	38,312

<sup>a</sup> Work-in-progress comprises mainly system infrastructure under development.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 8 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land \$'000	Freehold buildings \$'000	Leasehold improve- ments \$'000	Furniture, fittings and office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress <sup>a</sup> \$'000	Total \$'000
<b>The Company</b>								
<b>Cost</b>								
At 1 July 2007	17,478	8,261	34,263	881	19,519	532	202	81,136
Reclassification	–	–	789	–	–	–	(789)	–
Additions	–	–	33	373	145	–	1,008	1,559
Intercompany transfer	–	–	–	–	3	–	–	3
Disposals	–	–	–	(9)	(145)	–	–	(154)
At 30 June 2008	17,478	8,261	35,085	1,245	19,522	532	421	82,544
<b>Accumulated depreciation</b>								
At 1 July 2007	–	3,243	30,068	734	18,603	276	–	52,924
Depreciation charge	–	265	1,518	71	507	131	–	2,492
Intercompany transfer	–	–	–	–	3	–	–	3
Disposals	–	–	–	(9)	(145)	–	–	(154)
At 30 June 2008	–	3,508	31,586	796	18,968	407	–	55,265
<b>Accumulated impairment charge</b>								
At 1 July 2007 and 30 June 2008	5,000	–	–	–	–	–	–	5,000
<b>Net book value</b>								
At 30 June 2008	12,478	4,753	3,499	449	554	125	421	22,279
<b>Cost</b>								
At 1 July 2006	17,478	8,261	31,263	897	18,797	532	83	77,311
Reclassification	–	–	–	2	19	–	(21)	–
Additions	–	–	3,000	74	757	–	140	3,971
Intercompany transfer	–	–	–	–	7	–	–	7
Disposals	–	–	–	(92)	(60)	–	–	(152)
Write-off	–	–	–	–	(1)	–	–	(1)
At 30 June 2007	17,478	8,261	34,263	881	19,519	532	202	81,136
<b>Accumulated depreciation</b>								
At 1 July 2006	–	2,978	26,699	762	18,115	143	–	48,697
Depreciation charge	–	265	3,369	62	544	133	–	4,373
Intercompany transfer	–	–	–	–	5	–	–	5
Disposals	–	–	–	(90)	(60)	–	–	(150)
Write-off	–	–	–	–	(1)	–	–	(1)
At 30 June 2007	–	3,243	30,068	734	18,603	276	–	52,924
<b>Accumulated impairment charge</b>								
At 1 July 2006 and 30 June 2007	5,000	–	–	–	–	–	–	5,000
<b>Net book value</b>								
At 30 June 2007	12,478	5,018	4,195	147	916	256	202	23,212

<sup>a</sup> Work-in-progress comprises mainly system infrastructure under development.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 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 2008 \$'000
Industrial building, located at 18 New Industrial Road, Singapore	Freehold	17,231
Villa at Bintan Lagoon Golf and Beach Resort, Indonesia	26 years lease commencing from 14.06.1996	277

## 9 SOFTWARE

	Software \$'000	Work-in-progress software \$'000	Total \$'000
<b>The Group</b>			
<b>Cost</b>			
At 1 July 2007	35,430	23,849	59,279
Acquisition of subsidiary (Note 3)	–	16	16
Reclassification	10,879	(10,879)	–
Additions	215	42,865	43,080
Disposals	(100)	(16)	(116)
At 30 June 2008	46,424	55,835	102,259
<b>Accumulated amortisation</b>			
At 1 July 2007	27,170	–	27,170
Amortisation charge	4,573	–	4,573
Disposals	(58)	–	(58)
At 30 June 2008	31,685	–	31,685
<b>Net book value</b>			
At 30 June 2008	14,739	55,835	70,574
<b>Cost</b>			
At 1 July 2006	33,068	16,588	49,656
Reclassification	2,812	(2,812)	–
Additions	103	10,073	10,176
Write-off	(553)	–	(553)
At 30 June 2007	35,430	23,849	59,279
<b>Accumulated amortisation</b>			
At 1 July 2006	23,654	–	23,654
Amortisation charge	4,069	–	4,069
Write-off	(553)	–	(553)
At 30 June 2007	27,170	–	27,170
<b>Net book value</b>			
At 30 June 2007	8,260	23,849	32,109

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 9 SOFTWARE (continued)

	Software \$'000	Work- in-progress software \$'000	Total \$'000
<b>The Company</b>			
<b>Cost</b>			
At 1 July 2007	9,110	1,821	10,931
Reclassification	2,169	(2,169)	–
Additions	159	6,160	6,319
Intercompany transfer	–	(963)	(963)
At 30 June 2008	11,438	4,849	16,287
<b>Accumulated amortisation</b>			
At 1 July 2007	8,052	–	8,052
Amortisation charge	1,268	–	1,268
At 30 June 2008	9,320	–	9,320
<b>Net book value</b>			
At 30 June 2008	2,118	4,849	6,967
<b>Cost</b>			
At 1 July 2006	8,540	319	8,859
Reclassification	468	(468)	–
Additions	102	1,970	2,072
At 30 June 2007	9,110	1,821	10,931
<b>Accumulated amortisation</b>			
At 1 July 2006	7,176	–	7,176
Amortisation charge	876	–	876
At 30 June 2007	8,052	–	8,052
<b>Net book value</b>			
At 30 June 2007	1,058	1,821	2,879

## 10 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008 \$'000	2007 \$'000
Investments at cost	581,381	581,381
Acquisition of subsidiary	7,657	–
Capital reduction	(154,620)	–
Impairment loss made during the financial year	(12,000)	–
	422,418	581,381

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 10 INVESTMENTS IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

Names of subsidiaries	Note	Principal activities	Country of business and incorporation	Equity held by			
				The Company 2008 %	2007 %	Subsidiaries 2008 %	2007 %
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 Commodity Exchange Limited	(a)	Operating a commodity exchange	Singapore	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
Joint Asian Derivatives Pte. Ltd.	(a)	Providing business management and consultancy services	Singapore	–	–	100	50
SGX International Pte. Ltd.	(a)	Providing business management and consultancy services	Singapore	100	–	–	–
Asian Gateway Investments Pte Ltd (formerly known as CDP Nominees (II) Pte Ltd)	(a)	Investment holding	Singapore	100	–	–	100
SGX America Ltd	(b)	Inactive	United States of America	–	–	100	100
SGXLink Pte Ltd	(a)	Inactive	Singapore	100	100	–	–
Asia Converge Pte Ltd	(a)	Dormant	Singapore	–	–	100	100
Securities Clearing and Computer Services (Pte) Limited	(a)	Dormant	Singapore	100	100	–	–
CDP Nominees 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 2008

## 10 INVESTMENTS IN SUBSIDIARIES (continued)

### Acquisition of subsidiaries

The Group made the following acquisitions during the year:

- i) On 13 November 2007, the Group acquired 50% of the issued share capital of JADL for a cash consideration of \$1,135,000 which represented its identifiable net assets at the date of acquisition; and
- ii) On 30 June 2008, the Company acquired 100% of the issued ordinary share capital of SICOM for a cash consideration (inclusive of transaction costs of \$157,000) of \$7,657,000.

The fair value of identifiable net assets of SICOM at the date of acquisition amounted to \$4,936,000, resulting in goodwill on acquisition of \$2,721,000. Details of identifiable net assets acquired are disclosed in Note 3. The goodwill was attributable to the synergies expected to arise after the acquisitions.

The acquired subsidiaries incurred net expenses and contributed net loss of \$310,000 to the Group for the period from 13 November 2007 to 30 June 2008. The subsidiaries' assets and liabilities at 30 June 2008 were \$8,050,000 and \$1,218,000 respectively. If the acquisition had occurred on 1 July 2007, Group revenue would have been \$770,129,000 and net profit would have been \$474,351,000.

## 11 INVESTMENTS IN JOINT VENTURES

	The Group	
	2008 \$'000	2007 \$'000
Investments at cost	5,940	5,940
Share of results	(4,717)	(4,206)
Joint venture which became a subsidiary during the financial year		
– Investment, at cost	(5,000)	–
– Share of results	3,898	–
	121	1,734

Names of joint ventures	Principal activities	Country of business and incorporation	Equity holding	
			2008 %	2007 %
American Stock Exchange – SGX Pte Ltd	Promote the listing and trading of exchange traded funds	Singapore	50	50
Joint Asian Derivatives Pte. Ltd.	Providing business management and consultancy services	Singapore	– *	50

\* On 13 November 2007, the Group acquired the remaining 50% of JADL. With the acquisition, JADL became a wholly-owned subsidiary of the Group (Note 10).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 11 INVESTMENTS IN JOINT VENTURES (continued)

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	
	2008 \$'000	2007 \$'000
<b>Balance sheet</b>		
Assets:		
Current assets	140	2,059
Non-current assets	–	13
	<b>140</b>	<b>2,072</b>
Liabilities:		
Current liabilities	19	338
Net assets	<b>121</b>	<b>1,734</b>
<b>Income statement</b>		
Revenue	–	4
Expenses	511	2,666
Loss before tax	(511)	(2,662)
Other gains	–	168
Tax	–	–
Loss after tax	<b>(511)</b>	<b>(2,494)</b>
<b>Cash flow</b>		
Operating cash outflows	(511)	(2,507)
Investing cash outflows	–	(13)
Total cash outflows	<b>(511)</b>	<b>(2,520)</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 2008

## 12 INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Equity investment at cost	5,139	–	4,389	–
Currency translation differences	(579)	–		
Share of results	(111)	–		
Impairment loss made during the year	(682)	–		
Balance at end of financial year	3,767	–		
The summarised financial information of associated companies are as follows				
– Assets	3,807	–		
– Liabilities	615	–		
– Revenue	617	–		
– Net (loss)/profit	(111)	–		
Share of associated companies contingent liabilities incurred jointly with other investors	–	–		
Contingent liabilities in which the Group is severally liable	–	–		

Goodwill amounting to \$575,000 is included in the carrying amount of investments in associated companies.

Details of the associated companies held by the Group are as follows:

Names of companies	Principal activities	Country of business and incorporation	Equity holding	
			2008 %	2007 %
Philippine Dealing System Holdings Corp. *	Investment holding	Philippines	20	–
Webinops Pte. Ltd.	Software development	Singapore	10	–

\* Audited by SyCip Gorres Velayo & Co, Philippines

Investment in Webinops Pte. Ltd. ("Webinops") has been fully impaired during the year as Webinops has ceased business operations in March 2008. There is no recoverable amount from the net assets held by Webinops.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 13 GOODWILL

### Goodwill arising from consolidation

	The Group	
	2008 \$'000	2007 \$'000
<b>Cost</b>		
Balance at beginning of financial year	–	–
Acquisition of subsidiary (Note 3)	2,721	–
Balance at end of financial year	2,721	–
<b>Accumulated impairment</b>		
Balance at beginning and end of financial year	–	–
Net book value	2,721	–

## 14 DERIVATIVE FINANCIAL INSTRUMENTS

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

	Notional principal		Financial assets at fair value		Financial liabilities at fair value	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>The Group</b>						
United States dollar	88,645	160,314	3,081	–	–	1,108
<b>The Company</b>						
United States dollar	19,909	160,314	245	–	–	1,108

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

As at 30 June 2008, the settlement dates on currency forward contracts range between 1 and 9 months (2007: 1 and 3 months).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 15 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables (Note (a))	810,716	839,852	–	–
Other payables (Note (b))	100,194	81,949	57,271	46,231
Amount due to subsidiaries (non-trade) (Note (c))	–	–	85,381	69,739
	<b>910,910</b>	921,801	<b>142,652</b>	115,970
a) Trade payables comprise:				
Payables to clearing members and settlement banks – daily settlements of accounts for due contracts and rights	793,526	816,795	–	–
Other trade payables	17,190	23,057	–	–
	<b>810,716</b>	839,852	–	–
b) Other payables comprise:				
Accrual for operating expenses	29,305	16,716	12,562	3,744
Accrual for bonus	59,738	52,827	41,962	40,211
Central Provident Fund payable	1,187	1,148	848	1,188
Interest payable to members	–	4,900	–	–
Advance receipts	5,879	3,629	6	8
Others (non-trade)	4,085	2,729	1,893	1,080
	<b>100,194</b>	81,949	<b>57,271</b>	46,231

c) Amount due to subsidiaries is unsecured, non-interest bearing and repayable on demand. The carrying amount approximates the fair value.

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

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Singapore dollar	824,275	828,686	141,480	114,964
United States dollar	85,713	89,909	1,068	986
Others	922	3,206	104	20
	<b>910,910</b>	921,801	<b>142,652</b>	115,970

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 16 INCOME TAXES

### a) Income tax expense

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Tax expense attributable to profit is made up of:				
– current income tax	98,930	68,885	4,035	24,434
– deferred income tax	(723)	(222)	(910)	(634)
	98,207	68,663	3,125	23,800
Under/(over) provision in preceding financial years:				
– current income tax	(1,001)	(126)	–	(126)
– deferred income tax	–	26	–	–
	(1,001)	(100)	–	(126)
	97,206	68,563	3,125	23,674

### 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit before tax and share of results of joint ventures	576,148	492,834	438,671	445,317
Tax calculated at a tax rate of 18% (2007: 18%)	103,707	88,710	78,961	80,157
Tax effect of:				
Different tax rates in other countries	(27)	(184)	–	–
Singapore statutory income exemption	(157)	(159)	(27)	(27)
Income not subject to tax	(9,431)	(21,938)	(78,133)	(57,690)
Expenses not deductible for tax purposes	3,843	2,797	2,191	1,353
Changes in tax rate	–	(247)	–	(43)
Others	272	(316)	133	50
	98,207	68,663	3,125	23,800

### c) Movements in provision for tax

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at beginning of financial year	76,305	51,821	8,157	7,190
Income tax paid	(71,906)	(44,275)	(4,699)	(23,341)
Tax expense on profit for the financial year	98,930	68,885	4,035	24,434
Overprovision in preceding financial years	(1,001)	(126)	–	(126)
Balance at end of financial year	102,328	76,305	7,493	8,157

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 16 INCOME TAXES (continued)

### d) Deferred income tax

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

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deferred tax assets:				
– to be recovered within 12 months	102	254	102	254
– to be recovered after more than 12 months	1,969	766	1,969	766
	2,071	1,020	2,071	1,020
– Effect of offsetting	(625)	(371)	(625)	(371)
	1,446	649	1,446	649
Deferred tax liabilities:				
– to be settled within 12 months	1,302	1,407	418	256
– to be settled after more than 12 months	1,970	1,424	207	115
	3,272	2,831	625	371
– Effect of offsetting	(625)	(371)	(625)	(371)
	2,647	2,460	–	–

The movements in the gross deferred tax assets and liabilities during the financial year are as follows:

#### *The Group – deferred tax assets*

	Other	
	2008 \$'000	2007 \$'000
Balance at beginning of financial year	1,020	–
Credited to income statement	1,164	577
(Charged)/credited to equity	(113)	443
Balance at end of financial year	2,071	1,020

#### *The Group – deferred tax liabilities*

	Accelerated tax depreciation	
	2008 \$'000	2007 \$'000
Balance at beginning of financial year	2,831	2,450
Charged to income statement	441	381
Balance at end of financial year	3,272	2,831

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 16 INCOME TAXES (continued)

### d) Deferred income tax (continued)

#### *The Company - deferred tax assets*

	Other	
	2008 \$'000	2007 \$'000
Balance at beginning of financial year	1,020	–
Credited to income statement	1,164	577
(Charged)/credited to equity	(113)	443
Balance at end of financial year	2,071	1,020

#### *The Company - deferred tax liabilities*

	Accelerated tax depreciation	
	2008 \$'000	2007 \$'000
Balance at beginning of financial year	371	428
Charged/(credited) to income statement	254	(57)
Balance at end of financial year	625	371

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

	The Group	
	2008 \$'000	2007 \$'000
Tax losses	15,027	13,648
Unutilised wear and tear allowances	615	615

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 17 PROVISIONS

### a) Current

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Provision for SGX-MAS Market Development Scheme	2,435	2,637	–	–
Provision for unutilised leave	1,800	1,720	1,342	1,238
Provision for dismantlement, removal or restoration of property, plant and equipment	3,000	3,000	3,000	3,000
	7,235	7,357	4,342	4,238

### b) Provision for SGX-MAS Market Development Scheme

Movements in this provision are as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at beginning of financial year	2,637	2,965	–	–
Utilisation of provision	(202)	(328)	–	–
Balance at end of financial year	2,435	2,637	–	–

### c) Provision for unutilised leave

Movements in this provision are as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at beginning of financial year	1,720	1,684	1,238	1,090
Provision made during the financial year (net)	80	36	104	148
Balance at end of financial year	1,800	1,720	1,342	1,238

### d) Provision for dismantlement, removal or restoration of property, plant and equipment

Provision for dismantlement, removal or restoration is the estimated costs of dismantlement, removal or restoration of leased premises, which are capitalised and included in the cost of property, plant and equipment.

Movements in this provision are as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at beginning of financial year	3,000	–	3,000	–
Provision made during the financial year	–	3,000	–	3,000
Balance at end of financial year	3,000	3,000	3,000	3,000

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED

### The Company

	Number of shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital \$'000	Treasury shares \$'000
<b>2008</b>				
Balance at beginning of financial year	1,061,370	2,781	398,533	(12,393)
Issue of shares under employee share option plans	5,653	–	11,884	–
Tax effect on treasury shares	–	–	–	(113)
Purchase of treasury shares	–	1,452	–	(19,057)
Vesting of shares under performance share plan	–	(1,163)	(537)	4,292
Balance at end of financial year	1,067,023	3,070	409,880	(27,271)
<b>2007</b>				
Balance at beginning of financial year	1,050,051	–	378,452	–
Issue of shares under employee share option plans	11,319	–	21,852	–
Tax effect on treasury shares	–	–	–	443
Purchase of treasury shares	–	4,060	–	(18,649)
Vesting of shares under performance share plan	–	(1,279)	(1,771)	5,813
Balance at end of financial year	1,061,370	2,781	398,533	(12,393)

### a) Treasury shares

Pursuant to the Share Purchase Mandate approved by shareholders, the Company purchased 1,451,700 of its ordinary shares by way of on-market purchases, ranging from \$9.25 to \$15.60 per share. The total amount paid to purchase the shares was \$19,057,000 and this is shown as a component within shareholders' equity as a reduction of total shareholders' equity. The Company holds the shares bought back as treasury shares and plans to use the shares to fulfil its obligations under the Company's share-based compensation plans.

### b) Share options

#### i) Outstanding options

Share options are granted to executive directors and employees.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (continued)

### b) Share options (continued)

#### i) Outstanding options (continued)

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

	<b>The Group and The Company</b>	
	<b>2008</b>	<b>2007</b>
Balance at beginning of financial year	<b>10,330,900</b>	21,696,600
Lapsed	<b>(25,900)</b>	(46,500)
Exercised	<b>(5,652,800)</b>	(11,319,200)
Balance at end of financial year	<b>4,652,200</b>	10,330,900

All outstanding options have vested as at end of the current financial year and the average share price of SGX's ordinary shares for the financial year is \$10.45 (2007: \$5.83).

As at 30 June 2008, the outstanding options granted to an executive director and employees to subscribe for ordinary shares were as follows:

<b>Number of ordinary shares under options</b>	<b>Exercise price \$</b>	<b>Exercise period</b>	
		<b>From</b>	<b>To</b>
26,000	0.94	03.12.2003	02.12.2008
30,000	0.90	01.10.2004	30.09.2009
2,512,700	1.70	27.01.2006	26.01.2011
175,000	1.70	28.01.2004	27.01.2009
67,000	1.70	13.02.2006	01.11.2009
100,000	1.70	01.04.2008	31.12.2009
1,241,500	1.60	02.11.2006	01.11.2011
500,000	1.60	01.04.2008	31.12.2009
<b>4,652,200</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 2008

## 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (continued)

### b) Share options (continued)

#### ii) Options exercised during the year

During the financial year ended 30 June 2008, options for 5,652,800 (2007: 11,319,200) shares were exercised as follows:

Number of ordinary shares under options	Exercise price \$	Proceeds \$'000	Exercise month
1,000	0.94	1	Jul 07
282,000	1.70	479	Jul 07
534,700	1.60	855	Jul 07
2,000	0.94	2	Aug 07
8,000	0.90	7	Aug 07
1,091,000	1.70	1,855	Aug 07
363,100	1.60	581	Aug 07
2,000	0.94	2	Sep 07
6,000	0.90	5	Sep 07
70,000	1.70	119	Sep 07
306,800	1.60	491	Sep 07
22,000	1.70	37	Sep 07
232,000	1.60	371	Sep 07
52,000	0.85	44	Oct 07
6,000	0.94	6	Oct 07
14,000	1.70	24	Oct 07
69,500	1.60	111	Oct 07
2,000	0.85	2	Nov 07
8,000	0.94	8	Nov 07
4,000	0.90	4	Nov 07
102,000	1.70	173	Nov 07
60,000	1.60	96	Nov 07
21,000	1.60	34	Dec 07
12,700	1.70	22	Dec 07
15,000	1.60	24	Dec 07
922,000	1.70	1,567	Jan 08
494,000	1.60	790	Jan 08
20,000	1.70	34	Feb 08
15,000	1.60	24	Feb 08
10,000	1.60	16	Mar 08
4,000	1.70	7	Mar 08
131,500	1.60	210	Mar 08
105,000	1.70	179	Apr 08
25,000	1.60	40	Apr 08
612,500	1.70	1,041	May 08
15,000	1.60	24	May 08
10,000	1.70	17	Jun 08
2,000	1.60	3	Jun 08
5,652,800		9,305	

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (continued)

### b) 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 option at grant date \$	Exercise price** \$	Expected dividend yield %	Risk-free interest rate %	Expected volatility rate %
27.01.2004	27.01.2006 to 26.01.2011	2,512,700	0.48	1.70	3.03	2.84	29.86
27.01.2004	28.01.2004 to 27.01.2009	175,000	0.48	1.70	3.03	2.84	29.86
27.01.2004	13.02.2006 to 01.11.2009	67,000	0.48	1.70	3.03	2.84	29.86
27.01.2004	01.04.2008 to 31.12.2009	100,000	0.48	1.70	3.03	2.84	29.86
01.11.2004	02.11.2006 to 01.11.2011	1,241,500	0.43	1.60	3.15	2.64	27.94
01.11.2004	01.04.2008 to 31.12.2009	500,000	0.43	1.60	3.15	2.64	27.94

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

#### iv) Share options committed to Chief Executive Officer

The Chief Executive Officer Hsieh Fu Hua's initial 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. It was renewed again for the current term running from 21 December 2006 to 30 September 2009. He is not entitled to any share options under the renewed contract.

Under the current contract, share options granted to-date will be exercisable until the seventh anniversary date of grant if the Company prematurely terminates his employment through no fault of his own. If Hsieh Fu Hua terminates his employment before the expiry date, all unexercised share options granted to him shall lapse.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (continued)

### c) Performance share plans ("the Plan")

#### i) Outstanding performance shares

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

Number of shares	The Group and The Company			Total
	FY 2006 grant*	FY 2007 grant **	FY 2008 grant **	
<b>2008</b>				
Balance at beginning of financial year	1,252,500	1,635,000	–	2,887,500
Adjustments based on achievement factor	–	–	–	–
Granted	–	–	892,200	892,200
Lapsed	(90,000)	(260,000)	(25,800)	(375,800)
Vested	(1,162,500)	–	–	(1,162,500)
Balance at end of financial year	–	1,375,000	866,400	2,241,400
<b>2007</b>				
Balance at beginning of financial year	1,750,000	–	–	1,750,000
Adjustments based on achievement factor	843,750	–	–	843,750
Granted	–	1,660,000	–	1,660,000
Lapsed	(62,500)	(25,000)	–	(87,500)
Vested	(1,278,750)	–	–	(1,278,750)
Balance at end of financial year	1,252,500	1,635,000	–	2,887,500

\* The number of shares awarded are based on achievement of pre-set performance targets over the performance period.

\*\* Represents the shares to be awarded to participants at 100% of the grant. However, the shares awarded at the vesting date may range from 50% to 150% of the grant, depending on the level of achievement against the performance conditions. There shall be no award if the achievement falls below the threshold performance conditions.

#### ii) Fair value of performance shares

The fair value of performance shares at grant date and the key assumptions of the fair value model for the grants were as follows:

	FY 2008 grant	FY 2007 grant	FY 2006 grant	FY 2006 grant
Date of grant	01.11.2007	01.11.2006	30.06.2006	30.06.2006
Vesting date	01.11.2010	02.11.2009	30.06.2008	30.06.2007
Number of performance shares at grant date	892,200	1,660,000	875,000	875,000
Fair value at grant date	\$17.17	\$4.54	\$3.13	\$3.26
<b>Assumption under Monte-Carlo Model</b>				
<b>Expected volatility</b>				
Shares of Singapore Exchange Limited	31.59%	21.77%	21.92%	21.92%
Straits Times Index	11.44%	9.91%	–	–
Historical volatility period	36 months	36 months	36 months	36 months
<b>Risk-free interest rate</b>				
Date on which yield of Singapore government bond was based	2.19%	3.05%	3.10%	2.76%
	31.10.2007	31.10.2006	29.06.2006	29.06.2006
Term	3	3	2	1
<b>Cost of funding</b>				
Fixed deposit interest rate	2.5%	–	–	–
<b>Expected dividend yield based on management's forecast</b>				
	1.67%	4.00%	3.90%	3.90%
<b>Share price on day preceding date of grant</b>				
	\$15.60	\$4.50	\$3.38	\$3.38

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 18 SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (continued)

### d) Deferred long-term incentives scheme ("the LTI Scheme")

#### i) Outstanding deferred long-term incentives shares

Details of deferred long-term incentives shares awarded to participants at the balance sheet date are as follows:

	The Group and The Company	
	FY 2008 grant	Total
<b>Number of shares</b>		
<b>2008</b>		
Balance at beginning of financial year	–	–
Granted	507,100	507,100
Lapsed	(44,500)	(44,500)
Balance at end of financial year	462,600	462,600

#### ii) Fair value of deferred long-term incentives shares

Fair value of deferred long-term incentives shares was estimated by present value of the share price adjusted for future expected dividends and funding cost. The fair value of shares at grant date and the key assumptions of the fair value model for the grants were as follows:

#### FY 2008 Grant

Date of grant	←..... 21.08.2007 .....	←..... 01.11.2007 .....
Vesting date	03.11.2008 02.11.2009 01.11.2010	03.11.2008 02.11.2009 01.11.2010
Number of shares at grant date	175,500 155,500 158,400	5,700 6,000 6,000
Fair value at grant date	\$8.48 \$8.14 \$7.78	\$15.64 \$15.30 \$14.94

#### Assumption used in fair value model

<b>Risk-free interest rate</b>	2.29%	2.22%	2.36%	2.02%	2.02%	2.19%
Date on which yield of Singapore government bond was based	20.08.2007	20.08.2007	20.08.2007	31.10.2007	31.10.2007	31.10.2007
<b>Cost of funding</b>						
Fixed deposit interest rate	2.25%	2.47%	2.50%	2.25%	2.47%	2.50%
<b>Expected dividend yield based on management's forecast</b>	3.88%	3.96%	4.38%	2.21%	2.26%	2.50%
<b>Share price on day preceding date of grant</b>	\$8.90	\$8.90	\$8.90	\$15.60	\$15.60	\$15.60

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 19 OTHER OPERATING EXPENSES

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Professional charges	13,539	13,734	8,237	6,835
Marketing and travelling	7,540	6,708	3,073	3,051
Communication charges	3,515	3,139	2,228	1,984
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)	21	(233)	51	(14)
Net foreign exchange loss/(gain)	(829)	(187)	199	13
Net (gain)/ loss on disposal of property, plant and equipment and software	(106)	1	–	1
Cost for processing and royalties	21,440	19,182	1,808	1,635
Others	6,222	4,232	4,553	4,450
	53,642	48,876	22,449	20,255

## 20 PROFIT FROM OPERATING ACTIVITIES

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Profit from operating activities is arrived at after:</b>				
Charging:				
Audit services by auditor of the Company				
– current year	427	427	214	195
– overprovision in prior years	(24)	(10)	–	(10)
Other services by auditor of the Company				
– current year	212 *	235	28	91
Rental expenses – operating leases	14,549	1,760	9,248	1,576
Provision for unutilised leave	80	36	104	148
Write-off/impairment of property, plant and equipment	538	175	–	–
And crediting:				
Grants received from Financial Sector Development Fund	1,345	1,256	64	–
Interest received from margin deposits held in trust (net)	18,866	10,655	–	–

\* \$90,000 of other services by auditor of the Company is for audit – related services engaged for the review of a computer application.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 21 OTHER GAINS

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(Losses)/gains on financial assets at fair value through profit or loss (Note a)	(2,423)	10,735	–	–
Interest income and other income/(loss) (Note b)	16,236	6,430	15,010	5,756
Write-back of allowance for impairment on SGX Centre (Note c)	–	45,000	–	–
Net gain on disposal of SGX Centre (Note d)	–	65,520	–	–
Impairment loss on subsidiary (Note e)	–	–	(12,000)	–
Impairment of associated company	(682)	–	–	–
Distribution from SGX-DT Compensation Fund upon its expiry (Note 29)	34,021	–	–	–
	47,152	127,685	3,010	5,756

### a) Gains/(losses) on financial assets at fair value through profit or loss

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Gain on managed funds				
– Net (loss)/gain on disposal	(2,423)	379	–	–
– Unrealised gain on revaluation	–	10,356	–	–
	(2,423)	10,735	–	–

### b) Interest income and other income/(loss)

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Fixed deposits with banks	14,254	7,976	5,282	3,090
Bank interest income	920	1,433	142	322
Other interest income	79	57	4	3
Net foreign exchange gain/(loss)	895	(3,036)	9,401	2,341
Dividend income	181	–	181	–
Others	(93)	–	–	–
	16,236	6,430	15,010	5,756

- c) As a result of improved property market conditions, allowance for impairment on SGX Centre was written back in the financial year ended 30 June 2007 as the allowance was no longer required.
- d) On 12 June 2007, the Group sold its office premises in SGX Centre, at a net proceeds of \$266,269,000. Under the sale and purchase agreement, the Group will lease back the area it currently occupies for an initial period of seven years, at an average gross rent of \$6.25 per square foot per month with a fixed annual escalation of 4% for each year of the initial term of seven years, and a further option to renew the lease for three years. A net gain of \$65,520,000, being the excess of the net proceeds over the carrying amount, was recognised in the income statement.
- e) The impairment loss on subsidiary is due to the Company's investment in SGX Investment (Mauritius) Limited, which is denominated in USD and fully hedged for foreign exchange risk since inception. As the USD has declined since the original investment date and the cost of investment in subsidiary is recognised at cost in the Company's balance sheet, the Company has recognised an impairment loss. This has no impact on the Group's results.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 22 STAFF COSTS

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Wages and salaries	52,902	45,075	38,413	30,945
Employer's contribution to Central Provident Fund on salary and wages	4,131	3,203	2,760	2,094
Variable bonus	51,528	43,883	34,540	33,027
Employer's contribution to Central Provident Fund on variable bonus	(1,376)	2,559	(1,326)	1,893
	50,152	46,442	33,214	34,920
Long-term incentive scheme	492	2,250	221	1,850
Retrenchment benefits	52	466	52	14
Share-based payment expense	9,533	8,630	9,533	8,630
	117,262	106,066	84,193	78,453

Included in staff costs is remuneration of executives and directors under the employment of the Group and the Company (Note 33).

## 23 EARNINGS PER SHARE

	The Group	
	2008 \$'000	2007 \$'000
Net profit attributable to the equity holders of the Company	478,320	421,777
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	1,060,878	1,055,655
Adjustment for assumed exercise of share options ('000)	7,214	7,410
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,068,092	1,063,065
Earnings per share (in cents per share)		
– Basic	45.09	39.95
– Diluted	44.78	39.68

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 purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options granted under the Scheme and shares granted under the Plan and the LTI Scheme.

For share options granted under the Scheme, the adjustment made to weighted average number of shares on issue represents the number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds.

For the Plan and the LTI Scheme, the adjustment made represents the weighted average number of shares expected to vest at the end of each financial reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 24 DIVIDENDS

	The Group and The Company	
	2008 \$'000	2007 \$'000
Interim tax exempt one-tier dividends of 9 cents per share (2007: 6 cents)	95,552	62,968
Proposed final tax exempt one-tier dividends of 29 cents per share (2007: 30 cents)	308,546	318,411
	<b>404,098</b>	381,379

The directors have proposed a final tax exempt one-tier dividend for 2008 of 29 cents (2007: 30 cents) per share amounting to a total of \$308,546,000 (2007: \$318,411,000). The proposed dividend has been transferred from retained profits to a proposed dividend reserve.

## 25 SEGMENT INFORMATION

### Primary reporting format – business segments

	Securities market \$'000	Derivatives market \$'000	Other operations \$'000	The Group \$'000
<b>2008</b>				
<b>Segment revenue</b>				
External revenue	564,623	203,050	906	768,579
Inter-segment revenue	136	–	–	136
	564,759	203,050	906	768,715
Less: Consolidation elimination	(136)	–	–	(136)
	564,623	203,050	906	768,579
<b>Results</b>				
Segment results	440,802	118,094	460	559,356
Unallocated costs				(30,360)
Profit from operating activities				528,996
Other gains/ (losses)				
– Distribution from SGX-DT Compensation Fund upon its expiry	–	34,021	–	34,021
– Unallocated				13,131
Share of results of joint ventures and associated companies				(622)
Tax				(97,206)
Profit after tax				478,320
<b>Segment assets</b>				
Segment assets	1,164,030	233,911	6,668	1,404,609
Unallocated assets				525,454
Consolidated total assets				1,930,063
<b>Segment liabilities</b>				
Segment liabilities	851,528	74,858	375	926,761
Unallocated liabilities				109,370
Consolidated total liabilities				1,036,131
<b>Other information</b>				
Capital expenditure	21,812	23,972	2	45,786
Depreciation and amortisation	8,120	3,840	128	12,088

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 25 SEGMENT INFORMATION (continued)

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

	Securities market \$'000	Derivatives market \$'000	Other operations \$'000	The Group \$'000
<b>2007</b>				
<b>Segment revenue</b>				
External revenue	421,434	153,448	1,341	576,223
Inter-segment revenue	167	–	–	167
	421,601	153,448	1,341	576,390
Less: Consolidation elimination	(167)	–	–	(167)
	421,434	153,448	1,341	576,223
<b>Results</b>				
Segment results	306,755	92,599	28	399,382
Unallocated costs				(34,233)
Profit from operating activities				365,149
Other gains/ (losses)				
– Write-back of allowance for impairment on SGX Centre	23,068	21,932	–	45,000
– Net gain on disposal of SGX Centre	50,337	15,183	–	65,520
– Unallocated				17,165
Share of results of joint ventures and associated companies				(2,494)
Tax				(68,563)
Profit after tax				421,777
<b>Segment assets</b>				
Segment assets	1,126,015	228,474	7,491	1,361,980
Unallocated assets				489,378
Consolidated total assets				1,851,358
<b>Segment liabilities</b>				
Segment liabilities	904,226	33,222	496	937,944
Unallocated liabilities				83,046
Consolidated total liabilities				1,020,990
<b>Other information</b>				
Capital expenditure	7,760	6,735	3	14,498
Depreciation and amortisation	9,100	7,095	131	16,326

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 25 SEGMENT INFORMATION (continued)

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

The Group is organised into three main business segments:

- i) Securities market – providing listing, trading, clearing, account maintenance and corporate action and price information services for the securities market.
- ii) Derivatives market – providing trading, clearing and price information 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 – members' contribution 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.

The Group operates in Singapore and holds an investment portfolio of \$Nil (2007: \$138,666,000) through a subsidiary in Mauritius.

## 26 SECURITIES AND DERIVATIVES FIDELITY FUNDS

The Fidelity funds are administered by Singapore Exchange Securities Trading Limited ("SGX-ST") and Singapore Exchange Derivatives Trading Limited ("SGX-DT"), as required by Section 176 of the Securities and Futures Act. The assets of the Funds are kept separate from all other assets, and are held in trust for the purposes set out in the Securities and Futures Act. The balances of the Fidelity funds are as follows:

	2008 \$'000	2007 \$'000
Securities Exchange Fidelity Fund	33,944	33,315
Derivatives Exchange Fidelity Fund	22,984	22,567
	56,928	55,882

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 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 any 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 26 SECURITIES AND DERIVATIVES FIDELITY FUNDS (continued)

- 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.
- 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.

No further provision has been made in the financial year ended 30 June 2008 for contribution to be paid to the securities and derivatives fidelity funds as the minimum sum of \$20 million for each fund as currently required under the Securities and Futures Act has been met.

	2008 \$'000	2007 \$'000
The assets and liabilities of the Funds are as follows:		
<b>Assets</b>		
Fixed deposits with banks	47,713	46,711
Quoted bonds	6,212	6,318
Interest receivable	127	245
Bank balance	3,515	3,264
	<b>57,567</b>	56,538
<b>Liabilities</b>		
Other payables and accruals	10	15
Taxation	606	596
Deferred tax liabilities	23	45
	<b>639</b>	656
<b>Net assets</b>	<b>56,928</b>	55,882

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

## 27 SGX-DC CLEARING FUND

The rules of Singapore Exchange Derivatives Clearing Limited ("SGX-DC") enable SGX-DC to mobilise resources should any derivatives clearing member be unable to meet its obligations 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)
  - i) the capital of SGX-DC not exceeding \$68,000,000; and
  - ii) financial guarantee and/or default insurance not exceeding \$68,000,000;
- c) up to 50% of the SGX-DT Compensation Fund established by SGX-DT (Note 28);
- 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).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 27 SGX-DC CLEARING FUND (continued)

The Group has set aside cash amounting to \$174,521,000 (2007: \$90,000,000) (Note 3) to support the SGX-DC Clearing Fund in relation to the following:

- i) SGX-DC capital, \$68,000,000;
- ii) Company's financial guarantee to SGX-DC, \$72,500,000 (2007: \$22,000,000); and
- iii) Derivatives clearing fund reserve, \$34,021,000 (Note 29).

Except for the \$174,521,000 (2007: \$90,000,000) mentioned above, the other resources available for the SGX-DC Clearing Fund are not included in the consolidated balance sheet of the Group. These are third party obligations towards the SGX-DC Clearing Fund and where they are held by SGX-DC, these resources are held in trust.

## 28 SGX-DT COMPENSATION FUND

The SGX-DT Compensation Fund ("the Fund") expired on 24 November 2007, following the completion of the public consultation. Note 29, Derivatives clearing fund reserve, provides further information on the distribution from the Fund upon its expiry.

The Fund was originally 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 was also intended to compensate 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 entrusted to or received by the SGX-DT member as a trustee.

As the Fund has expired, there are no assets and liabilities as at 30 June 2008. The assets and liabilities of the Fund as at 30 June 2007 were as follows:

	\$'000
<b>Assets</b>	
Fixed deposits	33,500
Bank balances	457
Interest receivable	238
	34,195
<b>Liabilities</b>	
Other payables and accruals	7
Taxation	329
Deferred tax liabilities	43
	379
<b>Net assets</b>	33,816

The assets and liabilities of the Fund are not included in the consolidated balance sheet of the Group at 30 June 2007 as they are held in trust.

## 29 DERIVATIVES CLEARING FUND RESERVE

Upon the dissolution of the SGX-DT Compensation Fund on 24 November 2007, the cash proceeds of \$34,021,000 were reverted back to SGX-DT. SGX-DT recorded the proceeds as income and transferred the equivalent amount from its retained profits to a derivatives clearing fund reserve. Subsequently, the cash proceeds and the derivatives clearing fund reserve were transferred from SGX-DT to SGX-DC and set aside as additional resources to support the SGX-DC Clearing Fund (Note 27). This reserve is not available for distribution as dividend.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 30 SECURITY, MARGIN AND PERFORMANCE DEPOSITS

The Group, in its normal course of business, through subsidiaries operating as clearing houses, holds assets in trust or contingent assets such as irrevocable letters of credit or on-demand guarantees. None of these assets or contingent assets, together with the corresponding liabilities, are included in the consolidated balance sheet of the Group.

### a) Singapore Exchange Derivatives Clearing Limited ("SGX-DC")

As the clearing house for futures and options traded on SGX-DT and over-the-counter ("OTC") contracts, SGX-DC becomes the novated counterparty for these derivative instruments.

The rules of SGX-DC require its clearing members to deposit, as security for their derivatives clearing obligations to SGX-DC, the higher of US\$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 deposits to guarantee the performance of the obligations associated with futures or option positions. The total margins required by SGX-DC at 30 June 2008 were approximately \$4,041,543,000 (2007: \$3,237,705,000).

As at that date, clearing members had lodged the following collateral with SGX-DC for security and margin deposits purposes:

	2008 \$'000	2007 \$'000
<b>Security deposits</b>		
Cash	90,348	57,574
Irrevocable letters of credit	56,304	41,081
<b>Margin deposits</b>		
Cash	4,553,533	3,398,343
Quoted government securities, at fair value	1,808,631	1,850,700
Irrevocable letters of credit	65,616	157,178

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.

### b) Singapore Commodity Exchange Limited ("SICOM")

At 30 June 2008, clearing members had lodged the following collateral with SICOM for security, margin and performance deposit purposes:

	\$'000
<b>Security deposits</b> (Note i)	
Cash	1,000
Irrevocable letters of credit/on-demand guarantees	15,000
<b>Margin deposits</b> (Note ii)	
Cash	18,296
Irrevocable letters of credit	5,286
<b>Performance deposits</b> (Note iii)	
Cash	394

The total margins required by SICOM at 30 June 2008 were approximately \$9,988,000.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 30 SECURITY, MARGIN AND PERFORMANCE DEPOSITS (continued)

### b) Singapore Commodity Exchange Limited ("SICOM") (continued)

#### i) Security deposits

Under SICOM's Rule 709, each clearing member is required to deposit with SICOM as security for its obligations to SICOM, the sum of \$1 million in the form of cash, an irrevocable letter of credit or an on-demand guarantee.

#### ii) Margin deposits

Margin requirements are prescribed under SICOM Rules 712, 713 and 714 for outstanding futures contracts. Margins can be in the form of cash or letters of credit. Margins in the form of cash are placed in interest-bearing accounts with banks. Interest earned on the cash deposits is credited to the clearing members, with a portion retained by SICOM.

#### iii) Performance deposits

These relate to cash deposited by clearing members as performance deposits against delivery obligations on matured futures contracts.

## 31 CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company have contingent liabilities as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unsecured guarantees by the derivatives clearing subsidiary to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange for members' open positions on these exchanges. These guarantees are supported by members' margin deposits (Note 30 (a))	204,000	283,050	–	–
Standby line of credit obtained by CDP to the Clearing Fund to be utilised in accordance with CDP's Clearing Rules (Note 6 (a))	75,000	75,000	–	–
Cash set aside to support SGX-DC Capital for the Clearing Fund to be utilised in accordance with SGX-DC's Clearing Rules (Note 27 (b) (i))	68,000	68,000	–	–
Financial guarantee provided to SGX-DC for the Clearing Fund (Note 27)	72,500	22,000	72,500	22,000
Cash set aside for Derivatives clearing fund reserve to support SGX-DC Clearing Fund	34,021	–	–	–
	453,521	448,050	72,500	22,000

## 32 COMMITMENTS

### a) Operating lease commitments – where a group company is a lessee

The Company leases its office premises under non-cancellable operating lease agreements. 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Not later than one financial year	13,631	12,739	13,631	12,739
Later than one financial year but not later than five financial years	60,038	56,261	60,038	56,261
Later than five financial years	15,590	30,736	15,590	30,736
	89,259	99,736	89,259	99,736

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 32 COMMITMENTS (continued)

### 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Not later than one financial year	332	228	332	228
Later than one financial year but not later than five financial years	370	19	370	19
	702	247	702	247

### 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Property, plant and equipment and software	11,500	3,344	–	–

### d) Other expenditure commitments

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Fees payable to the Monetary Authority of Singapore for assumption of inspection function on members	–	2,300	–	2,300
Annual regulatory fee payable to the Monetary Authority of Singapore	1,390	1,390	250	250
	1,390	3,690	250	2,550

## 33 RELATED PARTY TRANSACTIONS

### Directors' fees and key management's remuneration

Key management's remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or the Company did not incur any costs, the value of the benefit is included. The amounts disclosed below include the bonuses payable to the 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	
	2008 \$'000	2007 \$'000
Salaries and other short-term employee benefits	15,898	15,009
Employer's contribution to Central Provident Fund	68	58
Share-based payment expense	4,861	5,637
	20,827	20,704

Included in the above is total remuneration to directors of the Company amounting to \$10,208,000 (2007: \$10,353,000).

There were no share options granted to key management of the Group during the financial year (2007: nil).

During the financial year, 646,400 shares (2007: 1,686,250 shares) under performance share plan were granted to key management of the Group. The performance shares were granted under the same terms and conditions as those offered to other employees of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT

### Financial risk management objectives and policies

The Group is exposed to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk arising from its business activities. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors has overall responsibility for the oversight of financial risk management for the Group. To assist the Board in discharging its oversight responsibility, a board committee, the Risk Management Committee ("RMC") was established. The RMC's primary function is to review, recommend to the Board for approval, and where appropriate approve:

- a) the type and level of business risks (risk appetite) that the Group undertakes on an integrated basis to achieve its business strategy; and
- b) the policies and frameworks for managing risks that are consistent with its risk appetite.

The management is responsible for identifying, monitoring and managing the Group's financial risk exposures.

The main financial risks that the Group is exposed to and how they are managed are set out below:

### Market risk – Currency risk

The Group managed its main currency exposure as follows:

#### a) *Revenue receivable from clearing of derivative products*

The Group's revenue from the clearing of derivative products are mainly in Singapore dollars ("SGD") and United States dollars ("USD"). For revenue denominated in USD, the Group manages the currency exposure through currency forward contracts. Upon settlement of the currency forward contracts and payment obligations denominated in foreign currency, any excess foreign currencies are converted back to SGD on a timely manner to minimise currency exposure. As at 30 June 2008 and 30 June 2007, there are no significant currency risk exposure arising from receivables. These receivables are also exposed to counterparty and credit risk.

#### b) *Investment in financial assets, available-for-sale*

The Company has invested in unlisted equity securities in Bombay Stock Exchange Limited ("BSE"). This investment is denominated in Indian Rupee ("INR") and forms part of the Group's long-term strategic investments, in line with its strategy to position SGX as an Asian Gateway. Management monitors the Group's currency exposure by tracking the INR currency movement on a regular basis. As this investment is long-term in nature, the Group does not hedge the currency exposure of this investment. This investment is also exposed to price risk.

#### c) *Cash and cash equivalents*

As at 30 June 2008, the Group and the Company has \$19,778,000 in fixed deposits denominated in USD. The currency risk has been fully hedged through a USD forward sale contract. The fixed deposits are also exposed to counterparty and credit risk.

#### d) *Investment in externally managed funds*

Investment in externally managed funds is denominated in USD. This investment was hedged against the Group's functional currency, SGD, over the investment horizon through currency swap contracts. As at 30 June 2008, the Group has no exposure arising from this investment as the funds had been fully redeemed during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT (continued)

### Market risk – Currency risk (continued)

The Group and Company's currency exposure as at 30 June 2008 and 30 June 2007 are as follows:

	The Group				
	SGD <sup>+</sup> \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
<b>At 30 June 2008</b>					
<b>Financial assets</b>					
Cash and cash equivalents	797,306	22,821	–	1,955	822,082
Trade and other receivables					
– Daily settlement of accounts for due contracts and rights	710,035	82,872	–	619	793,526
– Others	70,167	13,474	–	734	84,375
Securities Clearing Funds – cash	38,011	–	–	–	38,011
Financial assets available-for-sale	–	–	76,956	–	76,956
<b>Financial liabilities</b>					
Trade and other payables					
– Daily settlement of accounts for due contracts and rights	(710,035)	(82,872)	–	(619)	(793,526)
– Others	(114,240)	(2,841)	–	(303)	(117,384)
Securities Clearing Funds					
– members' contributions	(13,011)	–	–	–	(13,011)
Net financial assets	778,233	33,454	76,956	2,386	891,029
Less: Currency forward contracts *	–	(88,645)	–	–	(88,645)
Currency exposure	778,233	(55,191)	76,956	2,386	802,384

\* Currency forward contracts entered by the Group is to hedge future revenue receivable arising from clearing of various derivative products denominated in USD and bank deposits denominated in USD.

+ The SGD balances have been included for completeness.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT (continued)

### Market risk – Currency risk (continued)

	The Group				
	SGD <sup>+</sup> \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
<b>At 30 June 2007</b>					
<b>Financial assets</b>					
Cash and cash equivalents	585,590	25,009	–	3,092	613,691
Trade and other receivables					
– Daily settlement of accounts for due contracts and rights	730,380	83,338	–	3,077	816,795
– Others	80,908	14,461	–	839	96,208
Financial assets at fair value through profit or loss	–	138,666	–	–	138,666
Securities Clearing Funds – cash	36,959	–	–	–	36,959
Financial assets available-for-sale	–	–	75,812	–	75,812
<b>Financial liabilities</b>					
Trade and other payables					
– Daily settlement of accounts for due contracts and rights	(730,380)	(83,338)	–	(3,077)	(816,795)
– Others	(98,306)	(6,571)	–	(129)	(105,006)
Securities Clearing Funds					
– members' contributions	(11,959)	–	–	–	(11,959)
Net financial assets	593,192	171,565	75,812	3,802	844,371
Less: Currency forward contracts <sup>^</sup>	–	(160,314)	–	–	(160,314)
Currency exposure	593,192	11,251	75,812	3,802	684,057

<sup>^</sup> Currency forward contracts entered by the Group was to hedge the currency risk of investments in externally managed funds denominated in USD.

<sup>+</sup> The SGD balances have been included for completeness.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT (continued)

### Market risk – Currency risk (continued)

	The Company				
	SGD <sup>+</sup> \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
<b>At 30 June 2008</b>					
<b>Financial assets</b>					
Cash and cash equivalents	395,390	19,833	–	62	415,285
Trade and other receivables	5,859	97	–	68	6,024
Financial assets available-for-sale	–	–	76,956	–	76,956
<b>Financial liabilities</b>					
Trade and other payables	(141,480)	(1,068)	–	(104)	(142,652)
Net financial assets	259,769	18,862	76,956	26	355,613
Less: Currency forward contract <sup>**</sup>	–	(19,909)	–	–	(19,909)
Currency exposure	259,769	(1,047)	76,956	26	335,704

<sup>\*\*</sup> Currency forward contract entered by the Company is to hedge the currency risk of bank deposits denominated in USD.

<sup>+</sup> The SGD balances have been included for completeness.

	The Company				
	SGD <sup>+</sup> \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
<b>At 30 June 2007</b>					
<b>Financial assets</b>					
Cash and cash equivalents	218,871	282	–	–	219,153
Trade and other receivables	6,481	59	–	–	6,540
Financial assets available-for-sale	–	–	75,812	–	75,812
<b>Financial liabilities</b>					
Trade and other payables	(114,964)	(986)	–	(20)	(115,970)
Net financial assets	110,388	(645)	75,812	(20)	185,535
Less: Currency forward contracts <sup>^</sup>	–	(160,314)	–	–	(160,314)
Currency exposure	110,388	(160,959)	75,812	(20)	25,221

<sup>^</sup> Currency forward contracts entered by the Company was to hedge the currency risk of investments in externally managed funds denominated in USD held through its subsidiary.

<sup>+</sup> The SGD balances have been included for completeness.

The currency risk sensitivity analysis is included within the price risk sensitivity analysis.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT (continued)

### Market risk – Price risk

The Group manages the price risk of its investments as follows:

#### a) *Investment in financial assets, available-for-sale*

The investment in BSE is an unlisted long-term strategic investment. The management maintains regular dialogue with the management of BSE on the latest development of the business, regularly monitors the business performance relating to this investment and assesses the financial performance of BSE on an on-going basis.

#### b) *Investment in externally managed funds*

The price risk arising from externally managed funds was managed through portfolio diversification, under the recommendation of our investment advisor. Investment objectives, risk tolerance threshold and constraints were approved by the Board to manage the risk exposures. The performance of the managed funds was regularly reviewed by the Investment Committee and the Board. The externally managed funds were fully redeemed during the financial year.

The impact on profit after tax and equity would be as follows should the following variables change with all other variables including tax rate being held constant:

- i) price of BSE changes by 3% (2007: 3%); and
- ii) net asset value of the externally managed funds changes by 3% for the financial year ended 30 June 2007.

	2008 Increase/(decrease)		2007 Increase/(decrease)	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<b>Group</b>				
Price of BSE				
– increased	–	2,309	–	2,274
– decreased	–	(2,309)	–	(2,274)
Net asset value of externally managed funds				
– increased	–	–	4,160	–
– decreased	–	–	(4,160)	–
<b>Company</b>				
Price of BSE				
– increased	–	2,309	–	2,274
– decreased	–	(2,309)	–	(2,274)

### Market risk – Interest rate risk

The Group is not subject to significant interest rate risk as the Group's fixed deposit placements are mainly short-term in nature. Fixed deposits are placed with banks that offer the most competitive interest rate.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT (continued)

### Market risk – Interest rate risk (continued)

The tables below set out the Group's and the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

#### The Group

	Variable rates		Fixed rates			Non-interest bearing \$'000	Total \$'000
	Less than 6 months \$'000	6 to 12 months \$'000	Less than 6 months \$'000	6 to 12 months \$'000	Over 1 year \$'000		
<b>At 30 June 2008</b>							
<b>Financial assets</b>							
Cash and cash equivalents	32,236	–	785,402	1,800	–	2,644	822,082
Trade and other receivables	–	–	3	–	75	877,823	877,901
Securities Clearing Funds – cash	–	–	38,011	–	–	–	38,011
Financial assets available-for-sale	–	–	–	–	–	76,956	76,956
<b>Financial liabilities</b>							
Trade and other payables	–	–	–	–	–	(910,910)	(910,910)
Securities Clearing Funds – members' contributions	–	–	(13,011)	–	–	–	(13,011)
Net financial assets	32,236	–	810,405	1,800	75	46,513	891,029
<b>At 30 June 2007</b>							
<b>Financial assets</b>							
Cash and cash equivalents	25,162	–	585,331	50	–	3,148	613,691
Trade and other receivables	–	–	1	–	119	912,883	913,003
Financial assets at fair value through profit or loss	–	–	–	–	–	138,666	138,666
Securities Clearing Funds – cash	–	–	34,959	2,000	–	–	36,959
Financial assets available-for-sale	–	–	–	–	–	75,812	75,812
<b>Financial liabilities</b>							
Trade and other payables	–	–	–	–	–	(921,801)	(921,801)
Securities Clearing Funds – members' contributions	–	–	(11,959)	–	–	–	(11,959)
Net financial assets	25,162	–	608,332	2,050	119	208,708	844,371



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT (continued)

### Market risk – Interest rate risk (continued)

#### The Company

	Variable rates		Fixed rates			Non-interest bearing \$'000	Total \$'000
	Less than 6 months \$'000	6 to 12 months \$'000	Less than 6 months \$'000	6 to 12 months \$'000	Over 1 year \$'000		
<b>At 30 June 2008</b>							
<b>Financial assets</b>							
Cash and cash equivalents	11,020	–	402,278	1,750	–	237	415,285
Trade and other receivables	–	–	–	–	21	6,003	6,024
Financial assets available-for-sale	–	–	–	–	–	76,956	76,956
<b>Financial liabilities</b>							
Trade and other payables	–	–	–	–	–	(142,652)	(142,652)
Net financial assets	11,020	–	402,278	1,750	21	(59,456)	355,613
<b>At 30 June 2007</b>							
<b>Financial assets</b>							
Cash and cash equivalents	355	–	218,500	–	–	298	219,153
Trade and other receivables	–	–	1	–	39	6,500	6,540
Financial assets available-for-sale	–	–	–	–	–	75,812	75,812
<b>Financial liabilities</b>							
Trade and other payables	–	–	–	–	–	(115,970)	(115,970)
Net financial assets	355	–	218,501	–	39	(33,360)	185,535

As the Group is not exposed to significant interest rate risks, no sensitivity analysis is provided for this risk.

#### Counterparty and credit risk

The Group manages its main counterparty and credit exposure as follows:

##### a) Trade receivables (excluding balances arising from clearing and settlement of trade)

Trade receivables of the Group and the Company comprise receivables from trading and clearing members, listed companies and other entities. The trade receivable exposure is continuously monitored and followed up by the Finance and relevant business units.

Management believes that the credit risk with respect to trade receivables are limited. Impairment allowances are made for debts that are outstanding above 360 days and debtors that are undergoing judicial management, scheme of arrangement or other financial difficulties. Management believes that there is no other additional credit risk beyond the amount of allowance for impairment made in these financial statements.

The Group, excluding the balances arising from clearing and settlement of trade, has no significant concentration of credit risk on its trade receivables.

The Company, excluding the receivable from the Inland Revenue Authority of Singapore, has 5 (2007: 5) debtors that represented 58% (2007: 76%) of the remaining trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT (continued)

### Counterparty and credit risk (continued)

#### b) *Cash deposits*

The Group and the Company's cash balances are mainly placed in fixed deposits with high credit quality financial institutions. The Board has approved policies that limit the maximum credit exposure to each financial institution. Exposure and compliance with counterparty limits set by the RMC are monitored by the relevant business units and reported by the Risk Management unit to the RMC. The Group placed 84% (2007: 84%) of its cash and cash equivalents with 3 (2007: 3) banks. The Company placed 76% (2007: 65%) of its cash and cash equivalents with 2 (2007: 2) banks.

The maximum exposure to credit risk for trade receivables and cash deposits is the carrying amount of the financial assets presented on the balance sheet as the Group and the Company do not hold any collateral against these financial assets.

#### c) *Clearing and settlement*

In the normal course of business as clearing houses, SGX-DC and CDP act as central counterparties ("CCP") for every transaction received by or matched through the Group's facilities. As CCP, each clearing house substitutes itself as the buyer to the selling clearing member, and seller to the buying clearing member, and assume all rights and obligations to the counterparty. As a result, each clearing house faces considerable credit risk exposure should any of its clearing member be unable to meet its settlement obligations, resulting in a default on the clearing house. The Group has in place a sound and transparent regulatory framework governing the operations of securities and derivatives markets. On an on-going basis, the Group mitigates its counterparty risk through active monitoring and management of its exposure to clearing members and has in place a system of financial safeguards.

#### *Credit risk management practices*

The Group mitigates its exposures to risk by admitting clearing members which meet prescribed capital and financial requirements and have risk management systems to monitor their exposures. On an on-going basis, a clearing member must continue to comply with the financial requirements, and also set aside capital that commensurate with its risk exposures. In addition, it must ensure that it has the necessary systems and procedures to preserve sound liquidity and financial position at all times.

Both SGX-DC and CDP have well-established risk management systems to monitor and measure the risk exposures of its members. In addition, SGX-DC requires all derivative positions to be collateralised by sufficient margins at all times and these collaterals protect the SGX-DC against potential losses. The SGX-DC also revalues and settles the daily mark-to-market variations with clearing members to prevent losses from accumulating. The CDP also requires clearing members to monitor compliance with risk management measures such as monitoring for large exposures.

#### *Financial safeguards*

A clearing fund has been established for each of the securities and derivatives markets to be used in support of the clearing houses' roles as CCP. The Group and the relevant clearing members are required to contribute to the respective clearing funds.

#### *Trade receivables arising from settlement of securities trade*

Settlement for all securities transactions of securities clearing members are effected through the Group's subsidiary, CDP. Such settlements can be effected directly by clearing members or through their designated settlement banks with CDP.

The "receivables from clearing members and settlement bank" included in trade receivables represent the aggregate of net settlement obligations of each of the clearing members and settlement banks to CDP for the last three trading days of the financial year. At 30 June 2008, there were 26 (2007: 24) securities clearing members and 6 (2007: 6) designated settlement banks. The Group may have concentration risk exposure to these securities clearing members and settlement banks with regards to their net settlement obligations to CDP. The settlement exposure of CDP to each securities clearing member or settlement bank fluctuates daily according to the net trading position (net buy or net sell) of each securities clearing member and the extent to which these settlement obligations are effected through the settlement banks.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT (continued)

### Counterparty and credit risk (continued)

#### d) *Financial assets that are neither past due nor impaired*

All of the Group's cash deposits are neither past due nor impaired as the deposits are placed with creditworthy banks.

Trade receivables that are neither past due nor impaired comprise companies with good payment track record with the Group. As at 30 June 2008, 99.4% (2007: 99.5%) and 93.8% (2007: 95.1%) of the Group's and the Company's trade receivables fall into this category.

#### e) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Past due up to 90 days	2,655	4,367	106	70
Past due 91 days to 360 days	475	113	40	44
	<b>3,130</b>	4,480	<b>146</b>	114

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Gross amount	344	438	–	21
Less: Allowance for impairment	(344)	(438)	–	(21)
	–	–	–	–
Balance at beginning of financial year	438	683	21	43
Allowance made	462	315	91	–
Allowance utilised	(105)	(5)	(72)	–
Allowance written back	(451)	(555)	(40)	(22)
Balance at end of financial year	344	438	–	21

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk

#### a) Liabilities related risk

The Group has minimal liquidity risk as it maintains sufficient cash for daily operations through prudent liquidity risk management. The Group has no external borrowings.

The financial liabilities of the Group and Company are analysed into the relevant maturity buckets based on their contractual maturity dates in the table below:

#### The Group

	Up to 3 months \$'000	> 3 months to 1 year \$'000	Above 1 year \$'000	Total \$'000
<b>At 30 June 2008</b>				
<b>Financial liabilities</b>				
Trade and other payables +	910,910	–	–	910,910
Securities Clearing Funds – members' contributions	13,011	–	–	13,011
<b>Total</b>	<b>923,921</b>	<b>–</b>	<b>–</b>	<b>923,921</b>

+ Included \$793,526,000 payables to clearing members and settlement banks for daily settlement of accounts for due contracts and rights with a corresponding amount in trade receivables.

#### The Group

	Up to 3 months \$'000	> 3 months to 1 year \$'000	Above 1 year \$'000	Total \$'000
<b>At 30 June 2007</b>				
<b>Financial liabilities</b>				
Trade and other payables ^	921,801	–	–	921,801
Securities Clearing Funds – members' contributions	11,959	–	–	11,959
<b>Total</b>	<b>933,760</b>	<b>–</b>	<b>–</b>	<b>933,760</b>

^ Included \$816,795,000 payables to clearing members and settlement banks for daily settlement of accounts for due contracts and rights with a corresponding amount in trade receivables.

#### The Company

	Up to 3 months \$'000	> 3 months to 1 year \$'000	Above 1 year \$'000	Total \$'000
<b>At 30 June 2008</b>				
<b>Financial liabilities</b>				
Trade and other payables	57,271	85,381	–	142,652
<b>Total</b>	<b>57,271</b>	<b>85,381</b>	<b>–</b>	<b>142,652</b>
<b>At 30 June 2007</b>				
<b>Financial liabilities</b>				
Trade and other payables	46,231	69,739	–	115,970
<b>Total</b>	<b>46,231</b>	<b>69,739</b>	<b>–</b>	<b>115,970</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 34 FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk (continued)

#### a) Liabilities related risk (continued)

As at 30 June 2008, the gross notional value of outstanding currency forward contracts held by the Group was \$88,645,000 (2007: \$160,314,000). The Group's outstanding currency forward contracts that would be settled on a gross basis are analysed into relevant maturity buckets based on the remaining contractual maturity dates as follows:

	At 30 June 2008			At 30 June 2007		
	Up to 3 months \$'000	> 3 months to 1 year \$'000	Total \$'000	Up to 3 months \$'000	> 3 months to 1 year \$'000	Total \$'000
<b>The Group</b>						
<b>Currency forward contracts</b>						
– gross outflows	38,284	50,361	88,645	160,314	–	160,314
– gross inflows	39,518	51,629	91,147	157,690	–	157,690
<b>The Company</b>						
<b>Currency forward contracts</b>						
– gross outflows	19,909	–	19,909	160,314	–	160,314
– gross inflows	20,058	–	20,058	157,690	–	157,690

The amounts disclosed above are contractual undiscounted cash flows, which are different from the carrying amount disclosed in these financial statements.

#### b) Contingent liabilities related risk

At the balance sheet date, the Group and the Company have financial guarantees as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unsecured guarantees by the derivatives clearing subsidiary to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange	204,000	283,050	–	–
Financial guarantee provided to SGX-DC for the Clearing Fund	72,500	22,000	72,500	22,000
	276,500	305,050	72,500	22,000

The settlement obligation of the above financial guarantees is not determinable as the obligation arises from the occurrence of future events that are not within the control of the Group and the Company. The financial guarantee provided for the Clearing Fund is supported by cash set aside by the Group and the Company.

#### c) Clearing and settlement-related risk

The clearing houses of the Group, CDP and SGX-DC, acts as the novated counterparty for transactions of approved securities and derivatives. The Group is exposed to liquidity risk should any Clearing Member defaults. The Group has secured sufficient committed bank credit facilities of \$600,000,000, comprising \$250,000,000 committed share financing and \$350,000,000 committed unsecured credit lines, to meet the expected liquidity requirement arising from clearing members' default.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2008

## 35 CAPITAL REQUIREMENT AND MANAGEMENT

The Group's capital management objectives are to optimise returns to shareholders whilst supporting the growth requirements of the business and fulfilling its obligations to the relevant regulatory authorities and other stakeholders.

The Monetary Authority of Singapore ("MAS") formalised the Group's Regulatory Capital Framework during the financial year. Effective 1 July 2008, the Group is required, under the Framework, to maintain adequate financial resources to meet prudential requirements that commensurate with the operational risk, investment risk and the counterparty default risk arising from its central counterparty clearing and settlement activities. With respect to the counterparty default risk, each of the Group's clearing house subsidiaries is required to contribute capital to maintain a clearing fund that is sufficient to cover simultaneous default of three members including the member with the largest potential loss under simulated extreme but plausible market conditions.

Given the dynamic nature of the Group's business and the new framework, the Group regularly review and monitor the Group's capital position to ensure that the business activities and growth are prudently funded. In addition, the Group will seek opportunities to optimise shareholder returns by creating a more efficient capital structure to reduce the overall cost of capital. On dividend policy, SGX maintains a base dividend commitment which had risen over time, reflecting the Group's growing sustainable core earnings.

Separately, Singapore Commodity Exchange Limited, a wholly-owned subsidiary of SGX from 30 June 2008, has been in compliance with the capital requirements imposed by MAS, since the effective date 26 February 2008.

## 36 NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain new accounting standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

### **FRS 108 Operating Segments** (effective for annual periods beginning on or after 1 January 2009)

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 July 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group has assessed the impact of FRS 108 and concluded that there is no material impact on the Group as the business segments currently disclosed is in line with the new operating segments under FRS 108.

## 37 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue by the Board of Directors on 7 August 2008.

# STATISTICS OF SHAREHOLDINGS

As at 12 August 2008

Share Capital :	1,067,047,700
Number of issued and paid-up shares :	1,067,047,700
Class of Shares :	Ordinary shares
Voting Rights :	One vote per share. The Company cannot exercise any voting rights in respect of shares held by it as treasury shares.

## DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares)	%*
1 – 999	105	0.36	24,428	0.00
1,000 – 10,000	25,890	89.50	74,168,501	6.98
10,001 – 1,000,000	2,895	10.01	131,903,837	12.40
1,000,001 and above	38	0.13	857,260,484	80.62
<b>Total</b>	<b>28,928</b>	<b>100.00</b>	<b>1,063,357,250</b>	<b>100.00</b>

Based on information available to the Company as at 12 August 2008, approximately 99.43% of the issued ordinary shares of the Company are held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%*
1	Sel Holdings Pte Ltd <sup>1</sup>	249,991,184	23.51
2	DBS Nominees Pte Ltd	187,473,651	17.63
3	Citibank Nominees Singapore Pte Ltd	105,182,508	9.89
4	HSBC (Singapore) Nominees Pte Ltd	58,518,229	5.50
5	Nomura Singapore Limited	53,110,000	4.99
6	DBSN Services Pte Ltd	45,597,403	4.29
7	United Overseas Bank Nominees Pte Ltd	33,016,725	3.10
8	Raffles Nominees Pte Ltd	28,472,217	2.68
9	DB Nominees (S) Pte Ltd	25,401,011	2.39
10	Phillip Securities Pte Ltd	7,591,929	0.71
11	UOB Kay Hian Pte Ltd	6,158,906	0.58
12	Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,659,905	0.44
13	DBS Vickers Securities (S) Pte Ltd	4,253,000	0.40
14	OCBC Securities Private Ltd	3,778,500	0.36
15	Leong Khuen Nyeon	3,505,000	0.33
16	Merrill Lynch (Singapore) Pte Ltd	3,150,475	0.30
17	AMEX Nominees (S) Pte Ltd	2,692,545	0.25
18	TM Asia Life Singapore Ltd-Par Fund	2,683,000	0.25
19	Wong Kong Choo	2,505,000	0.24
20	HL Bank Nominees (S) Pte Ltd	2,499,000	0.24
<b>Total</b>		<b>830,240,188</b>	<b>78.08</b>

<sup>1</sup> Pursuant to Section 11 (2) (b) of the Exchanges (Demutualisation & Merger) Act 1999 (the "Merger Act"), SEL Holdings Pte Ltd ("SEL"), being the special purpose company set up under the Merger Act to hold the SGX shares for the benefit of the Financial Sector Development Fund, shall not exercise or control the exercise of votes attached to the SGX shares. Owing to the restriction in the exercise of votes attached to the shares, SEL is not regarded as a substantial shareholder of SGX.

## TREASURY SHARES

Number of ordinary shares held in treasury: 3,690,450

Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury): 0.35%

## SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders maintained by the Company, the Company had no substantial shareholders as at 12 August 2008.

\* Percentage is calculated based on the total number of issued shares, excluding treasury shares of the Company.

# NOTICE OF ANNUAL GENERAL MEETING

## SINGAPORE EXCHANGE LIMITED

Company Registration Number: 199904940D

(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of Singapore Exchange Limited (the "Company") will be held at SGX Auditorium, 2 Shenton Way, SGX Centre 1, 2nd Level, Singapore 068804 on 3 October 2008 at 10.00 am to transact the following business:

### A) ORDINARY BUSINESS

#### Resolution 1

To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 30 June 2008 with the Auditor's 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 Hsieh Fu Hua retiring by rotation under Article 99A of the Company's Articles of Association (the "Articles") and who, being eligible, offers himself for re-election.

#### Resolution 4

To re-elect Mr Loh Boon Chye retiring by rotation under Article 99A of the Articles and who, being eligible, offers himself for re-election.

#### Resolution 5

To re-elect Mr Ng Kee Choe retiring by rotation under Article 99A of the Articles and who, being eligible, offers himself for re-election.

#### Resolution 6

To re-elect Mr Lee Hsien Yang retiring by rotation under Article 99A of the Articles and who, being eligible, offers himself for re-election. *(Mr Lee will, upon re-election as a director, remain as Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.)*

#### Resolution 7

To declare a net final (tax exempt one-tier) dividend of \$0.29 per share for the financial year ended 30 June 2008.  
(FY2007: \$0.30 per share)

#### Resolution 8

To approve the sum of \$587,500 to be paid to Mr Joseph Yuvaraj Pillay as director's fees for the financial year ended 30 June 2008.  
(FY2007: Nil; increase of \$587,500) *(Please see explanatory notes)*

#### Resolution 9

To approve the sum of \$1,074,250 to be paid to all directors (other than Mr Joseph Yuvaraj Pillay) as directors' fees for the financial year ended 30 June 2008.  
(FY2007: \$767,800; increase of \$306,450) *(Please see explanatory notes)*

#### Resolution 10

To approve the sum of up to \$790,000 to be paid to Mr Joseph Yuvaraj Pillay as director's fees for the financial year ending 30 June 2009.  
(FY2008: \$587,500; increase of up to \$202,500) *(Please see explanatory notes)*

#### Resolution 11

To approve the sum of up to \$1,200,000 to be paid to all directors (other than Mr Joseph Yuvaraj Pillay) as directors' fees for the financial year ending 30 June 2009. (FY2008: \$1,074,250; increase of up to \$125,750) *(Please see explanatory notes)*

#### Resolution 12

To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the directors to fix their remuneration.



# NOTICE OF ANNUAL GENERAL MEETING

## B) SPECIAL BUSINESS

### Resolution 13

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 total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- 2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
  - i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - ii) any subsequent bonus issue or consolidation or subdivision of shares;
- 3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the Monetary Authority of Singapore) and the Articles of Association for the time being of the Company; and
- 4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

### Resolution 14

That approval be and is hereby given to the directors of the Company 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 (excluding treasury shares) in the capital of the Company from time to time.

## C) TO TRANSACT ANY OTHER BUSINESS AS MAY PROPERLY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

By Order Of The Board



**Ms Joyce Fong Foong Chao**

Company Secretary  
Singapore Exchange Limited

8 September 2008

# NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY NOTES

**Ordinary Resolution 8** is to seek approval for the payment of \$587,500 to Mr J Y Pillay as director's fees for the financial year ended 30 June 2008. Mr J Y Pillay has served as Chairman of the Board since 18 November 1999. On 28 September 2007, Mr J Y Pillay was re-designated to serve as a non-executive Chairman and a non-independent director on the Board. As such, he has ceased to be remunerated as an executive of the Company. For the financial year ended 2007, Mr Pillay's total gross remuneration as executive Chairman of the Company was \$2,213,042.

The amount of \$587,500 is calculated based on \$562,500 (\$750,000 per annum pro-rated from 1 October 2007 to 30 June 2008) and \$25,000 for his other benefits. In arriving at the amount of \$750,000 per annum, the Company took into account comparable benchmarks from other listed exchanges and the amount of effort which Mr J Y Pillay will expend in his role as non-executive Chairman. Notwithstanding that the nature of Mr J Y Pillay's appointment has changed from executive to non-executive, Mr J Y Pillay's function as Chairman remains substantially unchanged. He continues to devote a considerable amount of time and energy to the affairs of the Company. Mr J Y Pillay plays a key role in the development and maintenance of strategic relations with the Company's business partners. In addition, he provides close oversight, guidance, advice and leadership to the Chief Executive Officer and management.

In light of the foregoing, the Board believes that the amount proposed as director's fees for Mr J Y Pillay as non-executive Chairman is appropriate and justified.

**Ordinary Resolution 9** is to seek approval for the payment of \$1,074,250 to all directors (other than Mr J Y Pillay) as directors' fees for the financial year ended 30 June 2008.

The fees for directors reflect the scope and extent of a director's responsibilities and obligations and are measured competitively against industry benchmarks. An increase in the basic fee, attendance fee and committee fee paid to directors is being proposed to bring the fees in line with market norms, and to ensure that the Company is able to attract and retain the right calibre of directors necessary to contribute effectively to the Board in an ever-increasingly competitive market. The FY2007 fee structure and proposed fee structure for FY2008 and FY2009 are set out below.

### *FY2007 fee structure and proposed fee structure for FY2008 and FY2009*

Non-Executive Director	FY2007	FY2008 and FY2009	Increase
Basic Fee	\$40,000	\$55,000	\$15,000
Audit Committee – Chairman	\$20,000	\$30,000	\$10,000
Audit Committee – Member	\$10,000	\$18,000	\$8,000
Other Committee – Chairman	\$15,000	\$22,000	\$7,000
Other Committee – Member	\$8,000	\$12,000	\$4,000
Meeting Attendance Fee	\$1,200	\$1,500	\$300

**Ordinary Resolution 10** is to seek approval for the payment of up to \$790,000 to Mr J Y Pillay as director's fees on a current year basis, that is, for the financial year ending 30 June 2009. The amount of \$790,000 is calculated based on an amount of \$750,000 per annum and \$40,000 for his other benefits. In the event that the amount proposed is insufficient, approval will be sought at next year's AGM for payment to meet the shortfall.

**Ordinary Resolution 11** is to seek approval for the payment of up to \$1,200,000 to all directors (other than Mr J Y Pillay) as directors' fees on a current year basis, that is, for the financial year ending 30 June 2009. The amount of \$1,200,000 is calculated based on, amongst other things, the number of anticipated board and committee meetings for the financial year ending 30 June 2009 and the number of directors anticipated to hold office during the course of that year. It also includes approximately an additional 12% to provide for any additional fees which may be payable due to changed or special circumstances in the financial year ending 30 June 2009, for example, any increase in the number of anticipated board or committee meetings or the amount or scope of work being required of directors or committee members is more than is currently anticipated or, if additional board or committee members are appointed in the course of the year. In the event that the amount proposed is insufficient, approval will be sought at next year's AGM for payments to meet the shortfall.

# NOTICE OF ANNUAL GENERAL MEETING

**Ordinary Resolution 13** is to empower the directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (the "50% Limit"), with a sub-limit ("Sub-Limit") of 10 per cent for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Ordinary Resolution 13 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 13 is passed, and (b) any subsequent bonus issue or consolidation or sub-division of shares.

Although the Listing Manual of the Singapore Exchange Securities Trading Limited enables the Company to seek a mandate to permit its directors to issue shares up to the 50% Limit if made on a pro rata basis to shareholders, and up to a Sub-Limit of 20 per cent if made other than on a pro rata basis to shareholders, the Company is nonetheless only seeking a Sub-Limit of 10 per cent. The Company believes that the lower limit sought for the issue of shares made other than on a pro rata basis to shareholders is adequate for the time being and will review this limit annually.

**Ordinary Resolution 14** is to empower the directors to grant awards pursuant to the SGX Performance Share Plan (which was approved by the shareholders at the Extraordinary General Meeting held on 22 September 2005), as modified by the Remuneration Committee from time to time, 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), as modified by the Remuneration Committee from time to time, and the SGX Performance Share Plan, 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 (excluding treasury 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.

## BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

Subject to the approval of the shareholders to the final dividend at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 10 October 2008 (Friday) after 5.00 pm to 13 October 2008 (Monday), both dates inclusive, for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 14 October 2008 (Tuesday). 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 3 Church Street, #08-01 Samsung Hub, Singapore 049483 before 5.00 pm on 10 October 2008 (Friday), 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 22 October 2008.

Note:

This Notice of Annual General Meeting dated 8 September 2008 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), together with our Summary Annual Report.

All rights reserved. Some of the information in this report constitute 'forward looking statements' which reflect SGX's current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which may be outside SGX's control. You are urged to view all forward looking statements with caution. No information herein should be reproduced without the express written permission of Singapore Exchange Limited. All information herein are correct at the time of publication. For updated information, please contact our Registered Office.

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