



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

## LETTER TO SHAREHOLDERS

### Directors:

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

### Registered Office:

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

10 September 2019

To: The Shareholders of Singapore Exchange Limited

Dear Sir/Madam

### 1. Introduction

#### 1.1 Notice of 2019 AGM. We refer to:

- (a) the Notice of Annual General Meeting of Singapore Exchange Limited (the "**Company**") dated 10 September 2019, accompanying the Annual Report 2019, convening the Twentieth Annual General Meeting of the Company to be held on 3 October 2019 (the "**2019 AGM**");
- (b) Ordinary Resolution 6 relating to the proposed change of Auditor from PricewaterhouseCoopers LLP to KPMG LLP; and
- (c) Ordinary Resolution 8 relating to the proposed renewal of the Share Purchase Mandate (as defined below).

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

#### 1.3 MAS. The Monetary Authority of Singapore ("**MAS**") takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

- 1.4 **Advice to Shareholders.** If a Shareholder is in any doubt as to the course of action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

## 2. The Proposed Change of Auditor

- 2.1 **Background.** Ordinary Resolution 6 proposed in the Notice of the 2019 AGM is to appoint KPMG LLP as the Auditor of the Company in place of the retiring Auditor, PricewaterhouseCoopers LLP, and to authorise the Directors of the Company (“**Directors**”) to fix its remuneration.
- 2.2 **Rationale.** PricewaterhouseCoopers LLP has served as external Auditor of the Company since 1999. The Directors are accordingly of the view that it would be timely to effect a change of external Auditor with effect from the financial year ending 30 June 2020. PricewaterhouseCoopers LLP will not be seeking re-appointment at the forthcoming 2019 AGM.

As previously disclosed in the Company’s Annual Report 2018, the Audit Committee of the Company (the “**Audit Committee**”) had determined that the Company would conduct a request for proposal exercise for the appointment of an external Auditor to provide audit services, and that the Company would seek Shareholders’ approval at the 2019 AGM for the appointment of the selected external Auditor.

KPMG LLP was selected for the proposed appointment after the Audit Committee invited and evaluated competitive proposals from various audit firms. The Audit Committee reviewed and deliberated on the proposals received from each of the audit firms, taking into consideration the Audit Quality Indicators Disclosure Framework introduced by the Accounting and Corporate Regulatory Authority (“**ACRA**”), and the criteria for the evaluation and selection of the external auditors contained in the Guidebook for Audit Committees in Singapore and the Audit Committee Guide issued by the Singapore Institute of Directors, including factors such as the adequacy of the resources and experiences of the audit firm to be selected and the audit engagement partner to be assigned to the audit, the audit firm’s ability to tap into its network for auditing an exchange, audit approach, transition plan, and the number and experience of supervisory and professional staff to be assigned. After evaluation, the Audit Committee recommended that KPMG LLP be selected for the proposed appointment with effect from the financial year ending 30 June 2020, on the basis that it best suits the current business and operational needs of the Company and its subsidiaries (the “**Group**”). The Directors have taken into account the Audit Committee’s recommendation, including the factors considered in their evaluation, and are satisfied that KPMG LLP will be able to meet the audit requirements of the Company.

The scope of audit services to be provided by KPMG LLP will be comparable to those provided by PricewaterhouseCoopers LLP.

- 2.3 **Information on KPMG LLP.** KPMG LLP in Singapore is a member firm of KPMG International, an international network of member firms offering audit, tax and advisory services in 152 countries and territories with more than 200,000 partners and staff and with global credentials in auditing leading exchanges. KPMG LLP is registered with ACRA. It is one of the largest professional services firms in Singapore today, and has a wide-ranging clientele base consisting of business corporations, governments and public sector agencies and not-for-profit organisations. The size of the audit function of KPMG LLP in Singapore is 1,167 professional staff as at 30 June 2019.

The audit partner who will be in charge of the audit is Leong Kok Keong, who is a Fellow of the Institute of Singapore Chartered Accountants, as well as a public accountant registered with ACRA. Mr Leong has more than 29 years of experience in auditing clients in the financial services industry, including banks and some of Singapore’s largest listed companies. He is the Head of Financial Services Audit of KPMG Singapore. The audit team for the Company will be led by Mr Leong, who will be supported by a team of approximately 25 members, including professionals within the KPMG network with exchange audit experience.

For more information about KPMG LLP, please visit <http://www.kpmg.com/SG/EN/Pages/default.aspx>.

- 2.4 **Confirmations.** In accordance with the requirements of Rule 1203(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), as amended from time to time (the “Listing Manual”):
- (a) the outgoing Auditor, PricewaterhouseCoopers LLP, has confirmed that it is not aware of any professional reasons why the new Auditor, KPMG LLP, should not accept appointment as Auditor of the Company;
  - (b) the Company confirms that there were no disagreements with the outgoing Auditor, PricewaterhouseCoopers LLP, on accounting treatments within the last 12 months;
  - (c) the Company confirms that, other than as set out above, it is not aware of any circumstances connected with the proposed change of Auditor that should be brought to the attention of Shareholders; and
  - (d) the Company confirms that it is or will be in compliance with Rule 712 and Rule 715<sup>1</sup> of the Listing Manual in relation to the appointment of KPMG LLP as the Auditor of the Company.
- 2.5 **Nomination Notice.** Pursuant to Section 205 of the Companies Act, Chapter 50 of Singapore as amended from time to time (the “Companies Act”), a copy of the notice of nomination of the proposed new Auditor dated 31 July 2019 from a Shareholder is attached in the Appendix to this Letter.

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

- 3.1 **Background.** Shareholders approved the renewal of the mandate (the “Share Purchase Mandate”) to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company (“Shares”) at the annual general meeting of the Company held on 20 September 2018 (the “2018 AGM”). The authority and limitations on the Share Purchase Mandate were set out in the Letter to Shareholders dated 28 August 2018 and Ordinary Resolution 10 set out in the Notice of the 2018 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 10 at the 2018 AGM and will expire on the date of the forthcoming 2019 AGM. Accordingly, Shareholders’ approval is being sought for the renewal of the Share Purchase Mandate at the 2019 AGM.

- 3.2 **Rationale.** The approval of the renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 3.3.1 below at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

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

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

<sup>1</sup> The Company does not have any significant foreign-incorporated subsidiaries and associated companies and Rule 715(2) of the Listing Manual is therefore not applicable. The Company appoints the same auditing firm for its Singapore-incorporated subsidiaries. It does not have any significant Singapore-incorporated associated companies.

- (c) A share repurchase programme will also allow management to effectively manage and minimise the dilution impact (if any) associated with share schemes.

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

- 3.3 **Authority and Limits.** The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2019 AGM, are substantially the same as previously approved by Shareholders at the 2018 AGM. The authority and limits on the Share Purchase Mandate are as follows:

3.3.1 **Maximum number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company is limited to that number of Shares representing not more than 10% of the issued Shares as at the date of the 2019 AGM at which the renewal of the Share Purchase Mandate is approved. Treasury shares and subsidiary holdings (as defined in the Listing Manual)<sup>2</sup> will be disregarded for purposes of computing the 10% limit.

As at 13 August 2019 (the “**Latest Practicable Date**”), the Company had 1,839,286 treasury shares and no subsidiary holdings.

3.3.2 **Duration of authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2019 AGM, at which the renewal of the Share Purchase Mandate is approved, up to:

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

whichever is the earliest.

3.3.3 **Manner of purchases or acquisitions of Shares**

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

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

<sup>2</sup> “Subsidiary holdings” is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

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

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

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

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

#### 3.3.4 **Purchase price**

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

For the above purposes:

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

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

- 3.4 **Source of Funds.** The Company may use internal or external sources of funds or a combination of both to finance its purchase or acquisition of the Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the financial condition of the Group would be materially and adversely affected.
- 3.5 **Status of Purchased Shares.** Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.
- 3.6 **Treasury Shares.** Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:
- 3.6.1 **Maximum holdings**
- The number of Shares held as treasury shares<sup>3</sup> cannot at any time exceed 10% of the total number of issued Shares.
- 3.6.2 **Voting and other rights**
- The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.
- In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.
- 3.6.3 **Disposal and cancellation**
- Where Shares are held as treasury shares, the Company may at any time (but subject always to the Singapore Code on Take-overs and Mergers (the "Take-over Code")):
- (a) sell the treasury shares for cash;
  - (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
  - (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
  - (d) cancel the treasury shares; or
  - (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

<sup>3</sup> For these purposes, "treasury shares" shall be read as including shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act, Chapter 50 of Singapore.

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

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

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

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

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

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

3.7.2 ***Number of Shares purchased or acquired***

Purely for illustrative purposes, on the basis of 1,071,642,400 issued and paid-up Shares as at the Latest Practicable Date (out of which 1,839,286 Shares were held in treasury as at that date), and assuming that on or prior to the 2019 AGM (i) no further Shares are issued or repurchased, or held by the Company as treasury shares, and (ii) no Shares are held as subsidiary holdings, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares (excluding the 1,839,286 Shares held in treasury) will entail a purchase or acquisition of 106,980,311 Shares.

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

In the case of both Market Purchases and Off-Market Purchases by the Company and assuming that the Company purchases or acquires 106,980,311 Shares at the Maximum Price of \$8.38 per Share (being the price equivalent to 105% of the Average Closing Price of the Shares immediately preceding the Latest Practicable Date), the maximum amount of funds required is \$896,495,007, excluding brokerage, commission, applicable goods and services tax and other related expenses.

### 3.7.4 *Illustrative financial effects*

For illustration purposes, paragraph 3.7.5 below lists four possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, based on the following assumptions:

- (a) The Maximum Price paid for Shares purchased or acquired is as stated in paragraph 3.7.3 above.
- (b) The Company has 1,071,642,400 issued and paid-up Shares as at the Latest Practicable Date (out of which 1,839,286 Shares were held in treasury as at that date), and assuming that on or prior to the 2019 AGM (i) no further Shares are issued or repurchased, or held by the Company as treasury shares, and (ii) no Shares are held as subsidiary holdings.
- (c) The Company has as at 30 June 2019:
  - (i) share capital of approximately \$429,113,000;
  - (ii) retained profits of approximately \$437,163,000; and
  - (iii) cash and cash equivalents of approximately \$257,422,000.

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

The following are four possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, with the pro-forma financial effects detailed in paragraphs 3.7.6 to 3.7.9 below:

Share Purchase					Maximum Number of Shares to be Purchased	
Scenario	Out Of	Type	Held as Treasury Shares/ Cancelled	Maximum Price per Share (\$\$)	Number of Shares	Equivalent Percentage of Issued Shares (excluding Treasury Shares)
1(A)	Capital	Market or Off-Market	Held as Treasury Shares	8.38	30,718,616	2.87%
1(B)	Capital	Market or Off-Market	Cancelled	8.38	30,718,616	2.87%
2(A)	Retained profits	Market or Off-Market	Held as Treasury Shares	8.38	30,718,616	2.87%
2(B)	Retained profits	Market or Off-Market	Cancelled	8.38	30,718,616	2.87%



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

	Per Consolidated Financial Statements as at 30 June 2019	Pro-forma Financial Effects as at 30 June 2019 for Scenario per Paragraph 3.7.5	
		1(A)	1(B)
<b>Equity (\$'000)</b>			
Share Capital	429,113	429,113	171,691
Treasury Shares	(13,233)	(270,655)	(13,233)
Cash Flow Hedge Reserve	(128)	(128)	(128)
Currency Translation Reserve	(3,297)	(3,297)	(3,297)
Fair Value Reserve	8,931	8,931	8,931
Securities Clearing Fund Reserve	25,000	25,000	25,000
Derivatives Clearing Fund Reserve	34,021	34,021	34,021
Share-based Payment Reserve	18,865	18,865	18,865
Retained Profits	511,342	511,342	511,342
Proposed Dividends	80,235	80,235	80,235
<b>Total Equity</b>	<b>1,090,849</b>	<b>833,427</b>	<b>833,427</b>
Net Assets (\$'000)	1,090,849	833,427	833,427
Current Assets (\$'000)	1,577,157	1,319,735	1,319,735
Current Liabilities (\$'000)	1,001,473	1,001,473	1,001,473
Cash and Cash Equivalents (\$'000)	666,670	409,248	409,248
Number of Shares excluding treasury shares ('000)	1,069,803	1,039,084	1,039,084
Weighted Average Number of Shares for basic Earnings per Share ("EPS") ('000)	1,070,155	1,070,155	1,070,155
Weighted Average Number of Shares for diluted EPS ('000)	1,073,772	1,073,772	1,073,772
<b>Financial Ratios</b>			
Net Assets per Share (\$)	1.02	0.80	0.80
Current Ratio (times)	1.6	1.3	1.3
<b>Based on reported net profit attributable to equity holders</b>			
Basic EPS (cents)	36.5	36.5	36.5
Diluted EPS (cents)	36.4	36.4	36.4
Return on Equity (%)	35.8	40.5	40.5

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

	Per Company Financial Statements as at 30 June 2019	Pro-forma Financial Effects as at 30 June 2019 for Scenario per Paragraph 3.7.5	
		1(A)	1(B)
<b>Equity (\$'000)</b>			
Share Capital	429,113	429,113	171,691
Treasury Shares	(13,233)	(270,655)	(13,233)
Cash Flow Hedge Reserve	154	154	154
Fair Value Reserve	261	261	261
Share-based Payment Reserve	18,865	18,865	18,865
Retained Profits	437,163	437,163	437,163
Proposed Dividends	80,235	80,235	80,235
<b>Total Equity</b>	<b>952,558</b>	<b>695,136</b>	<b>695,136</b>
Net Assets (\$'000)	952,558	695,136	695,136
Current Assets (\$'000)	301,979	44,557	44,557
Current Liabilities (\$'000)	291,522	291,522	291,522
Cash and Cash Equivalents (\$'000)	257,422	–	–
Number of Shares excluding treasury shares ('000)	1,069,803	1,039,084	1,039,084
Weighted Average Number of Shares for basic EPS ('000)	1,070,155	1,070,155	1,070,155
Weighted Average Number of Shares for diluted EPS ('000)	1,073,772	1,073,772	1,073,772
<b>Financial Ratios</b>			
Net Assets per Share (\$)	0.89	0.67	0.67
Current Ratio (times)	1.0	0.2	0.2
<b>Based on reported net profit attributable to equity holders</b>			
Basic EPS (cents)	35.7	35.7	35.7
Diluted EPS (cents)	35.6	35.6	35.6
Return on Equity (%)	39.7	45.8	45.8

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

	Per Consolidated Financial Statements as at 30 June 2019	Pro-forma Financial Effects as at 30 June 2019 for Scenario per Paragraph 3.7.5	
		2(A)	2(B)
<b>Equity (\$'000)</b>			
Share Capital	429,113	429,113	429,113
Treasury Shares	(13,233)	(270,655)	(13,233)
Cash Flow Hedge Reserve	(128)	(128)	(128)
Currency Translation Reserve	(3,297)	(3,297)	(3,297)
Fair Value Reserve	8,931	8,931	8,931
Securities Clearing Fund Reserve	25,000	25,000	25,000
Derivatives Clearing Fund Reserve	34,021	34,021	34,021
Share-based Payment Reserve	18,865	18,865	18,865
Retained Profits	511,342	511,342	253,920
Proposed Dividends	80,235	80,235	80,235
<b>Total Equity</b>	<b>1,090,849</b>	<b>833,427</b>	<b>833,427</b>
Net Assets (\$'000)	1,090,849	833,427	833,427
Current Assets (\$'000)	1,577,157	1,319,735	1,319,735
Current Liabilities (\$'000)	1,001,473	1,001,473	1,001,473
Cash and Cash Equivalents (\$'000)	666,670	409,248	409,248
Number of Shares excluding treasury shares ('000)	1,069,803	1,039,084	1,039,084
Weighted Average Number of Shares for basic EPS ('000)	1,070,155	1,070,155	1,070,155
Weighted Average Number of Shares for diluted EPS ('000)	1,073,772	1,073,772	1,073,772
<b>Financial Ratios</b>			
Net Assets per Share (\$)	1.02	0.80	0.80
Current Ratio (times)	1.6	1.3	1.3
<b>Based on reported net profit attributable to equity holders</b>			
Basic EPS (cents)	36.5	36.5	36.5
Diluted EPS (cents)	36.4	36.4	36.4
Return on Equity (%)	35.8	40.5	40.5

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

	Per Company Financial Statements as at 30 June 2019	Pro-forma Financial Effects as at 30 June 2019 for Scenario per Paragraph 3.7.5	
		2(A)	2(B)
<b>Equity (\$'000)</b>			
Share Capital	429,113	429,113	429,113
Treasury Shares	(13,233)	(270,655)	(13,233)
Cash Flow Hedge Reserve	154	154	154
Fair Value Reserve	261	261	261
Share-based Payment Reserve	18,865	18,865	18,865
Retained Profits	437,163	437,163	179,741
Proposed Dividends	80,235	80,235	80,235
<b>Total Equity</b>	<b>952,558</b>	<b>695,136</b>	<b>695,136</b>
Net Assets (\$'000)	952,558	695,136	695,136
Current Assets (\$'000)	301,979	44,557	44,557
Current Liabilities (\$'000)	291,522	291,522	291,522
Cash and Cash Equivalents (\$'000)	257,422	–	–
Number of Shares excluding treasury shares ('000)	1,069,803	1,039,084	1,039,084
Weighted Average Number of Shares for basic EPS ('000)	1,070,155	1,070,155	1,070,155
Weighted Average Number of Shares for diluted EPS ('000)	1,073,772	1,073,772	1,073,772
<b>Financial Ratios</b>			
Net Assets per Share (\$)	0.89	0.67	0.67
Current Ratio (times)	1.0	0.2	0.2
<b>Based on reported net profit attributable to equity holders</b>			
Basic EPS (cents)	35.7	35.7	35.7
Diluted EPS (cents)	35.6	35.6	35.6
Return on Equity (%)	39.7	45.8	45.8

**Shareholders should note that the financial effects set out above are for illustration purposes only (based on the aforementioned assumptions). In particular, it is important to note that the above pro-forma financial analysis is based on the historical numbers for the financial year ended 30 June 2019, and is not necessarily representative of future financial performance.**

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

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

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

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

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

The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public Shareholders. As at the Latest Practicable Date, approximately 99.85% of the issued Shares (excluding Shares held in treasury) are held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

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

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

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

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

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

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

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

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

### 3.10.2 **Persons acting in concert**

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

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

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

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

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

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

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

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

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

- 3.11 **Previous Purchases.** As at the Latest Practicable Date, the Company had purchased or acquired an aggregate of 910,748 Shares by way of Market Purchases pursuant to the Share Purchase Mandate approved by Shareholders at the 2018 AGM. The highest and lowest price paid was \$7.37 and \$6.74 per Share respectively and the total consideration paid for all purchases was \$6,452,042, excluding commission, brokerage and goods and services tax.

As at the Latest Practicable Date, the Company had not purchased or acquired any of its Shares by way of Off-Market Purchases pursuant to the Share Purchase Mandate approved by Shareholders at the 2018 AGM.

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

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

Director	Number of Shares				Number of Shares comprised in outstanding awards granted by the Company
	Direct Interest	%	Deemed Interest	%	
Mr Kwa Chong Seng	51,963	nm <sup>(1)</sup>	–	–	–
Mr Loh Boon Chye	134,032	nm <sup>(1)</sup>	–	–	709,768 <sup>(2)</sup>
Mr Thaddeus Beczak	–	–	–	–	–
Ms Chew Gek Khim	2,577	–	–	–	–
Ms Jane Diplock AO	2,577	–	–	–	–
Mr Kevin Kwok	22,577	nm <sup>(1)</sup>	70,000 <sup>(3)</sup>	nm <sup>(1)</sup>	–
Mr Liew Mun Leong	2,577	–	–	–	–
Mr Lim Chin Hu	–	–	22,577 <sup>(4)</sup>	nm <sup>(1)</sup>	–
Ms Lim Sok Hui (Mrs Chng Sok Hui)	–	–	–	–	–
Mr Ng Wai King	–	–	–	–	–
Mr Subra Suresh	–	–	–	–	–

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

<sup>(2)</sup> Comprising (i) a total base allocation of 421,900 Shares granted under the SGX Performance Share Plan 2015 ("SGX PSP 2015"), subject to certain performance conditions being met and other terms and conditions of the SGX PSP 2015; up to 150% of the base allocation may vest if the performance conditions are exceeded, in accordance with the terms of the SGX PSP 2015, and (ii) 287,868 Shares granted under the SGX Deferred Long-Term Incentives Scheme. Details may be found in the Remuneration Report on pages 78 to 82 of the Annual Report 2019.

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

<sup>(4)</sup> Shares held through Citibank Nominees Pte Ltd.

- 4.2 **Substantial Shareholders' Interests.** The Company has not received any substantial shareholder notifications under Division 1, Part VII of the SFA as at the Latest Practicable Date.<sup>4</sup>

<sup>4</sup> As at the Latest Practicable Date, SEL Holdings Pte Ltd ("SEL") holds 249,991,184 Shares representing 23.37% of the total number of issued Shares (excluding treasury shares). Pursuant to Section 11(2)(b) of the Exchanges (Demutualisation & Merger) Act 1999 (the "Merger Act"), SEL, being the special purpose company set up under the Merger Act to hold Shares for the benefit of the Financial Sector Development Fund, shall not exercise or control the exercise of votes attached to such Shares. Owing to this restriction, SEL is not regarded as a substantial Shareholder.



## 5. Directors' Recommendations

- 5.1 **Proposed Change of Auditor.** The Directors are of the opinion that the proposed appointment of KPMG LLP as Auditor of the Company in place of the retiring Auditor, PricewaterhouseCoopers LLP, is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 6, being the Ordinary Resolution relating to the appointment of KPMG LLP as Auditor of the Company in place of the retiring Auditor, PricewaterhouseCoopers LLP, to be proposed at the 2019 AGM.
- 5.2 **Proposed Renewal of Share Purchase Mandate.** The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 8 relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2019 AGM.

## 6. Inspection of Documents

The following documents are available for inspection at the registered office of the Company at 2 Shenton Way #02-02, SGX Centre 1, Singapore 068804 during normal business hours from the date of this Letter up to the date of the 2019 AGM:

- (a) the Annual Report of the Company for the financial year ended 30 June 2019;
- (b) the Constitution of the Company;
- (c) the Letter to Shareholders dated 28 August 2018; and
- (d) KPMG LLP's formal letter of consent to act as Auditor of the Company.

The Annual Report of the Company for the financial year ended 30 June 2019, the Letter to Shareholders dated 28 August 2018 and KPMG LLP's formal letter of consent to act as Auditor of the Company may also be accessed at the URL <http://investorrelations.sgx.com/financial-information/annual-reports>.

## 7. Directors' Responsibility Statement

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

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

**Mr Kwa Chong Seng**  
Chairman

**APPENDIX**

**NOTICE OF NOMINATION**

31 July 2019

**The Board of Directors**  
**Singapore Exchange Limited**  
2 Shenton Way #02-02  
SGX Centre 1  
Singapore 068804

Dear Sirs

**Notice of Nomination**

Pursuant to Section 205(11) of the Companies Act, Chapter 50, I, Seah Kim Ming Glenn (She JinMing Glenn), in my capacity as a member of Singapore Exchange Limited (the "**Company**"), hereby give notice of my nomination of KPMG LLP of 16 Raffles Quay #22-00, Hong Leong Building, Singapore 048581 for appointment as Auditor of the Company in place of the retiring Auditor, PricewaterhouseCoopers LLP of 7 Straits View, Marina One, Singapore 018936 at the forthcoming Annual General Meeting of the Company to be held on 3 October 2019 or at any adjournment thereof.

Yours faithfully



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Seah Kim Ming Glenn (She JinMing Glenn)  
Member, Singapore Exchange Limited