



SINGAPORE EXCHANGE

ANNUAL REPORT '16

 July 2015–June 2016

Corporate Information

Board of Directors

Chairman
Mr Chew Choon Seng

Lead Independent Director
Mr Kwa Chong Seng

Chief Executive Officer
Mr Loh Boon Chye

Members
Mr Thaddeus Beczak
Ms Chew Gek Khim
Ms Jane Diplock AO
Mr Kevin Kwok
Mr Lee Hsien Yang
Mr Liew Mun Leong
Ms Lim Sok Hui (Mrs Chng Sok Hui)
Appointed on 1 December 2015
Mr Ng Kok Song

Company Secretary

Ms Ding Hui Yun

Board Committees

Audit Committee

Chairman
Mr Kevin Kwok

Members

Ms Jane Diplock AO
Mr Lee Hsien Yang
Mr Liew Mun Leong

Nominating & Governance Committee

Chairman
Mr Kwa Chong Seng

Members

Mr Chew Choon Seng
Ms Chew Gek Khim
Mr Liew Mun Leong
Mr Ng Kok Song

Regulatory Conflicts Committee

Chairman
Ms Jane Diplock AO

Members

Mr Thaddeus Beczak
Mr Chew Choon Seng
Mr Kevin Kwok

Remuneration & Staff Development Committee

Chairman
Mr Kwa Chong Seng

Members

Mr Chew Choon Seng
Mr Liew Mun Leong
Mr Ng Kok Song

Risk Management Committee

Chairman
Ms Chew Gek Khim
Appointed on 6 October 2015

Members

Mr Thaddeus Beczak
Ms Jane Diplock AO
Mr Kevin Kwok
Ms Lim Sok Hui (Mrs Chng Sok Hui)
Appointed on 1 December 2015

Registered Office

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

t +65 6236 8888
f +65 6535 6994
w www.sgx.com

Place of Incorporation

Singapore

Company Registration No.

199904940D

Date of Incorporation

21 August 1999

Investor Relations

e ir@sgx.com

Sustainability

e sustainability@sgx.com

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

t +65 6536 5355
f +65 6438 8710
e SRS.TeamB@boardroomlimited.com
w www.boardroomlimited.com

Auditor

PricewaterhouseCoopers LLP
8 Cross Street #17-00
PWC Building
Singapore 048424
t +65 6236 3388
f +65 6236 3300
w www.pwc.com/sg

Partner-in-Charge

Ms Deborah Tan Yang Sock
(Mrs Deborah Ong)
Appointed on 1 July 2014

Asia's Global Exchange

Connect directly to 80% of Asia's equity markets and its most international listing and bond trading platform, the region's premier risk management venue and the world's most liquid offshore pan-Asian derivatives market.

At SGX, you are at the epicentre of the world's best business environment where benchmarks are set for the regulation of Singapore's capital market and with a name trusted around the world for reliability, efficiency and connectivity.

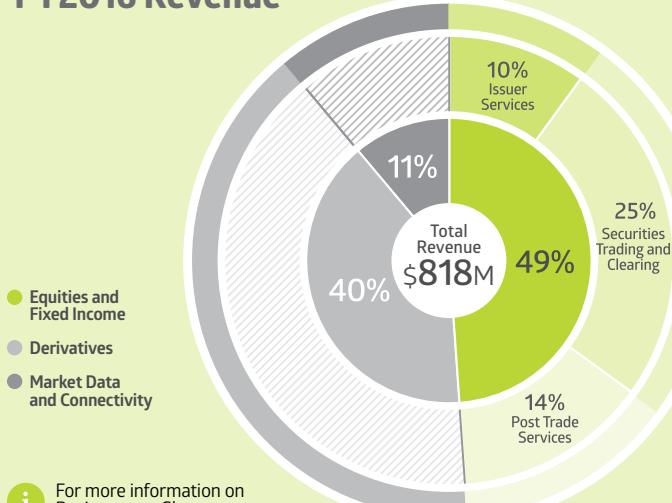
Letter from the Chairman and the CEO

FY2016 was a year of key changes for Singapore Exchange (SGX) as we focused on building a sustainable business.

 For more information on Letter from the Chairman and the CEO, go to: pages 8–11



FY2016 Revenue



Financial Highlights & Performance Review

The most important indicators of financial performance show how our ability to deploy our capital across our businesses produces sustainable value for shareholders.

Issuer Services Revenue

\$82.6M

Securities Trading and Clearing Revenue

\$205.0M

Post Trade Services Revenue

\$118.2M

Derivatives Revenue

\$325.3M

Market Data and Connectivity Revenue

\$87.0M

 For more information on Financial Highlights & Performance Review, go to: pages 6–7

Sustainability

Identify
Our Sustainability Committee identified potential ESG risks and opportunities through stakeholder engagement and internal reviews.

Prioritise
The relevance and significance of each ESG factor to SGX's business were assessed. Issues of similar characteristics were clustered together for a more accurate picture.

Validate
Management, together with the Sustainability Committee, approved the material ESG factors.

 For more information on Sustainability, go to: pages 34–44

Contents

Performance Overview

Business at a Glance	4
Financial Performance Summary	5
Financial Highlights & Performance Review	6

Performance Overview

Group Overview

Letter from the Chairman and the CEO	8
Board of Directors	12
Executive Management Committee	18
Organisation	22

Group Overview

Value Creation & Sustainability

Value Creation	24
Material Factors	26
Priorities	28
Risk Management	30
Sustainability	34

Value Creation & Sustainability

Governance

Corporate Governance Report	45
Self-Regulatory Organisation Governance Report	64
Report of Independent Committees	69
Remuneration Report	73

Governance

Financials

Directors' Statement	78
Independent Auditor's Report	88
Statements of Comprehensive Income	93
Statements of Financial Position	94
Statements of Changes in Equity	95
Statement of Cash Flows	98
Notes to the Financial Statements	99

Financials

Others

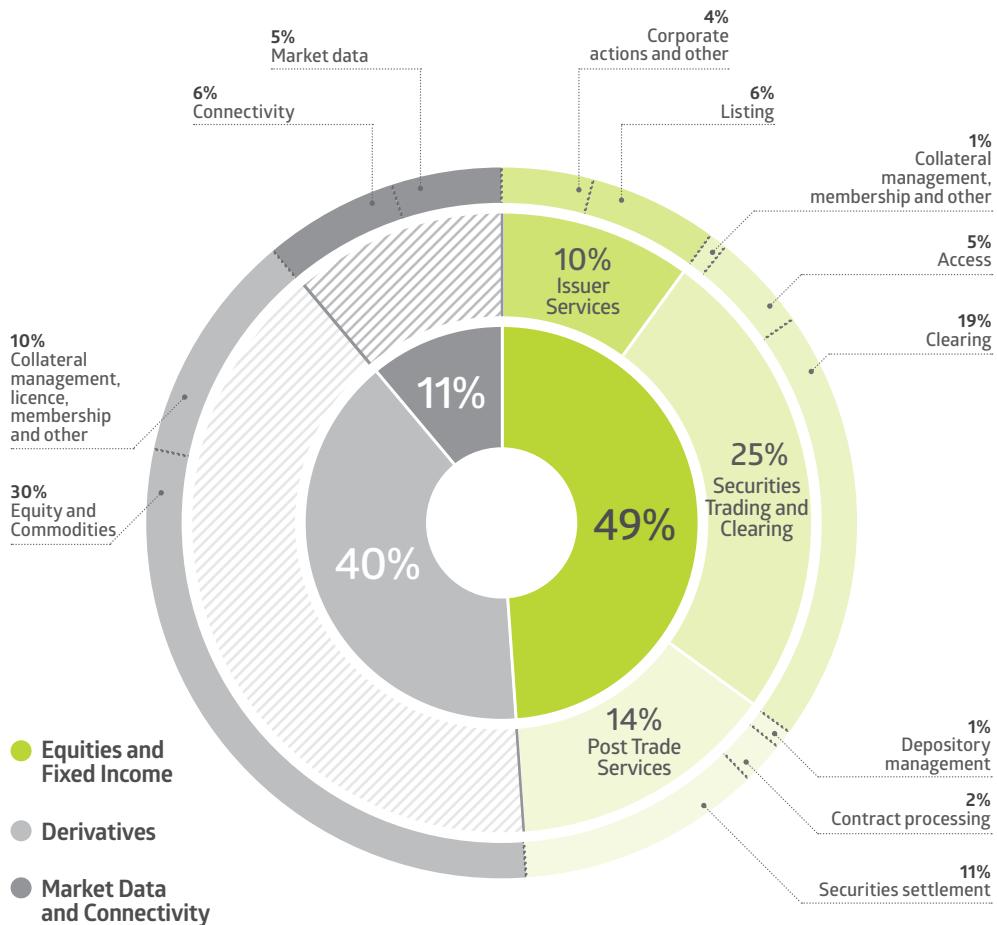
Statistics of Shareholdings	153
Notice of Annual General Meeting	154

Others



ONLINE ANNUAL REPORT
<http://investorrelations.sgx.com/annuals.cfm>

Business at a Glance



Revenue

\$818M

Total revenue up 5% from \$779 million

Operating Profit

\$409M

↑ 2% from \$402M

Net Profit

\$349M

Unchanged

Earnings per Share

32.6¢

Unchanged

Dividend per Share

28¢

Unchanged,
including proposed final
dividend of 13¢ per share

Return on Equity

36%

↓ 1% pt from 37%

Financial Performance Summary

(\$million)	FY2012	FY2013	FY2014	FY2015	FY2016
Statement of Income					
Revenue	647	714	686	779	818
Expenses	284	301	315	377	409
Operating profit	363	413	371	402	409
Profit before tax and share of results of joint venture and associated companies	358	404	377	410	415
Net profit attributable to equity holders	292	336	320	349	349
Statement of Cash Flows					
Cash flows from operating activities	345	419	359	429	423
Statement of Financial Position					
Total assets	1,729	1,795	1,641	1,801	2,105
- Unrestricted cash and cash equivalents	548	613	607	633	598
- Committed for derivatives clearing fund	150	150	150	150	200
- Committed for securities clearing fund	35	60	60	60	60
- Committed for National Electricity Market of Singapore	Nil	Nil	Nil	7	8
Total liabilities	896	906	719	825	1,115
Total equity	833	889	922	976	990
- Includes proposed final dividend of	160	171	171	171	139
Capital expenditure	41	32	83	76	75
No. of shares issued (million)	1,072	1,072	1,072	1,072	1,072
No. of shares held as treasury shares (million)	4	2	2	1	2
Financial Indicators					
Revenue growth (%)	(1.9)	10.4	(4.0)	13.5	5.1
Operating profit margin (%)	56.1	57.9	54.1	51.6	50.0
Cost-to-income ratio (%)	43.9	42.1	45.9	48.4	50.0
Net gearing	Nil	Nil	Nil	Nil	Nil
Operating cash flow per share (cents)	32.3	39.2	33.5	40.1	39.6
Net asset value per ordinary share as at 30 June (cents)	78.0	83.1	86.2	91.2	92.5
Based on net profit attributable to equity holders					
Net profit margin (%)	45.4	47.6	46.3	44.3	42.4
Return on equity (%)	35.2	39.0	35.4	36.7	35.5
Dividend payout ratio (%)	98.8	89.1	93.4	86.0	85.9
Basic earnings per share (cents)	27.3	31.4	30.0	32.6	32.6

Financial Highlights & Performance Review

SGX recorded net profit of \$349.0 million, unchanged from a year earlier. Net profit included an impairment charge of \$6.0 million on our investment in the Bombay Stock Exchange. Revenue increased \$39.6 million or 5% to \$818.1 million.



Post Trade Services

Revenue is generated from settled trades transacted on the SGX stock market, as well as the transfers of securities that take place independently of the trading on the exchange.



Contribution to total revenue:
14%

Revenue

\$118.2M

+13% from \$104.7M



■ Securities settlement	79%
■ Contract processing	14%
■ Depository management	7%

Securities settlement revenue:

\$93.8M
+15% from
\$81.3M

Contract processing revenue:

\$15.9M
unchanged

Depository management revenue:

\$8.5M
+14% from
\$7.4M

Securities settlement revenue increased 15%, following changes in the mix of securities settlement instructions.

Depository management revenue was up 14%, following an increase in the number of new accounts opened by Depository Agents.

Derivatives

Revenue is generated from the trading and clearing of futures, swaps and options contracts covering a broad selection of Asian economies, commodities and currencies. We also provide clearing services for over-the-counter (OTC) trading of selected commodities and financial derivatives.



Contribution to total revenue:
40%

Revenue

\$325.3M

+10% from \$295.8M



■ Equity and Commodities	74%
■ Collateral management, licence, membership and other	26%

Equity and Commodities revenue:

\$241.4M
+8% from \$224.2M

Collateral management, licence, membership and other revenue:

\$83.9M
+17% from \$71.6M

Equity and Commodities revenue grew \$17.2 million or 8%, as increased volumes were partially offset by lower average fee per contract. Total volumes increased 14% to 183.1 million contracts (161.2 million contracts), primarily from higher volumes in the SGX FTSE China A50 Index futures and Iron Ore contracts. Average fee per contract was lower at \$1.19 (\$1.28), primarily due to revision in pricing and incentives for Iron Ore contracts as a result of increased competition.

Average month-end open interest for equities and commodities derivatives was 3.7 million contracts, up 12% from 3.3 million contracts a year earlier.

Market Data and Connectivity

Revenue is generated from the offering of connectivity solutions to market participants, distribution of market data as well as the creation, management and licensing of indices.



Contribution to total revenue:
11%

Revenue

\$87.0M

+7% from \$81.2M



■ Market data	44%
■ Connectivity	56%

Market data revenue:

\$38.3M
+5% from \$36.6M

Connectivity revenue:

\$48.7M
+9% from \$44.6M

Market data revenue grew 5% due to increased revenue from derivatives market data feed and index services.

Connectivity revenue increased 9%, primarily due to the continued growth of our colocation business.

Letter from the Chairman and the CEO

Our Results

Net Profit

\$349.0M

unchanged from FY2015

Total Revenue

\$818.1M

+5% from FY2015



From left:

Mr Chew Choon Seng

Chairman

Mr Loh Boon Chye

Chief Executive Officer

Ensuring SGX's Sustainability

FY2016 was a year of key changes for Singapore Exchange (SGX) as we focused on building a sustainable business.

Senior leadership changes were made, and a reorganisation in December 2015 ensued to align with our priorities to improve liquidity in our securities market, diversify our business mix and maintain cost discipline in the face of difficult market conditions.

Financial Highlights

SGX recorded overall revenue of \$818.1 million for FY2016, up 5% from a year earlier, while expenses increased 9% to \$409.0 million. We turned in a net profit of \$349.0 million, unchanged from last year.

Revenue growth was primarily driven by our Derivatives business. Derivatives revenue increased \$29.5 million to \$325.3 million, accounting for 40% of total revenue. This was achieved through a 14% increase in total volumes, primarily in the Iron Ore contracts and SGX FTSE China A50 Index futures. Liquidity continued to improve, with average month-end open interest of 3.7 million contracts, up 12% from a year earlier.

Equities and Fixed Income revenue, comprising Issuer Services, Securities Trading and Clearing, and Post Trade Services, remained the largest contributor to total revenue at 49%, and grew \$4 million to \$405.8 million. IPO activity was subdued and fund-raising in both bond and equity markets declined year-on-year, as uncertainties in the global economy slowed capital-raising activity. There were 349 bond listings raising \$172.0 billion and 21 equity and trust listings raising \$2.1 billion, compared to 487 bond listings raising \$184.8 billion and 34 equity and trust listings raising \$2.7 billion a year earlier. We were not spared from the worldwide dearth of IPOs as there were only 3 Mainboard IPOs out of the 21 equity and trust listings in FY2016. While securities daily average traded value (SDAV) was unchanged at \$1.1 billion, increased participation from market makers and liquidity providers decreased the average clearing fee by 3% to 2.9 basis points. In contrast, changes in the mix of settlement instructions and new Depository Agent accounts resulted in additional \$13.6 million revenue from a year earlier. This made up for the lower revenues from Issuer Services and

Securities Trading and Clearing to increase the overall Equities and Fixed Income revenue by 1% year-on-year.

Market Data and Connectivity revenue rose \$5.9 million to \$87.0 million, accounting for 11% of total revenue. This was attributable to stronger demand for data on derivatives and growth of our colocation business.

Growth of expenses outpaced revenue growth with higher expenditure on technology, staff and royalties. Whilst conscious of the need for discipline on spending, we will invest where necessary for growth of the business and development of the organisation, and to enhance SGX's capabilities.

Building Asia's Global Multi-Asset Exchange

With the evolution of Asia's capital markets, SGX's competitiveness as a leading multi-asset exchange is being strengthened by a growing suite of products and services.

The introduction of SGX Bond Pro, an over-the-counter trading venue dedicated to Asian bonds, reinforced our position as a regional bond hub. Furthermore, with the establishment of the Bond Seasoning Framework, retail investors will have access to bonds and a wider spectrum of fixed income products that were hitherto available only to accredited investors.

As we diversify our business mix, we founded our new Index business, SGX Index Edge, to meet the demand for index-linked investments in Asia by issuers and investors. Following the launch of SGX Thematic Indices in late 2015, we rolled out SGX Sustainability Indices in May 2016. This complements the addition of Sustainability Reporting to the listing requirements.

We continued to innovate in Asian derivatives, with new products such as SGX MSCI China Index contracts, the world's first offshore Indian sector futures, iron ore lump premium contracts and the SGX LNG Index Group ("Sling") futures.

SGX was recognised for its development of new products in commodity derivatives and energy risk management. We were named



Revenue growth was primarily driven by our Derivatives business. Derivatives revenue increased \$29.5 million to \$325.3 million, accounting for 40% of total revenue. This was achieved through a 14% increase in total volumes, primarily in the Iron Ore contracts and SGX FTSE China A50 Index futures."

Letter from the Chairman and the CEO

Exchange of the Year at the global Energy Risk Awards 2016, becoming the first Asian exchange to win this accolade.

Our freight derivatives business saw volumes increasing five-fold to almost half a million contracts and SGX dry bulk freight open interest grew correspondingly. This year we also celebrated 30 years of the SGX Nikkei 225 Index futures contract and the 10th anniversary of both the SGX FTSE China A50 Index futures contract and SGX AsiaClear as an OTC clearing house.

In the area of capital-raising, alternatives, such as private equity, for companies and issuers have grown worldwide. To compete effectively and address the decrease in the number of listings, we have reinforced our listings proposition to broaden beyond Singapore's established sector strengths in REITs and business trusts, to promote fast growing industries such as Healthcare and Technology.

Engagement with stakeholders is always a priority for SGX. We reached out to over 60 institutional investment firms and fund managers during the course of the year and trained in excess of 1,300 trading representatives. More than



Given that how SGX regulates companies has great bearing on investors' trust, the industry and SGX are together stepping up to improve on this front. Reputable industry professionals make up our independent Listings Advisory Committee, which considers certain listing applications that are novel or of public interest."

170,000 participants attended our investor courses and events, and we ended the year with a total of 921,000 CDP accounts with holdings, a 5% increase from a year ago.

Enhancing Trust in Our Marketplace

We concentrated our regulatory efforts during the year on the prevention of wrong-doing, enforcement of our rules and clearer communication of our expectations. These efforts were led by Mr Tan Boon Gin, our Chief Regulatory Officer who was appointed in June 2015.

Given that how SGX regulates companies has great bearing on investors' trust, the industry and SGX are together stepping up to improve on this front. Reputable industry professionals make up our independent Listings Advisory Committee, which considers certain listing applications that are novel or of public interest. The Association of Banks in Singapore enhanced its Listings Due Diligence Guidelines with input from the industry and SGX.

Following the introduction of a minimum trading price of S\$0.20 for shares of Mainboard companies and taking market feedback into consideration, we enhanced the calculation methodology and gave companies affected by market volatility an extension of time to comply with our minimum trading price rules. Our "Trade with Caution" alerts are now more specific on information that will be meaningful and useful to investors. We published a new "Report on Long-Suspended Companies" to highlight efforts in helping companies resume share trading, or to obtain an exit offer for shareholders. Our inaugural Review of Mainboard Companies' Code of Corporate Governance Disclosures rated the disclosures by listed companies as good overall but with room for

improvement. These findings will help us in our work with the companies to do better.

Our enforcement powers were enhanced with the new Listings Advisory, Disciplinary and Appeals Committees. We issued 7 public reprimands to listed companies and their relevant persons for rule breaches and referred 32 market misconduct cases to the Monetary Authority of Singapore. We extended the 'privy list' that companies maintain to all material information so as to deter insider trading. We also published 7 Regulator's Columns to set out, for example, our expectations of companies facing short-seller attacks or sudden adverse financial changes.

Looking Ahead

At the time of this writing, we have announced a specific offer to acquire the London-headquartered Baltic Exchange. Notwithstanding Britain's pending exit from the European Union, we believe this potential acquisition will bring synergies from the world's two most important maritime business hubs and further international commodity trade.

Subsequent to the financial year ended 30 June 2016, SGX experienced a technology-related service disruption to the securities market on 14 July 2016. SGX takes this incident seriously. We have identified the root causes and are taking corrective actions accordingly.

In the coming year, we will work on establishing a subsidiary company with its own Board of Directors, separate from and independent of SGX's Board, with the objective of making more explicit the segregation of regulatory functions from commercial and operating activities. We will continue to do all we can within the SRO framework to address potential conflicts between

commercial objectives and regulatory responsibilities.

Economic and political uncertainties have brought about volatile market conditions that now seem to be the new normal. While we keep an eye on the opportunities and challenges that this volatility brings, we will stay the course in executing our strategy and delivering returns.

Dividend

The Board is recommending a final dividend for FY2016 of 13 cents per share. Together with the interim dividends of 5 cents per share paid for each of the first three quarters, this will maintain the total dividend for the year at 28 cents per share.

The Board considers this appropriate, given that profits are at the same level as in the preceding year, and the economic uncertainties ahead.

Board Renewal

We welcomed Mrs Chng Sok Hui to the Board last December. She is the Chief Financial Officer of Singapore's largest bank, a position she has held since 2008, and brings expertise and experience that are relevant and beneficial to SGX. She will be standing for election at the coming AGM.

On the other hand, we will be bidding farewell to Mr Lee Hsien Yang, who is retiring under Article 99 at the same AGM and will not be standing for re-election. Mr Lee was elected to the Board in 2004, and in his twelve years as a Director he has served at various times as a member of the Nominating Committee and the Remuneration Committee, as well as the Audit Committee, of which he was the

Chairman from 2007 to 2013. SGX has gained from his conscientious stewardship, insightful ideas and guidance. We thank Mr Lee for his valuable contribution and wish him the best.

Acknowledgments

We thank our clients, members, shareholders, business associates and all SGX staff, as well as our fellow directors, for the support we have received, and look forward to your continuing confidence in SGX.

Chew Choon Seng

Chairman

Loh Boon Chye

Chief Executive Officer

Message from the Chairman

At the coming AGM, I will retire under Article 99, and will not be standing for re-election.

I have been on the Board for very nearly twelve years, and as Chairman for the second half of that time. With Mr Loh Boon Chye and Mr Tan Boon Gin well settled in their respective roles as Chief Executive Officer and Chief Regulatory Officer, this is an appropriate juncture for me to step down and hand over the helm.

The Directors have elected Mr Kwa Chong Seng to be your new Chairman. He has been on the Board since 2012 and is the Lead Independent Director as well as Chairman of both the Nominating & Governance Committee and the Remuneration & Staff Development Committee. Mr Kwa's capabilities, experience and accomplishments in industry, business and public service are well known and highly regarded. SGX will definitely be well steered.

The exchange is an important and sensitive component of Singapore's financial system. It has been an honour to be of service and I am thankful for the support and cooperation of my fellow Board members and all the people, inside and outside the organisation, whom I have worked with. I trust that Mr Kwa will enjoy the same.

Chew Choon Seng

Board of Directors

Mr Chew Choon Seng

Chairman
Non-Executive and
Non-Independent Director



Date of first appointment as a director
1 December 2004

Date of appointment as Chairman
1 January 2011

Date of last re-election as a director
19 September 2013

Length of service as a director (as at 30 June 2016)
11 years 7 months

SGX Board Committee Membership

- Nominating & Governance Committee (Member)
- Regulatory Conflicts Committee (Member)
- Remuneration & Staff Development Committee (Member)

Academic & Professional Qualification

- Bachelor of Engineering (Mechanical) (First Class Honours),
University of Singapore
- Master of Science in Operations Research and Management
Studies, Imperial College of Science and Technology,
University of London

Present Directorship other than SGX (as at 30 June 2016)

Listed company
Nil

Others (Non-Listed company)

- GIC Private Limited
- National Gallery Singapore
- Singapore Tourism Board (Chairman)

Major Appointment (other than Directorship)

Nil

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

Nil

Mr Loh Boon Chye

Chief Executive Officer
Executive and
Non-Independent
Director



Date of first appointment as a director
20 July 2015

Date of last re-election as a director
23 September 2015

Length of service as a director (as at 30 June 2016)
11 months

SGX Board Committee Membership

Nil

Academic & Professional Qualification

Bachelor of Engineering (Mechanical),
National University of Singapore

Present Directorship other than SGX (as at 30 June 2016)

Listed company
Nil

Others (Non-Listed company)

- BC Capital Ltd
- BC Capital Properties, LLP
- GIC Private Limited
- Gym & Sports Pte. Ltd.
- SGX Bond Trading Pte. Ltd.
- Singapore Exchange Derivatives Clearing Limited
- Singapore Exchange Derivatives Trading Limited
- Singapore Exchange Securities Trading Limited
- The Central Depository (Pte) Limited

Major Appointment (other than Directorship)

- MAS Securities Industry Council (Member)
- The Institute of Banking and Finance (Council Member)
- MAS Financial Centre Advisory Panel (Member)
- Singapore Business Federation Council (Member & Honorary Secretary)
- Singapore Business Federation Appointments and Remuneration Committee (Member)
- Singapore Business Federation Nomination Committee (Member)
- Sub-Committee on the Future of Connectivity of the Committee on the Future Economy (Member)

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

Nil

**Date of first appointment as a director**

7 October 2010

Date of last re-election as a director

23 September 2015

Length of service as a director (as at 30 June 2016)

5 years 9 months

SGX Board Committee Membership

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

Academic & Professional Qualification

- Bachelor of Science (Foreign Service International Affairs), Georgetown University
- Master of Business Administration, Columbia University

Present Directorship other than SGX (as at 30 June 2016)

Listed company

- Pacific Online Limited
- Phoenix Satellite Television Holdings Limited
- China Minsheng Financial Holding Corporation Limited

Others (Non-Listed company)

- Arnhold (B.V.I.) Limited
- Chumleigh Limited¹
- Derbyshire Limited
- Goldic Limited¹
- Jade China International Limited¹
- Old Peak Investments Limited
- Value Scale Investments Limited¹
- White Tiger Group Limited¹

Major Appointment (other than Directorship)

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

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

- ACR Capital Holdings Pte Limited (Non-Executive Chairman)
- Advanced Semiconductor Manufacturing Corp Limited
- Arnhold Holdings Limited
- Artisan Du Luxe Holding Limited (Non-Executive Chairman)
- China Renaissance Holdings Limited (Vice Chairman)
- China Renaissance Securities (Hong Kong) Limited (Chairman)
- Cowen and Company (Asia) Limited (Chairman)
- Cowen and Company, LLC (Vice-Chairman)
- e-Kong Group Limited

**Date of first appointment as a director**

1 December 2013

Date of next re-election as a director

22 September 2016

Length of service as a director (as at 30 June 2016)

2 years 7 months

SGX Board Committee Membership

- Risk Management Committee (Chairman)¹
- Nominating & Governance Committee (Member)

Academic & Professional Qualification

LL.B (Honours), National University of Singapore

Present Directorship other than SGX (as at 30 June 2016)

Listed company

- ARA Asset Management Limited (Non-Executive Deputy Chairman)
- ARA Trust Management (Suntec) Limited (Non-Executive Chairman)
- Malaysia Smelting Corporation Berhad (Non-Independent and Non-Executive Chairman)
- The Straits Trading Company Limited (Executive Chairman)

Others (Non-Listed company)

- Cairnhill Rock Pte. Ltd.
- Morriston Pte. Ltd
- Nxford Holdings Pte. Ltd.
- Straits Real Estate Pte. Ltd.
- Tan Chin Tuan Pte. Ltd² (Deputy Executive Chairman)
- Tacity Pte Ltd³ (Executive Chairman)

Major Appointment (other than Directorship)

- RSIS Board of Governors (Member)
- Securities Industry Council (Member)
- SSO Council (Member)
- The Tan Chin Tuan Foundation (Deputy Executive Chairman)
- The Tan Sri Tan Foundation (Chairman)

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

- CapitalRetail China Trust Management Limited
- Singapore Totalisator Board
- Swiftflash Assets Limited

¹ Appointed on 6 October 2015² Including its subsidiaries & associate, namely Consultants Services (Private) Limited, Tacity Management Pte. Ltd. (Executive Chairman), Grange Investments Holdings Private Limited, Kambau Pte. Ltd. (Executive Chairman), Tiong Cheng Pte Ltd (Deputy Executive Chairman), Amalgamated Holdings Private Limited, Amberlight Limited, Siong Lim Private Limited, Choice Equities Pte Ltd., Integrated Holdings Private Limited (Executive Chairman).³ Including its subsidiaries & associates, namely Ho Peng Holdings Private Limited, Selected Holdings Private Limited, Mellford Pte. Ltd., Aequitas Pte. Ltd., Raffles Investments Limited, Raffles Investments (1993) Pte Ltd, Sigford Pte. Ltd., The Cairns Pte. Ltd., and Selected Properties Pte. Ltd.¹ Personal family related investment holding companies held by Mr Beczak's wife.

Board of Directors



Ms Jane Diplock AO

Non-Executive and
Independent Director



Mr Kwa Chong Seng

Lead Independent Director
Non-Executive and
Independent Director

Date of first appointment as a director
25 July 2011

Date of next re-election as a director
22 September 2016

Length of service as a director (as at 30 June 2016)
4 years 11 months

SGX Board Committee Membership

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

Academic & Professional Qualification

- Bachelor of Arts (Honours), LL.B, Dip. Ed., Sydney University
- Dip. Int. Law, Australian National University
- Chartered Fellow of the New Zealand Institute of Directors

Present Directorship other than SGX (as at 30 June 2016)

Listed company
Nil

Others (Non-Listed company)

- Australian Financial Services Group Pty Limited
- International Integrated Reporting Council Board (Deputy Chairman & Lead Independent Director)

Major Appointment (other than Directorship)

- Abu Dhabi Global Market Regulatory Committee (Chairman)
- International Advisory Board of the Securities and Exchange Board of India (Member)
- International Advisory Committee of the China Securities Regulatory Commission (Member)
- Public Interest Oversight Board (Member)

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

Nil

Date of first appointment as a director
20 September 2012

Date of last re-election as a director
25 September 2014

Length of service as a director (as at 30 June 2016)
3 years 9 months

SGX Board Committee Membership

- Nominating & Governance Committee (Chairman)
- Remuneration & Staff Development Committee (Chairman)

Academic & Professional Qualification

Bachelor of Engineering (Mechanical),
National University of Singapore

Present Directorship other than SGX (as at 30 June 2016)

Listed company

- Neptune Orient Lines Limited¹
- Olam International Limited (Chairman)
- Singapore Technologies Engineering Ltd (Chairman)

Others (Non-Listed company)

- Delta Topco Limited
- Seatown Holdings Pte Ltd

Major Appointment (other than Directorship)

- Advisory Committee of Dymon Asia Capital Ltd (Chairman)
- Public Service Commission (Deputy Chairman)

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

- APL Logistics Ltd (Chairman)
- Fullerton Fund Management Company Ltd. (Chairman)
- Singapore Technologies Holdings Pte Ltd

¹ Including its subsidiaries, namely APL (Bermuda) Ltd (Chairman), APL Co. Pte Ltd (Chairman), APL Limited (Chairman), Automar (Bermuda) Ltd. (Chairman) and NOL Liner (Pte.) Ltd. (Chairman)

Mr Kevin KwokNon-Executive and
Independent Director**Date of first appointment as a director**

20 September 2012

Date of last re-election as a director

23 September 2015

Length of service as a director (as at 30 June 2016)

3 years 9 months

SGX Board Committee Membership

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

Academic & Professional Qualification

- Bachelor of Arts (Honours), University of Sheffield
- ACA – Associate, Institute of Chartered Accountants in England & Wales
- FCA – Fellow, Institute of Singapore Chartered Accountants
- FSID – Fellow, Singapore Institute of Directors

Present Directorship other than SGX (as at 30 June 2016)

Listed company

- Mapletree Greater China Commercial Trust Management Ltd
- Wheelock Properties (Singapore) Limited

Others (Non-Listed company)

- Keppel Offshore & Marine Ltd
- Singapore Institute of Directors

Major Appointment (other than Directorship)

- Accounting Standards Council (Chairman)
- Singapore Institute of Directors (Governing Council Member)

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

- NTUC ElderCare Co-Operative Limited
- NTUC Income Insurance Co-Operative Limited

Mr Lee Hsien YangNon-Executive and
Non-Independent
Director**Date of first appointment as a director**

17 September 2004

Date of last re-election as a director

25 September 2014

Length of service as a director (as at 30 June 2016)

11 years 9 months

SGX Board Committee Membership

- Audit Committee (Member)

Academic & Professional Qualification

- Bachelor of Arts (Double First), Cambridge University
- Master of Science Management, Stanford University

Present Directorship other than SGX (as at 30 June 2016)

Listed company

- Australia and New Zealand Banking Group Limited
- Rolls-Royce Holdings PLC

Others (Non-Listed company)

- 38 Oxley Road Pte Ltd
- Caldecott Inc.
- Civil Aviation Authority of Singapore (Chairman)
- Cluny Lodge Pte Ltd
- General Atlantic Singapore Fund FII Pte. Ltd.
- General Atlantic Singapore Fund Pte. Ltd. (Chairman)
- Governing Board of Lee Kuan Yew School of Public Policy
- The Islamic Bank of Asia Limited (Chairman)
- GA Robusta F&B Company Pte. Ltd.
- GA Robusta F&B Holding Pte. Ltd.

Major Appointment (other than Directorship)

- Capital International Inc. Advisory Board (Consultant)
- General Atlantic (Special Advisor)
- INSEAD South East Asia Council (President)
- Lee Kuan Yew School of Public Policy (Member, Board of Governors)

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

Nil

Board of Directors



Mr Liew Mun Leong

Non-Executive and
Independent Director



Ms Lim Sok Hui

(**Mrs Chng Sok Hui**)
Non-Executive and
Non-Independent
Director

Date of first appointment as a director
1 July 2009

Date of last re-election as a director
23 September 2015

Length of service as a director (as at 30 June 2016)
7 years

SGX Board Committee Membership

- Audit Committee (Member)
- Nominating & Governance Committee (Member)
- Remuneration & Staff Development Committee (Member)

Academic & Professional Qualification

- Bachelor of Engineering (Civil), University of Singapore
- Registered Professional Engineer

Present Directorship other than SGX (as at 30 June 2016)
Listed company
Nil

Others (Non-Listed company)

- Changi Airport Group (Singapore) Pte Ltd (Chairman)
- China Club Investment Pte Ltd (Chairman)
- Dymon Asia Real Estate Limited (Chairman)
- Human Capital Leadership Institute
- Lotus Mentoring Leadership Pte. Ltd
- Singapore-China Foundation Ltd
- Surbana Jurong Private Limited
- Temasek Foundation Nurtures CLG Limited (Chairman)

Major Appointment (other than Directorship)

- Chinese Development Assistance Council (Member, Board of Trustees)
- NUS Business School (Advisory Board Member)
- NUS Business School (Provost's Chair & Professor (Practice))
- NUS Engineering Faculty (Provost's Chair & Professor (Practice))

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

- Capitaland Hope Foundation
- Lan Ting Holdings Pte. Ltd
- Pavilion Energy Pte Ltd
- Pavilion Gas Pte Ltd (Chairman)
- Surbana International Consultants Holdings Pte. Ltd. (Chairman)

Date of first appointment as a director
1 December 2015

Date of next re-election as a director
22 September 2016

Length of service as a director (as at 30 June 2016)
7 months

SGX Board Committee Membership

- Risk Management Committee (Member)¹

Academic & Professional Qualification

- Bachelor of Accountancy (Honours), National University of Singapore
- Chartered Financial Analyst (CFA)
- Certified Financial Risk Manager (FRM)
- Fellow Chartered Accountant of Singapore
- IBF Distinguished Fellow

Present Directorship other than SGX (as at 30 June 2016)

Listed company
Nil

Others (Non-Listed company)

- Inland Revenue Authority of Singapore

Major Appointment (other than Directorship)

- DBS Bank Ltd (Chief Financial Officer)
- DBS China Ltd (Supervisor)
- International Integrated Reporting Council (Member)
- Industry Advisory Board, NUS Centre for Future-Ready Graduates (Member)
- International Women's Forum (Singapore) (Treasurer)

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

- Accounting Standards Council (Council Member)
- Housing & Development Board (Director)
- Bank of the Philippine Islands (Director)
- Ayala DBS Holdings, Inc (Director)

¹ Appointed on 1 December 2015

**Mr Ng Kok Song**

Non-Executive and
Independent Director

Date of first appointment as a director

19 September 2013

Date of last re-election as a director

23 September 2015

Length of service as a director (as at 30 June 2016)

2 years 9 months

SGX Board Committee Membership

- Nominating & Governance Committee (Member)
- Remuneration & Staff Development Committee (Member)

Academic & Professional Qualification

- Physics, University of Singapore
- Management, Stanford University

Present Directorship other than SGX (as at 30 June 2016)

Listed company

Nil

Others (Non-Listed company)

- Avanda Investment Management Pte Ltd
- Wealth Management Institute Pte. Ltd.

Major Appointment (other than Directorship)

- Avanda LLP (Partner)
- Makena Capital Management LLC
- Pacific Investment Management Company LLC (Advisor)

Past Directorship other than SGX held over the preceding three years (from 30 June 2013 to 29 June 2016)

- GIC Asset Management Private Limited
- GIC Private Limited
- GIC Real Estate Private Limited
- GIC Special Investments Private Limited
- Hon Sui Sen Endowment CLG Limited

Executive Management Committee



Mr Loh Boon Chye
Chief Executive Officer



Mr Muthukrishnan Ramaswami
President



Mr Chng Lay Chew
Chief Financial Officer



Ms Agnes Koh
Chief Risk Officer



Mr Tan Boon Gin
Chief Regulatory Officer



Mr Chew Sutat
Executive Vice President



Mr Arulraj Devadoss
Executive Vice President



Mr Michael Syn
Executive Vice President

Mr Loh Boon Chye

Chief Executive Officer

Mr Loh Boon Chye was appointed Chief Executive Officer of Singapore Exchange (SGX) effective 14 July 2015. He is also an Executive and Non-Independent Director on the SGX Board.

With a career in the financial industry that spans 26 years, Mr Loh was most recently Deputy President and Head of Asia Pacific Global Markets at Bank of America-Merrill Lynch from December 2012 to March 2015. He was also the firm's Country Executive for Singapore and Southeast Asia and a member of its Asia Pacific Executive Committee.

Mr Loh began his career as an Investment Officer with the Monetary Authority of Singapore in 1989. He joined the Singapore branch of Morgan Guaranty Trust Co. of New York in 1992, managing its Southeast Asia fixed-income and derivatives business.

From 1995 to 2012, he was with Deutsche Bank AG, where he held various leadership roles including Head of Corporate & Investment Banking for Asia Pacific, Head of Global Markets for Asia, and Chief Executive of Global Markets at Deutsche Bank AG in Singapore.

Over the years, Mr Loh has played a key role in the development of the capital markets in Southeast Asia, having held a number of senior advisory positions. Apart from his directorship on the SGX Board from October 2003 to September 2012, he has also been a Director on the Board of GIC Pte Ltd since November 2012.

He has served as Chairman of the Capital Markets Working Group since 1998, Deputy President of ACI Singapore, the financial markets association, since 1999 and Chairman of the Debt Capital Markets

Committee of the Singapore Investment Banking Association since 2000. Mr Loh is also a council member and Distinguished Fellow at the Institute of Banking & Finance Singapore, and was Chairman of the Singapore Foreign Exchange Market Committee. He was awarded for Outstanding Contribution to Financial Markets in Asia in the Euromoney Awards for Excellence in 2010.

Mr Loh holds a Bachelor of Engineering degree from the National University of Singapore.

Mr Muthukrishnan Ramaswami

President

As President, Mr Muthukrishnan Ramaswami (Ramu) is responsible for various operational aspects of SGX. He directly oversees SGX's Membership & International Coverage, Market Data & Connectivity and the Operations & Technology functions. These units support both the Derivatives and the Equities & Fixed Income businesses and provide exchange-wide support on Technology services. Immediately prior to this, he oversaw all the product groups covering Securities, Fixed Income, Derivatives and Market Data & Access.

Mr Ramaswami joined SGX as Senior Executive Vice President and Chief Operations Officer on 1 July 2007, and was appointed Co-President in July 2010 and President in May 2012.

Prior to SGX, Mr Ramaswami worked with Citigroup from 1996 to 2007 and was based in various locations including Mumbai, Singapore, Hong Kong, London and New York. He was most recently Chief Information Officer with the International Consumer Business of Citigroup's Global Consumer Bank, based in New York and over the years, held progressively senior executive positions

in Citigroup's international and regional offices, working in Operations, Technology and Transaction Banking.

Mr Ramaswami serves on the board of the Infocomm Development Authority of Singapore and is Chairman of its Audit Committee. He is also on the boards of the Energy Market Company (EMC), a wholly-owned subsidiary of SGX as well as the operator of Singapore's wholesale electricity market and Accounting and Corporate Regulatory Authority (ACRA).

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

Mr Chng Lay Chew

Chief Financial Officer

Mr Chng Lay Chew is Chief Financial Officer of SGX where he oversees Finance, Treasury, and Investor Relations. In his role, he also manages the Facilities Management unit.

Mr Chng has more than 30 years of experience in accounting and financial management, including leadership positions in leading local and international banks. In his previous role, he was responsible for the finance functions of DBS Group's operations in all countries outside Singapore. He was also previously CFO of the bank's Greater China business, supporting the integration and growth of its Hong Kong operations and the expansion into China. His earlier roles include senior finance positions in JP Morgan's Singapore, Tokyo and New York offices.

Mr Chng serves on the board of EMC and is also a board member of the Singapore

Executive Management Committee

Accountancy Commission, which oversees the development of the country's accountancy sector, and a director of the Philippine Dealing System Holdings Corp, a private corporation that provides financial market infrastructure services in the Philippines.

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

Ms Agnes Koh

Chief Risk Officer

Ms Agnes Koh was appointed Chief Risk Officer of SGX from January 2014. She is responsible for championing and leading enterprise risk management activities across the organisation, formulating the risk framework and assessments for new products and business strategies, and managing the clearing risk of SGX's securities and derivatives clearing houses. Since September 2015, Ms Koh oversees the business continuity management of SGX.

Ms Koh joined SGX on 1 December 2005 as Vice President in Risk Management and has worked through various roles within risk management in her 10 years with SGX. Prior to joining SGX, she had more than 11 years of experience in managing the foreign reserves of the Monetary Authority of Singapore and was also an auditor with a public accountancy firm. Ms Koh is a Chartered Accountant and a Member of the Institute of Singapore Chartered Accountants. She holds a Bachelor of Accountancy (Hons) from National University of Singapore.

Mr Tan Boon Gin

Chief Regulatory Officer

Mr Tan Boon Gin joined SGX as Chief Regulatory Officer on 15 June 2015. He heads the Regulation unit that performs various regulatory functions to promote a fair, orderly and transparent market.

Before joining SGX, Mr Tan was the Director of the Commercial Affairs Department of the Singapore Police Force. Prior to this, Mr Tan held several appointments at the Monetary Authority of Singapore (MAS) including Director of the Enforcement Division, Director of the Corporate Finance Division and Executive Director of the Investment Intermediaries Department. Mr Tan was seconded to MAS after serving as a District Judge at Singapore's Subordinate Courts.

Mr Tan's earlier roles include serving as a Justices' Law Clerk at Singapore's Supreme Court and a Deputy Public Prosecutor at the Attorney-General's Chamber, where he specialised in corruption and white-collar crime, before leaving to practise at Messrs Sullivan & Cromwell in New York.

Mr Tan is an advocate and solicitor and holds degrees from the University of Cambridge and Harvard Law School. Mr Tan was also awarded the Public Administration (Silver) Medal in 2010.

Mr Chew Sutat

Executive Vice President

Mr Chew Sutat is Head of Equities & Fixed Income, where he is responsible for the equities and fixed income listing, trading and post-trade businesses and securities product sales for SGX globally.

Mr Chew joined SGX in June 2007 and was appointed to the Executive Management Committee in May 2008. He is also Chairman of SGX's Bull Charge CSR initiatives.

Prior to SGX, he was previously Group Head, Investment & Treasury Products at Standard Chartered Bank, where he was responsible for the strategy and development of the bank's existing geographic franchises as well as new ventures for Global Wealth Management.

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

Outside of SGX, he is a Fellow of the Institute of Banking and Finance Singapore (IBF) and Chairman of IBF's Committee for CF Securities & futures. He sits on the President's Advancement Advisory Council at the National University of Singapore and serves as industry advisor for the Government Parliamentary Committee for Finance, Trade & Industry. In addition, he is Vice Chairman of Kaki Bukit Citizens' Consultative Committee and is a Director of Caregivers Alliance Limited.

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.

Mr Arulraj Devadoss

Executive Vice President

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

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

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

Mr Michael Syn

Executive Vice President

Mr Michael Syn is Head of Derivatives at SGX.

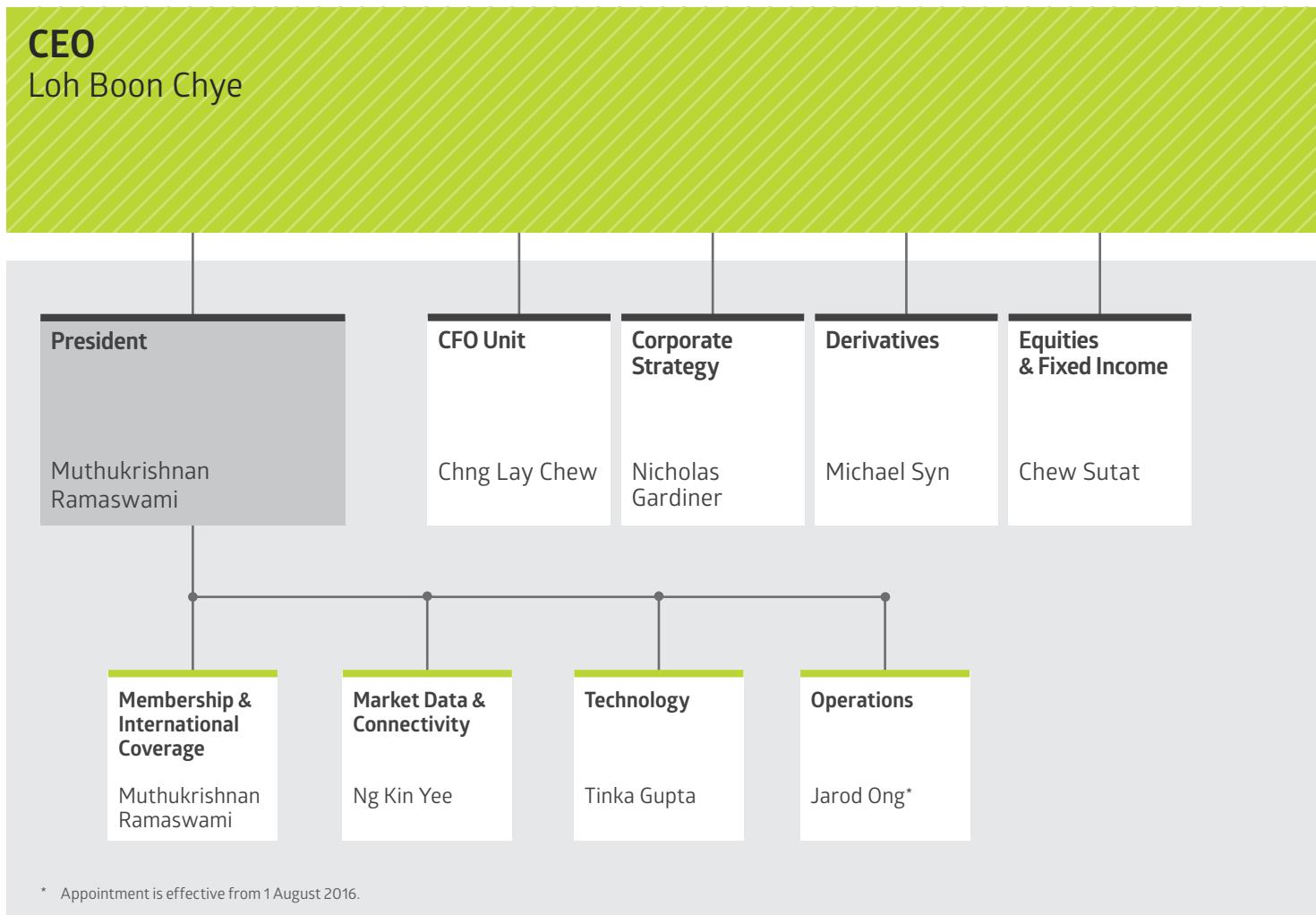
Mr Syn has management responsibility for SGX's award winning derivatives trading and clearing business, offering a full suite of derivatives products across Asian equity indices, commodities and foreign exchange. He also oversees Energy Market Company (EMC), a wholly-owned subsidiary of SGX as well as the operator of Singapore's wholesale electricity market.

Mr Syn joined SGX on 1 March 2011 with a background in investment banking and investment management, having worked in both London and Singapore. Prior to SGX, he was Chief Operating Officer of DBS Asset Management, a subsidiary of DBS Bank.

Mr Syn serves on the boards of EMC, Singapore Commodities Exchange and AG Delta. He also serves on the advisory board of CAMRI (National University of Singapore) and the council of Economic Society of Singapore.

Mr Syn graduated with MA and PhD degrees from Gonville & Caius College in Cambridge University.

Organisation



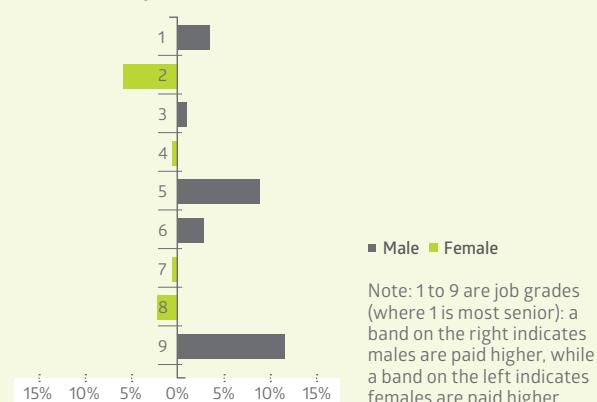
Number of Employees¹	762	Average Length of Service	7 years
Employee Retention²	89%	Average Training Hours Per Employee	29 hrs

¹ Permanent headcount including EMC but excluding staff on No Pay leave

² Attrition rate of 11%

Human Resources	Legal, Compliance & Corporate Secretariat	Marketing & Communications	Risk Management	Regulation	Internal Audit
Arulraj Devadoss	Glenn Seah	Teo Ai June	Agnes Koh	Tan Boon Gin	Sunil Kumar

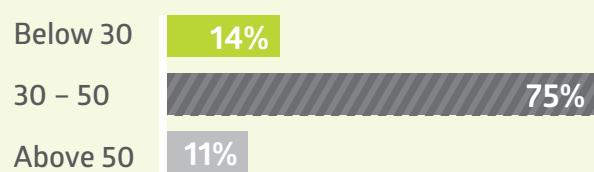
Gender Pay Gap (across employment categories)



Gender Diversity



Age Diversity



Value Creation

SGX is a diversified exchange group that runs key financial market infrastructures. We operate the Singapore securities market, a platform for listed companies to gain access to capital and for investors to participate in Asia's economic growth. We also operate a pan-Asian derivatives exchange. Through our innovative derivative products covering Asian equity indices, commodities and currencies, we offer global market participants a single point of access into Asian markets. Our market infrastructures facilitate efficient capital allocation and price formation for exchange-listed financial instruments. We ensure that our clearing houses and depository are well-capitalised and meet the highest regulatory standards. Domestic and global investors are able to use our products for wealth management and capital formation, and to manage their risks in a safe and trustworthy environment.

As a Self-Regulatory Organisation (SRO), SGX has a dual and equally important role as the front-line market regulator. We ensure that listed companies meet their ongoing obligations to investors, and that orders to buy and sell shares and other exchange-listed financial products are executed in a fair, orderly and transparent manner. SGX is a systemically important financial infrastructure of the Singapore financial system.

i For more information on Self-Regulatory Organisation, go to: pages 64–68

This is our second Integrated Report which describes how Singapore Exchange (SGX) maintains a sustainable business and generates long-term value. The report covers how we create value through our business model using four forms of capital. The material factors that influence our business are described together with our priorities, the risks that we face and how we manage them. We have also included a section that summarises our approach towards Sustainability and our progress to date, with a focus on SGX's material Environmental, Social and Governance matters.

Forms of Capital

Our ability to create shareholder value is highly dependent upon the efficient allocation and effective deployment of our financial, human, intellectual and social capital.

4 Forms of Capitals:



Forms of Capital

1. Financial Capital

Our share capital and retained profits; this is used to recruit and retain staff, invest in best-in-class technology and infrastructure, capitalise our two clearing houses and acquire assets in support of our growth strategy.

2. Human Capital

The expertise and potential of our staff; as the operator of key financial market infrastructures, we rely on our highly skilled and motivated staff to ensure operational resilience, innovative product and business development, and the successful navigation of global regulatory changes.

3. Intellectual Capital

Our knowledge-based intangible assets and software, proprietary rights to our market data, as well as our brand and institutionalised knowledge base, in the form of policies, procedures and processes.

4. Social Capital

Our collaborative relationships with various stakeholders, including but not limited to our regulators, market participants and the communities in which we operate; we also leverage our position as the leading exchange in Singapore, the only Asian economy rated AAA by all three major credit rating agencies.

Business Model

Contribution to total revenue:



What We Deliver



Our Businesses

Our businesses cover a range of financial products and services.

Equities and Fixed Income

- Issuer Services
- Securities Trading and Clearing
- Post Trade Services

We provide the entire value chain of services for the Singapore securities market, from facilitation of capital raising to enabling trading, clearing and settlement of shares and other listed instruments.

Derivatives

We operate a pan-Asian derivatives market offering futures, options and swaps covering a broad selection of commodities, currencies and Asian equity indices, serving an international clientele.

Market Data and Connectivity

We offer sophisticated connectivity solutions to access SGX markets, provide data to support trading decisions and deliver indices to better profile our markets.

Creating Sustainable and Long-Term Value



A pan-Asian derivatives exchange with the world's most liquid offshore market for the benchmark equity indices of China, India, Japan and Taiwan. We are also the leading commodities exchange for contracts on iron ore and rubber.



The largest securities market in Southeast Asia with a total market capitalisation exceeding S\$900 billion. We are an international listing venue with more than 40% of our listed companies based outside of Singapore.



A systemically important financial infrastructure meeting the highest governance and regulatory standards in support of Singapore as a global financial centre.



The premier risk management venue in Asia; we are one of the first exchanges globally to adopt the Principles for Financial Market Infrastructure, and certified as a Qualifying Counterparty under the Basel III framework.

Material Factors

1 Talent

The exchange sector is a specialised industry relative to other financial services. Our business model and value creation process require talent and expertise that are not readily transferable from the wider financial services industry. Our continued success is largely dependent on our ability to attract, develop, retain and engage high-calibre talent. With Board-level guidance provided by the Remuneration & Staff Development Committee (RSDC), we constantly invest in the recruitment and development of staff required to create innovative products and provide premier services to our clients. We invest in our people throughout their careers, and seek to provide diverse opportunities for development, as well as competitive compensation and benefits.

Our talent strategy seeks to ensure that we maintain a diverse and highly skilled workforce over the long term. We recognise that SGX must be at the forefront of responsible employment practices and position SGX as an employer of choice to continually attract talent. This is critical to sustain a best-in-class talent base over the long-term future.

We have in place policies and practices to make SGX an attractive place for our employees to contribute to our value creation process. Please read more about our talent management and other diversity efforts in our Sustainability Report from pages 40 to 42.

SGX's continued success in maintaining a sustainable business and generating long-term shareholder value is influenced by a number of material factors. Each material factor brings unique risks and opportunities to the organisation, and is a key consideration in our approach to strategy formulation and execution. We regularly review these factors to assess their impact on our business model over the near, medium and long-term future.

2 Changes in Global Regulatory Landscapes

Exchanges and financial institutions globally have been subjected to increasing levels of regulation since the global financial crisis of 2008. While stronger regulations will ultimately result in a more sustainable global financial system, increased regulatory requirements may lead to higher costs of business and impact the pace of industry development in the near term. Our continued ability to maintain the highest global regulatory standards, both in the immediate future and over the long term, is a competitive advantage that will enable us to achieve our growth objectives.

International regulatory bodies have introduced many regulations after the 2008 crisis. An important cornerstone is to incentivise trading on exchanges and clearing by central counterparties (CCPs) while imposing higher capital requirements on non-centrally cleared contracts. In the near term, SGX is well placed to navigate these new regulatory trends, being one of the first exchanges globally to adopt the Principles for Financial Market Infrastructure introduced by CPSS-IOSCO. We are also certified as a Qualifying Counterparty under the Basel III framework.

New global regulations affecting SGX will continue to be phased in over the coming few years. These will include margining on un-cleared derivatives, the supplemental leverage ratio for financial institutions, and the fundamental review of the trading book by Bank for International Settlements. While the ultimate goal of the regulators is the establishment of sustainable and stable markets, the pace of introduction of the many new and previously untested regulations may cause unintended consequences in the markets in the near term.

In the long term, in order to stay ahead of the competition, SGX will have to continuously navigate increased regulatory complexities, and adapt to how members, participants and competitors position themselves in the evolving global regulatory landscape, with its impact on balance sheet management, risk appetites and business strategies.

3 Global Macroeconomic Conditions

In the near to medium term, the single most critical factor influencing our business performance is volatility in the Asian financial markets, which is in turn particularly susceptible to volatility in the global economy. In the long term, the outlook for our businesses will largely be determined by structural changes to the global economy.

The performances of our Equities and Derivatives markets are driven primarily by the magnitude and frequency of fluctuations in the prices of stocks and other asset classes. Higher market volatility often leads to increased demand for trading and hedging, and may create additional opportunities for arbitrage and speculation. Conversely, sustained periods of low volatility, especially in bearish conditions, may result in lower levels of market activity.

This past year, our businesses were significantly influenced by the manner in which market participants adjusted to changes in benchmark interest rates, slower growth in the global economy and volatile commodity prices.

The volatility in the Asian equity and commodity markets has highlighted Singapore's role as a multi-market jurisdiction and SGX as an offshore hub for risk management in Asia. At a time when some onshore markets experienced uncertainty and trading restrictions, SGX was able to provide a reliable alternate venue for market participants.

4 Competition

SGX faces competition in both our Equities and Derivatives markets from regional and global exchanges. Increased competition may lead to either lower volumes or lower margins, both of which will negatively impact our business performance. In the near to medium term, we remain confident that we can compete favourably against existing and potential competitors, on the strength of our unique value proposition as the only exchange offering single point access into key Asian markets. Our well-capitalised clearing houses meet the highest global regulatory standards and SGX is a premier risk management centre in Asia.

SGX's competitive advantage is reflected in our recent success with offshore derivatives such as the SGX FTSE China A50 index futures and the SGX Nifty 50 index futures and options. Through Singapore's geographical proximity to major Asian economies, and our first mover advantage offering international investors access into derivatives of key Asian equity indices, SGX is well positioned to benefit from the substantial volume of spillover trading from onshore Asian trading venues.

MSCI postponed the inclusion of Chinese shares into its index in 2016. Future inclusion could potentially open up the large Chinese market to the global fund management industry. Western exchanges are gearing up to provide offshore services to the Chinese market. In response to this increasing competition, we will launch products strategically to widen our Asian product suite and create synergies across different asset classes such as equities, foreign exchange and interest rates derivatives.

The landscape for global exchanges is evolving rapidly. In recent years, we have seen exchanges expanding into adjacent businesses such as indices and electronic trading platforms, as well as scaling up through mergers and acquisitions. These two trends will impact our strategic positioning over the long term. The rise of large international exchange groups will widen the gap in market share between these global players and national exchanges. In response, SGX is exploring inorganic opportunities, partnerships and joint ventures that would offer synergies, especially in product development and internationalising our distribution. For example, our recent bid for the Baltic Exchange will enable us to achieve a vertical integration of the entire value chain, from provision of market data to the trading and clearing of freight derivative contracts, while taking advantage of Singapore's location as a maritime hub.

5 Technology

Technology is both a key enabler as well as a potential source of significant disruption to our business model in the long run. We rely on technology across all aspects of our business and operations, including our regulatory and risk management functions. We focus on enhancing operational resilience, while simultaneously seeking to future-proof our core technology and infrastructure for the long term by making appropriate investments. Our approach in continually investing to refresh and upgrade technology is crucial to our long-term success as a systemically important financial infrastructure of Singapore.

As a critical infrastructure provider of the Singapore financial system, we contribute to the industry development of security standards and practices to address global cyber security risks. We are also progressively investing in new technology capabilities to improve our ability to anticipate, assess and manage these risks as they evolve over time.

The near to medium term trend is for exchanges to become integrated platforms where a broad range of products are easily listed and traded, including products traditionally traded over the counter. Similarly, a clearing house clears various asset classes and offers efficient margin usage. SGX is progressing along this trajectory, supported by innovations in trading platforms and connectivity, as well as our progressive move towards standards-based application programming interfaces (API). An open-API can be a differentiating opportunity for SGX to provide access and capability to a larger addressable market but can also lead to the risk of lowering the bar for customers to switch to a competitor.

The development of disruptive technologies such as Blockchain or more generally, distributed ledgers, could change the landscape of our industry over time. As a result, we actively monitor and participate in the development of such technologies as we explore innovative business opportunities.

Priorities

Our long-term priority is to efficiently and effectively enhance SGX's value proposition as the leading single-point access platform into Asia across all major asset classes. We will continue to focus on maintaining strong corporate governance practices as well as invest in technology, which is a key enabler to our business. This will enable us to maintain a sustainable business in the long term. In FY2017, we will continue our efforts to improve the Singapore securities market, as well as to build upon our success in the diversification of our business model across geography and asset classes. At the same time, we will seek to maintain cost discipline and manage expenses prudently.



a. Improve visibility of our listed companies

- Deepen investor outreach geographically and sectorially with targeted marketing
- Particular focus on Consumer, Digital, Healthcare, Marine and Offshore, Minerals, Oil and Gas, and Real Estate

b. Roll out new products and services

- New Post Trade System for brokers
- Digital depository services for CDP users

c. Build on recent success in engaging retail investors through SGX Academy

a. Grow market for FX futures

- Launch more FX contracts with focus on RMB and ASEAN currencies

b. Broaden securities offerings

- Develop secondary market for fixed income with BondPro trading platform
- Innovate on ETFs including launch of leveraged ETF

c. Accelerate adoption of Index Edge

- Drive proposition for bespoke index calculations
- Launch more index products with focus on priority industry sectors, including shipping and REITs

d. Strengthen SGX market presence

- Build stronger links with Singapore wealth and asset management industries
- Participate in industry dialogues on distributed ledgers/Blockchain and conduct selective pilots

a. Focus on delivering operating leverage

- Pace operating expenses and keep them aligned with business growth

Business Unit Priorities

1. Equities and Fixed Income

Issuer Services

In FY2017, we will continue to build on our strengths in established industries in Singapore, and target new growth sectors by attracting more regional and international companies to raise capital on our Equities and Fixed Income platforms. We remain committed to supporting local small and medium enterprises in their fund raising efforts by expanding our collaborations with Government agencies and private platforms. We will also actively support listed companies in their governance and communication with investors and shareholders with our range of services and corporate access activities. On Fixed Income, we aim to provide issuers with greater access to wholesale fund raising and price discovery through our bond trading platform as well as for retail investors to buy corporate bonds with the 'Bond Seasoning Framework'.

Securities Trading and Clearing

Our primary focus will be the continuation of efforts to improve the quality and tradability of the market which have started to deliver results. We look to expand our pool of market makers and liquidity providers to increase participation and widen stocks covered. Through active engagement of our members and other market participants, we continue to seek feedback in our ongoing efforts to create a vibrant and robust market. SGX will also continue to educate and grow the retail investor base. In the coming financial year, we will step up efforts to attract more overseas institutions to participate in SGX as well as deepen the existing institutional interest. We have made headway in extending product offerings and increased the number of available ETFs, Structured Warrants and REITs. At the same time, we expect to introduce new and innovative products to better cater to different trading and investment needs.

Post Trade Services

The ongoing development of the New Post Trade System (NPTS), in close engagement with the industry and regulators, will remain our main focus in the coming financial year. With the start of the new financial year, a significant milestone has been achieved. Brokers will be able to connect directly to the SGX Post Trade environment using their own back office systems, thereby achieving increased operational efficiency and flexibility to offer differentiated services to their customers. In addition, both CDP and the brokers will be able to offer electronic contracts and account statements, as part of our ongoing effort to reduce the industry's environmental footprint.

2. Derivatives

Our overarching focus will continue to be on the development of a pan-Asian suite of products and services covering all major Asian economies. We will continue our efforts to pivot from a product-centric development strategy to one centred on platform and distribution. Tactically, we will focus on three key areas:

1. Deliver the next-generation SGX TITAN platform for derivatives trading, clearing and collateral management, with the objective to provide comprehensive self-help technology for the increasingly international profile of our Derivatives market participants; our new platform will enhance efficiency in straight-through processing as well as round-the-clock reconciliations and risk control.
2. Increase global distribution for SGX's unique offering of pan-Asian liquidity on a world-class exchange, especially benchmark China and India equity futures, rapidly growing Asian currency futures and Singapore-hubbed seaborne commodities.
3. Continue incubation of Asian market opportunities for the future: Singapore-hubbed power and gas derivatives, RMB clearing services anchored on our China currency futures and ASEAN futures.

3. Market Data and Connectivity

Our priority is to drive continued growth for our market data and connectivity business, including the newly launched index business. With the launch of TITAN, participants will be able to connect to our Derivatives market with new low latency APIs (ITCH and OUCH) at significantly higher throughput. We are also expanding our colocation facility by 70% to meet continued demand for our colocation and hosting services. For our Index business, we see a good response from the market for our bespoke index calculation service and are scaling up support for leading investment banks in the region. We will expand our suite of SGX proprietary indices to have regional coverage and introduce innovative factor-based ("Smart Beta") indices.

Risk Management

Key Risks Faced by SGX



Operational Risks:

We are fully committed to operational resilience against technology risks, cyber risks and risks to business continuity.

Regulatory and Reputation Risks:

We have zero tolerance towards events that could impact the operation of a fair, orderly, transparent and efficient marketplace.

Credit & Liquidity Risks:

Our risk control is performed to the highest standards to address risks of default of a member or participant.

Types of risks

1. Credit Risks

Risks arising from default of a participant

SGX is a financial infrastructure that operates a business model different from most financial institutions. As an exchange, SGX matches buyers with sellers. As a clearing house, SGX eliminates counterparty risk by serving as the central counterparty in every trade – SGX acts as a buyer to every seller and a seller to every buyer. In so doing, SGX plays the vital role as the risk management hub and by prudent risk management, limits contagion; the transfer of credit risk across the financial ecosystem.

Investors access SGX through members of SGX, who are required to meet payment obligations in a timely manner. SGX collects margin from its members multiple times daily to reduce credit risk.

In this business model, SGX is put at risk only in the rare instance that a member defaults. In this scenario, our clearing house will need to manage and close-out the open positions of the defaulted firm. SGX and other members may need to absorb the losses from the resulting market risk.

2. Liquidity Risks

Risks arising from default of a participant

In the rare event of a member default, SGX may have a need for liquidity in honouring payment obligations to other members. This is because it will no longer receive payments from the defaulted member.

In addition, in facilitating day-to-day settlement of payments and safekeeping of customer monies, the clearing house uses commercial banks. A counterparty default of such a commercial bank, though highly unlikely, will expose SGX to liquidity risks.

What are we doing about it?

SGX has established layers of defences to safeguard its clearing house against members' credit risk.

Good quality members are screened at admission and reviewed regularly as part of ongoing supervision. The collection of margins for trades done and active monitoring of members positions ensure that risk does not concentrate on any particular member without appropriate mitigation actions by SGX. Our risk control is performed to the highest standards and SGX fully meets the PFMI-IOSCO¹ best practices.

One of the cornerstones of SGX risk management is a robust default management protocol to ensure that in the rare event of a member default, trades belonging to the defaulted member can be managed in an orderly fashion. This preserves market continuity and limits the market risk SGX faces.

The default fund of the clearing house is a pool of resources contributed by SGX and members to buffer against any losses arising from a default. SGX is committed to the safety of the Singapore marketplace and as a result contributes at least 25% of the default fund using its own capital, one of the highest commitment levels among global clearing houses. Our default fund is strong enough to withstand multiple member defaults.

Furthermore, to protect investors in a default, customer monies are segregated and held in trust.

SGX sets aside resources to cover liquidity risks. To provide sufficient headroom, we perform a "liquidity stress test" which simulates a variety of hypothetical default scenarios under severe stress conditions involving members and commercial banks. This practice ensures that even under such extreme but plausible scenarios, SGX will have sufficient cash resources and credit lines.

SGX actively manages counterparty risk exposure to commercial banks by admitting only financially strong banks and monitoring their credit quality. Concentration limits apply to our exposures to each bank, while standby liquidity lines from other financial institutions are in place.

¹ Principles for Financial Market Infrastructures – International Organization of Securities Commissions.

Risk Management

Types of risks		What are we doing about it?
3. Market Risks	<p>No direct market risk</p> <p>As a financial infrastructure, SGX observes strict regulatory requirements in managing its resources and maintaining capital adequacy. The company maintains a strong balance sheet and currently does not access the debt market to raise capital for its business activities. Our assets are primarily cash resources and not investments in risky securities. Hence, SGX is not directly affected by market risk except in the rare event of a member default, as explained above.</p>	<p>Under our investment framework, our monies are prudently placed as term deposits across multiple commercial banks in Singapore. This ensures SGX's resources are liquid and of the highest quality.</p>
4. Operational Risks	<p>Operational resilience is paramount to our business success</p> <p>SGX is a financial infrastructure that is heavily dependent on technology. We are committed to our trading, clearing and depository systems adhering to a high standard in terms of latency, volume capacity and service availability. Any service interruptions could lead to reputational risk and potential loss of revenue.</p> <p>Operational resilience also extends to our human resources. SGX needs to protect its staff from a wide range of threats to ensure market continuity in the event of civil crises such as terrorism or pandemic.</p>	<p>Our systems are constantly monitored, and required to meet specific performance criteria such as predictable response times for critical business transactions, latency, capacity and expected current, future and peak load. SGX technology and operations personnel work from two locations supported by dual data centres. The backup systems are designed to be running all the time in active or fault tolerant conditions and have recovery time objectives in line with PFMI-IOSCO standards.</p> <p>SGX has a thorough process for self-assessment of our capabilities, using both past experiences and the experiences of our global peers to drive continuous improvements that will provide greater operational resiliency and preparedness for business continuity.</p> <p>We continually assess potential scenarios and threats that could disrupt the exchange and clearing house, and perform business contingency drills regularly to ensure that staff respond effectively and SGX services are recovered and validated in the fastest possible time to minimise the impact on market users.</p>
	<p>Increasing threat of cyber-attacks</p> <p>The Singapore financial centre has become a target for increasing cyber-attacks. Similar to other financial institutions, we have experienced a rise in such activities compared to previous years. We have been vigilant in monitoring cyber threats and improving our defences.</p>	<p>SGX has invested in new capabilities to defend against cyber-attacks and has also increased staff training and awareness of cyber-crime. This ensures that our people and systems are always on alert and able to respond to cyber threats. We will continue to proactively identify areas of improvement in our defences to address the emerging and evolving cyber security risks.</p>

Types of risks

5. Regulatory Risks & Reputation Risks

Risk of not maintaining the highest regulatory standards

As a regulator of the Singapore marketplace and public companies, SGX has to maintain the highest reputation for supervision and for adherence to regulation. A loss in confidence in the quality of our marketplace could have serious impact on SGX's competitiveness.

What are we doing about it?

SGX strives for the highest regulatory standards in the oversight of listed companies and member firms with zero tolerance towards events that could impact the operation of a fair, orderly, transparent and efficient marketplace.

Our market surveillance system detects trading irregularities. Where appropriate, SGX issues public alerts to investors. Our admission and continuous listing requirements are constantly reviewed to address new risks arising from a changing global business landscape. Examples of such changes include increased cross-border listings from emerging countries and listings of companies from developing fields of technology. The regulation of such listed companies has to be refined in line with their differing risk characteristics and performance metrics.

In operating a disclosure based regime, transparency is crucial to maintaining trust in our markets. This includes transparency on the part of the regulator. SGX therefore seeks to provide a high level of transparency regarding its regulatory philosophy and actions. Market participants are similarly subject to high levels of transparency. This promotes a well-educated and informed market.

Sustainability

Board Statement

Sustainability has become a critical success factor for companies to ensure long-term value creation, and there has been a growing demand among investors for enhanced transparency on listed companies' Environmental, Social and Governance (ESG) practices. In FY2016, SGX responded to this by announcing the "Comply or Explain" sustainability reporting rule and guide which seeks companies listed on the SGX to issue a sustainability report from financial year 2017. In line with usual practice, SGX had conducted a public consultation to obtain the views of stakeholders prior to the final announcement of the rule. This was preceded by the launch of the SGX Sustainability Indices – a suite of equity indices composed of SGX-listed stocks which are considered to be clear frontrunners in ESG standards.

At SGX, management, with guidance from the Board, sets the tone for its sustainability efforts and identifies, manages and addresses ESG factors that are material to its business. Some highlights of the year included:

- The formalisation of SGX's environmental policy to focus efforts on managing the usage of energy and other resources
- The formalisation of SGX's talent strategy to sustain SGX's competitive edge in attracting, retaining and replenishing talent while ensuring diversity and inclusion in the workplace
- Extended outreach of SGX Academy with the inaugural investment education symposium for teachers, with the belief that the knowledge they acquire will be imparted to future generations

SGX will continue to make improvements in its sustainability practices and work with the companies listed on SGX towards the common goal of embedding sustainability in their businesses.

Report at a Glance

This report summarises our approach towards sustainability and our progress to date, with a focus on addressing SGX's material Environmental, Social and Governance (ESG) matters.

Report Scope

The report covers the performance of our consolidated entities from 1 July 2015 to 30 June 2016 (FY2016). We have included the historical data for the previous two years of FY2014 and FY2015 for comparison, where available.

Reliability and Methodology

We have produced our report in accordance to the internationally recognised GRI G4 guidelines – "Comprehensive". The "Comprehensive" option requires reporters to report fully against all recommended indicators for ESG factors identified as being material. We have chosen the GRI G4 reporting guidelines due to its robust guidance and longstanding universal application, which allows for comparability of our performance. This report also takes into consideration the primary components of report content as set out by the SGX's "Comply or Explain" requirements for sustainability reporting.

Our data is reported in good faith and to the best of our knowledge. We continue to work on strengthening our data collection processes.

Our ESG Risks and Opportunities

Our enterprise risk management system includes the identification and assessment of ESG risks and opportunities. This is supplemented by our stakeholder engagement and materiality assessment processes. Where we have assessed the impacts of our ESG risks and opportunities to be substantial, we have addressed them, as charted below:

Human Resource Risks

Our people are a key asset, making talent attraction and retention crucial in Singapore's highly competitive financial market. Our talent strategy ensures SGX remains an attractive place to work.

 For more details, go to: page 40

Technological Risks

Providing reliable technological platforms is critical to business continuity, as technology-related service disruptions have the potential to cripple our operations. To address this, we will continue to enhance our recovery capabilities, processes and communications to effectively manage crisis situations.

Climate Change Risks

As a small island state, Singapore is vulnerable to the rising sea levels resulting from climate change. Although our environmental footprint is small, we remain prudent and manage our environmental footprint, as guided by our Environmental Policy.

 For more details, go to: pages 43 to 44

Sustainability-related products and services

Non-financial risks and accountability are becoming increasingly important among investors. This represents an opportunity for us. Our SGX Sustainability Indices, which comprises liquid SGX-listed stocks screened in accordance with ESG criteria, was launched recently to provide a transparent way for investors to assess the sustainability practices of our issuers.

Opportunities

Diversity of our workforce

The gender, age, ethnic and nationality diversity of our workforce is part and parcel of our corporate culture, which embraces varied and unique perspectives. In this way, our workforce diversity represents an opportunity for us to lead by example.

 For more details, go to: pages 41 to 42



Sustainability

Stakeholder Engagement and Materiality Assessment

Stakeholder Engagement

We maintain a frequent dialogue with our stakeholders and inform them about our sustainability plans and actions. Their feedback, interests and concerns help us to focus on what is important in sustaining our business and generating long-term value. We highlight here a number of engagements with stakeholders during the year:

Highlights of Stakeholder Engagement During the Year

Annual Investor Perception Study 2016

Since FY2015, SGX has engaged a third-party service provider to conduct a perception study to gauge the evolution of market sentiment on the company's strategy, management team, investment case, capital allocation, investor communications and corporate governance. In-depth interviews were conducted with past, current and potential shareholders, followed by a comprehensive analysis of the results.

Key findings from the Investor Perception Study

- **Investor sentiment on SGX's corporate governance practices remain positive**
 - 75% of the investors felt that SGX's corporate governance practices surpassed our global peers
 - SGX was praised for our alignment with minority shareholders, as evidenced by our dividend track record, transparency, independent Board and lack of imprudent M&A

- **SGX received varied feedback on its governing practices as a market regulator**
 - 55% of the investors who commented on SGX's role as a regulator said that we were effective in this role, as we have strengthened efforts to uphold market integrity and safeguard investors
 - Of the 44% who felt we were not doing enough, the majority stated that SGX should be more proactive in pushing for greater market openness and accessibility, minority shareholder engagement, and transparency, rather than adopt a perceived 'box-ticking' approach to regulation
 - 17% of the investors cited SGX's introduction of mandated sustainability reporting as a positive example of SGX's corporate governance

Public Consultation on Sustainability Ruling with External Stakeholders¹

There has been a growing demand from investors for enhanced transparency on ESG disclosures. As a preparatory step in the process of developing a "Comply or Explain" listing requirement for sustainability reporting, in late FY2015, SGX launched a consultation exercise. Over a period of nine months, SGX gathered feedback from issuers, investors, sustainability professionals and the public, through targeted surveys for issuers and investors, focus group discussions with listed companies, and a call for public feedback. This has equipped us with a better understanding of our stakeholders' expectations and needs, which will allow us to refine the requirements of the new Listing Rule and Guide for the benefit of our stakeholders all round. SGX launched the new Sustainability Reporting Guide on 20 June 2016.

Supplier Survey:

Influencing our suppliers on responsible business practices

In FY2015, we instituted a mandatory Supplier Sustainability Survey (Survey) for potential new suppliers to SGX as part of our request-for-proposal (RFP) process. Beginning FY2016, we commenced extending the Survey to vendors on the SGX Preferred Vendor List. The Survey gathers information from suppliers on their corporate governance, workplace practices and environmental management, and allows us to assess their sustainability values and behaviours. By including vendors' sustainability practices in our selection criteria, we ensure we support the right behaviours throughout our supply chain.

SGX Academy:

Training teachers on financial literacy

For many years, our SGX Academy has educated and trained retail investors as well as professional investors and traders on financial literacy and investment knowledge. FY2016 saw the extension of our investor education partnership with the National Institute for Education (NIE), where approximately 700 NIE-trained teachers attended our inaugural investor education symposium for educators. During the symposium, our SGX Academy trainers gave talks on topics such as value investing and building an income portfolio, empowering the teachers, who play a pivotal role in moulding future generations, with valuable financial knowledge. Following the success of the event, we will hold the investor education symposium annually in future.

¹ More information on the consultation paper can be found on http://www.sgx.com/wps/wcm/connect/sgx_en/home/regulation_v2/consultations_and_publications/PC/Consultation-Paper-on-Sustainability-Reporting-Comply-or-Explain

Participating in the Sustainability Dialogue

SGX regularly supports and contributes to the development of ESG practices in Singapore and worldwide. Besides playing a critical role with our contributions to the Singapore Corporate Governance Framework, we have contributed to other similar efforts that include:

1	Developed new listing rule and sustainability indices
	<ul style="list-style-type: none"> ▪ Require sustainability disclosure by issuers through "Comply or Explain", a regulatory step forward towards joining other leading exchanges in participating in the Sustainable Stock Exchanges initiative ▪ Provide issuers with a new and updated guide for sustainability reporting, in replacement of the previous Guide to Sustainability Reporting for Listed Companies ▪ Provide investors with a tool to assess sustainability practices of issuers through the SGX Sustainability Indices

2	Participation and attendance in committees and events
	<ul style="list-style-type: none"> ▪ Participation in the Singapore Diversity Action Committee and BoardAgender initiative ▪ Singapore Corporate Awards (SCA)

3	Hosting of ESG events
	<ul style="list-style-type: none"> ▪ Integrated Reporting seminar for the Investor Relations Professional Association of Singapore ▪ Audit Committee seminar co-hosted with Accounting and Corporate Regulatory Authority of Singapore (ACRA) ▪ Roundtable discussion on Sustainability Reporting public consultation ▪ Briefing for Directors of Listed Companies on the proposed sustainability reporting requirements

Summary of Stakeholder Interests

Interests raised by stakeholder	Our response	Read more in our:
The new sustainability reporting rule would be a challenge for issuers to follow	SGX plans to organise training for all listed companies to build their reporting capability.	Governance section of our Sustainability Report: Targets and Performance Scoreboard (page 39)
More time is needed to prepare a sustainability report for some issuers than the five months proposed	SGX has agreed and announced an extension of reporting timeline by giving listed companies up to 12 months from the end of the financial year to publish their first sustainability report.	We will monitor the compliance by listed companies and report the progress in our Sustainability Report and Annual Report next year.

Sustainability

Process of Materiality Assessment



Our materiality definition is guided by the GRI reporting framework, and is defined as reflecting the organisation's significant economic, environmental and social impacts, and substantively influencing the assessments and decisions of stakeholders. At SGX, assessing materiality of ESG factors to our business and significant stakeholders is a continuous process. In FY2016, our Sustainability Committee updated our material ESG factors based on feedback garnered during our stakeholder engagement and internal reviews. A total of 4 material ESG factors were identified to be most relevant

for SGX, with an additional non-material factor, energy, selected for reporting. In particular, economic performance pertains to SGX's financial performance as a business. Socio-economic impacts refer to how SGX has affected the economy and society through its role as a market operator and regulator. As a financial service organisation, our operations do not have a significant energy footprint. However, the risks of climate change to Singapore remain high, and we will continue to report on our policies, practices and performance for managing our energy consumption.

Material ESG factors²

Material ESG factors	Corresponding GRI aspects	Read more in our:
1 Economic performance	Economic performance	Statements of Comprehensive Income in our Financial Statements (page 93)
2 Socio-economic impacts	Indirect economic impacts	Value Creation (pages 24 to 25)
3 Governance	Governance Ethics and Integrity Anti-corruption Compliance	Corporate Governance Report (pages 45 to 63); Self-Regulatory Organisation Governance Report (pages 64 to 68)
4 People	Employment Labour relations Training and education Diversity and equal opportunity Equal remuneration Non-discrimination	People section of our Sustainability Report (pages 40 to 42)
Non-material ESG factor chosen for reporting	Corresponding GRI aspect	Read more in our:
5 Energy	Energy	Energy section of our Sustainability Report (pages 43 to 44)

² The material ESG factors are not numbered according to order of importance.

Governance

As Southeast Asia's leading securities exchange, SGX plays a pivotal role in supporting regional economic growth. We therefore create a transparent, fair, and sustainable marketplace to foster trust and confidence in our markets, by regulating and setting high standards of corporate governance and business ethics for companies listed on our exchange. Most notably, the Singapore Corporate Governance Framework has enabled Singapore to remain among the top 3 in corporate governance practices³. Further information can be found in our Self-Regulatory Organisation Governance Report (pages 64 to 68).

At SGX, we lead by example, and are committed to ensuring adherence to the very same high standards of corporate governance as we have mandated to our issuers. More details about SGX's corporate governance and Board can be found in the Corporate Governance Report (pages 45 to 63).

Targets and Performance Scoreboard

Governance Targets for FY2016		
Target	Performance Update	
Continue efforts to implement "Comply or Explain" on Sustainability Reporting for SGX-listed companies	 <ul style="list-style-type: none"> ▪ Implemented 'Comply or Explain' regime for sustainability reporting for SGX-listed companies on 20 June 2016. ▪ Collaborating with Global Compact Network Singapore on consultant-led capability building sessions for sustainability reporting, organised along industry groups for all listed companies. ▪ Working with United Nations (UN) organisations, Principles for Responsible Investment (PRI) and Sustainable Stock Exchanges (SSE) on their upcoming biennial global conference in Singapore, to further raise awareness and promote improved ESG disclosures. 	
Publish anti-bribery and anti-corruption policy online	 Published on SGX's website ⁴	

Governance Targets for FY2017		
Target		
Ensure smooth implementation of "Comply or Explain" regime for sustainability reporting		

Sustainability Committee

SGX is dedicated to our sustainability goals and we seek to ensure that our policies are well charted and adhered to. Our Sustainability Committee, supported by the Sustainability working groups, tracks and sets directions for our sustainability journey. The Committee is chaired by the Chief Financial Officer and supported by the Head of Investor Relations as the secretary. Members of the Committee include the Chief Executive Officer, Chief Regulatory Officer, Chief Risk Officer, Head of Human Resources and Head of Communications.

The Committee meets quarterly to plan and review the progress of our sustainability efforts. Where necessary, discussions are escalated to senior management.

Our Values and Ethics

Ensuring that all employees comply with SGX's standards and expectations remains key to maintaining our high standards of governance. We train all our new employees on the SGX Conduct and Ethics Policy as part of induction, and provide a

copy of the Code of Dealing and the SRO Conflicts Handbook. The SGX Conduct and Ethics Policy forms the foundation for the conduct expected of each employee in dealings with all SGX matters. It provides guidance on appropriate conduct for some common ethical issues, such as conflicts of interest, zero tolerance on bribery and corruption, confidential information, compliance, among others. We also educate our employees on our whistle-blowing policy, which is publicly posted on our website⁵, and which facilitates the reporting of suspected and actual cases of improper, unethical or fraudulent conduct.

In FY2016, no whistle-blowing reports concerning SGX were received. However, 4 cases relating to companies listed on the SGX were filed through our whistle-blowing channel. These cases have been communicated to the Regulation department within SGX for investigation. There were no cases of bribery or corruption, anti-competitive behaviour and no fines for non-compliance with the law during the year. We continue to strive to uphold the highest standards of corporate governance with respect to our stringent governance framework.

³ Asian Development Bank's ASEAN Corporate Governance Scorecard: Country Reports and Assessments 2014, published in 2016.

⁴ Details of the anti-bribery and anti-corruption policy are available at <http://investorrelations.sgx.com/sustainability-report.cfm>

⁵ Details of this policy are available at <http://investorrelations.sgx.com/whistleblowing.cfm>

Sustainability

People Talent Management

The exchange sector is a specialised industry relative to other financial services. Our business model and value creation process requires talents and expertise which are not readily transferable from the wider financial services industry. We seek to attract and retain the best staff through our talent strategy, the key elements of which include the following:

- Promote diversity and inclusion within a non-discriminatory work environment
- Regularly engage employees in various ways around strategy, business performance, community initiatives and commitment to their overall welfare
- Provide opportunities for employees to learn, develop and grow
- Renew and develop current and future leadership for succession planning

Targets and Performance Scoreboard

Talent Management Targets for FY2016	
Target	Performance Update
Formalise SGX's talent strategy	 Overall talent strategy for SGX has been formulated, and various policies and practices put in place on attracting, retaining and replacing talent while ensuring diversity and inclusion in our workforce.
Publish HR policies online	 Work in progress.
Increase the hours of training per employee per annum to 35	 Work in progress.
Conduct an employee satisfaction survey	 The employee satisfaction survey was conducted in June 2016.

Talent Management Targets for FY2017	
Target	
Deploy programmes aimed at improving the engagement of our staff	
Achieve 35 training hours per employee per year	

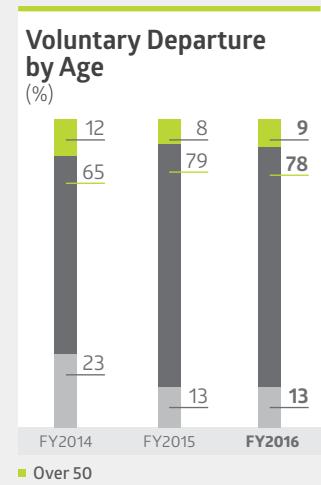
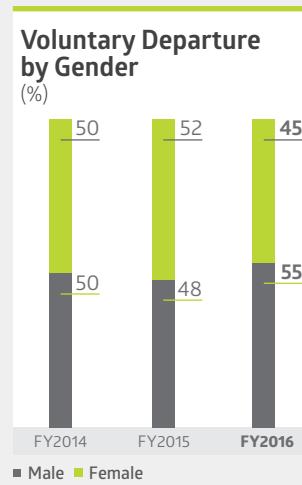
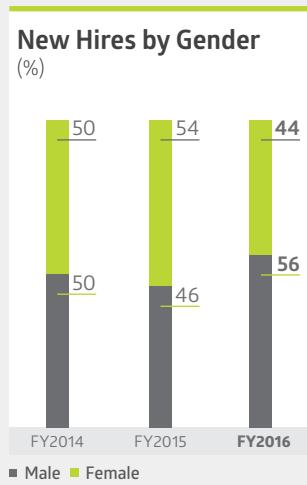
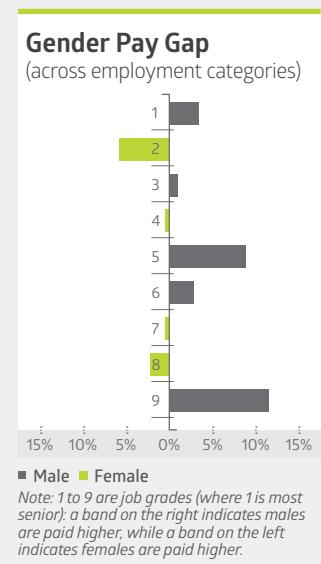
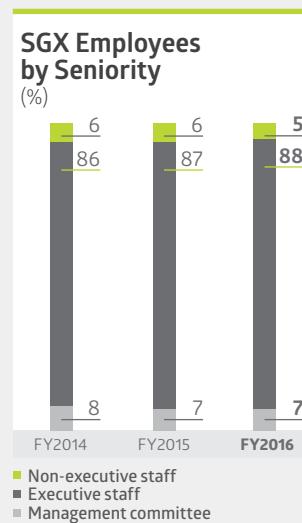
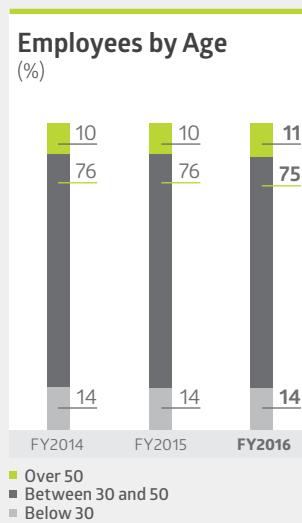
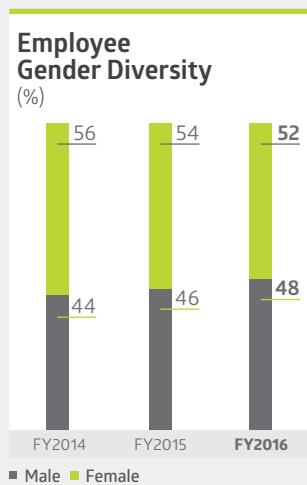
Diversity and Inclusion

SGX thrives on the diversity of our workforce. We work hard to ensure that all employees feel included regardless of their roles in SGX. We recognise that a diverse and inclusive workforce broadens our collective skills and perspectives as an organisation. This in turn drives growth and leverages SGX's full potential.

In talent recruitment, we hire based on merit, and provide a competitive and fair compensation and benefits package with "equal pay for equal work", engendered by our non-

discrimination policy⁶. As a result, we sustain our diverse mix of staff by gender, age and seniority. The new hires we welcomed on board in FY2016⁷ comprised an almost equal ratio of females and males, ranging across all age groups from below 30 to above 50 years of age. The negligible gender pay gap, in particular among our most senior positions, exemplifies gender equality in our organisation.

In addition, we have had zero reported cases of grievances, including any concerning discrimination, during the year.



⁶ Read more about how our Remuneration & Staff Development Committee determines the remuneration of our staff and the Board in our Corporate Governance Report (page 53).

⁷ Our rate of new hires was 17% in FY2016. This brings our total staff strength to 762, a 16% increase from FY2015. Apart from the new hires which were meant to support business growth and strengthen operations, our FY2016 headcount also included our new subsidiary Energy Market Company (EMC), following the acquisition in FY2015.

Sustainability

We foster an inclusive work environment centred on regular employee engagement. We ensure that our people's diverse views and needs are heard and addressed. Apart from running speaker series and brown bag lunch talks where managers connect with employees in more intimate settings, we also promote diverse activities in which employees can get involved in making contributions to the wellbeing of the organisation and the wider community. These include family oriented events, internal reward events, as well as community initiatives such as the annual SGX Bull Charge. Such activities allow our employees to connect more deeply with SGX as a company and through that develop stronger organisational identity. Our consistently low attrition rates year on year (11% in FY2016, below the average labour turnover rate of 22.8% in Singapore⁸) bears testimony to our overall talent management practices.

Support for Parents and Families

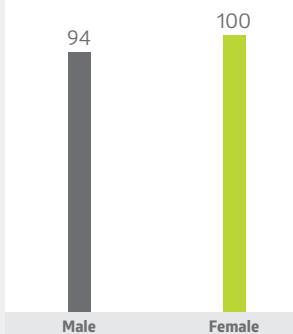
SGX understands how important family is to our employees. We support our employees in balancing their professional life with domestic responsibilities, by providing them parental leave in line with statutory requirements, as well as flexible working schemes for female staff after childbirth. Our family-friendly policies and practices saw 30 male and 38 female employees who had taken parental leave during the year, return to work.

Training and Development

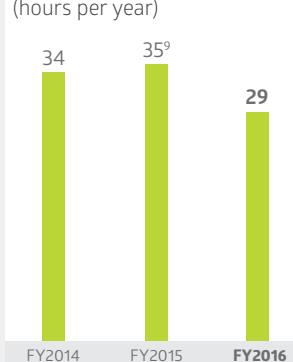
SGX believes strongly in the continuing training and development of our people. We subscribe to the policy of lifelong learning, to encourage our employees to explore and unlock their full potential, while equipping them with transferrable skills and knowledge that go beyond the required expertise of their current roles. To achieve this, we provide employees with a variety of training, professional memberships, continuing education scheme, study leave, and internal job rotation opportunities. All employees are also given regular performance reviews and target setting sessions at least once a year with their managers.

We focus on leadership renewal and development to shore up our current capabilities while developing our bench strength for future needs. Every year as part of our future leadership pipeline, we recruit new graduates into the Management Associate programme, where they undergo two rigorous years of job rotations and career development. We specifically monitor competency requirements for strategically critical roles, and maintain a line of sight for high-potential internal candidates, proactively providing them with development opportunities to raise their level of readiness.

Employees Returning to Work after Parental Leave (%)



Average Training per Employee
(hours per year)



⁸ Ministry of Manpower: Labour Market Statistical Information, based on an average monthly resignation rate of 1.9% in 2015.

⁹ A restatement has been made on the FY2015 average training hours per employee to better reflect the full year performance. The figure disclosed in prior year was based on an annualisation of 11 months' performance.

Energy

SGX is committed to reducing its impacts on the environment. Singapore, a small island state, is particularly vulnerable to rising sea levels caused by global warming and climate change. SGX is focused on minimising its energy footprint and related carbon emissions while concurrently balancing our commercial needs.

In FY2016, there was an overall increase by 12% in electrical consumption at our offices¹⁰ due to the inclusion of our subsidiary Energy Market Company (EMC). Excluding EMC, the electrical consumption at SGX offices remained largely unchanged from FY2015, despite a headcount increase. This led to a marginal decrease in energy intensity per employee.

In FY2016, SGX formalised its environmental policy, which covers both our direct and indirect impacts on energy usage and other natural resources. In the second half of FY2016, we also implemented the following initiatives to reduce our energy consumption:

- Reduced the operating hours of:
 - 1) Lighting in office areas and TV displays
 - 2) Ticker tapes at Central Depository (CDP) and SGX Centre
 - 3) Media wall at SGX Centre
- Raised the office temperature setting to reduce air-conditioning energy consumption
- Raised awareness among our employees on good environmental practices

All these initiatives are expected to result in energy savings of approximately 6,500 kWh/month from FY2017.

We will continue to measure our progress against our targets, and drive improvements for environmentally-friendly resource usage.

Key Elements of Our Environmental Policy

Managing our direct impacts

- Minimise the use of electricity, water and paper
- Reduce environmental impact by reducing non-essential travel
- Comply with all relevant environmental legislation in all countries in which we operate

Managing our indirect impacts

- Raise awareness of environmental issues among employees
- Carry out purchasing activities and interactions with our vendors in an environmentally responsible manner

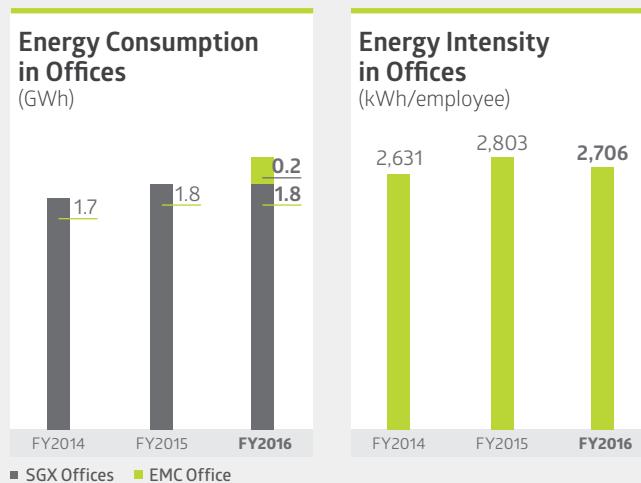
¹⁰ We have excluded the energy consumption of our data centres as they are managed by third parties.

Sustainability

Targets and Performance Scoreboard

Energy Targets for FY2016	
Target	Performance Update
Review options for an energy audit of SGX offices	Conducted an evaluation and proposed not to proceed with the energy audit, as energy usage is not a significant factor in SGX's business model.
Reduce consumption (on 2015 baseline) of electricity by 5%	Consumption of electricity in our offices increased by 12% due to inclusion of EMC. Excluding EMC, the electrical consumption at SGX offices remained largely unchanged from FY2015, despite a headcount increase. This led to a marginal decrease in energy intensity per employee.
Develop and publish an environmental policy	Published on SGX's website ¹¹

Energy Targets for FY2017	
Target	
Undertake further initiatives to promote environmental responsibility	
Analyse and monitor energy usage	



GRI G4 Content Index – “Comprehensive”

Conformance of this sustainability report to the GRI G4 “Comprehensive” reporting requirements can be found online at <http://investorrelations.sgx.com/sustainability-report.cfm>

¹¹ Details of the environmental policy are available at <http://investorrelations.sgx.com/sustainability-report.cfm>

Corporate Governance Report

Corporate Governance

Singapore Exchange (SGX) is fully committed to upholding the highest standards of corporate governance, business integrity and professionalism in all activities in the Group. This report sets out SGX's key corporate governance practices with reference to the Code of Corporate Governance 2012 (CCG 2012), as well as the Securities and Futures

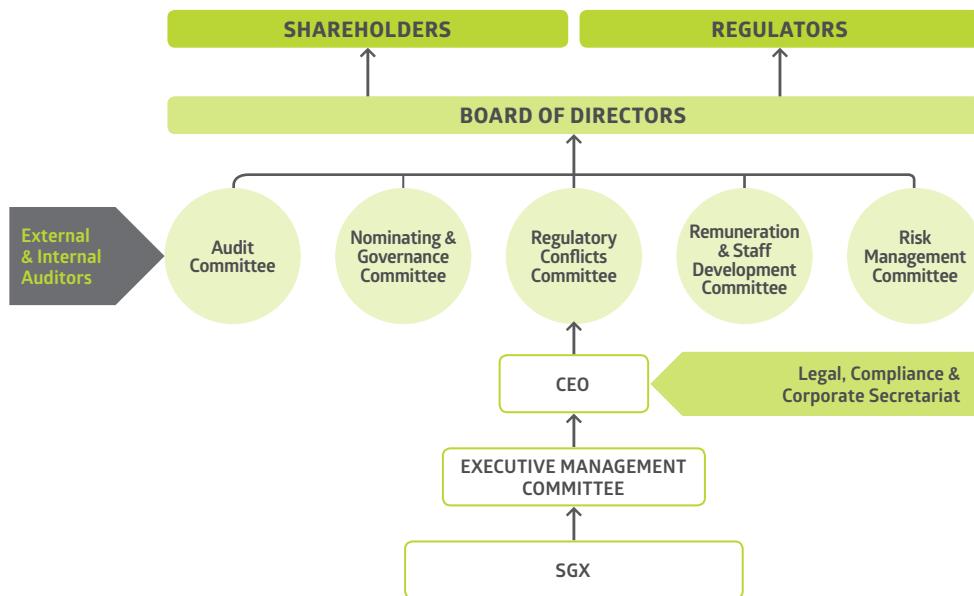
(Corporate Governance of Approved Exchanges, Approved Clearing Houses and Approved Holding Companies) Regulations 2005 (SFR 2005). Unless otherwise stated, these practices were in place for the entire financial year.

be read in conjunction with the Self-Regulatory Organisation (SRO) Governance Report, which sets out SGX's corporate governance as a self-regulatory organisation. Unless specified otherwise, references to independence of directors are as defined under the SFR 2005.

Self-Regulatory Organisation Governance

This Corporate Governance Report is to

SGX Corporate Governance Framework



Highlights

Awards & Accolades

- Ranked 3rd in Singapore for the ASEAN Corporate Governance Scorecard 2015.
- Ranked 2nd for the Governance & Transparency Index 2015.
- Ranked 3rd for the Singapore Governance & Transparency Index 2016.
- Runner up for the Most Transparent Company Award (Finance) in the SIAS' 2015 Investors' Choice Awards.
- Named "Exchange of the Year" at the global Energy Risk Awards 2016, becoming the first Asian exchange to receive the title.

Transparency

- Daily updates on SGX's website of volumes and values of securities and derivatives traded or cleared by SGX.
- Monthly publications on volumes and values of key products traded.
- Quarterly financial reports.
- Quarterly briefings to analysts and media webcasts.

Strong Risk Management

- Board-endorsed risk appetite statement, driving balanced approach to strategy development, within defined risk boundaries.
- Please refer to section on 'Risk Management Report'.

Board Succession Planning Board renewal & refreshment:

- Appointment of Ms Lim Sok Hui (Mrs Chng Sok Hui) on 1 December 2015 as a non-independent director and member of the Risk Management Committee.

Corporate Governance Report

Board Matters

The Board's Conduct of Its Affairs

PRINCIPLE 1

Principal Duties of the Board

The Board oversees the conduct of the SGX Group's affairs and is accountable to shareholders for the long-term performance and financial soundness of the Group.

In addition to its statutory duties, the Board reserves the following key matters for its decision:

- the appointment of the Chief Executive Officer (CEO) and directors, appointments on Board committees and Board succession;
- the appointment of key management personnel and succession planning as an ongoing process;
- approving broad policies, strategies and objectives. The Board provides guidance and leadership to management and ensures that adequate resources are available to meet its objectives;
- annual budgets, major funding proposals, investment and divestment proposals;
- the adequacy of internal controls, risk management, financial reporting and compliance;
- assessment of management performance;
- manage and/or mitigate actual or perceived conflicts of interest between SGX's regulatory accountabilities and commercial interests;
- the sustainability of SGX's policies and proposals; and
- corporate governance responsibilities.

Independent Judgement

All directors exercise due diligence and independent judgement and make decisions objectively in the best interests of SGX. SGX adheres to the requirements under SFR 2005. In determining the independence of its directors, please refer to "Board Independence" under Principle 2 in this Corporate Governance Report.

Delegation by the Board

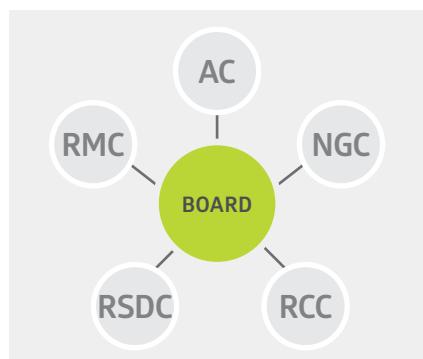
Board committees, namely the Audit Committee (AC), Nominating & Governance Committee (NGC), Regulatory Conflicts Committee (RCC), Remuneration & Staff Development Committee (RSDC) and Risk Management Committee (RMC), have been constituted to assist the Board in the discharge of specific responsibilities. Clear terms of reference (TOR) set out the duties, authority and accountabilities of each committee as well as qualifications for committee membership, in line with the CCG 2012 and SFR 2005, where applicable. The TORs are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance. The detailed TORs of the Board committees are available on SGX's website.

Please refer to the Principles in this Corporate Governance Report, for further information on the activities of the NGC, RSDC, RMC and AC.

Key Features of Board Processes

The Board meets regularly and sets aside time at each scheduled meeting to meet without the presence of Management. Board meetings may include presentations by senior executives and/or external consultants/experts on strategic issues, the developing business and regulatory landscape or risk management issues.

The schedule of all Board and Board committee meetings and the Annual General Meeting (AGM) for the next three (3) calendar years is planned in advance, in consultation with the Board. The Board meets at least four (4) times a year at regular intervals. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Attendance by telephone and video conference at Board meetings is allowed under the SGX's Articles of Association (Articles). The Board and Board committees may also make decisions by way of circulating resolutions. There were six (6) scheduled Board meetings and one (1) ad-hoc Board meeting in FY2016. Key matters discussed at these meetings included financial performance, annual budget, corporate and risk strategy, business plans, regulation, significant operational matters, capital-related matters and organic and inorganic strategic opportunities. In the interest of allocating more time for the Board to deliberate on issues of a strategic nature, and to focus on particular themes for each Board meeting, submissions which are straightforward in content as well as those that are for information only, will be compiled and circulated in between Board meetings. The Board holds an annual off-site strategy meeting to interact with senior management and



The RCC has been appointed by the Board to supervise the management of SGX's SRO conflicts. The activities of the RCC are outlined in the 'SRO Governance Report' in this Annual Report.

have in-depth discussions on SGX's strategic direction. The last annual off-site strategy meeting was held on 20 January 2016.

A record of the Directors' attendance at Board meetings during the financial year ended 30 June 2016 is set out in the table below.

Directors' Details			Directors' Independence Status ASSESSMENT OF INDEPENDENCE OF INDIVIDUAL DIRECTORS					Directors' Meeting Attendance Report						
Names	Independent (I)/ Non-Independent (NI)	Executive (E)/ Non-Executive (NE)	Independence status under the CCG 2012	Independence status under the SFR 2005	Reg 3(1)(a) Independent from management relationship	Reg 3(1)(b) Independent from business relationship	Reg 4 Independent from substantial shareholder	AGM	Board	AC	NGC	RCC	RSDC	RMC
							No. of meeting held in FY2016							
					1	7	4	2	2	3	3	4		
Mr Chew Choon Seng	NI	NE	No ¹	Yes	Yes	Yes	Yes	● 1/1	● 7/7	● 4/4	● 2/2	● 2/2	● 3/3	● 4/4
Mr Loh Boon Chye	NI	E	No ²	No ³	No	Yes	Yes	● 1/1	● 7/7	● 4/4	● 2/2	● 2/2	● 2/2	● 4/4
Mr Thaddeus Beczak	I	NE	Yes	Yes	Yes	Yes	Yes	● 1/1	● 7/7	-	-	● 2/2	-	● 4/4
Ms Chew Gek Khim	I	NE	Yes	Yes	Yes	Yes	Yes	● 1/1	● 7/7	-	● 2/2	-	-	● 4/4
Ms Jane Diplock AO	I	NE	Yes	Yes	Yes	Yes	Yes	● 1/1	● 7/7	● 4/4	-	● 2/2	-	● 4/4
Mr Kwa Chong Seng	Lead ID	NE	Yes	Yes	Yes	Yes	Yes	● 1/1	Lead ID 6/7	-	● 2/2	-	● 3/3	-
Mr Kevin Kwok	I	NE	Yes	Yes	Yes	Yes	Yes	● 1/1	● 7/7	● 4/4	-	● 2/2	-	● 4/4
Mr Lee Hsien Yang	NI	NE	No ¹	Yes	Yes	Yes	Yes	● 1/1	● 5/7	● 3/4	-	-	-	-
Mr Liew Mun Leong	I	NE	Yes	Yes	Yes	Yes	Yes	● 1/1	● 6/7	● 4/4	● 1/2	-	● 3/3	-
Ms Lim Sok Hui (Mrs Chng Sok Hui)	NI	NE	Yes	No ⁴	Yes	No ⁴	Yes	-	● 4/4	-	-	-	-	● 2/2
Mr Ng Kok Song	I	NE	Yes	Yes	Yes	Yes	Yes	● 1/1	● 7/7	-	● 1/2	-	● 3/3	-
Mr Quah Wee Ghee	NI	NE	Yes	No ⁵	Yes	No	Yes	● 1/1	● 2/2	-	-	-	-	● 1/1

¹ Messrs Chew Choon Seng and Lee Hsien Yang are deemed non-independent, solely on account of each having completed nine consecutive years of service, as at the dates of their first appointments pursuant to the NGC's decision on Guideline 2.4 of the CCG 2012.

² As CEO of SGX, Mr Loh Boon Chye is considered employed by SGX and deemed non-independent by virtue of Guideline 2.3(a) of the CCG 2012.

³ As CEO of SGX, Mr Loh Boon Chye is considered employed by SGX and deemed non-independent by virtue of Regulation 3(1)(a) of the SFR 2005.

⁴ As chief financial officer of DBS Bank Limited (DBS Ltd) and on account that DBS Ltd is a trading member of SGX-DC (OTCF) and DBS Vickers Securities (Singapore) Pte Ltd is a trading and clearing member of SGX-ST, CDP, SGX-DT and SGX-DC, Ms Lim Sok Hui is deemed non-independent by virtue of Regulation 3(3)(d) of the SFR 2005.

⁵ Mr Quah Wee Ghee was deemed non-independent by virtue of Regulation 3(3)(c)(ii) of the SFR 2005, due to his directorship held with OCBC Ltd, which is a related corporation of an SGX member firm. Mr Quah stepped down from the Board at the last AGM held on 23 September 2015.

Corporate Governance Report

Board Approval

SGX has documented internal guidelines for matters that require Board approval. Matters which are specifically reserved for Board approval are:

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

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

While matters relating to SGX's objectives, strategies and policies require the Board's direction and approval, the Executive Management Committee (EMCO) comprising senior management is responsible for overseeing the management of the SGX Group and implementing the Board approved strategic policies.

Board Orientation and Training

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

SGX conducts a comprehensive orientation programme to familiarise new directors with its business and governance practices. The orientation programmes are conducted by the CEO and senior management and provide directors an understanding of SGX's businesses, operations and regulatory environment, to enable them to assimilate into their new roles. The programmes also allow the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

The directors are provided with briefings and updates on an ongoing basis in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, so as to enable them to properly discharge their duties and responsibilities as Board members or Board committee members. The scope of such briefings and updates includes industry trends and developments, governance practices, and changes in regulatory requirements pertaining to SGX's business.

Briefings and Updates Provided for Directors in FY2016

- The external auditor, PricewaterhouseCoopers LLP (PwC), regularly briefs AC members on developments in accounting and governance standards.
- The CEO updates the Board at each meeting on business and strategic developments in the global exchange and clearing house industry.
- The Board and EMCO members were briefed on the key trends pertaining to cyber security.
- The Board and EMCO members met in an annual off-site strategy meeting for in-depth discussion on the strategic issues and direction of SGX.

The directors also attend other appropriate courses, conferences and seminars. These include programmes run by the Singapore Institute of Directors, of which SGX is a corporate member.

Directors can request for further information on any aspect of SGX's operations or business from management.

Board Composition and Guidance

PRINCIPLE 2

Board Independence

The SFR 2005 provides that an independent director is one who is independent from any management and business relationship with SGX and independent from any substantial shareholder of SGX. Under this definition, more than half of the Board is considered independent.

The Board, taking into account the views of the NGC, the nature and scope of SGX's businesses and the number of Board committees, considers that a board with a majority of members being independent is necessary.

Over the course of the year, the NGC assessed the independence of Board members in compliance with the requirements of the SFR 2005 and took into consideration the relevant guidelines of the CCG 2012. With regard to Guideline 2.4 of the CCG 2012 which requires that the independence of any director, who has served on the Board beyond nine years from the date of first appointment be subject to particularly rigorous review, the NGC decided that any independent director upon completing nine consecutive years of service will thereafter be deemed a non-independent director, notwithstanding demonstrable independence of management, or business relationships with SGX or any substantial shareholder. The Board is in accord with the NGC's decision.

Consequently, Messrs Lee Hsien Yang and Chew Choon Seng were deemed non-independent, solely on account of each of them having completed nine consecutive years of service from the dates of their first appointments.

Mr Lee, who has served for more than eleven years on the Board, is retiring at SGX's next AGM in September 2016.

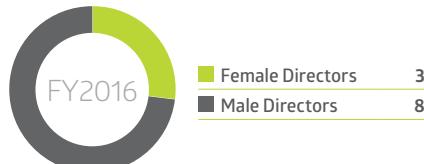
Board Composition and Size

Each year, the NGC reviews the composition and size of the Board and each Board committee and the skills and core competencies of its members to ensure an appropriate balance and diversity of skills and experience. Core competencies include banking, finance, accounting, business acumen, management experience, exchange industry knowledge, familiarity with regulatory requirements and knowledge of risk management. The NGC also takes into account gender diversity in relation to the composition of the Board. Out of 11 directors, 3 are female. The Board, taking into account the views of the NGC, considers that its directors possess the necessary competencies and knowledge to lead and govern SGX effectively.

Board Independence (as at 30 June 2016)



Gender Diversity (as at 30 June 2016)



Board Guidance

An effective and robust Board, whose members engage in open and constructive debate and challenge management on its assumptions and proposals, is fundamental to good corporate governance. A Board should also aid in the development of strategic proposals and oversee effective implementation by management to achieve set objectives.

For this to happen, the Board, in particular its Non-Executive Directors (NEDs), must be kept well informed of SGX's businesses and be knowledgeable about the exchange industry. To ensure that NEDs are well supported by accurate, complete and timely information, NEDs have unrestricted access to management. NEDs also receive periodic information papers and board briefings on the latest market developments and trends, and key business initiatives. Regular informal meetings are held for management to brief directors on prospective deals and potential developments in the early stages, before formal Board approval is sought. Board papers are provided to directors not less than a week in advance of the meeting to afford the directors sufficient time to review the board papers prior to the meeting. If a director

is unable to attend a Board or Board committee meeting, the director may nevertheless provide his/her comments to the Chairman or relevant Board committee Chairman separately.

Meeting of Directors without Management

Executive sessions are available for the NEDs to meet without the presence of management or executive directors at each Board meeting, where necessary.

Chairman and Chief Executive Officer

PRINCIPLE 3

Separation of the Role of Chairman and the Chief Executive Officer (CEO)

The roles of Chairman of the Board and CEO are separate to ensure a clear division of responsibilities, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the CEO are not related. The division of responsibilities and functions between the two has been demarcated with the concurrence of the Board.

The Chairman manages the business of the Board and monitors the translation of the Board's decisions and directions into executive action. He approves the agendas for the Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item. He promotes an open environment for debate, and ensures that NEDs are able to speak freely and contribute effectively. He exercises control over the quality and quantity of the information as well as the timeliness of the flow of information between the Board and management. In addition, he provides close oversight, guidance, advice and leadership to the CEO and management.

At AGMs and other shareholders' meetings, the Chairman plays a pivotal role in fostering constructive dialogue



Corporate Governance Report

between shareholders, the Board and management.

The CEO manages and develops the businesses of SGX and implements the Board's decisions. He chairs the EMCO, which comprises senior management executives. EMCO meets weekly to oversee the management of the SGX group and implement the Board's strategic policies.

Board interaction with, and independent access to, senior management is encouraged. EMCO members are invited to attend all Board meetings, and relevant Board committee meetings.

Lead Independent Director

Mr Kwa Chong Seng, chairman of the NGC and RSDC, was appointed as Lead Independent Director (LID) on 1 December 2013 to lead and co-ordinate the activities of the NEDs of SGX. The charter of the LID is available on SGX's website.

The LID has the authority to call and lead meetings of the independent directors, when necessary and appropriate, and to preside at all meetings of the Board at which the Chairman is not present or has to recuse himself, including closed sessions of the NEDs. The LID shall represent the independent directors in responding to shareholders' questions and comments that are directed to the independent directors as a group.

Board Membership

PRINCIPLE 4

Continuous Board Renewal

The Board, in conjunction with the NGC, reviews the composition of the Board and Board committees annually, taking into account the performance and contribution of each individual director. Board composition is also evaluated to ensure that diversity of skills and experience is maintained within the Board and Board committees.

Based on the NGC's assessment of the independence of each individual director and his or her relevant expertise, and with the aim of ensuring compliance with the requirements of the CCG 2012 and SFR 2005, the Board reviews, and reconstitutes as appropriate, the membership of the Board committees.

The Articles provide that at each AGM, one-third of the directors, including the CEO who also serves on the Board (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Effectively, this results in all directors having to retire at least once every three years or even earlier.

Directors appointed by the Board during the financial year, to fill a casual vacancy or appointed as an additional Director, may only hold office until the next AGM and thereafter be eligible for re-election by shareholders at the next AGM. Shareholders will be provided with relevant information on the candidates for election or re-election.

NGC Composition

The NGC comprises five (5) directors namely:

Mr Kwa Chong Seng	Committee chairman and independent non-executive Director
Mr Chew Choon Seng	Non-independent non-executive Director
Ms Chew Gek Khim	Independent non-executive Director
Mr Liew Mun Leong	Independent non-executive Director
Mr Ng Kok Song	Independent non-executive Director

The NGC is responsible for SGX's corporate governance framework, the Board's succession plan and reviewing relevant local and international developments in the area of corporate governance (including changes in applicable laws, regulations and listing rules).

Nomination and Selection of Directors

SGX adopts a comprehensive and detailed process in the selection of new directors. The NGC is responsible for identifying candidates and reviewing all nominations for the appointment, re-appointment or termination of directors and Board committee members, taking into account the Monetary Authority of Singapore's (MAS) fit and proper criteria for such appointments, the director's independence status, his or her participation and contributions during and outside board meetings and other relevant factors as may be determined by the NGC. Where the need to appoint a new Director arises, the NGC will review the composition and range of expertise, skills and attributes of the Board and Board committees. The NGC identifies SGX's needs and prepares a shortlist of candidates with the appropriate profile for nomination before sourcing for candidates through an extensive network of contacts. Candidates are identified based on the needs of SGX and the relevant expertise required. After the NGC Chairman, the Chairman of the Board and the other NGC members have interviewed the candidates, the candidates are shortlisted for the NGC's formal consideration for appointment to the Board.

When reviewing a nomination for a proposed Board appointment, the NGC complies with SFR 2005 criteria as follows:-

- a determination of the candidate's independence;
- whether his/her appointment will result in non-compliance with any of the SFR 2005 composition requirements for the Board and its Board committees; and
- whether the candidate fulfils the fit and proper criteria under the MAS' fit and proper guidelines which include, honesty, integrity, reputation,

competence and capability, and financial soundness.

All directors of SGX are approved by the MAS, based on its fit and proper criteria, before they are appointed by the Board or at the AGM (as the case may be).

Continuous Review of Directors' Independence

The NGC conducts an annual review of each director's independence in accordance with the SFR 2005 requirements and takes into consideration the relevant guidelines in the CCG 2012. SGX has procedures in place to ensure continuous monitoring of SGX directors' independence. The NGC has ascertained that a majority of the Board members are independent according to these criteria. If at any time the MAS is not satisfied that a director is independent, notwithstanding any determination by the NGC, MAS may direct SGX to rectify the composition of the Board or Board committees (as the case may be).

SGX has in place a policy whereby directors must consult both the Chairman of the Board and the NGC Chairman prior to accepting new director appointments. Directors must also immediately report any changes in their external appointments, including any corporate developments relating to their external appointments, which may affect their independence. This ensures directors continually meet the stringent requirements of independence under the SFR 2005.

Directors' Time Commitments

The NGC assesses the effectiveness of the Board as a whole and takes into account, each director's contribution and devotion of time and attention to SGX. The NGC also assesses nominees identified for recommendation to the Board, on their individual credentials and their ability to devote appropriate time and attention to SGX.

The NGC is of the view that the effectiveness of each of the directors is best assessed by a qualitative assessment of the director's contributions as well as by taking into account each director's listed company board directorships, and any other relevant time commitments. While having a numerical limit on the number of directorships may be considered by some other companies to be suitable for their circumstances, at present SGX considers the assessment as described above to be more effective for its purposes. SGX also does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as new members of the Board.

For now, the NGC believes that SGX's qualitative assessment and the existing practice, which requires each director to confirm annually to the NGC, his/her ability to devote sufficient time and attention to SGX's affairs, having regard to his/her other commitments, are effective.

SGX will continue to disclose each director's listed company board directorships and principal commitments which may be found in the 'Board of Directors' section in the Annual Report.

The Board is satisfied that all directors have discharged their duties adequately for FY2016. The Board also expects that the directors (including any directors who are newly appointed) will continue to (or will) discharge their duties adequately in FY2017.

Alternate Directors

SGX has no alternate directors on its Board.

Succession Planning for the Board

Succession planning is an important part of the governance process. The NGC will seek to refresh the Board membership

progressively and in an orderly manner, to avoid losing institutional memory.

Key Information on Directors

The profile of the directors and key information are set out under "Board of Directors" section in this Annual Report. The Notice of AGM sets out the directors proposed for re-election or re-appointment at the AGM. Key information on directors is also available on SGX's website.

Board Performance

PRINCIPLE 5

Board Evaluation Policy

The Board has implemented a process carried out by the NGC, for assessing the effectiveness of the Board as a whole and its Board committees, and for assessing the contribution by each individual director to the effectiveness of the Board. The Board Evaluation Policy is available on SGX's website.

Board Evaluation Process

- The NGC undertakes a process to assess the effectiveness of the Board as a whole and its Board committees annually. The NGC will ascertain key areas for improvement and requisite follow-up actions;
- Once every two (2) years, independent consultants will be appointed to assist in the evaluation process of the Board and its Board committees. This process includes a questionnaire designed to assess the performance of the Board and its Board committees and enhance the overall effectiveness of directors; and
- The Board and its Board committees' performance will be evaluated by each director and each EMCO member.

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

Corporate Governance Report

During FY2016, an external independent consultant was appointed to facilitate the evaluation of the Board and its Board committees. Factors which were evaluated included Board composition, information management, Board processes, corporate integrity and social responsibility, management of the Company's performance, Board committee effectiveness, CEO performance and succession planning, Director development and management, risk management and overall perception of the Board. Senior management was also requested to complete appraisal forms assessing the Board's performance in areas of developing and monitoring strategy, working with management, managing risks and overall perception of the Board. The external independent consultant had no connection with SGX or the Board. The findings from this evaluation were presented to the Board to facilitate improvements to the Board's practices.

Board Performance Criteria

The Board reviews its performance against qualitative and quantitative targets annually.

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

In line with the CCG 2012's recommendation of using quantitative financial indicators, the Board has adopted performance measures which align its interests with shareholders' interests, such as (a) Return on Equity, (b) absolute minimum SGX Total Shareholder Return (TSR), and (c) SGX's TSR performance against the TSR of the FTSE/MV Exchanges Index, which is an index of 28 listed exchanges, in order to benchmark its relative performance against other exchanges.

Individual Director Evaluation

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

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

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

Access To Information

PRINCIPLE 6

Complete, Adequate and Timely Information

Management recognises that the flow of complete, adequate and timely information on an ongoing basis to the Board is essential to the Board's effective and efficient discharge of its duties. To allow directors sufficient time to prepare for the meetings, all scheduled Board and Board committee papers are distributed to directors not less than a week in advance of the meeting. This enables the discussion during the meeting to focus on questions that directors may have. Any additional material or information requested by the directors is promptly furnished. As part of its sustainability efforts, SGX has done away with hard copy Board and Board committee

papers, and directors are provided with tablet devices to enable them to access and read Board and Board committee papers prior to and at meetings.

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

To facilitate direct and independent access to the senior management, directors are also provided with the names and contact details of the management team. Draft agendas for Board and Board committee meetings are circulated to EMCO and Chairmen of the Board and Board committees, in advance, for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda.

For the AC and the RMC to liaise closely and have a clear understanding of each other's work and plan their work on the same risk framework, finalised minutes of the respective committees are promptly circulated to the other committee. Arrangements are also in place for the AC and the RMC to share information on a regular basis, which includes having common directors on the AC and the RMC, and the Head, Internal Audit and Chief Risk Officer attending both the AC and the RMC meetings. These measures are in line with the recommendations of the Guidebook for Audit Committees in Singapore.

In order to keep directors abreast of sell-side analysts' views on SGX's

performance, the Board is updated annually on the market view which includes a summary of analysts' feedback and recommendations following the full-year and half-year results. A monthly financial performance report is also provided to the Board. This report includes the financial and management accounts, accompanied by an analysis of SGX's performance and supporting data. It also contains operational metrics, audit findings, and a risk dashboard which provides an overview of SGX's key risks. These risks include clearing and settlement risks, regulatory and compliance risks, technology and operations service availability, and other strategic risks.

The quarterly and year-end financial statements are reviewed and recommended by the AC to the Board for approval.

Company Secretary

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

The Company Secretary assists the Chairman to ensure good information flows within the Board and its Board committees and between senior management and NEDs, as well as facilitating orientation and assisting with professional development as required. The Company Secretary is responsible for designing and implementing a framework

for management's compliance with the Listing Rules, including training and advising management to ensure that material information is disclosed on a prompt basis. The Company Secretary attends and prepares minutes for all Board meetings. As secretary to all the other Board committees, the Company Secretary assists to ensure coordination and liaison between the Board, the Board committees and management. The Company Secretary assists the Chairman, the Chairman of each Board committee and management in the development of the agendas for the various Board and Board committee meetings.

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

Independent Professional Advice

Directors, either individually or as a group, in the furtherance of their duties, may take independent professional advice, if necessary, at SGX's expense.

Remuneration Matters

Procedures for Developing Remuneration Policies

PRINCIPLE 7

RSDC Composition

The RSDC comprises four (4) directors namely:

Mr Kwa Chong Seng

Committee chairman and independent non-executive Director

Mr Chew Choon Seng

Non-independent non-executive Director

Mr Liew Mun Leong

Independent non-executive Director

Mr Ng Kok Song

Independent non-executive Director

The Board considers that Mr Kwa Chong Seng, who has many years of experience in senior management positions and on various boards dealing with remuneration issues, is well qualified to chair the RSDC and that the

members of the RSDC collectively have strong management experience and expertise on remuneration issues.

The key responsibilities of the RSDC, as delegated by the Board, are to oversee the governance of the Group's remuneration policy, oversee the remuneration of the Board and key executives including reviewing the remuneration of the CEO, set appropriate remuneration frameworks and policies, including long-term incentive schemes, to deliver annual and long-term performance of the SGX Group and to review the development and succession plan for EMCO members.

The RSDC reviews and recommends to the Board, the specific remuneration package for the CEO upon recruitment or renewal (where applicable). Subsequently, annual increments, variable bonuses, long-term incentive awards and other incentive awards or benefits-in-kind, will be reviewed by the RSDC against the achievement of prescribed goals and targets for the CEO and key management personnel, for recommendation to the Board.

The RSDC also reviews the Company's obligations arising in the event of termination of the CEO's and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RSDC approves the framework of remuneration for the entire organisation including the structure of short-term and long-term incentive schemes and policies. Each year, the RSDC also approves the salary increment pool and total incentive pool for distribution to staff of all grades.

The RSDC has access to the Head of Human Resources, who attends all RSDC meetings. The RSDC may also seek

Corporate Governance Report

external expert advice on remuneration of directors and staff.

The RSDC reviews the succession and leadership development plans for senior management. As part of this annual review, the successors to key positions are identified, and development plans instituted for them.

No member of the RSDC is involved in deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

Level and Mix of Remuneration

PRINCIPLE 8

The RSDC administers all the performance-related elements of remuneration for senior management. A significant proportion of senior management's remuneration is in the form of variable or "at risk" compensation, awarded in a combination of short-term and long-term incentives. The incentive schemes are designed to align the interests of the CEO, key management personnel and staff with

those of shareholders and link rewards to corporate and individual performance. As a policy, up to half of the senior management's variable compensation may be deferred in the form of long-term incentives which will vest over a period of time.

Details of SGX's compensation philosophy and the compensation framework including the long-term incentive awards made thereunder, and the performance conditions for the vesting of the awards, are found under 'Remuneration Report' in this Annual Report.

Non-executive Directors' Remuneration

SGX's CEO is an executive director and is, therefore, remunerated as part of senior management and in accordance with the terms of his contract. He does not receive directors' fees.

The SGX Chairman receives fees for being the Chairman of the Board, together with the provision to him of a car with a driver, as approved by a separate resolution at each AGM.

The fees paid to the SGX Chairman have remained unchanged since FY2010.

The RSDC recommends the non-executive directors' fees for the Board's endorsement and approval by shareholders. Having regard to the scope and extent of a director's responsibilities and obligations, the prevailing market conditions and referencing directors' fees against comparable benchmarks, the Board agreed with the RSDC's recommendation that the current framework for determining non-executive directors' fees remain unchanged. The framework for determining non-executive directors' fees (excluding the fees payable to the SGX Chairman), as set out below, was last revised in FY2011, and the basic fee and attendance fee have remained unchanged since FY2008. In view of the internal review process that SGX has in place, and that there is no change to the framework for determining non-executive directors' fees, SGX has not appointed any external consultants to review the framework for FY2016.

Basic Fee

Board Chairman	S\$750,000 per annum
Director	S\$55,000 per annum
Attendance Fee	S\$1,500 per meeting

Fee for appointment to Audit Committee

Committee chairman	S\$40,000 per annum
Committee member	S\$30,000 per annum
Fee for appointment to other Board Committees	
Committee chairman	S\$30,000 per annum
Committee member	S\$20,000 per annum

The gross remuneration paid to the non-executive directors for the financial year ended 30 June 2016 was S\$1,945,316 (details as set out in the table below):

Name of Director	Directors' fees	Name of Director	Directors' fees
Mr Chew Choon Seng ¹	S\$ 825,000	Mr Lee Hsien Yang	S\$ 97,000
Mr Thaddeus Beczak	S\$ 114,500	Mr Liew Mun Leong	S\$ 146,000
Ms Chew Gek Khim	S\$ 121,864	Ms Lim Sok Hui (Mrs Chng Sok Hui) ²	S\$ 51,318
Ms Jane Diplock AO	S\$ 160,500	Mr Ng Kok Song	S\$ 111,500
Mr Kwa Chong Seng	S\$ 131,500	Mr Quah Wee Ghee ³	S\$ 25,634
Mr Kevin Kwok	S\$ 160,500		
Total			S\$ 1,945,316

¹ Excluding the provision of a car with a driver

² Ms Lim was appointed as a director on 1 December 2015

³ Mr Quah stepped down as a director on 23 September 2015

SGX seeks shareholders' approval at the AGM for the non-executive directors' fees to be paid for the current financial year so that the non-executive directors' fees can be paid on a quarterly basis in arrears. No director decides his own fees. The non-executive directors' fees which are paid on a current year basis, will be payable to the director if he/she is in service at the end of the current quarter, or if the term of appointment ends within the quarter. Overseas directors are reimbursed for out-of-pocket travelling and accommodation expenses in Singapore.

There are no share-based compensation schemes in place for non-executive directors.

Disclosure of Remuneration

PRINCIPLE 9

For disclosure of the remuneration of the CEO and the five (5) top-earning executives, please refer to 'Remuneration Report' in the Annual Report. The 'Remuneration Report' further sets out the performance conditions used to determine EMCO's short-term and long-term incentives. SGX has also disclosed in the Remuneration Report, the remuneration of the five top-earning executives in actual figures, in line with best practices, with a breakdown in terms of fixed pay, variable bonus, ex-gratia payment (if any), long-term incentives and benefits-in-kind. The Remuneration Report also discloses the employee share schemes that SGX has in place and how remuneration paid is varied according to SGX's and the individual's performance.

None of the current employees are related to the directors.

Accountability & Audit

Accountability

PRINCIPLE 10

The Board provides shareholders with quarterly and annual financial reports.

Results for the first three quarters are released to shareholders no later than 25 days from the end of the quarter. Annual results are released within 31 days from the financial year-end. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of SGX's financial results, position and prospects.

For the financial year under review, the CEO and the Chief Financial Officer (CFO) have provided assurance to the Board on the integrity of the financial statements for SGX and its subsidiaries. For interim financial statements, the Board provides a statement of negative assurance to shareholders, in line with the Listing Rules. For the full year financial statements, the Board with the concurrence of the AC provides an opinion that the financial statements give a true and fair view of the results of the SGX Group and that SGX will be able to pay its debts as and when they fall due. This, in turn, is supported by a negative assurance statement from the CEO and CFO. Management provides directors with a monthly financial performance report either (a) within 10 business days from month-end close; or (b) on or prior to the day when the annual or quarterly financial results are released. SGX has also procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

SGX is accountable to MAS on how it discharges its responsibilities as an exchange and clearing house, and as a regulator. In this respect, an annual self-assessment report and an annual report on the RCC's activities in relation to SGX's SRO conflicts management are prepared and submitted to MAS. MAS also conducts an annual on-site inspection of SGX as part of its oversight of SGX.

Risk Management and Internal Controls

PRINCIPLE 11

RMC Composition

The RMC comprises five (5) directors namely:
Ms Chew Gek Khim
Committee chairman and independent non-executive Director
Mr Thaddeus Beczak
Independent non-executive Director
Ms Jane Diplock AO
Independent non-executive Director
Mr Kevin Kwok
Independent non-executive Director
Ms Lim Sok Hui (Mrs Chng Sok Hui)
Non-independent non-executive Director (appointed to RMC on 1 December 2015)

The Board is responsible for overseeing SGX's risk management, framework and policies. To assist the Board, the Board has established the RMC, a dedicated board risk committee. Its responsibilities include reviewing and recommending to the Board the type and level of risk that SGX undertakes on an integrated basis to achieve its business strategy and the appropriate framework and policies for managing risks that are consistent with SGX's risk appetite. At the management level, the EMCO has also established a dedicated Enterprise Risk Committee, chaired by the Chief Risk Officer. This committee oversees and ensures that risks are being managed by appropriate units holistically across the organisation.

SGX has three lines of defence for risk management. The operating units, the first line of defence, own the risks at their source and establish processes and controls to respond to them. The second line of defence, comprising the independent Enterprise Risk Management and Compliance functions, oversee the completeness and accuracy of risk assessments, risk reporting and the adequacy of mitigation plans. Internal Audit, as the third line of defence, provides objective assurance to the Audit

Corporate Governance Report

Committee. Together, these three lines of defence assure that there are adequate internal controls relating to processes, risk and control governance.

SGX has implemented an enterprise-wide risk management framework to facilitate the management of risks across the organisation.

SGX recognises the importance of balancing risks and rewards to achieve the optimal level of risk that SGX can tolerate in its pursuit of its strategic priorities and business opportunities. In this regard, the Board has established a Risk Appetite Statement to identify the return objectives that are imperative to the organisation and the corresponding risk boundaries that are acceptable to support the achievement of these objectives. This stated understanding between the Board and Management aligns SGX's risk profile with its business objectives and helps bring discipline as Management drives strategy within the established risk boundaries. It also reinforces SGX's risk culture through the establishment of a "tone from the top" regarding the nature and extent of risks that SGX is willing to accept.

There are two exercises that are performed each year to identify, assess and manage risks faced by SGX. The first exercise adopts a top-down approach, where key risks including strategic, financial, operational, compliance and regulatory risks, are identified. Mitigating actions are put in place to manage these risks, and key risk indicators (KRI) are established to monitor the risks. These KRIs are approved by the RMC and the Board. The second exercise, the "Risk Self Assessment" (RSA) exercise, adopts a bottom-up approach and allows individual units to identify unit-level risks. Similar to the top-down exercise, mitigating actions are formulated to manage the risks. This year, the RSA exercise has been enhanced to enable continuous self-assessments by the units.

In addition to these exercises, the units are required to perform a control self-assessment to provide objective assurance to the CEO and his management team that the controls are operating effectively. The program also requires the units to perform self-testing to verify and substantiate their control self-assessment outcomes. Together, all these tools and exercises provide greater assurance that the SGX group's risks identified are adequately managed. Where deficiencies in controls are identified, the operating units are able to address and rectify such deficiencies in a timely manner.

The Board has received assurance from the CEO and CFO on the SGX group's financial records and the effectiveness of SGX's risk management and internal controls. The Board also receives a separate quarterly representation on SGX's financial information and controls, including that the financial records have been properly maintained and the financial statements give a true and fair view of the SGX group's operations and finances, from the CEO and CFO.

SGX's system of internal controls and risk management provides reasonable assurance against foreseeable events that may adversely affect SGX's business objectives. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Based on the internal controls established and maintained by SGX, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board, with the recommendation of the AC, is of the opinion that SGX's internal controls and risk management systems, addressing

financial, operational, compliance and information technology risks, are adequate and effective as of 30 June 2016.

On 14 July 2016, SGX's securities market experienced a market disruption when the exchange ceased trading at 1138 hours, and remained closed for the rest of the day. Investigations found that the event was caused by a disk failure and an application that did not detect the problem. The disruption was prolonged due to challenges in the orders and trade reconciliation process. SGX has since taken remedial action to address the key causes of the event. In particular, the faulty disk has been replaced, SGX has taken measures to improve its processes in data generation, and is working closely with members to improve their reconciliation processes and overall recovery and market resumption.

Audit Committee

PRINCIPLE 12

AC Composition

The AC comprises four (4) directors namely:

Mr Kevin Kwok

Committee chairman and independent non-executive Director

Ms Jane Diplock AO

Independent non-executive Director

Mr Lee Hsien Yang

Non-independent non-executive Director

Mr Liew Mun Leong

Independent non-executive Director

In compliance with the requirements of the SFR 2005 and taking into consideration the relevant guidelines in the CCG 2012, all members of the AC are non-executive directors who do not have any management and business relationships with SGX or any substantial shareholder of SGX. None of the AC members were previous partners or directors of the Company's external auditor, PwC, within the last twelve

months or hold any financial interest in the external auditor. The Board considers Mr Kevin Kwok, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC. The members of the AC collectively have strong accounting and related financial management expertise and experience. They keep abreast of relevant changes to accounting standards and issues which have a direct impact on the financial statements.

Key Objectives

The key objectives of the AC are to assist the Board in discharging its statutory and other responsibilities relating to the integrity of the financial statements, monitoring of the system of internal controls and independence of the external auditors.

Role and Responsibilities of the AC

Financial Reporting

The AC meets on a quarterly basis to review the financial statements, including the relevance and consistency of the accounting principles adopted, and the significant financial reporting issues and judgments to obtain reasonable assurance as to the integrity and fairness of the financial statements. The AC recommends the financial statements and corresponding SGXNet announcements to the Board for approval.

External Auditor

The AC oversees SGX's relationship with its external auditor. It reviews the selection of the external auditor and recommends to the Board the appointment, re-appointment and removal of the external auditor, as well as the remuneration and terms of engagement of the external auditor. The annual re-appointment of the external auditor is subject to shareholder approval at SGX's AGM.

In February 2014, SGX conducted a Request for Proposal exercise for provision of external audit services. Following the AC's evaluation, the AC recommended the re-appointment of PwC as they possess the relevant industry experience and knowledge as well as a deep understanding of SGX's business, operations, systems and risks. The Board accepted the AC's recommendation for PwC's re-appointment as the external auditor at the AGM held in September 2014.

On an annual basis, the AC evaluates the performance and effectiveness of the external auditor and recommends the re-appointment of the external auditor to the Board.

The AC reviews the scope and the audit plans and results of audits undertaken by the external auditor and considers all significant findings, recommendations and management's responses. It also reviews the independence and objectivity of the external auditor, and assesses the nature, extent and costs of non-audit services provided by the external auditor, seeking to balance the independence and objectivity of the external auditor with the business and operational needs of SGX.

Internal Controls and Regulatory Compliance

The AC reviews and assesses the adequacy and effectiveness of SGX's internal controls and regulatory compliance. In order to do this, the AC considers the reports, the processes and controls in place and carries out discussions with management, the Head of Internal Audit, the Head of Legal, Compliance & Corporate Secretariat and the external auditor, at its quarterly AC meetings. Based on its reviews, the AC makes recommendations to the Board with regards to the adequacy and effectiveness of SGX's internal controls.

Internal Audit and Compliance

The AC reviews the scope and plans undertaken by the internal auditor and the compliance function, and considers the results, significant findings and recommendations together with management's responses. The AC assesses the adequacy and effectiveness of the internal audit function and ensures that the internal auditor has direct and unrestricted access to the Chairman of the Board and the AC. The appointment, remuneration and resignation of the Head of Internal Audit are reviewed by the AC.

Other Matters

Whistleblowing Policy

SGX has a whistleblowing policy which encourages employees and vendors to report malpractices and misconduct in the workplace. The policy establishes a confidential line of communication to report concerns about possible improprieties to the Head of Internal Audit, and ensures the independent investigation of, and follow-up of such matters. SGX will treat all information received confidentially and protect the identity of all whistleblowers. Anonymous disclosures will be accepted and anonymity honoured. Employees who have acted in good faith will be protected from reprisal. Reports can be lodged by calling the hotline at +65 6236 8585 or via email at whistleblowing@sgx.com. The AC reviews all whistleblowing complaints at its quarterly meetings to ensure independent, thorough investigation and appropriate follow-up actions.

Interested Person Transactions Policy

SGX has procedures in place to comply with the Listing Manual requirements relating to interested person transactions. All new directors are briefed on the relevant provisions that they need to comply with. All interested person transactions, if any, are reported to and monitored by the Finance department, and reviewed by the AC.

Corporate Governance Report

Authority of the AC

The Board has delegated to the AC the authority to investigate any matter within its terms of reference. The AC has full access to the internal and external auditors as well as to management. It also has full discretion to invite any director or officer to attend its meetings and has access to various resources, including external consultants, to enable it to discharge its responsibilities properly.

Activities in FY2016

The AC met four (4) times during the financial year under review. The Chairman, CEO, President, CFO, Chief Risk Officer, Head of Technology, Head of Internal Audit, Head of Legal, Compliance & Corporate Secretariat and the external auditor were invited to attend these meetings. The following matters were reviewed during the meetings:

Financial matters

In the review of the financial statements, the AC has discussed with management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with management and the external auditor and were reviewed by the AC:

Following the review and discussions, the AC recommended to the Board to approve the full year financial statements.

Oversight of the external auditor
The AC approved the scope and audit plans undertaken by the external auditor, reviewed the results of the audits, significant findings and recommendations as well as management's responses.

The AC assessed the independence and quality of the external auditor throughout the year and also met with the external auditor without the presence of management. The external auditor provided regular updates to the AC on relevant changes to the accounting standards and the implications on the financial statements.

The AC received a report from management on their evaluation of the performance and effectiveness of the external auditor. This report assessed the quality of the external auditor across a number of evaluation criteria, including measures of relevance and quality of its work as well as its level of independence.

Management has referred to the *Checklist for Evaluation of External Auditors in the Guidebook for Audit Committees in Singapore and Guidance to Audit Committees on ACRA's Audit Quality Indicators Disclosure Framework* to set the evaluation criteria.

On the basis of their own interactions with PwC and with management's report, the AC assessed and concluded that PwC has fulfilled its responsibilities as external auditor. The Board concurred with the AC's endorsement. Accordingly, the Board recommends the re-appointment of PwC at the coming AGM.

SGX has complied with Listing Rules 712 and 715 in the appointment of PwC as its external auditor.

Non-audit services

The AC reviewed the volume and nature of non-audit services provided by the external auditor during the financial year. Based on this and other information, the AC is satisfied that the financial, professional and business relationships between SGX and the external auditor will not prejudice their independence and objectivity.

Significant matters	How the AC reviewed these matters and what decisions were made
Valuation of available-for-sale (AFS) financial asset	<p>The AC considered the approach and methodology applied to the valuation model in assessing the valuation of the AFS financial asset relating to the unlisted equity securities of BSE Limited.</p> <p>The AC reviewed the reasonableness of cash flow forecasts, long-term growth rate and discount rate used in the valuation model.</p> <p>The valuation of the AFS financial asset was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 30 June 2016. Refer to page 90 of this Annual Report.</p>
Impairment assessment of goodwill and intangible asset	<p>The AC considered the approach and methodology applied to the valuation model in goodwill impairment assessment as well as the assessment for indicators of impairment of intangible asset. It reviewed the reasonableness of cash flow forecasts, the long-term growth rate and discount rate.</p> <p>The impairment review was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 30 June 2016. Refer to page 90 of this Annual Report.</p>

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

External Auditor Fees for FY2016	S\$'000	% of total audit fees
Total Audit Fees	692	-
Total Non-Audit Fees	331	48%
Total Fees Paid	1,023	-

Internal Controls and Regulatory Compliance

The AC reviewed and assessed the effectiveness of SGX's internal controls and regulatory compliance. Taking into account the internal controls established and maintained by SGX, the work performed by the internal and external auditors as well as the compliance function, and reviews performed by management and various Board committees, the AC is of the opinion and recommends to the Board that SGX's internal controls addressing financial, operational, compliance and information technology risks were adequate as at 30 June 2016.

Oversight of Internal Audit and Compliance

The AC exercised its oversight over Internal Audit and Compliance throughout the year. The AC reviewed the following:

- scope of the annual internal audit plans to ensure that the plans provided a sufficiently robust review of the internal controls of SGX;
- scope of annual compliance plans;
- significant audit observations and management's responses thereto;
- regulatory breaches and management's responses thereto;
- approval of Internal Audit and Compliance Charters;
- adequacy and effectiveness of Internal Audit; and
- budget and staffing for Internal Audit and Compliance functions.

The AC Chairman met regularly with the Head of Internal Audit without the

presence of management, more than four (4) times for the financial year under review. The Head of Internal Audit provided regular updates to the AC on the workings of the Internal Audit function. For the financial year under review, the AC Chairman guided the Internal Audit function in adopting the prescribed practices published in the revised Audit Committee Guidance Committee Guidebook.

The AC also reviewed management's and Internal Audit's assessment of fraud risk and held discussions with the external auditor to obtain reasonable assurance that adequate measures were put in place to mitigate fraud risk exposure in SGX.

Interested Person Transactions and Material Contracts (Rule 1207(8) of the Listing Manual)

There were no Interested Person Transactions and no material contracts entered into by SGX or any of its subsidiaries involving interests of any Director or controlling shareholder during FY2016.

Internal Audit

PRINCIPLE 13

Internal Audit

Annually, Internal Audit prepares and executes a robust risk-based audit plan, which complements that of the external auditor, so as to review the adequacy and effectiveness of SGX Group's system of internal controls. These include operational, financial, compliance and information technology controls. In addition, the external auditor will highlight any material internal control weaknesses which have come to their attention in the course of their statutory audit. All audit findings and recommendations made by the internal and external auditors are reported to the AC. Significant issues are discussed at AC meetings. Internal Audit follows up on all

recommendations by the internal and external auditors to ensure management has implemented them in a timely and appropriate fashion and reports the results to the AC every quarter.

Line of Reporting and Activities

Internal Audit is an in-house function within SGX. The Head of Internal Audit reports directly to the AC and administratively to the CEO. The AC approves matters relating to the Internal Audit Charter, risk assessment and related audit plans and results and follows up on internal audit activities. The AC approves the hiring, removal, performance evaluation and compensation of the Head of Internal Audit. Internal Audit has unfettered access to all of SGX's documents, records, properties and personnel including the AC Chairman.

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

All audit reports are circulated to the AC, the CEO, the external auditor and relevant senior management representatives. The progress of corrective actions on outstanding audit issues is monitored through company-wide issue management systems. Information on outstanding issues is categorised according to severity and quarterly reports are sent to senior management and the AC.

Corporate Governance Report

Adequacy of the Internal Audit Function

Internal Audit's annual workplan is established in consultation with, but independent of management and is aligned with the risk management framework of SGX. The plan is submitted to and approved by the AC. The AC is satisfied that the Internal Audit function has adequate resources to perform its functions, and has appropriate standing within SGX. The AC also reviews annually the adequacy and effectiveness of the Internal Audit function. As at 30 June 2016, there are 10 staff within the Internal Audit function.

Professional Standards and Competency

Internal Audit is a member of The Institute of Internal Auditors (IIA) and has adopted the Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA. Internal Audit continues to meet or exceed the requirements of the IIA Standards in all key aspects. Quality assessment reviews are carried out at least once in five years by external qualified professionals. The last review was completed in 2013 and the next review will be conducted by 2017. Besides the IIA, the technology auditors in the Internal Audit function are members of the Information Systems Audit and Control Association (ISACA).

The professional competence of the internal auditors is maintained or upgraded through training programmes, conferences and seminars that provide updates on auditing techniques, regulations, financial products and services. Internal Audit is staffed with suitably qualified and experienced professionals with a range of 5 to 15 years of diverse operational, technology and financial audit experience.

Compliance

The Compliance function is independent of the business functions and reports directly to the CEO. The role of the Compliance function and its accountability to the CEO and the Audit Committee is described in the Compliance Charter, which is reviewed annually and approved by the Audit Committee. The Compliance function has various policies and procedures in place which govern the execution of an annual risk-based compliance programme, focusing on regulatory risks arising from SGX's obligations to comply with applicable laws and regulations. The programme comprises a combination of regulatory risk assessments and responses, compliance training (including mandatory annual e-learning), independent compliance reviews, and regular reporting to senior management, the AC and regulators on breaches, significant compliance issues and relevant action plans.

Shareholder Rights and Responsibilities

Shareholder Rights

PRINCIPLE 14

SGX Group's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, SGX ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet. SGX recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in SGX.

Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders are also informed of the rules, including the voting procedures that govern the

general meetings of shareholders. SGX's Articles allow a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold SGX shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each AGM.

Communication with Shareholders

PRINCIPLE 15

Disclosure of Information on a Timely Basis

SGX is committed to disclosing to its shareholders as much relevant information as possible, in a timely, fair and transparent manner.

In addition to comprehensive, accurate and timely disclosure of information that is material or that may influence the price of SGX shares on SGXNET in compliance with the requirements of the Listing Manual, SGX adopts the practice of regularly communicating major developments in its businesses and operations through the appropriate media. Such channels include news releases, annual reports, shareholder circulars, shareholders' meetings, and direct announcements.

SGX notifies investors in advance of the date of release of its financial results, through an SGXNet announcement, and a media release. Results for the first three quarters are released to shareholders no later than 25 days from the end of the quarter. Annual results are released within 31 days from the financial year-end.

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

briefings, accessible by the public, are available on SGX's website.

Interaction with Shareholders

At each AGM, the CEO delivers a presentation to update shareholders on SGX's progress over the past year. The Directors, EMCO and senior management are in attendance to address queries and concerns about SGX. SGX's external auditor also attends to help address shareholders' queries relating to the conduct of the audit and the preparation and content of the external auditor's report.

Dividend Policy

For FY2017, the Board aims to declare a base dividend of 5 cents per share every quarter. For each financial year, the Board aims to pay, as dividend, an amount which is no less than (a) 80% of the annual net profit after tax; or (b) 20 cents per share, whichever is higher. The difference between the targeted dividend and the interim base dividend will be declared and paid as final dividend of each financial year.

Corporate Website

SGX adopts transparent, accountable and effective communication practices as a key means to enhance standards of corporate governance. We aim to provide clear and continuous disclosure of our corporate governance practices through efficient use of technology. The following information is made available on our corporate website within six (6) weeks from the date of events:

- Board of Directors and EMCO profiles;
- Minutes and Summary of Proceedings of general meetings of shareholders;
- Audiocasts of general meetings of shareholders;
- Annual Reports;
- Letter/Circular to Shareholders;
- Company announcements;
- Press releases;

- Financial Results; and
- Calendar of Events.

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

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

Conduct of Shareholder Meetings

PRINCIPLE 16

Shareholders are informed of shareholders' meetings through published notices and reports or circulars sent to all shareholders or at the shareholder's election, made available electronically. The general meeting procedures provide shareholders the opportunity to raise questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage, and openly communicate their views on matters relating to SGX to the directors.

Shareholders are given the opportunity to vote at the general meetings of shareholders. SGX has been conducting electronic poll voting for all the

resolutions passed at the general meetings of shareholders for greater transparency in the voting process. Votes cast for, or against, each resolution will be tallied and displayed live-on-screen to shareholders immediately at the meeting. The total numbers and percentage of votes cast for or against the resolutions are also announced after the meeting via SGXNet. However, as the authentication of shareholder identity and other related security and integrity of the information still remain a concern, SGX has decided, for the time being, not to implement voting in absentia by mail, e-mail or fax.

The Chairman of each of the AC, NGC, RSDC, RCC and RMC, external auditor, senior management and legal advisors (where necessary), are also present to address shareholders' queries.

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

Audiocasts of the AGM proceedings are publicly available on SGX's website.

Other Codes & Practices

Employee Code of Conduct & Ethics

All employees are required to observe and maintain high standards of integrity, as well as comply with laws, regulations and company policies. SGX sets standards of ethical conduct for employees, which covers all aspects of the business operations of SGX such as work ethics, personal conflicts of interest, confidentiality of information, related party transactions, gifts and dealings in securities.

Corporate Governance Report

Securities Dealings

To guard against insider trading, SGX adopts a “black-out” policy that is consistent with what is prescribed under the Listing Manual. All directors and staff and their “related persons” (e.g. spouses and financial dependents) are prohibited from dealing in SGX’s securities for a period of two weeks before the release of the financial results for the first three quarters of SGX’s financial year, and one month before the release of the full year results.

SGX issues a quarterly notice to its directors and staff informing them not to deal in SGX’s securities during a black-out period and that they are prohibited at all times from trading in SGX securities if they are in possession of unpublished price-sensitive information. Directors and staff are also discouraged from dealing in SGX’s securities on short term considerations.

In addition to the black-out policy on SGX’s securities, staff and their “related persons” who want to trade securities of any company listed on Singapore Exchange Securities Trading Limited must, subject to certain prescribed exceptions, seek prior approval from their managers. Staff are prohibited at all times from trading in the securities of any company if they are in possession of material non-public information concerning that company.

All SGX staff are required to complete an annual online refresher module on SGX’s staff dealing requirements as part of SGX’s mandatory compliance training.

Confidential Information

SGX deals with confidential information on a daily basis. Protecting confidential information is of paramount importance to establishing and maintaining a trusted marketplace. SGX provides clear guidance to its staff on the proper management, use and disclosure of confidential information. SGX’s Confidentiality Policy and SGX’s Personal Data Protection Policy set out SGX’s framework and procedures for compliance with, among other things, the user confidentiality obligations under the SFA, and the personal data obligations under the Personal Data Protection Act.

Anti- Corruption, Gifts and Entertainment

SGX has zero tolerance for bribery and corruption. SGX requires its employees to comply with the relevant anti-corruption legislation in Singapore and overseas, and to follow SGX’s internal procedures when giving or receiving gifts, entertainment, sponsorships and charitable contributions. This requirement extends to all of SGX’s business dealings in all countries in which it operates. SGX will always forgo business rather than pay bribes and fully supports its employees when faced with losing business owing to SGX’s refusal to pay bribes.

Summary of Disclosures of Code of Corporate Governance 2012

Board Matters	Remuneration Matters	Accountability and Audit	Shareholder Rights and Responsibilities
The Board's Conduct of Affairs	Procedures for Developing Remuneration Policies	Accountability	Shareholder Rights
PRINCIPLE 1 Page 46	PRINCIPLE 7 Page 53	PRINCIPLE 10 Page 55	PRINCIPLE 14 Page 60
Guideline 1.1 Page 46	Guideline 7.1# Page 53	Guideline 10.1 Page 55	Guideline 14.1 Page 60
Guideline 1.2 Page 51	Guideline 7.2 Page 53	Guideline 10.2 Page 55	Guideline 14.2 Page 60
Guideline 1.3# Page 46	Guideline 7.3# Page 54	Guideline 10.3 Page 55	Guideline 14.3 Page 60
Guideline 1.4# Pages 46-47	Guideline 7.4 Page 53		
Guideline 1.5# Page 48			
Guideline 1.6# Page 48			
Guideline 1.7 Page 48			
Board Composition and Guidance	Level and Mix of Remuneration	Risk Management and Internal Controls	Communication with Shareholders
PRINCIPLE 2 Page 48	PRINCIPLE 8 Page 54	PRINCIPLE 11 Page 55	PRINCIPLE 15 Page 60
Guideline 2.1 Page 48	Guideline 8.1 Page 54	Guideline 11.1 Page 56	Guideline 15.1 Page 61
Guideline 2.2 Page 48	Guideline 8.2 Page 54	Guideline 11.2 Page 56	Guideline 15.2 Page 60
Guideline 2.3# Page 48	Guideline 8.3 Page 54	Guideline 11.3# Page 56	Guideline 15.3 Page 61
Guideline 2.4# Page 48	Guideline 8.4 Page 54	Guideline 11.4 Page 55	Guideline 15.4# Page 60
Guideline 2.5 Page 49			Guideline 15.5# Page 61
Guideline 2.6 Page 49			
Guideline 2.7 Page 49			
Guideline 2.8 Page 49			
Chairman and Chief Executive Officer	Disclosure on Remuneration	Audit Committee	Conduct of Shareholder Meetings
PRINCIPLE 3 Page 49	PRINCIPLE 9# Page 55	PRINCIPLE 12 Page 56	PRINCIPLE 16 Page 61
Guideline 3.1# Page 49	Guideline 9.1# Pages 54-55	Guideline 12.1# Page 56	Guideline 16.1 Page 61
Guideline 3.2 Page 49	Guideline 9.2# Pages 54-55	Guideline 12.2 Page 56	Guideline 16.2 Page 61
Guideline 3.3 Page 50	Guideline 9.3# Page 55	Guideline 12.3 Page 57	Guideline 16.3 Page 61
Guideline 3.4 Page 50	Guideline 9.4# Page 55	Guideline 12.4 Page 57	Guideline 16.4 Page 61
	Guideline 9.5# Page 55	Guideline 12.5 Pages 58-59	Guideline 16.5 Page 61
	Guideline 9.6# Page 55	Guideline 12.6# Page 59	
		Guideline 12.7# Page 57	
		Guideline 12.8# Pages 58-59	
		Guideline 12.9 Page 56	
Board Membership		Internal Audit	
PRINCIPLE 4 Page 50		PRINCIPLE 13 Page 59	
Guideline 4.1# Page 50		Guideline 13.1 Page 59	
Guideline 4.2 Page 50		Guideline 13.2 Page 59	
Guideline 4.3 Page 51		Guideline 13.3 Page 60	
Guideline 4.4# Page 51		Guideline 13.4 Page 60	
Guideline 4.5 Page 51		Guideline 13.5 Page 57	
Guideline 4.6# Page 50			
Guideline 4.7# Pages 12-17			
Board Performance			
PRINCIPLE 5 Page 51			
Guideline 5.1# Page 51			
Guideline 5.2 Page 52			
Guideline 5.3 Page 52			
Access to Information			
PRINCIPLE 6 Page 52			
Guideline 6.1 Page 52			
Guideline 6.2 Page 52			
Guideline 6.3 Page 53			
Guideline 6.4 Page 53			
Guideline 6.5 Page 53			

Express disclosure requirements in Code of Corporate Governance 2012

Self-Regulatory Organisation Governance Report

Obligations

SGX is a front-line regulator, regulating market participants including listed companies, and trading & clearing members. SGX is also a listed, for-profit entity with a widely distributed ownership and shareholder base. This gives rise to Self-Regulatory obligations. We employ the highest standards in carrying out our dual role and ensure that any potential conflicts between our responsibilities as a regulator and as a listed company are addressed. We remain the custodians of trust and confidence in the Singapore market.

Our regulatory activities remain focused on:



Operating a fair, orderly and transparent market



Admitting high quality issuers and market intermediaries



Providing safe and efficient clearing and settlement facilities



Supporting the continuous development of SGX's markets and clearing houses

We achieve our objectives through stringent listing and trading rules. We apply strict admission criteria on our members, sponsors and their registered professionals and issuers to assure their quality and safeguard the integrity of the markets and clearing houses. Issuers must ensure the timely, accurate and adequate disclosure of material information. We also impose prudent financial requirements on our members and have robust default management processes. To ensure compliance with our rules, we conduct comprehensive ongoing supervision and surveillance and take enforcement action when necessary. We continually benchmark ourselves against developed jurisdictions and established international standards to improve our systems and processes.

Managing Self-Regulatory Organisation (SRO) Conflicts

The Monetary Authority of Singapore (MAS) regulates SGX in the discharge of our regulatory functions and our management of regulatory conflicts. We have a strong governance framework in place to manage any perceived or actual conflicts. The Regulatory Conflicts Committee (RCC) assists the SGX Board with the management of SRO conflicts. The RCC comprises directors who are independent of management and business relationships with SGX. Appointments to the RCC are subject to MAS approval. In addition, the Listings Advisory Committee was introduced in October 2015 to enhance SGX's

framework for managing actual or perceived conflict arising from SGX's dual role as a commercial for-profit entity and a Securities Market Regulator.

The RCC decides on conflict cases, as needed, and reviews the regulatory implications of our strategic initiatives. The RCC also ensures the adequacy of resources allocated to the regulatory function and oversees the processes for identifying and managing regulatory conflicts. The RCC reports to MAS annually on the adequacy of our conflicts management framework and practices as required under the Securities and Futures Act.

The RCC reported to the MAS in November 2015 that they had fulfilled their statutory duties in overseeing SRO governance within SGX, adequacy of regulatory resources and in addressing SRO conflicts.

Enhancing the Quality of Our Marketplace

We continue to set and enforce regulation to assure a fair, orderly and transparent marketplace and as such have implemented new rules and policies this year.

Minimum Trading Price Requirement

The Minimum Trading Price (MTP) of S\$0.20 a share for Mainboard companies came into effect after a one-year transition period ended

on 1 March 2016. Several issuers were affected as a result of their share price being below the required MTP. SGX continued its engagement with all affected issuers over the course of the year to help transition them to the new requirement. We also made several refinements including a change in the calculation methodology of the Volume Weighted Average Prices (VWAP) for determining the MTP. Another refinement was the extension of time granted to companies that had made efforts to comply with the MTP requirement such as those which had undertaken consolidation within the review period and those unable to comply with the MTP due solely to turbulent market conditions. We worked to place safeguards against error trades in consolidated companies that included technical changes for the application of circuit breakers and fat finger checks, provision of a list of upcoming consolidations to brokers as well as reminders to brokers to ensure that they draw investors' attention to stocks trading on the first day post consolidation.

We will continue to closely monitor and review the current form of the MTP requirement with a view to further enhancing effectiveness and efficiency.

Listings Committees

The establishment of the independent Listings Committees is now complete with the committees set up to strengthen the listing policy-making and review process and enhance how listing rules are enforced.

The Listings Advisory Committee (LAC) enables SGX to draw upon the view of a panel of independent and experienced market professionals who will provide advice on SGX's listing process as well as listing applications to the Mainboard which meet certain referral criteria. The criteria include where novel or unprecedented issues are involved, specialist expertise is required, or matters of public interest are involved.

The establishment of the LAC also helps address perceptions of self-regulatory organisation conflicts, or concerns SGX could compromise on regulatory standards and/or admit companies for commercial benefits.

To improve the governance and compliance standards of the listing space, SGX also strengthened the range of enforcement actions it can take against companies, directors and executive officers, issue managers, and financial advisors advising on reverse takeover applications, for Listing Rule breaches. The independent Listings Disciplinary Committee (LDC) and Listings Appeals Committee (LApC) were established to hear and determine charges and appeals for cases involving rule breaches that are more serious and entailing more severe sanctions.

These committees will enhance the transparency and independence in the administration of sanctions for such cases.

Retail Access to Wholesale Bonds

We introduced a bond-seasoning framework as part of efforts to increase the range of bonds available to retail investors.

The framework enables retail investors to buy wholesale bonds initially offered to institutions and accredited investors, six months after the bonds are listed on SGX. These bonds will be offered by issuers that meet minimum criteria relating to their size, track record and listing history. After the six-month period, issuers may also make subsequent direct offers of bonds to retail investors under the same terms without issuing a prospectus. An exempt bond issuer framework was also introduced to allow certain eligible issuers to offer bonds directly to investors at the onset without a prospectus.

Association of Banks Singapore

– Due Diligence Guidelines

To raise the standard of due diligence activities on all companies wanting to list on SGX, we worked closely with the Association of Banks in Singapore (ABS), auditors, lawyers, local and international banks, and corporate finance firms to refine and update the ABS Listings Due Diligence Guidelines.

The updates draw upon our experiences with regulating foreign issuers from developing countries in setting out additional due diligence procedures, which Issue Managers and Full Sponsors will be expected to undertake when preparing a new applicant for listing on SGX. The improvements to the Guidelines will help ensure quality listings and grow investors' trust and participation in our market.

Sustainability Reporting

SGX introduced a new listing rule for sustainability reporting on a 'comply or explain' basis for all companies listed on the exchange. By reporting on its Environmental, Social and Governance aspects, a company can further enhance transparency and visibility among investors who support sustainable investment as well as build and maintain trust in their business. The requirement for sustainability reporting on a 'comply or explain' basis was developed with extensive feedback gathered from surveys and working groups with listed companies, investors and a detailed public consultation.

To enhance reporting capabilities of listed companies, SGX will invite CEOs to a briefing session and is collaborating with Global Compact Network Singapore to organise training workshops by sustainability reporting consultants.

Self-Regulatory Organisation Governance Report

Enhanced Trade with Caution Announcements

We enhanced our Trade with Caution (TWC) announcements by providing more targeted and higher value information

in instances of unusual trading activity in a company's stock. Where warranted, information gathered from review of trading activities will also be included to enhance informational value and provide transparency of both SGX's concerns as well as its regulatory actions. The changes follow feedback from stakeholders about the previous high volume of TWC announcements with little new information being provided. SGX has issued two TWCs following the enhancements.

Management of Price Sensitive Information

We widened the scope of the requirement for listed companies to maintain a privy person list to cover all material transactions, from only certain significant transactions i.e. takeovers, reverse takeovers or very substantial acquisitions previously. The privy person list is a useful tool when SGX conducts an investigation into, for instance, insider trading. To enhance robustness in the prevention of insider trading, we are setting up a working group comprising key stakeholders to examine the practices currently adopted for price-sensitive information and identify areas for improvement. Once complete, we will issue a set of best practices. This will complement the exchange's surveillance of unusual trading in shares of companies involved in significant transactions.

Surveillance Handbook

To provide guidance to Members on industry best practices and to define the baseline standards for trade surveillance monitoring programs, we are developing a Members' Surveillance Hand Book. Simultaneously, we are working on a new initiative to share information from our surveillance activities that relate to individual members and their respective trading representatives to enable members to enhance their own trade monitoring, and nip any potential misconduct in the bud.

Online Calendar for Annual General Meetings

SGX together with the Chartered Secretaries Institute of Singapore launched an online calendar for listed companies to indicate their tentative Annual General Meeting (AGM) dates. The calendar helps companies to try to schedule their AGMs on days that are either free of other AGMs, or have fewer AGMs occurring. The initiative is in response to feedback that many AGMs are clustered around the last two weeks of April; if AGMs are more evenly spread out throughout April, investors may be able to attend a higher number of AGMs to exercise their shareholder vote.

Refining SGX Trading Rulebook

As part of our continuous effort to renew our policies, we embarked on a major initiative to completely review our Securities and Derivatives Trading rulebooks. The aim is to ensure that our policies are relevant to the current market environment, aligned with international practices, and consistent across the markets we operate. We will do so with active involvement of our Members and relevant stakeholders in our regulatory development process.

Automated Trading Service in Hong Kong

We continued work with the Hong Kong Securities and Futures Commission in FY2016 which resulted in an approval of the Automated Trading Services for SGX-ST that will allow the Hong Kong broking community direct access to shares listed on SGX-ST.

Regulatory Activities in FY2016

Front-line Regulatory Activities

SGX conducts rigorous real-time surveillance of trading activities to promote orderly trading and detect any undesirable market conduct. Where there is any indication of anomalous trading, we issue a public query to the listed company to see if it has unannounced material information that could explain the trading activity. This year, we issued 136 public queries.

For potential breaches of the law, SGX works with the relevant agencies and authorities to take appropriate action. This helps in preserving the integrity of our market. In the year, we referred 32 cases to the authorities.

Appropriate enforcement action is taken against errant Members and Sponsors who breach our rules and financial requirements. For breaches of our rules, we imposed a total of S\$40,000 in composition fines on two of our Member firms and issued letters of warnings and advisory notes to other Member firms, Sponsors and Registered professionals. We also charged a trading representative for having created a false market in certain share counters by employing a “*layering*” scheme. The trading representative was fined S\$180,000 and suspended for 6 months by the Disciplinary Committee.

Listings Applications

We continued to uphold high listing standards to ensure the quality of our issuers. During the year, we received 29 Initial Public Offering (IPO) and Reverse Takeover (RTO) applications and notifications. Including applications and notifications from the previous year, 24 were approved or proceeded to lodge and 6 applications were returned or withdrawn.

Member and Sponsors Admissions and Inspections

We conduct periodic inspections and reviews of Members to ensure that they have put in place adequate internal controls in accordance with our rules. We also monitor the financial health of all Members on an ongoing basis. Members must immediately notify us when their financial resources decline to prescribed threshold levels so that we can take early and appropriate mitigating actions. This is necessary to protect the interests of their customers. In addition, we conduct periodic inspections and reviews of Sponsors for assurance that key processes, procedures and systems are in place to discharge their duties and obligations under our rules.

We strengthened supervision of Members by increasing the number of on-site inspections and compliance visits from 25 in FY2015 to 30 in FY2016. We also conducted risk-based inspections on three Sponsors and offsite reviews on four Sponsors.

We are constantly looking to broaden the scope of participation in our exchange and clearing house. In this respect, we admitted 26 Proprietary Trading Members and 10 Agency Members, including our first Securities Remote Trading Member. On the Catalist sponsorship front, we admitted two full Sponsors during the year.

Enhancing Trust in Regulation

Communications play a vital role in enhancing trust and developing our market. In FY2016, we focused on increasing the market's understanding of our regulatory approaches, increased engagements with stakeholders and made more regulatory resources available online.

We put emphasis on engaging with key stakeholders by keeping them well informed of our initiatives, seeking for, and responding directly to their feedback and supporting greater discussion of initiatives.

To enhance transparency and address trends that are of regulatory concern, we published seven Regulator's Columns to provide guidance and awareness on topical issues as well for the first time, case studies of private disciplinary actions. We introduced guidelines for Catalist sponsors, a toolkit to aid companies in common corporate actions and a half-yearly report on long-suspended companies. All these were made available on our website. We also published a summary of the Listings Advisory Committee's first advice.

We also spoke at several conferences and forums and engaged the media and industry professionals to provide insights into our Regulatory processes. This included our first-ever SGX Equities Dialogue, the first regulatory round-table which centered on sustainability reporting, and an information session on the initial public offer process for members of the media.

We will continue to be open to feedback from our stakeholders as we execute our regulatory initiatives. We intend to increase clarity on our regulatory approaches, keep our communication channels with stakeholders open and increase transparency on our regulatory thinking and focus areas.

Engaging the Investing Public

SGX is committed to improving investors' understanding and ability to make better-informed investment decisions. The Investor Education Fund (IEF) supports initiatives towards this endeavor with the Investor Education Committee (IEC) comprising industry practitioners and senior management of SGX administering the IEF. The IEF is a fund comprising composition sums, fines, orders for costs arising from or in connection with breaches of SGX rules and other monies contributed to the fund for investor education purposes. A recent amendment of SGX Listing rules in relation to the establishment of the Listings Committees gives the Listings Disciplinary Committee and Listings Appeals Committee powers to impose fines against issuers and make orders for costs in connection to breaches of listing rules. These monies are channelled to the IEF for investor education purposes.

In FY2016, the IEF saw an increase of S\$220,000 arising from fines and composition sums collected in connection to rule breaches. During the year, the IEC approved funding of more than S\$1.6m for investor

Self-Regulatory Organisation Governance Report

education projects that included both SGX-led projects as well as supporting the initiatives of industry partners.

Continuing with its retail outreach efforts, SGX held two runs of My First Stock Carnival (MFSC). MFSC @ UniSIM took place in October 2015. MFSC @ Ngee Ann City Civic Plaza was held in May 2016 where it included The Real Estate Investment Trust (REITs) Race to help new investors learn about the REITs sector and investment opportunities in Singapore. These events attracted about 3,000 and 5,200 visitors respectively.

SGX also launched a series of initiatives to raise investors' understanding of the risks and opportunities associated with investing in the fast evolving digital sector. An independent research paper titled "Investing in Financial Technology and Consumer Digital Technology Companies" was commissioned which is available on the SGX webpage and has seen over 1,900 downloads to-date. Complementing this is a series of investor education videos and seminars to provide an overview and key summaries of the sub-sectors. To date, four videos have been produced and in total, they have achieved over 155,000 views. Five seminars were organised this year and attracted a mix of institutional and retail investors, as well as financial professionals.

The IEF also co-funded various partners on investor education initiatives. SGX supported the Securities Investors Association (Singapore) (SIAS) in various projects and Securities Association of Singapore (SAS) in their seminars and workshops to upskill customers of brokers.

In addition to initiatives supported by the IEF, SGX continued to partner stakeholders in strengthening investor education. These include the 'Save & Invest Portfolio Series' – an education initiative jointly put together by CFA Society Singapore, Singapore Press Holdings, MAS and SGX. This initiative has helped many Singaporeans learn how to construct investment portfolios to meet their financial goals and will continue until December 2016.

An Exchange Traded Fund (ETF) education campaign was also rolled out following the change in Excluded Investment Product (EIP) requirements, which gave retail investors more options in EIP ETFs to choose from. The ETF campaign includes monthly ETF seminars, an ETF Pavilion @ INVEST Fair, a 5-part editorial series on Straits Times, ETF animated e-tutorials, monthly ETF market research reports and an enhanced ETF screener providing information at a glance.

We also launched a new 2-minute segment "SGX Stock Market Beat" that debuted on Channel 8 in November 2015 and ran for 6 weeks to provide viewers with bite size investment and market information. To help new investors ease into their first steps in investing we launched a new 'Welcome e-Newsletter' for new CDP account holders by introducing relevant SGX tools and resources to them. Since the launch in March 2016, the e-newsletter maintains an average 'Open Rate' of 92%.

Report of Independent Committees

Overview

SGX's systems to deal with self-regulatory organisation conflicts include the setting up of independent committees to supplement its regulatory and disciplinary processes. To ensure impartial and independent administration of their powers, the members of SGX's independent committees are not directors, officers or employees of SGX or its related corporations.

SGX undertook a major initiative to supplement its listings regulatory process with the establishment of the Listings Advisory Committee, Listings Disciplinary Committee and Listings Appeals Committee on 7 October 2015.

In addition to conflicts prevention, the establishment of the Listings Advisory Committee also enables SGX to draw upon the views of a panel of independent and experienced market professionals. The Listings Advisory Committee provides advice on SGX's listing policies and Mainboard listing applications which involve novel or unprecedented issues, or where specialist expertise is required, or which involve matters of public interest. The Listings Advisory Committee currently has 16 members with legal, accounting, corporate finance and market experience, and also includes representatives of the investment community.

The Listings Disciplinary Committee and Listings Appeals Committee were established in conjunction with the strengthening of the range of enforcement actions which can be taken for listing rule breaches, with the aim of improving the governance and compliance standards of the listing space. The Listings Disciplinary Committee and Listings Appeals Committee will hear and determine charges and appeals for cases

involving more serious breaches and entailing more severe sanctions against listed issuers, directors and executive officers, issue managers, financial advisors advising on reverse takeover applications, sponsors and registered professionals. Sanctions the two committees can mete out include fines for issuers, prohibiting issuers from raising funds through SGX for up to 3 years, requiring the resignation of directors or executive officers and issuance of public reprimands. The transparency and independence in the administration of sanctions for listing rule breaches will be enhanced with these 2 committees.

Aside from listing rule breaches heard by the Listings Disciplinary and Appeals Committees with members drawn from the Disciplinary and Appeals Committees respectively, breaches of SGX's trading and clearing rules will continue to be heard by the Disciplinary Committee and Appeals Committee.

The Disciplinary Committee is able to impose a wide range of sanctions against trading or clearing members, their directors, trading representatives, approved traders, registered representatives, officers, employees or agents including reprimands, fines, restrictions or conditions on activities, suspension, expulsion, revocation of authorisation, deregistration, requiring persons to undertake an education or compliance program, ordering directors to relinquish their day-to-day roles and appointing a manager to manage a member's business.

The Appeals Committee hears appeals by SGX or the party facing the charge against the Disciplinary Committee decisions, and in the case of listing matters, the Listings Appeals Committee additionally hears appeals against certain decisions of SGX. The decision of the Appeals Committee or Listings Appeals Committee is final.

The Disciplinary Committee currently comprises 14 members and the Appeals Committee comprises 7 members. The Disciplinary Committee and Appeals Committee members have legal, accounting, corporate finance, market experience, as well as directorship experience in SGX-listed issuers.

The independent committees are supported by the Office of the Secretariat which manages the processes of the independent committees' meetings and hearings. The Office of the Secretariat is independent of the business and regulation functions within SGX and the Head of the Office of the Secretariat reports directly to the Chairmen of the respective committees.

The operation of the Committees and the Office of the Secretariat is funded separately by a newly established Compliance Fund, which is segregated from the rest of SGX's monies. The Compliance Fund comprises an annual earmarked amount received by SGX from listing revenue. In FY2016, the operating costs of the Committees and the Office of the Secretariat amounted to S\$521,320.

Listings Advisory Committee Annual Report

Note from the Listings Advisory Committee Chairman

The Listings Advisory Committee ("LAC") was established on 7 October 2015 by SGX to supplement its listings regulatory process in reviewing Mainboard listing applications and formulating listing policies. The LAC is well represented by 16 members with legal, accounting, corporate finance and market experience, and representatives of the investment community, all of whom are independent of SGX.

Report of Independent Committees

Listing applications referred to the LAC can either be referred by SGX, or by me or the Deputy Chairman, Professor Tan Cheng Han, Senior Counsel, taking into account recommendations of the Secretariat. A listing application may be referred to the LAC when novel issues are involved, specialist expertise is required, matters of public interest are involved or when SGX is of the view that a referral is appropriate.

I am pleased to report on the LAC's activities in the first nine months following its establishment. Between 7 October 2015 and 30 June 2016, seven IPO listing applications were reviewed by me and the Deputy Chairman, together with the Secretariat. Out of these seven IPO listing applications, one was referred to the LAC by SGX, and one was referred to the LAC by the Deputy Chairman. As for the remaining five listing applications which were found not to satisfy any of the criteria for referral to the LAC, we had where appropriate, recommended prospectus disclosure on certain issues and provided general observations on our expectations in reviewing cases of a similar nature going forward.

IPO Referral Cases

The two IPO listing applications referred to the LAC involved issuers with foreign operations.

The first referral case in November 2015 involved past bill financing activities undertaken by companies within the listing applicant's group which did not comply with foreign laws. SGX had referred the case to the LAC as it was of the view that a referral was appropriate.

The second referral case in April 2016 involved the proposed establishment of a mechanism allowing the listing applicant to forfeit shares when a shareholder's holdings exceeding a prescribed limit that

had been set by the listing applicant. This is to ensure that the subsidiary of the listing applicant would enjoy lower tax rates under the applicable foreign law. The Deputy Chairman had referred the case to the LAC as the forfeiture mechanism was considered to be novel.

Listing Policy Referral

A listing policy matter was referred to the LAC in April 2016. Following the Companies Act amendment earlier this year removing the one-share-one-vote restriction in public companies, SGX sought the LAC's advice on whether companies with a dual class share structure should be permitted to list on SGX, and if so, the safeguards to be adopted. Given the long-term and wide-ranging impact of allowing listing of dual class share structures, the LAC met once in March 2016 and again in April 2016 to consider and render advice on the various propositions under the possible listing framework.

After robust discussions, an overwhelming majority of the LAC members present voted in favour of permitting dual class share structures to list on SGX, subject to various corporate governance safeguards to mitigate the inherent risks of such a dual class share structure.

The envisaged dual class share structure listing framework is intended to enhance SGX's attractiveness as a listing venue and to broaden and deepen Singapore's capital market. Unlike many other countries, Singapore does not have a vast hinterland providing a continuous pipeline of IPO-ready listing applicants. The LAC understands the need for SGX to attract quality listings from both within and outside Singapore, including companies with a dual class share structure. Quality IPO listings, together with a well-regulated market will

strengthen investor confidence and attract greater investor interest.

The grounds of decision of LAC's advice for the referral cases are available on [SGX's website](#).

Acknowledgements

I wish to express my appreciation to the Deputy Chairman for his legal expertise and the other distinguished LAC members for their valuable insights and contributions during LAC meetings.

I would also like to extend my sincere thanks to the Secretariat team headed by Ms Ng Ee San for their dedication and strong technical support in carrying out research and analysis to facilitate the LAC's discussions as well as organising and managing LAC meetings efficiently.

I look forward to the LAC's work ahead in the coming year. The LAC remains committed to working together with SGX in improving the quality of Singapore's capital market.

Mr Gautam Banerjee

Listings Advisory Committee Chairman

Listing Advisory Committee Members

The current members of the LAC are:

No.	Name	Position	Title
1	Mr Gautam Banerjee	Chairman	Chairman, Blackstone Singapore Pte Ltd Former Executive Chairman, PricewaterhouseCoopers Singapore
2	Professor Tan Cheng Han, Senior Counsel	Deputy Chairman	Chairman, Centre for Law & Business, Faculty of Law, National University of Singapore Board Member, Accounting and Corporate Regulatory Authority Commission Member, Competition Commission Singapore
3	Mrs Fang Ai Lian	Member	Adviser, Far East Organisation Former Managing Partner, Ernst & Young LLP
4	Mr David Gerald	Member	President and Chief Executive Officer, Securities Investors Association (Singapore)
5	Mr Subramaniam Iyer	Member	Founder and Director, S2K2 Advisory (operating as SmartCapital)
6	Mr Lionel Lee	Member	Group Chief Executive Officer and Managing Director, Ezra Holdings Limited
7	Mr Daryl Liew	Member	Co-Chairman, Advocacy Committee, CFA Society Singapore Head, Portfolio Management, Singapore, REYL Singapore Pte Ltd
8	Mr Lim Chin Hu	Member	Managing Partner, Stream Global Pte Ltd
9	Mrs Margaret Lui	Member	Chief Executive Officer, Azalea Asset Management Pte Ltd
10	Mr Mak Lye Mun	Member	Country Head and Chief Executive Officer, CIMB Bank Berhad Singapore Branch
11	Mr Kabir Mathur	Member	Director, KKR Singapore Pte. Limited
12	Mr Ronald Ong	Member	Chairman and Chief Executive Officer, Southeast Asia, Morgan Stanley Asia (Singapore) Pte.
13	Mr Soon Tit Koon	Member	Independent Director, Great Eastern Holdings Limited Independent Director, SPH REIT Management Pte. Ltd.
14	Professor Hans Tjio	Member	Co-Director, Centre for Banking & Finance Law, National University of Singapore Member, Securities Industry Council
15	Mr Toh Teng Peow David	Member	Director and Chief Technology Officer, Nanyang Technological University-NTUitive Pte. Ltd.
16	Ms Tracey Woon	Member	Vice-Chairman, Asia Pacific, Wealth Management, UBS AG

Report of Independent Committees

Disciplinary and Appeals Committees Report

Case heard in FY2016

On 28 June 2016, the Disciplinary Committee heard one case relating to breaches of the SGX-ST Rules by a trading representative of a SGX-ST Trading Member arising from his acts which led to a false market in certain securities. The trading representative was fined S\$180,000 and suspended for six months. The grounds of decision of the case are available on [SGX's website](#).

In FY2016, no case was brought before the Appeals Committee.

The current members of the Disciplinary Committee are:

No.	Name	Position	Title
1	Mr Eddie Tan	Co-Chairman	Corporate Regional Treasurer, Asia, Citibank N.A
2	Mr Eric Ang Teik Lim	Co-Chairman	Senior Executive Adviser, DBS Bank Ltd
3	Mr Hamidul Haq	Deputy Chairman	Partner, Rajah & Tann Singapore LLP
4	Mr Leong Mun Wai	Deputy Chairman	Chief Executive Officer, Wintop Capital Pte. Ltd.
5	Mr Hemant Bhatt	Member	Chief Executive Officer – Downstream & Commercial, Golden Agri-Resources Ltd
6	Mr Paul Davies	Member	Former Managing Director, Goldman Sachs Futures Pte.
7	Mr Kan Shik Lum	Member	Independent Director, Mapletree Commercial Trust
8	Mr Lam Chee Kin	Member	Managing Director, Head of Legal, Compliance and Secretariat, DBS Bank Ltd
9	Mr Mah Kah Loon	Member	Managing Director and Head of Corporate and Investment Banking, Singapore, CIMB Bank Berhad
10	Mr Francis Mok Lip Wee	Member	Partner, Allen & Gledhill LLP
11	Mr Colin Ng Teck Sim	Member	Executive Chairman and Partner, Colin Ng & Partners LLP
12	Mr Teyu Che Chern	Member	Chief Executive Officer, Phillip Futures Pte Ltd
13	Mr Lucas Tran	Member	Partner, Diversified Industrials & Infrastructure, KPMG LLP
14	Ms Yeoh Choo Guan	Member	Managing Director, UBS AG and Chief Executive Officer, UBS Securities Pte. Ltd.

Appeals Committee Members

During FY2016, one new member, Mr Michael Smith, was added to the Appeals Committee.

The current members of the Appeals Committee are:

No.	Name	Position	Title
1	Mr Francis Xavier, Senior Counsel, PBM	Chairman	Regional Head, Dispute Resolution, Rajah & Tann Singapore LLP
2	Mr George Lee	Member	Adviser, OCBC Bank (M) Bhd
3	Mr Lim How Teck	Member	Chairman, Redwood International Pte Ltd Chairman, Heliconia Capital Management Pte. Ltd. Chairman, ARA-CWT Trust Management (Cache) Limited Chairman, Swissco Holdings Limited Chairman, NauticAWT Limited
4	Mr Quek Suan Kiat	Member	Director, Singapore Accountancy Commission Director, Gardens by the Bay Former Vice Chairman, Barclays Bank Plc Singapore Branch
5	Mr Michael Smith	Member	Managing Director, Head, South East Asia, Head, Asia Pacific Real Estate, Goldman Sachs Singapore Pte.
6	Mr Michael Wong Ping Seng	Member	Director, Business Development, Phillip Securities Pte Ltd
7	Mr Hugh Young	Member	Managing Director, Aberdeen Asset Management Asia Limited

Remuneration Report

The Remuneration & Staff Development Committee (RSDC) reviews and recommends to the Board for approval matters concerning management development, succession planning and remuneration of senior management and employees and the remuneration of the Board.

The RSDC comprises the following directors:

Mr Kwa Chong Seng
Chairman
Mr Chew Choon Seng
Mr Liew Mun Leong
Mr Ng Kok Song

Compensation Philosophy

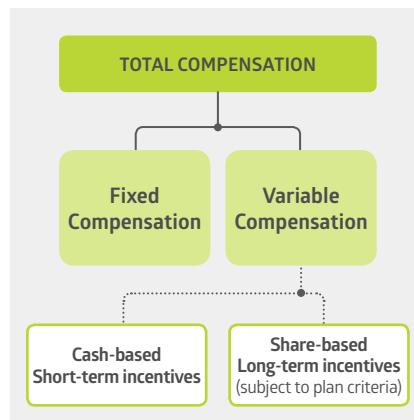
SGX adopts a compensation philosophy that is directed towards the attraction, retention and motivation of talent to achieve its business vision and create sustainable value for its shareholders. Pay-for-performance is emphasised by linking total compensation to the achievement of organisational and individual performance objectives, taking into consideration relevant regulatory standards and comparative compensation in the market to maintain market competitiveness.

With effect from 1 July 2015, the mix of fixed and variable compensation for employees was adjusted to align with the remuneration mix in the financial services industry, arising from a comprehensive review of SGX's compensation framework to ensure greater alignment of its pay policies and practices with the market and regulatory standards. Aon Hewitt (Singapore) Pte Ltd ("Aon Hewitt") consultants were engaged by the RSDC to conduct the review.

Aon Hewitt and its consultants are independent and not related to any of our directors.

Compensation Components and Mix

An employee's total compensation is made up of the following components:



In alignment with current regulatory standards, the mix of fixed and variable compensation for staff in Regulation, Risk Management, CFO's Office, Human Resources, Internal Audit and Legal, Compliance & Corporate Secretariat functions, collectively known as "control functions", is weighted towards fixed compensation. The proportion of variable or "at risk" compensation to the total compensation increases with job grade seniority. At the senior management level, up to 50% of variable compensation is deferred over a time period of three to four years in the form of share-based long-term incentives.

Fixed Compensation

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

The annual salary review is in July of each year. The RSDC approves the salary increment budget taking into account market trends and the profitability of SGX as a whole.

Variable Compensation

Variable compensation comprises cash-based short-term incentives and share-based long-term incentives. The award of variable compensation is approved by the RSDC and Management through a process where due consideration is given to corporate and individual performance in four broad categories of objectives, namely, financial; business and functional; regulatory and controls; and organisational and people development, as well as relevant comparative remuneration in the market. In line with the current regulatory standards, the control functions' performance objectives are based principally on the achievement of objectives for the functions, not directly linked to the company's financial performance.

Each year, the RSDC evaluates the extent to which each of the senior management has delivered on the corporate and individual objectives (details are not disclosed for strategic and confidentiality reasons) and based on the evaluation, approves the compensation for senior management and proposes the compensation for the CEO for the Board's approval.

Short-term Incentives

Short-term incentives take the form of an annual variable bonus for all employees excluding those participating in the sales incentive plan, who will receive sales incentive payment based on achievement of sale targets. Each year, the RSDC reviews and approves the variable bonus pool for distribution. The Management reviews and allocates variable bonus based on the individual performance of employees and their contributions towards SGX's performance. The sales incentive pool is generated by the achievement of sales targets and

Remuneration Report

distributed to employees based on the achievement of team and individual sales targets and corporate objectives.

Long-term Incentives

Long-term incentives (LTIs) create value for the company by aligning employees' long-term incentives to the achievement of SGX's long-term results. Furthermore, due to its time-based vesting characteristic, it carries a retention element that strengthens SGX's ability to reward and retain key employees.

In alignment with current regulatory standards, LTIs may be clawed back in the event of exceptional circumstances of misstatement of financial results or of misconduct resulting in financial or other losses to the company.

There are two types of LTIs – the SGX Performance Share Plan and the SGX Deferred Long-Term Incentives Scheme and the grants of which are made at the discretion of the RSDC. For the senior management, half of their deferred variable compensation is granted in performance shares under the SGX Performance Share Plan and the remaining half in deferred shares under the Deferred Long-Term Incentives Scheme. The number of shares awarded is determined using the valuation of the shares based on one-month volume-weighted average prices of SGX Shares before the approval of awards.

Total Incentives Funding

The total incentives pool funds the annual variable bonus for all employees (excluding those in control functions and on sales incentive plan) and the long-term incentive plans. It is computed using the following formula:

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

The SGX Performance Share Plan

The SGX Performance Share Plan is a share-based incentive scheme established with the objective of rewarding, motivating, and retaining key senior executives to optimise their performance standards. Through the Plan, SGX will be able to recognise and reward past contributions and services, and motivate the plan participants to continue to strive for SGX's long-term success.

The SGX Performance Share Plan ("SGX PSP"), after being in force for 10 years, expired on 21 September 2015. It was replaced by a new plan – the SGX Performance Share Plan 2015 ("SGX PSP 2015"), which was approved for adoption by the shareholders on 23 September 2015.

On the recommendation of Mercer Singapore consultants, who were engaged by the RSDC to review the performance share plan framework, the performance targets under the SGX PSP 2015 have been revised and the vesting period is extended by a year, to four years.

Mercer Singapore and its consultants are independent and not related to any of our directors.

Restrictions

The total number of new SGX shares which may be issued pursuant to awards granted under the SGX PSP 2015 on any date, when added to the total number of new shares issued and issuable in respect of all awards granted under the SGX PSP 2015 (and/or any share schemes then in force), shall not exceed 10% of the total number of SGX's issued shares (excluding shares held by the company as treasury shares) on the day preceding the relevant date of award.

Participants of SGX PSP are required to retain 50% of the total number of shares that are released to them for at least one calendar year from the vesting date. The vesting period of SGX PSP 2015 has been extended to four years (instead of three years for SGX PSP) and with that any shares that have been released by participants under SGX PSP 2015 are no longer subject to a retention period. Unless otherwise decided by the RSDC, the entitlement to this award is conditional on the plan participant remaining in service up to the specified vesting date.

Eligibility

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

FY2013 to FY2016 Grants

The performance share awards will vest upon the achievement of respective performance targets over the performance period. The performance targets were chosen as they are key financial measures that also drive alignment with shareholders' interests.

Details of the performance share grants for FY2013 to FY2016 are as follows:

Summary of Grants

Grant	Performance period	Vesting Date	Performance Targets
FY2013	1 July 2012 to 30 June 2015	1 September 2015	(1) ROE
FY2014	1 July 2013 to 30 June 2016	1 September 2016	(2) Absolute TSR
FY2015	1 July 2014 to 30 June 2017	1 September 2017	(3) Relative TSR against FTSE/MV TSR
FY2015 (A)*	1 July 2015 to 30 June 2018	1 September 2018	(Details in Table A)
FY2016	1 July 2015 to 30 June 2018	1 September 2019	(1) EPS growth (2) Relative TSR against selected peers

(Details in Table B)

* Grant awarded to the former CEO, Mr Magnus Böcker on 30 June 2015 as part of his rewards for performance in FY2015.

Table A – FY2013 to FY2015 Grants

Performance Level	ROE (Weight = 50%)		Absolute TSR* (Weight = 25%)		SGX TSR against FTSE/MV TSR (Weight = 25%)	
	Average over 3FYs	Payout (% of base allocation)	Average over 3FYs	Payout (% of base allocation)	Average over 3FYs	Payout (% of base allocation)
Above Target	≥ 45.0%	150%	≥ 17.0%	150%	≥ 7.0% points	150%
At Target	40.0%	100%	13.0%	100%	4.5% points	100%
Threshold	35.0%	50%	10.0%	50%	2.0% points	50%
Below Threshold	<35.0%	Nil	<10.0%	Nil	<2.0% points	Nil

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

Table B – FY2016 Grant

Performance Level	EPS Growth (Weight = 50%)		Relative TSR against selected peers (Weight = 50%)		
	3 FY CAGR (%)	Payout (% of base allocation)	Average over 3FYs	Payout (% of base allocation)	
Above Target	≥ 9.1%	150%	≥ 75 th percentile of peers	150%	
At Target	5.7%	100%	50 th percentile of peers	100%	
Threshold	2.8%	50%	25 th percentile of peers	50%	
Below Threshold	<2.8%	Nil	<25 th percentile of peers	Nil	

The extent to which the performance share awards will vest could range from 0% to 150%, depending on the achievement of performance targets in the respective performance periods. There shall be no award if the achievement falls below the threshold performance level. For an achievement between the Threshold and Above Target performance levels, the payout percentage will be pro-rated on a straight-line basis.

Remuneration Report

The SGX Deferred Long-Term Incentives Scheme

The SGX Deferred Long-Term Incentives Scheme ("DLTIS") was approved by the RSDC in July 2006.

It recognises past contributions and services, and strengthens the Company's ability to reward and retain high-performing recipients whose contributions are essential to the long-term growth of SGX.

The RSDC may decide to grant an award, wholly or partly, in SGX shares or in cash (based on the market value of shares on vesting date) subject to a vesting schedule.

The shares are vested in three equal instalments over a period of three years with the first instalment vesting one year after grant date.

Restrictions

Unless otherwise decided by the RSDC, the entitlement to the award is

conditional on the recipient remaining in service up to the specified vesting date.

Eligibility

Selected executives who have attained the rank of Assistant Vice President and above are eligible to be considered for the award under the scheme.

Please refer to the Directors' Statement on page 78 for the details of the share plans and grants to senior management and staff.

Disclosure on Directors' Remuneration

The table below shows the gross remuneration of the Executive Director of SGX for the financial year ended 30 June 2016.

Executive Director	Fixed pay ¹	Bonus for FY2016 ^{1,2}	Long-term incentives	Benefits-in-kind	Total gross Remuneration
Mr Loh Boon Chye	1,171,790	2,005,100	–	25,078	3,201,968

¹ Includes Employer CPF Contribution.

² The bonus was determined by the Board after taking into account the achievement of specific quantitative and qualitative targets and objectives set for FY2016.

Please refer to the Corporate Governance Report on page 54 for the details of the Non-Executive Directors' remuneration.

Disclosure on Five Top-Earning Executives' Remuneration

The table below shows the gross remuneration of the five top-earning executives for the financial year ended 30 June 2016.

Executive Director	Fixed pay ¹	Bonus for FY2016 ^{1,2}	Long-term incentives ³	Benefits-in-kind	Total gross Remuneration
Mr Muthukrishnan Ramaswami	508,284	903,900	682,135	3,484	2,097,803
Mr Chew Sutat	411,228	630,100	465,114	8,990	1,515,432
Mr Lawrence Wong	405,798	402,700	356,252	132,492 ⁴	1,297,242
Mr Michael Syn	411,228	605,100	228,172	2,952	1,247,452
Mr Chng Lay Chew	582,288	391,400	224,007	3,194	1,200,889

¹ Includes Employer CPF Contribution.

² The bonuses for SGX senior management were determined by the RSDC after taking into account the achievement of the specific individual and organisational targets and objectives set for FY2016.

³ Vesting of FY2013 PSP and DLTIS awards based on the fair value on grant date. The shares vested on 1 September 2015.

⁴ Includes allowances related to overseas posting.

Benefits

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

Financials

Performance Overview

Group Overview

Value Creation & Sustainability

Governance

Contents

Financials

Directors' Statement	78
Independent Auditor's Report	88
Statements of Comprehensive Income	93
Statements of Financial Position	94
Statements of Changes in Equity	95
Statement of Cash Flows	98
Notes to the Financial Statements	99

Financials

Others

Directors' Statement

For the financial year ended 30 June 2016

The directors present their statement to the shareholders together with the audited financial statements of Singapore Exchange Limited ("the Company" or "SGX") and its subsidiaries ("the Group") for the financial year ended 30 June 2016.

In the opinion of the directors,

- (a) the financial statements set out on pages 93 to 152 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and the financial performance, changes in equity of the Group and of the Company, and the cash flows of the Group for the financial year ended on that date; 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.

Directors

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

Mr Chew Choon Seng	(Chairman)
Mr Loh Boon Chye	(Chief Executive Officer)
Mr Thaddeus Beczak	
Ms Chew Gek Khim	
Ms Lim Sok Hui (Mrs Chng Sok Hui)	(Appointed on 1 December 2015)
Ms Jane Diplock AO	
Mr Kwa Chong Seng	
Mr Kevin Kwok	
Mr Lee Hsien Yang	
Mr Liew Mun Leong	
Mr Ng Kok Song	

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

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

	Number of ordinary shares registered in name of director or nominee		Number of ordinary shares in which director is deemed to have an interest	
	At 30.06.2016	At 01.07.2015	At 30.06.2016	At 01.07.2015
<u>Singapore Exchange Limited</u>				
Mr Kwa Chong Seng	20,000	20,000	—	—
Mr Kevin Kwok	70,000	70,000	70,000	70,000

- (b) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had interests in the shares of the Company granted pursuant to SGX Performance Share Plan and SGX Deferred Long-Term Incentives Scheme.
- (c) There was no change in any of the abovementioned interests in the Company or in related corporations between the end of the financial year and 21 July 2016.

Share plans

The Company offers the following share plans to its employees:

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

All share plans are administered by the Remuneration & Staff Development Committee ("RSDC").

(a) SGX Performance Share Plan

The SGX Performance Share Plan was adopted at an extraordinary general meeting of the Company held on 22 September 2005. The share plan known as SGX PSP commenced on the date of adoption and had expired on 21 September 2015. On 23 September 2015, the new share plan, SGX PSP 2015, was adopted to replace SGX PSP.

The SGX Performance Share Plan 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 SGX Performance Share Plan.

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

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

Restrictions

The total number of new SGX shares which may be issued pursuant to awards granted under SGX PSP or SGX PSP 2015 on any date, when added to the total number of new shares issued and issuable in respect of all awards granted under SGX PSP or SGX PSP 2015, shall not exceed 10% of SGX's issued share capital on the day preceding the relevant date of award.

For grants under SGX PSP, 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. As for grants under SGX PSP 2015, the vesting period has been extended to four years (instead of three years) and with that, any shares that have been released to the participants are no longer subject to a retention period.

Share grant and vesting

The RSDC approves all grants relating to SGX PSP and SGX PSP 2015, and has absolute discretion in the granting and award of performance shares.

Share plans (continued)

(a) SGX Performance Share Plan (continued)

Share grant and vesting (continued)

(i) FY2013 Grant under SGX PSP

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 2012 to 30 June 2015. The performance shares vested on 1 September 2015 and were fulfilled by the delivery of shares previously purchased from the market.

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

Participants (as defined under SGX Performance Share Plan)	Shares granted at grant date	Balance as at 01.07.2015	Shares lapsed during financial year	Shares vested during financial year ⁽¹⁾	Balance as at 30.06.2016
Executive Management Committee (EMCO) members					
Mr Muthukrishnan Ramaswami ⁽³⁾	69,000	69,000	(26,100)	(42,900)	–
Mr Chew Sutat ⁽³⁾	45,600	45,600	(17,200)	(28,400)	–
Mr Syn Hsien-Min Michael	17,800	17,800	(6,700)	(11,100)	–
Mr Chng Lay Chew	15,900	15,900	(6,000)	(9,900)	–
Mr Arulraj Maria Devadoss	15,900	15,900	(6,000)	(9,900)	–
Ms Agnes Koh ⁽⁴⁾	19,100	19,100	(7,200)	(11,900)	–
Other staff	200,000	200,000	(75,700)	(124,300)	–
Other participants					
Mr Magnus Böcker ⁽³⁾⁽⁷⁾	174,500	174,500	(66,000)	(108,500)	–
Ms Yeo Lian Sim ⁽³⁾⁽⁹⁾	48,800	48,800	(18,400)	(30,400)	–
Mr Robert Ian Caisley ⁽⁶⁾	33,700	33,700	(12,700)	(21,000)	–
Mr Benjamin Foo ⁽¹⁰⁾	31,700	–	–	–	–
Mr Richard Teng Wee Chen ⁽⁸⁾	30,000	–	–	–	–
	702,000	640,300	(242,000)	(398,300)	–

Refer to footnotes on page 83.

(ii) FY2014 Grant under SGX PSP

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 2013 to 30 June 2016. The performance shares will vest on 1 September 2016.

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

Participants (as defined under SGX Performance Share Plan)	Shares granted at grant date	Balance as at 01.07.2015	Shares lapsed during financial year	Balance as at 30.06.2016 ⁽²⁾
EMCO members				
Mr Muthukrishnan Ramaswami ⁽³⁾	68,300	68,300	–	68,300
Mr Chew Sutat ⁽³⁾	48,300	48,300	–	48,300
Mr Chng Lay Chew ⁽³⁾	38,500	38,500	–	38,500
Mr Syn Hsien-Min Michael	28,000	28,000	–	28,000
Mr Arulraj Maria Devadoss	24,500	24,500	–	24,500
Ms Agnes Koh ⁽⁴⁾	18,100	18,100	–	18,100
Other staff	226,400	214,500	–	214,500
Other participants				
Mr Magnus Böcker ⁽³⁾⁽⁷⁾	161,100	161,100	–	161,100
Ms Yeo Lian Sim ⁽³⁾⁽⁹⁾	45,500	45,500	–	45,500
Mr Robert Ian Caisley ⁽⁶⁾	35,000	35,000	(35,000)	–
Mr Richard Teng Wee Chen ⁽⁸⁾	31,500	–	–	–
Mr Timothy Utama ⁽⁵⁾	28,700	28,700	(28,700)	–
	753,900	710,500	(63,700)	646,800

Refer to footnotes on page 83.

(iii) FY2015 Grants under SGX PSP

There were two grants in FY2015. The first grant of 687,300 SGX shares was granted on 15 August 2014. 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 2014 to 30 June 2017. The second grant of 124,300 SGX shares was granted to Mr Magnus Böcker on 30 June 2015. The number of SGX shares to be awarded will be based on the achievement of certain prescribed performance targets, over a three-year performance period from 1 July 2015 to 30 June 2018. The performance shares of the first grant and second grant will vest on 1 September 2017 and 1 September 2018 respectively.

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

Participants (as defined under SGX Performance Share Plan)	Shares granted at grant date	Balance as at 01.07.2015	Shares lapsed during financial year	Balance as at 30.06.2016 ⁽²⁾
EMCO members				
Mr Muthukrishnan Ramaswami ⁽³⁾	61,200	61,200	—	61,200
Mr Chew Sutat ⁽³⁾	43,200	43,200	—	43,200
Mr Chng Lay Chew	34,200	34,200	—	34,200
Mr Syn Hsien-Min Michael	27,400	27,400	—	27,400
Mr Arulraj Maria Devadoss	21,600	21,600	—	21,600
Ms Agnes Koh ⁽⁴⁾	15,300	15,300	—	15,300
Other staff	237,900	237,900	—	237,900
Other participants				
Mr Magnus Böcker ⁽³⁾⁽⁷⁾	268,400	268,400	—	268,400
Mr Timothy Utama ⁽³⁾⁽⁵⁾	45,000	45,000	(45,000)	—
Mr Robert Ian Caisley ⁽⁶⁾	31,500	31,500	(31,500)	—
Mr Richard Teng Wee Chen ⁽⁸⁾	25,900	—	—	—
	811,600	785,700	(76,500)	709,200

Refer to footnotes on page 83.

(iv) FY2016 Grant under SGX PSP 2015

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 2015 to 30 June 2018. The performance shares will vest on 1 September 2019.

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

Participants (as defined under SGX Performance Share Plan)	Shares granted during the financial year	Shares lapsed during financial year	Balance as at 30.06.2016 ⁽²⁾
EMCO members			
Mr Muthukrishnan Ramaswami ⁽³⁾	53,600	—	53,600
Mr Chew Sutat ⁽³⁾	37,800	—	37,800
Mr Syn Hsien-Min Michael ⁽³⁾	34,700	—	34,700
Mr Chng Lay Chew	22,800	—	22,800
Ms Agnes Koh	15,100	—	15,100
Mr Arulraj Maria Devadoss	14,200	—	14,200
Other staff	277,800	—	277,800
Other participants			
Mr Timothy Utama ⁽³⁾⁽⁵⁾	31,500	(31,500)	—
	487,500	(31,500)	456,000

Refer to footnotes on page 83.

Share plans (continued)

(a) SGX Performance Share Plan (continued)

Share grant and vesting (continued)

(v) Summary of SGX Performance Share Plan under SGX PSP

The summary of the total number of shares granted, lapsed, vested and outstanding as at 30 June 2016 are as follows:

	Shares granted during financial year	Aggregate shares granted since commencement of SGX	Aggregate shares lapsed since commencement of SGX	Aggregate shares vested since commencement of SGX	Aggregate shares outstanding as at 30.06.2016
Participants who received more than 5% of the total grants available					
Mr Hsieh Fu Hua ⁽¹³⁾	–	2,712,485	(676,900)	(2,035,585)	–
Mr Magnus Böcker ⁽⁷⁾	–	1,149,300	(419,400)	(300,400)	429,500
Mr Gan Seow Ann ⁽¹¹⁾	–	902,100	(357,500)	(544,600)	–
Ms Yeo Lian Sim ⁽⁹⁾	–	855,700	(307,700)	(502,500)	45,500
Mr Seck Wai Kwong ⁽¹²⁾	–	845,600	(335,900)	(509,700)	–
Mr Muthukrishnan Ramaswami	–	698,500	(362,100)	(206,900)	129,500
Participants who received less than 5% of the total grants available					
Other staff	–	6,662,850	(3,027,700)	(2,883,650)	751,500
	–	13,826,535	(5,487,200)	(6,983,335)	1,356,000

Refer to footnotes on page 83.

(vi) Summary of SGX Performance Share Plan under SGX PSP 2015

The summary of the total number of shares granted, lapsed, vested and outstanding as at 30 June 2016 are as follows:

	Shares granted during financial year	Aggregate shares granted since commencement of SGX	Aggregate shares lapsed since commencement of SGX	Aggregate shares vested since commencement of SGX	Aggregate shares outstanding as at 30.06.2016
Participants who received more than 5% of the total grants available					
Mr Muthukrishnan Ramaswami	53,600	53,600	–	–	53,600
Mr Chew Sutat	37,800	37,800	–	–	37,800
Mr Syn Hsien-Min Michael	34,700	34,700	–	–	34,700
Mr Timothy Utama ⁽⁵⁾	31,500	31,500	(31,500)	–	–
Participants who received less than 5% of the total grants available					
Other staff	329,900	329,900	–	–	329,900
	487,500	487,500	(31,500)	–	456,000

Refer to footnotes on page 83.

No shares were granted to employees of Associated Company (as defined under the SGX Performance Share Plan) since the commencement of SGX Performance Share Plan.

- (¹) The number of shares vested during the financial year represents the level of achievement against the performance conditions. Overall achievement for the grant was 62.2%. The number of shares vested to each participant is rounded to the nearest hundred shares.
- (²) Represents the number of shares required if participants are to be awarded at 100% of the grant. However, the shares to be awarded at the vesting date may range from 0% to 150% of the grant, depending on the level of achievement against the performance conditions.
- (³) Received more than 5% of the shares granted.
- (⁴) Ms Agnes Koh was appointed as a member of EMCO with effect from 1 July 2015. Her shares were previously grouped under "Other staff".
- (⁵) Mr Timothy Utama resigned as SGX's Chief Operations and Technology Officer and his last day of service was 31 March 2016. All his unvested shares lapsed at the end of his employment.
- (⁶) Mr Robert Ian Caisley resigned as SGX's Chief Information Officer and his last day of service was 31 December 2015. All his unvested shares lapsed at the end of his employment.
- (⁷) Mr Magnus Böcker's contract as the Chief Executive Officer ended on 30 June 2015. Under his contract, he will continue to be eligible to receive the grant at the vesting date, subject to the level of achievement against the performance conditions.
- (⁸) Mr Richard Teng Wee Chen resigned as SGX's Chief Regulatory Officer and his last day of service was 28 February 2015. All his unvested shares lapsed at the end of his employment.
- (⁹) Ms Yeo Lian Sim retired from her position as SGX's Chief Regulatory & Risk Officer and her last day of service was 31 December 2013. As approved by the RSDC, she will continue to be eligible to receive the grant at the vesting date, subject to the level of achievement against the performance conditions.
- (¹⁰) Mr Benjamin Foo resigned as SGX's Head of Operations and his last day of service was 11 January 2013. All his unvested shares lapsed at the end of his employment.
- (¹¹) Mr Gan Seow Ann resigned as SGX's Co-President and his last day of service was 26 May 2012. All his unvested shares lapsed at the end of his employment.
- (¹²) Mr Seck Wai Kwong resigned as SGX's Chief Financial Officer and his last day of service was 10 June 2011. All his unvested shares lapsed at the end of his employment.
- (¹³) Mr Hsieh Fu Hua was SGX's former Chief Executive Officer and his contract ended on 30 November 2009.

(b) SGX Deferred Long-Term Incentives Scheme

The SGX Deferred Long-Term Incentives Scheme was approved by the RSDC in July 2006. It recognises past contributions and services, and strengthens the Company's ability to reward and retain high-performing executives and key senior employees.

Eligibility

Selected executives who have attained the rank of Assistant Vice President and above are eligible to be considered for the award under the SGX Deferred Long-Term Incentives Scheme.

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

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

Share plans (continued)

(b) SGX Deferred Long-Term Incentives Scheme (continued)

Share award and vesting

(i) FY2013 Award

The FY2013 Award was in the form of SGX shares and the award vested in three equal instalments over a period of three years. The first instalment of this award vested on 2 September 2013 and the final instalment vested on 1 September 2015.

The details of shares awarded are as follows:

Recipients (as defined under SGX Deferred Long-Term Incentives Scheme)	Shares awarded at grant date	Balance as at 01.07.2015	Shares vested during financial year	Balance as at 30.06.2016
EMCO members				
Mr Muthukrishnan Ramaswami ⁽¹⁾	69,000	23,000	(23,000)	–
Mr Chew Sutat	45,600	15,200	(15,200)	–
Mr Syn Hsien-Min Michael	17,800	5,934	(5,934)	–
Ms Agnes Koh ⁽²⁾	19,100	6,368	(6,368)	–
Other staff	574,200	171,000	(171,000)	–
Other recipients				
Mr Magnus Böcker ⁽¹⁾⁽⁵⁾	174,500	58,168	(58,168)	–
Ms Yeo Lian Sim ⁽⁷⁾	48,800	16,268	(16,268)	–
Mr Robert Ian Caisley ⁽⁴⁾	33,700	11,234	(11,234)	–
Mr Benjamin Foo ⁽⁸⁾	31,700	–	–	–
Mr Richard Teng Wee Chen ⁽⁶⁾	30,000	–	–	–
Total	1,044,400	307,172	(307,172)	–

Refer to footnotes on page 86.

(ii) FY2014 Award

The FY2014 Award was in the form of SGX shares. The award will vest in three equal instalments over a period of three years with the first instalment vested on 1 September 2014.

The details of shares awarded are as follows:

Recipients (as defined under SGX Deferred Long-Term Incentives Scheme)	Shares awarded at grant date	Balance as at 01.07.2015	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2016
EMCO members					
Mr Muthukrishnan Ramaswami ⁽¹⁾	68,300	45,534	–	(22,766)	22,768
Mr Chew Sutat	48,300	32,200	–	(16,100)	16,100
Mr Chng Lay Chew	38,500	25,667	–	(12,833)	12,834
Mr Syn Hsien-Min Michael	28,000	18,667	–	(9,333)	9,334
Mr Arulraj Maria Devadoss	24,500	16,334	–	(8,166)	8,168
Ms Agnes Koh ⁽²⁾	18,100	12,067	–	(6,033)	6,034
Other staff	696,000	417,694	(1,300)	(208,806)	207,588
Other recipient					
Mr Magnus Böcker ⁽¹⁾⁽⁵⁾	161,100	107,400	–	(53,700)	53,700
Ms Yeo Lian Sim ⁽⁷⁾	45,500	30,334	–	(15,166)	15,168
Mr Robert Ian Caisley ⁽⁴⁾	35,000	23,334	(11,668)	(11,666)	–
Mr Richard Teng Wee Chen ⁽⁶⁾	31,500	–	–	–	–
Mr Timothy Utama ⁽³⁾	28,700	19,134	–	(9,566)	9,568
Total	1,223,500	748,365	(12,968)	(374,135)	361,262

Refer to footnotes on page 86.

(iii) FY2015 Award

There were two awards in FY2015 in the form of SGX shares. The first award of 1,159,500 shares was awarded on 15 August 2014 which will vest in three equal instalments over a period of three years with the first instalment vested on 1 September 2015. The second award of 124,300 SGX shares was awarded to Mr Magnus Böcker on 30 June 2015 which will vest in three equal instalments over a period of three years with the first instalment vesting on 1 September 2016.

The details of shares awarded are as follows:

Recipients (as defined under SGX Deferred Long-Term Incentives Scheme)	Shares awarded at grant date	Balance as at 01.07.2015	Shares lapsed during financial year	Shares vested during financial year	Balance as at 30.06.2016
EMCO members					
Mr Muthukrishnan Ramaswami	61,200	61,200	–	(20,400)	40,800
Mr Chew Sutat	43,200	43,200	–	(14,400)	28,800
Mr Chng Lay Chew	34,200	34,200	–	(11,400)	22,800
Mr Syn Hsien-Min Michael	27,400	27,400	–	(9,133)	18,267
Mr Arulraj Maria Devadoss	21,600	21,600	–	(7,200)	14,400
Ms Agnes Koh ⁽²⁾	15,300	15,300	–	(5,100)	10,200
Other staff	710,100	684,900	(2,600)	(228,264)	454,036
Other recipient					
Mr Magnus Böcker ⁽¹⁾⁽⁵⁾	268,400	268,400	–	(48,033)	220,367
Mr Timothy Utama ⁽³⁾	45,000	45,000	–	(15,000)	30,000
Mr Robert Ian Caisley ⁽⁴⁾	31,500	31,500	(21,000)	(10,500)	–
Mr Richard Teng Wee Chen ⁽⁶⁾	25,900	–	–	–	–
Total	1,283,800	1,232,700	(23,600)	(369,430)	839,670

Refer to footnotes on page 86.

(iv) FY2016 Award

The FY2016 Award was in the form of SGX shares. The award will vest in three equal instalments over a period of three years with the first instalment vesting on 1 September 2016.

The details of shares awarded are as follows:

Recipients (as defined under SGX Deferred Long-Term Incentives Scheme)	Shares awarded during financial year	Shares lapsed during financial year	Balance as at 30.06.2016
EMCO members			
Mr Muthukrishnan Ramaswami ⁽¹⁾	53,600	–	53,600
Mr Chew Sutat	37,800	–	37,800
Mr Chng Lay Chew	22,800	–	22,800
Mr Syn Hsien-Min Michael	34,700	–	34,700
Mr Arulraj Maria Devadoss	14,200	–	14,200
Ms Agnes Koh	15,100	–	15,100
Other staff	719,700	(7,200)	712,500
Other recipient			
Mr Timothy Utama ⁽³⁾	31,500	–	31,500
Mr Robert Ian Caisley ⁽⁴⁾	26,800	(26,800)	–
Total	956,200	(34,000)	922,200

Refer to footnotes on page 86.

Share plans (continued)

(b) SGX Deferred Long-Term Incentives Scheme (continued)

Share grant and vesting (continued)

(v) Summary of SGX Deferred Long-Term Incentives Scheme

The summary of the total number of shares awarded, lapsed, vested and outstanding as at 30 June 2016 are as follows:

	Shares awarded during financial year	Aggregate shares awarded since commencement of SGX Deferred Long-Term Incentives Scheme to 30.06.2016	Aggregate shares lapsed since commencement of SGX Deferred Long-Term Incentives Scheme to 30.06.2016	Aggregate shares vested since commencement of SGX Deferred Long-Term Incentives Scheme to 30.06.2016	Aggregate shares outstanding as at 30.06.2016
Recipient who received more than 5% of the total awards available					
Mr Magnus Böcker ⁽⁵⁾	–	604,000	–	(329,933)	274,067
Recipients who received less than 5% of the total awards available					
Other staff	956,200	6,255,300	(666,143)	(3,740,092)	1,849,065
	956,200	6,859,300	(666,143)	(4,070,025)	2,123,132

⁽¹⁾ Received more than 5% of the shares awarded.

⁽²⁾ Ms Agnes Koh was appointed as a member of EMCO with effect from 1 July 2015. Her shares were previously grouped under "Other staff".

⁽³⁾ Mr Timothy Utama resigned as SGX's Chief Operations and Technology Officer and his last day of service was 31 March 2016. As approved by the RSDC, he will continue to be eligible to receive the award at the vesting date.

⁽⁴⁾ Mr Robert Ian Caisley resigned as SGX's Chief Information Officer and his last day of service was 31 December 2015. All his unvested shares lapsed at the end of his employment.

⁽⁵⁾ Mr Magnus Böcker's contract as the Chief Executive Officer ended on 30 June 2015. Under his contract, he will continue to be eligible to receive the award at the vesting date.

⁽⁶⁾ Mr Richard Teng Wee Chen resigned as SGX's Chief Regulatory Officer and his last day of service was 28 February 2015. All his unvested shares lapsed at the end of his employment.

⁽⁷⁾ Ms Yeo Lian Sim retired from her position as SGX's Chief Regulatory & Risk Officer and her last day of service was 31 December 2013. As approved by the RSDC, she will continue to be eligible to receive the award at the vesting date.

⁽⁸⁾ Mr Benjamin Foo resigned as SGX's Head of Operations and his last day of service was 11 January 2013. All his unvested shares lapsed at the end of his employment.

Audit Committee

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

Mr Kevin Kwok (Chairman)
Ms Jane Diplock AO
Mr Lee Hsien Yang
Mr Liew Mun Leong

Based on the criteria prescribed in both the Securities and Futures (Corporate Governance of Approved Exchanges, Approved Clearing Houses and Approved Holding Companies) Regulations 2005 (SFR 2005) and the Code of Corporate Governance 2012 (CCG 2012), all the Audit Committee members, except Lee Hsien Yang, are independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Regulation 14(2) of the SFR 2005, the CCG 2012, and the SGX-ST Listing Manual. These functions include a review of the financial statements of the Company and of the Group for the financial year and the independent auditor's report thereon.

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

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

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

Independent auditor

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

On behalf of the directors



Mr Chew Choon Seng
Director

27 July 2016



Mr Loh Boon Chye
Director

Independent Auditor's Report

To the Members of Singapore Exchange Limited

Report on the Audit of the Financial Statements

Opinion

In our opinion, the accompanying financial statements of Singapore Exchange Limited ("the Company") and its subsidiaries (the "Group") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016, and of the financial performance and changes in equity of the Group and the Company, and the cash flows of the Group, for the financial year ended on that date.

What we have audited

The financial statements of the Group and of the Company, as set out on page 93 to 152, comprise:

- the statements of comprehensive income of the Group and of the Company for the year ended 30 June 2016;
- the statements of financial position of the Group and of the Company as at 30 June 2016;
- the statements of changes in equity of the Group and of the Company for the year then ended;
- the statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

Overview

Materiality	The overall group materiality that we used amounted to \$20 million (rounded down to the nearest million), which represents 5% of profit before tax for the financial year ended 30 June 2016. In determining materiality, both quantitative and qualitative factors were considered.
Audit Scope	Audit procedures were performed over the complete financial information of the Company and the subsidiaries that are significant to the Group ("significant components").
Key audit matters	<ul style="list-style-type: none"> • Valuation of available-for-sale financial asset • Impairment assessment of goodwill and intangible asset

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINGAPORE EXCHANGE LIMITED

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement due to fraud or error. Misstatements are considered material if individually, or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole. We determined overall group materiality for the Group financial statements as a whole to be \$20 million (rounded down to the nearest million), being 5% of profit before tax. We chose profit before tax as the benchmark because, in our view, it reflects the underlying performance of the Group and it is one of the benchmarks that is commonly used by the users of financial statements in evaluating the performance of the Group. In performing our audit, we allocated materiality levels, which are less than the overall group materiality, to the significant components.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$1 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Audit Scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the industry in which the Group operates, and the accounting processes and controls. The Group's financial reporting process is dependent on its IT systems. Our audit scope included testing the operating effectiveness of the controls over the integrity of key financial data processed through the IT systems that are relevant to financial reporting.

We audited the complete financial information of the Company and each of the significant components. This, together with the audit procedures performed at the Group level over group consolidation, goodwill, intangible asset, taxation and disclosures in the financial statements, gave us the evidence we needed for our opinion on the financial statements as a whole.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 30 June 2016 due to the judgement and subjectivity involved. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express or provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINGAPORE EXCHANGE LIMITED

Key Audit Matter	How our audit addressed the key audit matter
<u>Valuation of available-for-sale financial asset</u> <p>As at 30 June 2016, the available-for-sale financial asset was stated at \$44,956,000. This relates to an investment in unlisted equity securities of BSE Limited ("BSE"). The fair value of the available-for-sale financial asset as at 30 June 2016 was determined using the discounted cash flow ("DCF") model.</p> <p>We focused on this area due to the size of the carrying amount of the available-for-sale financial asset, and the degree of judgement required in determining the fair value. The use of DCF model involves significant judgements on the expected future cash flows, long term growth rate, and discount rate.</p> <p>Refer to Note 3 – Critical accounting estimates and judgments, Note 16 – Available-for-sale financial asset and Note 39 – Financial risk management for the disclosures relating to the valuation of the available-for-sale financial asset.</p>	<p>We evaluated the reasonableness of management's estimate of expected future cash flows by taking into consideration the historical trends, and expected growth of the Indian equity market and BSE's projected financial performance. With the assistance of our valuation specialists, we assessed the reasonableness of the long term growth rate and the discount rate used by management. We found the estimate of expected futures cash flows and the rates used to be reasonable.</p> <p>We evaluated management's sensitivity analysis to assess the impact on the estimated fair value of available-for-sale financial asset by reasonable possible changes to the long term growth rate and discount rate. We found the sensitivity analysis to be appropriate.</p>
<u>Impairment assessment of goodwill and intangible asset</u> <p>As at 30 June 2016, the goodwill and intangible asset arising from the acquisition of Energy Market Company Pte Ltd ("EMC") amounted to \$9,614,000 and \$25,556,000 respectively.</p> <p>The Group's goodwill and intangible asset relate to the EMC cash-generating unit ("CGU"). Management is required to perform an impairment assessment of goodwill annually and assess whether there is any indication that the intangible asset may be impaired. The recoverable amount of the CGU is compared with the carrying amount of the CGU to determine whether there is any impairment loss.</p> <p>We focused on this area because of the significant judgements required in estimating the expected future cash flows, long term growth rate and discount rate.</p> <p>Refer to Note 3 – Critical accounting estimates and judgments, Note 19 – Intangible asset and Note 20 – Goodwill for disclosures relating to the impairment assessment.</p>	<p>We evaluated the reasonableness of management's estimate of expected future cash flows by taking into consideration the past performance, and projections of electricity demand growth in Singapore and market developments.</p> <p>With the assistance of our valuation specialists, we assessed the reasonableness of the long term growth rate and the discount rate used by management. We found the estimate of expected future cash flows and the rates used to be reasonable.</p> <p>We performed sensitivity analysis to assess the impact on the recoverable amount of the CGU by reasonable possible changes to the long term growth rate and discount rate. We found that changes in these rates did not result in impairment loss.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINGAPORE EXCHANGE LIMITED

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINGAPORE EXCHANGE LIMITED

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mrs Deborah Ong (Ms Deborah Tan Yang Sock).



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 27 July 2016

Statements of Comprehensive Income

For the financial year ended 30 June 2016

	Note	The Group		The Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Operating revenue					
Equities and Fixed Income	4	405,763	401,552	11,465	11,084
Derivatives	4	325,304	295,791	—	—
Market Data and Connectivity	4	87,042	81,174	16,966	14,434
Management fees from subsidiaries		—	—	201,079	191,579
Dividends from subsidiaries		—	—	450,000	253,000
Operating revenue		818,109	778,517	679,510	470,097
Operating expenses					
Staff	5	159,262	149,953	115,966	114,353
Technology	6	127,846	115,911	61,236	54,192
Processing and royalties		58,280	46,891	557	433
Premises	7	24,734	22,642	19,980	18,095
Professional fees		10,882	13,260	7,856	9,741
Others	8	27,965	28,025	14,646	14,619
Operating expenses		408,969	376,682	220,241	211,433
Operating profit	9	409,140	401,835	459,269	258,664
Other gains - net	10	5,709	7,811	1,999	2,945
Profit before tax and share of results of associated company		414,849	409,646	461,268	261,609
Share of results of associated company	23	1,112	1,903	—	—
Profit before tax		415,961	411,549	461,268	261,609
Tax	25	(66,944)	(62,937)	(855)	(2,839)
Net profit after tax		349,017	348,612	460,413	258,770
Attributable to:					
Equity holders of the Company		349,017	348,612	460,413	258,770
Earnings per share based on net profit attributable to the equity holders of the Company (in cents per share)					
– Basic	11	32.6	32.6		
– Diluted	11	32.5	32.5		
	Note	The Group		The Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net profit after tax		349,017	348,612	460,413	258,770
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Net currency translation differences of financial statements of subsidiary and associated company	25(e)	(490)	210	—	—
Fair value gains/(losses) arising from cash flow hedges	25(e)	2,006	(245)	(71)	71
Other comprehensive income/(expense) for the financial year, net of tax		1,516	(35)	(71)	71
Total comprehensive income for the financial year		350,533	348,577	460,342	258,841
Total comprehensive income attributable to:					
Equity holders of the Company		350,533	348,577	460,342	258,841

Statements of Financial Position

For the financial year ended 30 June 2016

	Note	The Group		The Company		
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	
Assets						
Current assets						
Cash and cash equivalents	12	866,306	849,902	440,725	436,437	
Trade and other receivables	13	929,981	653,508	16,587	14,996	
Derivative financial instruments	15	2,665	311	—	86	
		1,798,952	1,503,721	457,312	451,519	
Non-current assets						
Available-for-sale financial asset	16	44,956	50,956	44,956	50,956	
Property, plant and equipment	17	62,030	61,169	46,765	52,395	
Software	18	154,702	139,977	32,049	29,735	
Intangible asset	19	25,556	26,462	—	—	
Goodwill	20	9,614	9,614	—	—	
Club memberships		287	287	287	287	
Investments in subsidiaries	22	—	—	614,490	534,990	
Investment in associated company	23	9,387	9,426	4,389	4,389	
		306,532	297,891	742,936	672,752	
Total assets		2,105,484	1,801,612	1,200,248	1,124,271	
Liabilities						
Current liabilities						
Trade and other payables	24	1,012,652	718,326	370,892	419,115	
Derivative financial instruments	15	66	84	—	—	
Taxation	25	75,262	76,802	5,174	2,714	
Provisions	26	9,775	9,433	6,677	6,172	
		1,097,755	804,645	382,743	428,001	
Non-current liabilities						
Trade and other payables	24	312	1,807	—	—	
Deferred tax liabilities	25	17,836	18,764	3,928	5,687	
		18,148	20,571	3,928	5,687	
Total liabilities		1,115,903	825,216	386,671	433,688	
Net assets		989,581	976,396	813,577	690,583	
Equity						
Capital and reserves attributable to the Company's equity holders						
Share capital	27	426,445	428,568	426,445	428,568	
Treasury shares	27	(12,855)	(12,049)	(12,855)	(12,049)	
Cash flow hedge reserve		2,152	146	—	71	
Currency translation reserve		(1,325)	(835)	—	—	
Securities clearing fund reserve	30	25,000	25,000	—	—	
Derivatives clearing fund reserve	31	34,021	34,021	—	—	
Share-based payment reserve		17,430	19,695	17,430	19,695	
Retained profits		359,631	310,625	243,475	83,073	
Proposed dividends	28	139,082	171,225	139,082	171,225	
Total equity		989,581	976,396	813,577	690,583	

Statements of Changes in Equity

For the financial year ended 30 June 2016

The Group

	Note	Share capital \$'000	Treasury shares \$'000	Cash flow hedge reserve* \$'000	Currency translation reserve* \$'000	Securities clearing fund reserve* \$'000	Derivatives clearing fund reserve* \$'000	Share-based payment reserve* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
2016											
Balance at 1 July 2015		428,568	(12,049)	146	(835)	25,000	34,021	19,695	310,625	171,225	976,396
Dividends paid										(171,225)	(171,225)
– Financial year 2015											
– Final dividend											
– Financial year 2015											
– Under provision of final dividend										(232)	(232)
– Financial year 2016											
– Interim dividends	28									(160,697)	(160,697)
Proposed dividend											
– Financial year 2016											
– Final dividend	28									(139,082)	139,082
Employee share plan – Value of employee services	5										
Vesting of shares under share-based remuneration plans	27(a)	(2,123)	12,291	–	–	–	–	7,903	–	–	7,903
Purchase of treasury shares	27(a)	–	(12,637)	–	–	–	–	–	–	–	(12,637)
Tax effect on treasury shares **	27(a)	–	(460)	–	–	–	–	–	–	–	(460)
		(2,123)	(806)	–	–	–	–	–	(2,265)	(300,011)	(32,143)
											(337,348)
Total comprehensive income for the financial year		–	–	2,006	(490)	–	–	–	349,017	–	350,533
Balance at 30 June 2016		426,445	(12,855)	2,152	(1,325)	25,000	34,021	17,430	359,631	139,082	989,581

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

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

Statements of Changes in Equity (continued)

For the financial year ended 30 June 2016

The Group (continued)

	Note	Share capital \$'000	Treasury shares \$'000	Cash flow hedge reserve* \$'000	Currency translation reserve* \$'000	Securities clearing fund reserve* \$'000	Derivatives clearing fund reserve* \$'000	Share-based payment reserve* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
2015											
Balance at 1 July 2014		428,332	(13,865)	391	(1,045)	25,000	34,021	16,116	261,943	171,184	922,077
Dividends paid										(171,184)	(171,184)
– Financial year 2014											
– Final dividend											
– Financial year 2014											
– Under provision of final dividend											
– Financial year 2015											
– Interim dividends	28										
Proposed dividend											
– Financial year 2015											
– Final dividend	28										
Employee share plan – Value of employee services	5										
Vesting of shares under share-based remuneration plans	27(a)	236	9,977	–	–	–	–	–	(10,213)	–	–
Purchase of treasury shares	27(a)	–	(8,025)	–	–	–	–	–	–	–	(8,025)
Tax effect on treasury shares **	27(a)	–	(136)	–	–	–	–	–	–	–	(136)
		236	1,816	–	–	–	–	–	3,579	(299,930)	41
											(294,258)
Total comprehensive income for the financial year		–	–	(245)	210	–	–	–	348,612	–	348,577
Balance at 30 June 2015		428,568	(12,049)	146	(835)	25,000	34,021	19,695	310,625	171,225	976,396

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

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

Statements of Changes in Equity (continued)

For the financial year ended 30 June 2016

The Company

	Note	Share capital \$'000	Treasury shares \$'000	Cash flow hedge reserve* \$'000	Share-based payment reserve* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
2016								
Balance at 1 July 2015		428,568	(12,049)	71	19,695	83,073	171,225	690,583
Dividends paid								
– Financial year 2015 – Final dividend		–	–	–	–	–	(171,225)	(171,225)
– Financial year 2015 – Under provision of final dividend		–	–	–	–	(232)	–	(232)
– Financial year 2016 – Interim dividends	28	–	–	–	–	(160,697)	–	(160,697)
Proposed dividend								
– Financial year 2016 – Final dividend	28	–	–	–	–	(139,082)	139,082	–
Employee share plan – Value of employee services	5	–	–	–	7,903	–	–	7,903
Vesting of shares under share-based remuneration plans	27(a)	(2,123)	12,291	–	(10,168)	–	–	–
Purchase of treasury shares	27(a)	–	(12,637)	–	–	–	–	(12,637)
Tax effect on treasury shares**	27(a)	–	(460)	–	–	–	–	(460)
		(2,123)	(806)	–	(2,265)	(300,011)	(32,143)	(337,348)
Total comprehensive income for the financial year		–	–	(71)	–	460,413	–	460,342
Balance at 30 June 2016		426,445	(12,855)	–	17,430	243,475	139,082	813,577
2015								
Balance at 1 July 2014		428,332	(13,865)	–	16,116	124,233	171,184	726,000
Dividends paid								
– Financial year 2014 – Final dividend		–	–	–	–	–	(171,184)	(171,184)
– Financial year 2014 – Under provision of final dividend		–	–	–	–	(178)	–	(178)
– Financial year 2015 – Interim dividends	28	–	–	–	–	(128,527)	–	(128,527)
Proposed dividend								
– Financial year 2015 – Final dividend	28	–	–	–	–	(171,225)	171,225	–
Employee share plan – Value of employee services	5	–	–	–	13,792	–	–	13,792
Vesting of shares under share-based remuneration plans	27(a)	236	9,977	–	(10,213)	–	–	–
Purchase of treasury shares	27(a)	–	(8,025)	–	–	–	–	(8,025)
Tax effect on treasury shares **	27(a)	–	(136)	–	–	–	–	(136)
		236	1,816	–	3,579	(299,930)	41	(294,258)
Total comprehensive income for the financial year		–	–	71	–	258,770	–	258,841
Balance at 30 June 2015		428,568	(12,049)	71	19,695	83,073	171,225	690,583

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

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

Statement Of Cash Flows

For the financial year ended 30 June 2016

	Note	The Group	
		2016 \$'000	2015 \$'000
Cash flows from operating activities			
Profit before tax and share of results of associated company		414,849	409,646
Adjustments for:			
- Depreciation and amortisation	9	59,855	57,273
- Variable share-based payment	5	7,903	13,792
- Impairment loss on available-for-sale financial asset	16	6,000	-
- Net write-off of property, plant and equipment and software	8	165	-
- Interest income	10	(9,445)	(5,317)
- Dividend income from other investments	10	(1,327)	(415)
- Net gain on disposal of property, plant and equipment and software	8	(43)	-
Operating cash flow before working capital change		477,957	474,979
Change in working capital			
- Cash committed for National Electricity Market of Singapore		(922)	3,245
- Trade and other receivables		(275,586)	115,153
- Trade and other payables		293,586	(106,746)
- (Accrual)/reversal of property, plant and equipment and software		(1,284)	6,073
Cash generated from operations		493,751	492,704
Income tax paid	25(c)	(70,281)	(63,656)
Net cash provided by operating activities		423,470	429,048
Cash flows from investing activities			
Purchases of property, plant and equipment and software		(73,847)	(82,431)
Dividend received from other investments		1,327	415
Dividend received from associated company		672	-
Interest received		8,651	5,190
Acquisition of a subsidiary, net of cash acquired	21(b)	-	(18,550)
Net cash used in investing activities		(63,197)	(95,376)
Cash flows from financing activities			
Dividends paid		(332,154)	(299,889)
Purchase of treasury shares	27	(12,637)	(8,025)
Net cash used in financing activities		(344,791)	(307,914)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of financial year	12	632,601	606,843
Increase in cash committed for Singapore Exchange Derivatives Clearing Limited Clearing Fund	31	(50,000)	-
Cash and cash equivalents at end of financial year	12	598,083	632,601

Notes to the Financial Statements

For the financial year ended 30 June 2016

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
#02-02 SGX Centre 1
Singapore 068804

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

The principal activities of the Company are those of investment holding, treasury management, provision of management and administrative services to related corporations, provision of contract processing and technology connectivity services. The principal activities of the subsidiaries are set out in Note 22 to the financial statements. There has been no significant change 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") 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.

There are no new or amended FRS and interpretations to FRS that are mandatory for application for the financial year ended 30 June 2016.

(b) Group accounting

(1) Subsidiaries

(i) Consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control is transferred to the Group and cease to be consolidated on the date when that control ceases.

In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Unrealised losses are considered an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interest based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

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

(ii) Acquisitions

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

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

2. Significant accounting policies (continued)

(b) Group accounting (continued)

(1) Subsidiaries (continued)

(ii) Acquisitions (continued)

Acquisition-related costs are expensed as incurred.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill.

Please refer to Note 2(o) for the accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific FRS.

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

(2) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

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

cost of acquisition of the associated company or joint venture over the Group's share of fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distribution received from associated companies are adjusted against the carrying amount of the investments. 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 transactions provide evidence of an impairment of the assets transferred. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(iii) Disposals

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

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

(c) Currency translation

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars ("SGD"), which is the functional currency of the Company.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss.

Foreign currency monetary assets and liabilities are translated into the functional currency at the rates of exchange at the balance sheet date. Currency translation differences are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

The results and financial position of foreign operations and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Revenue and expenses are translated at average exchange rates; and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the foreign operations and associates that give rise to such reserve.

(d) Revenue recognition

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

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

- (i) securities clearing revenue, equity and commodities revenue, net of rebates, on a due date basis;
- (ii) listing revenue, collateral management, licence, membership revenue, connectivity revenue and rental income on a time proportion basis;
- (iii) access revenue, market data revenue, post trade services revenue, corporate actions and other revenue, management fees, when the services are rendered;
- (iv) interest income, on a time proportion basis using the effective interest method; and
- (v) dividend income, when the right to receive payment is established.

(e) 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.

(f) Leases

Operating lease payments are recognised in profit or loss on a straight-line basis over the lease period.

When an 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.

(g) Government grants

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

(h) Employee benefits

Employee benefits are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

(i) Defined contribution plans

The Group makes legally required contributions to the Central Provident Fund ("Fund"). The Group's obligation, in regard to the defined contribution plan, is limited to the amount it contributes to the Fund. The Group's contributions are recognised as employee compensation expense when they are due.

2. Significant accounting policies (continued)

(h) Employee benefits (continued)

(2) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(3) Share-based compensation

The fair value of employee services received in exchange for equity-settled share-based remuneration plans granted to employees is recognised as share-based payment to employees in profit or loss with a corresponding increase in the share-based payment reserve over the vesting period. The amount is determined by reference to the fair value of the shares on grant date and the expected number of shares to be vested on vesting date.

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

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

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with banks which are subject to an insignificant risk of change in value.

(j) Trade and other receivables

Trade and other receivables are recognised on the date they are originated and initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. An allowance for impairment of trade and other receivables is recognised when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate and is recognised in profit or loss.

The allowance for impairment loss is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the

amortised cost had no impairment been recognised in prior periods.

(k) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Purchase and sales of available-for-sale financial assets 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 available-for-sale financial assets have expired or all risks and rewards of ownership have been transferred. Changes in fair values of available-for-sale equity securities are recognised in the fair value reserve, together with the related currency translation differences. The fair value of available-for-sale financial assets not traded in an active market are determined by using valuation techniques, such as discounted cash flow analysis.

Dividends on available-for-sale financial assets are recognised in profit or loss when the right to receive payment is established.

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

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

(l) Property, plant and equipment

(1) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently stated at cost less accumulated depreciation and accumulated impairment losses.

(2) Components of costs

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition and bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. Cost also includes any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are

transferred from the hedging reserve. 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.

(3) Depreciation of property, plant and equipment

No depreciation is provided on work-in-progress.

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

	<u>Useful lives</u>
Leasehold improvements	1 to 7 years or lease term, whichever is shorter
Furniture, fittings and office equipment	3 to 10 years
Computer hardware	1 to 7 years
Motor vehicles	5 years

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

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are recognised in profit or loss when the changes arise.

(4) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(5) Disposal

On disposal or retirement of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

(m) Software

Costs recognised are directly associated with identifiable software controlled by the Group that generate economic benefits exceeding costs beyond one year. Cost also includes any fair value gains or losses on qualifying cash flow hedges of computer software that are transferred from the hedging reserve. Costs associated with maintaining computer software are expensed off when incurred.

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and other directly attributable costs of preparing the software for its intended use. Direct expenditures, including employee costs, which enhance or extend the performance of computer software programmes beyond their original

specifications, and which can be reliably measured, are recognised as a capital improvement and added to the original cost of the software.

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

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

(n) Intangible asset

Intangible asset comprises the right to operate the Singapore electricity spot market that is initially recognised at cost and is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over the estimated useful life of 30 years of the underlying asset.

The period and method of amortisation of intangible asset are reviewed at least at each period end. The effects of any revision of the amortisation period or method are included in profit or loss for the period in which the changes arise.

(o) Goodwill on acquisitions

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

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

Goodwill on subsidiaries is recognised separately in the statement of financial position and carried at cost less accumulated impairment losses.

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

2. Significant accounting policies (continued)

(p) Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses in the statement of financial position of the Company. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. Impairment losses are recognised in the profit or loss in the year in which it is determined.

On disposal of an investment, the difference between the net proceeds and its carrying amount is recognised in profit or loss.

(q) Impairment of non-financial assets

(1) Goodwill

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

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

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

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(2) Property, plant and equipment

Software

Intangible assets

Investments in subsidiaries and associated companies

Property, plant and equipment, software, intangible assets and investments in subsidiaries and associated companies are reviewed for impairment whenever there is any objective evidence or indication that the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling value and its value in use. The impairment loss is recognised in profit or loss.

The recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

(r) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities, if payment is due within one year or less. Otherwise, they are presented as non-current liabilities.

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

(s) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(t) 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. Changes in the estimated amount are recognised in profit or loss when the changes arise.

(u) Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivatives designated

as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Derivatives that are designated as hedging instrument are designated by the Group as cash flow hedge. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

Currency forwards – cash flow hedge

The Group has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in the hedging reserve and transferred to either the cost of a hedged non-monetary asset upon acquisition or profit or loss when the hedged forecast transactions are recognised.

The fair value of currency forward contracts purchased or sold is based on the quoted bid price or offer price respectively at the balance sheet date. The notional principal amounts of the currency forward contracts are recorded as off-balance sheet items.

The fair value changes on the ineffective portion of currency forwards are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in the hedging reserve are transferred to profit or loss immediately.

(v) Share capital and treasury shares

Ordinary shares are classified as equity.

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

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

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

(w) 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.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee who are responsible for allocating resources and assessing performance of the operating segments.

3. Critical accounting estimates and judgments

Estimates and judgments are regularly evaluated based on historical experience, current circumstances and expectations of future events. The following provides a description of the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements:

(a) Available-for-sale financial asset

The available-for-sale financial asset held by the Group and the Company is an unlisted equity security that is not traded in an active market. The valuation of the available-for-sale financial asset is determined using discounted cash flow model and management's best estimate of expected future cash flows, long term growth rate and discount rate (Note 2(k) and Note 16).

(b) Intangible asset

Intangible asset is valued on acquisition using appropriate methodology and amortised over the estimated useful life. The valuation and useful life are based on management's best estimates of future performance and periods over which value from the intangible asset will be realised (Note 2(n) and Note 19). Management reassess the estimated useful life at each period end, taking into account the period over which the intangible asset is expected to generate future economic benefit. Intangible asset is tested for impairment in accordance with Note 2(q)(2).

(c) Goodwill

Goodwill is tested for impairment in accordance with Note 2(q)(1). The recoverable amount of goodwill is based on value-in-use calculation using discounted cash flow model and management's best estimate of expected future cash flows, long term growth rate and discount rate (Note 20).

4. Operating revenue

Operating revenue comprised the following:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Equities and Fixed Income				
<i>Issuer Services</i>				
Listing	46,668	51,570	—	—
Corporate actions and other	35,882	36,011	—	—
	82,550	87,581	—	—
<i>Securities Trading and Clearing (previously known as Securities)</i>				
Securities clearing	158,547	163,540	—	—
Access	37,589	37,675	—	—
Collateral management, membership and other	8,871	8,101	—	—
	205,007	209,316	—	—
<i>Post Trade Services (previously known as Depository services)</i>				
Securities settlement	93,803	81,267	—	—
Contract processing	15,943	15,991	11,465	11,084
Depository management	8,460	7,397	—	—
	118,206	104,655	11,465	11,084
	405,763	401,552	11,465	11,084
Derivatives				
Equity and Commodities	241,421	224,228	—	—
Collateral management, licence, membership and other	83,883	71,563	—	—
	325,304	295,791	—	—
Market Data and Connectivity				
Market data	38,371	36,600	374	410
Connectivity	48,671	44,574	16,592	14,024
	87,042	81,174	16,966	14,434

5. Staff

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Salaries	102,299	85,747	73,218	61,979
Employer's contribution to Central Provident Fund on salaries	7,445	6,346	5,008	4,380
	109,744	92,093	78,226	66,359
Variable bonus	39,408	41,770	28,405	32,613
Employer's contribution to Central Provident Fund on variable bonus	2,207	2,298	1,432	1,589
	41,615	44,068	29,837	34,202
Variable share-based payment	7,903	13,792	7,903	13,792
	159,262	149,953	115,966	114,353

The remuneration of key management under the employment of the Group and the Company are included in staff costs. Refer to Note 38 on key management's remuneration.

6. Technology

	The Group	The Company	
	2016 \$'000	2015 \$'000	2016 \$'000
System maintenance and rental	71,782	62,100	39,759
Depreciation and amortisation	51,869	50,593	18,080
Communication charges	4,195	3,218	3,397
	127,846	115,911	61,236
			54,192

7. Premises

	The Group	The Company	
	2016 \$'000	2015 \$'000	2016 \$'000
Rental and maintenance of premises	17,765	16,791	13,109
Depreciation of furniture and fittings and leasehold improvements	6,969	5,851	6,871
	24,734	22,642	19,980
			18,095

8. Other operating expenses

	The Group	The Company	
	2016 \$'000	2015 \$'000	2016 \$'000
Marketing	8,188	8,355	2,128
Travelling	2,950	3,063	1,895
Allowance/(reversal) for impairment of trade receivables (net)	486	529	(2)
Net write-off of property, plant and equipment	165	–	54
Net gain on disposal of property, plant and equipment and software	(43)	–	–
Directors' fee	2,203	2,108	1,983
Regulatory fee	4,159	3,524	400
Services from price vendors	3,274	2,649	1,044
Credit facilities' fees	842	856	455
Amortisation of intangible asset	906	678	–
Miscellaneous	4,835	6,263	6,689
	27,965	28,025	14,646
			14,619

9. Operating profit

	The Group	The Company	
	2016 \$'000	2015 \$'000	2016 \$'000
Operating profit is arrived after:			
<i>Charging:</i>			
Audit services by auditor of the Company	692	628	243
Other services by auditor of the Company	331	59	233
Rental of Technology equipment - operating lease	1,898	2,914	1,226
Rental of premises - operating lease	22,368	20,755	15,820
Provision for unutilised leave	587	1,165	500
Depreciation and amortisation	59,855	57,273	25,062
<i>And crediting:</i>			
Grants from government schemes and agencies	76	119	76
Collateral management revenue on collateral balances held in trust (net)	49,266	39,923	–
			–

10. Other gains - net

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Other revenue including interest income:				
– Interest income from fixed deposits and current account with banks	9,445	5,317	4,624	2,435
– Dividend income	1,327	415	1,999	415
– Others	778	358	1,134	219
	11,550	6,090	7,757	3,069
Net foreign exchange gain/(loss)	159	1,721	242	(124)
Impairment loss on available- for-sale financial asset (Note 16)	(6,000)	–	(6,000)	–
	5,709	7,811	1,999	2,945

11. Earnings per share

	The Group	
	2016 \$'000	2015 \$'000
Net profit attributable to the equity holders of the Company	349,017	348,612
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	1,070,925	1,070,745
Adjustments for:		
– Shares granted under SGX performance share plans and deferred long-term incentives schemes ('000)	2,873	3,465
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,073,798	1,074,210
Earnings per share (in cents per share)		
– Basic	32.6	32.6
– Diluted	32.5	32.5

Basic earnings per share is calculated by dividing the net profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the effects of all dilutive potential ordinary shares. Shares granted under the SGX performance share plans and the deferred long-term incentives schemes have potential dilutive effect on ordinary shares. The adjustment made represents the number of shares expected to vest under the SGX performance share plans and the defered long-term incentives schemes.

12. Cash and cash equivalents

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at bank and on hand	66,078	43,531	4,525	10,207
Fixed deposits with banks	800,228	806,371	436,200	426,230
	866,306	849,902	440,725	436,437

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

	The Group	
	2016 \$'000	2015 \$'000
Cash and cash equivalents per statement of cash flows	598,083	632,601
Add: Cash committed for		
– Singapore Exchange Derivatives Clearing Limited ("SGX-DC") Clearing Fund (Note 31)	200,021	150,021
– Securities Clearing Fund (Note 30)	60,000	60,000
– National Electricity Market of Singapore ("NEMS") (Note 14)	8,202	7,280
Cash and cash equivalents (as above)	866,306	849,902

The Security Clearing Fund contributed by The Central Depository (Pte) Limited ("CDP") is presented as part of cash and cash equivalents as it relates to deposits placed with banks. Accordingly, the comparative figure has been reclassified to conform with the current year's presentation.

13. Trade and other receivables

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables (net) (Note (a))	904,533	622,911	5,260	4,431
Other receivables (Note (b))	25,448	30,597	11,327	10,565
	929,981	653,508	16,587	14,996

(a) Trade receivables comprise:

Receivables from clearing members and settlement banks	762,878	416,330	–	–
– Daily settlement of accounts for due contracts and rights	81,702	134,122	–	–
Receivables under NEMS (Note 14)	61,621	74,113	5,261	4,436
Other trade receivables	906,201	624,565	5,261	4,436
Less: Allowance for impairment of trade receivables (Note 39)	(1,668)	(1,654)	(1)	(5)
	904,533	622,911	5,260	4,431

The receivables from clearing members and settlement banks represent the net settlement obligations to CDP. The corresponding net settlement obligations from CDP to the clearing members and settlement banks are disclosed in Note 24(a).

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(b) Other receivables comprise:				
Prepayments	15,729	16,397	8,753	9,302
Interest receivable	7,702	12,784	1,585	977
Deposits	706	976	302	249
Staff advances	16	30	4	6
Others (non-trade)	1,295	410	683	31
	25,448	30,597	11,327	10,565

14. Cash, receivables and payables under NEMS

The Energy Market Company Pte Ltd ("EMC") has cash, receivables and payables in respect of sale of electricity to market participants and purchase of electricity and ancillary services from market participants in the NEMS as follows:

	The Group	
	2016 \$'000	2015 \$'000
Cash committed for NEMS (Note 12)	8,202	7,280
Receivables under NEMS (Note 13(a))	81,702	134,122
Total settlement cash and receivables	89,904	141,402
Payables under NEMS (Note 24(a))	89,904	141,402
Total settlement payables	89,904	141,402

(a) Cash committed for NEMS

The cash represents EMC's commitment to NEMS for the operation of the NEMS. The manners in which the cash can be used are defined by the Singapore Electricity Market Rules ("Market Rules") issued by the Energy Market Authority of Singapore. The committed cash is not available to EMC for its operations.

(b) Adjustments to balances arising from post-transaction changes in metering data or dispute over final settlement statements

EMC acts as an administrator in the NEMS. In the NEMS, the Market Support Services Licensee ("MSSL") is responsible for the provision and accuracy of the metering data, which is used in calculation of settlements.

Under the Market Rules, transactions must be settled based on final settlement invoices. Subsequent to the final settlement date and up to 253 trading days from the trading day, EMC may, however be advised by the MSSL on the changes to the metering data and the quantities of electricity traded.

In addition, the market participants may dispute over final settlement statements. These will result in adjustments to the settlement amounts due to/from the market participants. Any adjustments to be made after the issue of the final settlement invoices shall be included in the preliminary settlement statement issued immediately following the resolution of disputes.

15. Derivative financial instruments

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

	Group			Company		
	Contract notional amount \$'000	Fair value		Contract notional amount \$'000	Fair value	
		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000
2016						
Cash-flow hedges						
– Currency forwards	82,830	2,665	(66)	–	–	–
		2,665	(66)		–	–
2015						
Cash-flow hedges						
– Currency forwards	44,031	311	(84)	1,614	86	–
		311	(84)		86	–

As at 30 June 2016, the settlement dates on currency forward contracts range between 1 month and 9 months (2015: 1 month and 9 months).

Currency forwards designated as cash flow hedges are entered to hedge highly probable forecast transactions denominated in United States Dollar ("USD"), Japanese Yen ("JPY") and Euro ("EUR"). The currency contracts have maturity dates that coincide within the expected occurrence of these transactions. Gains and losses recognised in the cash flow hedge reserve prior to the occurrence of these transactions are reclassified to profit or loss in the month during which the hedged forecast transaction affects the profit or loss. Gains and losses of currency forwards used to hedge highly probable forecast foreign currency purchases of property, plant and equipment and software transactions are included in the cost of the assets and recognised in the profit or loss over their estimated useful lives as part of depreciation expenses.

16. Available-for-sale financial asset

	The Group and The Company	
	2016 \$'000	2015 \$'000
<i>Unlisted equity security - BSE Limited ("BSE")</i>		
Balance at beginning of financial year	50,956	50,956
Impairment losses (Note 10)	(6,000)	–
Balance at end of financial year	44,956	50,956

The fair value of the unlisted equity security was determined using the discounted cash flow model. Key inputs of the computation are as follows:

	Key Inputs	Basis
Free cash flows	Management's estimates of growth of Indian equity market and BSE's projected financial performance	Historical trend of Indian equity market, past performance of BSE and future economic growth of India
Long term growth rate	6.5% (2015: 7.5%)	Long term growth rate of the Indian economy
Discount rate	13.5% (2015: 13.5%)	Cost of capital to operate an exchange in India

During the financial year, the Group and the Company recognised an impairment loss of \$6,000,000 (2015: Nil) against the unlisted equity security. The impairment arose mainly due to a decline in the fair value of the equity security and depreciation of the Indian Rupee ("INR") against the SGD.

The estimated fair value is sensitive to any change in key inputs to the valuation model such as future cash flows, long term growth rate and discount rate. A sensitivity analysis of the key inputs has been included in Note 39.

17. Property, plant and equipment

	Leasehold improvements \$'000	Furniture, fittings and office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress ^(a) \$'000	Total \$'000
The Group						
2016						
Cost						
At 1 July 2015	33,719	6,717	55,071	750	8,221	104,478
Reclassification	1,222	29	5,370	—	(6,621)	—
Additions	433	601	2,390	—	15,388	18,812
Disposals	(1,867)	(259)	(6,142)	—	(403)	(8,671)
At 30 June 2016	<u>33,507</u>	<u>7,088</u>	<u>56,689</u>	<u>750</u>	<u>16,585</u>	<u>114,619</u>
Accumulated depreciation						
At 1 July 2015	6,721	1,176	34,773	639	—	43,309
Depreciation charge ^(b)	5,959	1,257	10,138	111	—	17,465
Disposals	(1,790)	(256)	(6,139)	—	—	(8,185)
At 30 June 2016	<u>10,890</u>	<u>2,177</u>	<u>38,772</u>	<u>750</u>	<u>—</u>	<u>52,589</u>
Net book value						
At 30 June 2016	<u>22,617</u>	<u>4,911</u>	<u>17,917</u>	<u>—</u>	<u>16,585</u>	<u>62,030</u>
2015						
Cost						
At 1 July 2014	22,614	5,426	45,522	750	16,194	90,506
Acquisition of subsidiary (Note 21)	108	10	3,716	—	—	3,834
Reclassification	10,097	958	4,664	—	(15,719)	—
Additions	900	329	2,401	—	7,746	11,376
Disposals	—	(6)	(1,232)	—	—	(1,238)
At 30 June 2015	<u>33,719</u>	<u>6,717</u>	<u>55,071</u>	<u>750</u>	<u>8,221</u>	<u>104,478</u>
Accumulated depreciation						
At 1 July 2014	1,677	99	26,754	488	—	29,018
Depreciation charge ^(b)	5,044	1,083	9,251	151	—	15,529
Disposals	—	(6)	(1,232)	—	—	(1,238)
At 30 June 2015	<u>6,721</u>	<u>1,176</u>	<u>34,773</u>	<u>639</u>	<u>—</u>	<u>43,309</u>
Net book value						
At 30 June 2015	<u>26,998</u>	<u>5,541</u>	<u>20,298</u>	<u>111</u>	<u>8,221</u>	<u>61,169</u>

	Leasehold improvements \$'000	Furniture, fittings and office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress ^(a) \$'000	Total \$'000
The Company						
2016						
Cost						
At 1 July 2015	33,489	6,630	39,914	750	3,797	84,580
Reclassification	971	—	1,970	—	(2,941)	—
Additions	345	535	1,594	—	6,823	9,297
Disposals	(92)	(27)	(28)	—	(54)	(201)
At 30 June 2016	34,713	7,138	43,450	750	7,625	93,676
Accumulated depreciation						
At 1 July 2015	6,645	1,157	23,744	639	—	32,185
Depreciation charge ^(b)	5,900	1,218	7,644	111	—	14,873
Disposals	(92)	(27)	(28)	—	—	(147)
At 30 June 2016	12,453	2,348	31,360	750	—	46,911
Net book value						
At 30 June 2016	22,260	4,790	12,090	—	7,625	46,765
2015						
Cost						
At 1 July 2014	22,610	5,342	34,974	750	14,949	78,625
Reclassification	10,007	958	4,035	—	(15,000)	—
Additions	872	330	1,674	—	3,848	6,724
Disposals	—	—	(769)	—	—	(769)
At 30 June 2015	33,489	6,630	39,914	750	3,797	84,580
Accumulated depreciation						
At 1 July 2014	1,673	99	16,845	488	—	19,105
Depreciation charge ^(b)	4,972	1,058	7,668	151	—	13,849
Disposals	—	—	(769)	—	—	(769)
At 30 June 2015	6,645	1,157	23,744	639	—	32,185
Net book value						
At 30 June 2015	26,844	5,473	16,170	111	3,797	52,395

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

(b) Depreciation of leasehold improvements in SGX's data centres amounting to \$247,000 (2015: \$276,000) is classified as depreciation and amortisation expense under Technology cost for both Group and Company.

18. Software

	Software \$'000	Work-in- progress \$'000	Total \$'000
The Group			
2016			
Cost			
At 1 July 2015	273,097	67,577	340,674
Reclassification	40,029	(40,029)	–
Additions	15,963	40,356	56,319
Write-off	(20,441)	(110)	(20,551)
At 30 June 2016	308,648	67,794	376,442
Accumulated amortisation			
At 1 July 2015	200,697	–	200,697
Amortisation charge	41,484	–	41,484
Write-off	(20,441)	–	(20,441)
At 30 June 2016	221,740	–	221,740
Net book value			
At 30 June 2016	86,908	67,794	154,702
2015			
Cost			
At 1 July 2014	247,699	23,957	271,656
Acquisition of subsidiary (Note 21)	3,724	743	4,467
Reclassification	14,019	(14,019)	–
Additions	8,086	56,896	64,982
Write-off	(431)	–	(431)
At 30 June 2015	273,097	67,577	340,674
Accumulated amortisation			
At 1 July 2014	160,062	–	160,062
Amortisation charge	41,066	–	41,066
Write-off	(431)	–	(431)
At 30 June 2015	200,697	–	200,697
Net book value			
At 30 June 2015	72,400	67,577	139,977

	Software \$'000	Work-in- progress \$'000	Total \$'000
The Company			
2016			
Cost			
At 1 July 2015	65,278	1,797	67,075
Reclassification	755	(755)	–
Additions	2,101	10,402	12,503
Write-off	(2,965)	–	(2,965)
At 30 June 2016	65,169	11,444	76,613
Accumulated amortisation			
At 1 July 2015	37,340	–	37,340
Amortisation charge	10,189	–	10,189
Write-off	(2,965)	–	(2,965)
At 30 June 2016	44,564	–	44,564
Net book value			
At 30 June 2016	20,605	11,444	32,049
2015			
Cost			
At 1 July 2014	55,053	7,547	62,600
Reclassification	5,984	(5,984)	–
Additions	4,339	234	4,573
Write-off	(98)	–	(98)
At 30 June 2015	65,278	1,797	67,075
Accumulated amortisation			
At 1 July 2014	27,547	–	27,547
Amortisation charge	9,891	–	9,891
Write-off	(98)	–	(98)
At 30 June 2015	37,340	–	37,340
Net book value			
At 30 June 2015	27,938	1,797	29,735

19. Intangible asset

	The Group	
	2016 \$'000	2015 \$'000
Cost		
Beginning of financial year		
Beginning of financial year	27,140	–
Addition (Note 21(c))	–	27,140
Balance at end of financial year	27,140	27,140
Accumulated amortisation		
Beginning of financial year		
Beginning of financial year	678	–
Amortisation charge (Note 8)	906	678
Balance at end of financial year	1,584	678
Net book value		
	25,556	26,462

The intangible asset is the right to operate the Singapore electricity spot market arising from the acquisition of EMC (Note 21).

No impairment loss has been recognised as there is no objective evidence or indication that the carrying amount may not be fully recoverable as at 30 June 2016 (2015: Nil).

20. Goodwill

The carrying amount of goodwill is as follows:

	The Group	
	2016 \$'000	2015 \$'000
Beginning of financial year	9,614	—
Acquisition of subsidiary (Note 21(c))	—	9,614
Balance at end of financial year	9,614	9,614

The goodwill relates to the acquisition of EMC, a subsidiary operating the Singapore electricity spot market.

The recoverable amount of the goodwill was determined based on value-in-use calculation using the discounted cash flow model. Key inputs of the computation are as follows:

	Key Inputs	Basis
Free cash flows	Management's forecasts of earnings and capital expenditure over a ten-year period	Past performance, expectations of electricity demand growth in Singapore and market developments
Long term growth rate	2% - 3% (2015: 3%)	Long term electricity demand growth rate and long term growth rate of the Singapore economy
Discount rate	9.5% (2015: 9.5%)	Cost of capital to operate the Singapore electricity spot market

Based on the value-in-use calculations, there is no impairment on goodwill (FY2015: Nil). While the estimated recoverable amount of the goodwill is sensitive to any change in key inputs to the value-in-use calculations, the change in the estimated recoverable amount from any reasonably possible change on the key input does not materially cause the recoverable amount to be lower than its carrying amount.

21. Business combinations

In financial year 2013, the Group acquired 49% in EMC for \$19,989,000 and had accounted for EMC as an associated company. On 1 October 2014, the Group acquired the remaining 51% equity interest in EMC for a consideration of \$23,000,000. Consequently, EMC became a wholly owned subsidiary.

The principal activity of EMC is to operate the Singapore Electricity Spot Market. This acquisition strengthens the Group's ability to further develop energy related products.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	\$'000
(a) Purchase consideration	
Cash paid	23,000
Fair value of previously-held equity interest*	<u>19,957</u>
Consideration transferred for the business	<u>42,957</u>
* The Group has recognised the previously-held equity interest at its fair value of \$19,957,000. The gain or loss as a result of re-measuring to fair value the previously-held equity interest is nil.	
(b) Effect on cash flows of the Group	
Cash paid (as above)	23,000
Less: Cash and cash equivalents in subsidiary acquired	<u>(4,450)</u>
Cash outflow on acquisition	<u>18,550</u>
(c) Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	4,450
Cash committed for NEMS	10,525
Trade and other receivables	194,402
Prepayments	2,020
Property, plant and equipment	3,834
Software	4,467
Intangible asset	<u>27,140</u>
Total assets	<u>246,838</u>
Trade and other payables	207,351
Taxation	133
Deferred tax liabilities	<u>6,011</u>
Total liabilities	<u>213,495</u>
Total identifiable net assets	33,343
Add: Goodwill	<u>9,614</u>
Consideration transferred for the business	<u>42,957</u>
(d) Acquisition-related costs	
Acquisition-related costs of \$60,000 are included in "Professional fees" in the statement of comprehensive income and in operating cash flows in the statement of cash flows of financial year 2015.	
(e) Acquired receivables	
The fair value and gross contractual amount of trade and other receivables is \$194,402,000.	
(f) Goodwill	
The goodwill of \$9,614,000 is attributable to the synergies expected to arise from the acquisition.	
(g) Revenue and profit contribution	
In the financial year 2015, the acquired business contributed operating revenue of \$17,980,000 and net profit after tax of \$2,496,000 to the Group from the period from 1 October 2014 to 30 June 2015. Had EMC been consolidated from 1 July 2014, consolidated operating revenue and consolidated net profit after tax for the year ended 30 June 2015 would have been \$785,157,000 and \$348,770,000 respectively.	

22. Investments in subsidiaries

	The Company	
	2016 \$'000	2015 \$'000
Equity investments at cost		
Balance at beginning of financial year	494,001	493,501
Incorporation of subsidiary	—	500
Capital injection into subsidiaries	79,500	—
	573,501	494,001
Long-term receivables		
Amount due from subsidiary	40,989	40,989
Balance at end of financial year	614,490	534,990

The carrying value of the amount due from subsidiary approximates its fair value. The amount due from subsidiary is interest-free and has no fixed terms of repayment.

Details of the subsidiaries are as follows:

Name of subsidiary	Note	Principal activities	Country of business and incorporation	Equity held by			
				The Company	Subsidiaries	2016 %	2015 %
Singapore Exchange Securities Trading Limited	(a)	Operating a securities exchange	Singapore	100	100	—	—
Singapore Exchange Derivatives Trading Limited	(a)	Operating a derivatives exchange	Singapore	100	100	—	—
The Central Depository (Pte) Limited	(a)	Providing clearing, counterparty guarantee, depository and related services for securities transactions	Singapore	100	100	—	—
Singapore Exchange Derivatives Clearing Limited	(a)	Providing clearing, counterparty guarantee and related services for derivatives transactions	Singapore	100	100	—	—
SGX Bond Trading Pte. Ltd.	(a)	Providing bond trading services	Singapore	100	100	—	—
Singapore Exchange IT Solutions Pte Limited	(a)	Providing computer services and software maintenance	Singapore	100	100	—	—
Asian Gateway Investments Pte Ltd	(a)	Investment holding	Singapore	100	100	—	—
Singapore Commodity Exchange Limited	(a)	Dormant	Singapore	100	100	—	—
SGX International Pte. Ltd.	(a)	Dormant	Singapore	100	100	—	—
Securities Clearing and Computer Services (Pte) Limited	(a)	Dormant	Singapore	100	100	—	—
Asian Gateway Investments (China) Pte. Ltd.	(a)	Investment holding	Singapore	—	—	100	100
Energy Market Company Pte Ltd	(a)	Operating an electricity market	Singapore	—	—	100	100
Asia Converge Pte Ltd	(a)	Dormant	Singapore	—	—	100	100
Asiaclear Pte Ltd	(a)	Dormant	Singapore	—	—	100	100
CDP Nominees Pte Ltd	(a)	Dormant	Singapore	—	—	100	100
Globalclear Pte Ltd	(a)	Dormant	Singapore	—	—	100	100
Joint Asian Derivatives Pte. Ltd.	(a)	Dormant	Singapore	—	—	100	100
SGX America Limited	(b)	Dormant	United States of America	—	—	100	100
Shanghai Yaxu Consultancy Company Limited	(c)	Providing consultancy services	People's Republic of China	—	—	100	100

^(a) Audited by PricewaterhouseCoopers LLP, Singapore.

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

^(c) Audited by PricewaterhouseCoopers Zhong Tian LLP, People's Republic of China.

23. Investment in associated company

	The Group	The Company	
	2016 \$'000	2015 \$'000	2016 \$'000
Investment in associated company	9,387	9,426	4,389
			4,389

Details of the associated company held by the Group are as follows:

Name of company	Principal activity	Country of business and incorporation	Equity holding	
			2016 %	2015 %
Philippines Dealing System Holdings Corp. ^(a)	Investment holding	Philippines	20	20

^(a) Audited by SyCip Gorres Velayo & Co, Philippines

There was no associated company that was individually material to the Group (2015: Nil).

The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the associated company accounted for using the equity method:

	The Group	
	2016 \$'000	2015 \$'000
Profit from continuing operations	1,112	1,903 ^(b)
Total comprehensive income	1,112	1,903

^(b) Includes \$470,000 of the Group's share of profit from EMC for the period from 1 July 2014 to 30 September 2014. EMC had subsequently became a wholly owned subsidiary of the Group following the Group's acquisition of the remaining 51% equity interest in EMC on 1 October 2014.

There are no contingent liabilities relating to the Group's interest in the associated company. (2015: Nil).

24. Trade and other payables

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Trade payables (Note (a))	882,699	585,448	762	352
Other payables (Note (b))	129,953	132,878	62,449	60,920
Amount due to subsidiaries (non-trade) (Note (c))	—	—	307,681	357,843
	1,012,652	718,326	370,892	419,115
Non-current				
Trade and other payables:				
– Accrual for operating expenses	312	1,807	—	—
(a) Trade payables comprise:				
Payables to clearing members and settlement banks				
– Daily settlement of accounts for due contracts and rights	762,878	416,330	—	—
Payables under NEMS (Note 14)	89,904	141,402	—	—
Other trade payables	29,917	27,716	762	352
	882,699	585,448	762	352

The payables to clearing members and settlement banks represent the net settlement obligations by CDP. The corresponding net settlement obligations by clearing members and settlement banks to CDP are disclosed in Note 13(a).

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(b) Other payables comprise:				
Accrual for operating expenses	74,115	75,275	24,609	21,278
Accrual for bonus	44,349	45,450	32,467	34,367
Central Provident Fund payable	1,583	1,481	1,043	846
Advance receipts	3,860	4,569	231	231
Others (non-trade)	6,046	6,103	4,099	4,198
	129,953	132,878	62,449	60,920

(c) The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

25. Income taxes

(a) Income tax expense

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Tax expense attributable to profit is made up of:				
- current income tax	71,110	71,920	3,859	1,896
- deferred income tax	(1,797)	(2,115)	(2,204)	1,183
	69,313	69,805	1,655	3,079
Over provision in prior financial years:				
- current income tax	(2,369)	(6,868)	(800)	(240)
	66,944	62,937	855	2,839

(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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Profit before tax and share of results of associated company	414,849	409,646	461,268	261,609
Tax calculated at a tax rate of 17% (2015: 17%)	70,524	69,640	78,416	44,474
Tax effect of:				
Singapore statutory income exemption	(182)	(162)	(26)	(26)
Income not subject to tax	(283)	(301)	(76,840)	(43,081)
Tax incentives and rebate	(1,627)	(1,546)	(428)	(428)
Expenses not deductible for tax purposes	422	1,826	338	2,061
Others	459	348	195	79
Over provision in prior financial years	(2,369)	(6,868)	(800)	(240)
	66,944	62,937	855	2,839

(c) Movements in provision for tax

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of financial year	76,802	75,273	2,714	1,143
Acquisition of subsidiary (Note 21(c))	-	133	-	-
Income tax paid	(70,281)	(63,656)	(599)	(85)
Tax expense on profit for the financial year	71,110	71,920	3,859	1,896
Over provision in prior financial years	(2,369)	(6,868)	(800)	(240)
Balance at end of financial year	75,262	76,802	5,174	2,714

(d) Deferred income tax

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deferred tax assets:				
- to be recovered within 12 months	4,636	1,570	1,772	1,570
- to be recovered after 12 months	449	670	449	670
	5,085	2,240	2,221	2,240
- Effect of offsetting	(5,085)	(2,240)	(2,221)	(2,240)
	-	-	-	-
Deferred tax liabilities:				
- to be settled within 12 months	8,910	8,374	3,045	2,819
- to be settled after 12 months	14,011	12,630	3,104	5,108
	22,921	21,004	6,149	7,927
- Effect of offsetting	(5,085)	(2,240)	(2,221)	(2,240)
	17,836	18,764	3,928	5,687

The movements in the deferred tax assets and liabilities during the financial year are as follows:

The Group – deferred tax assets

	Unutilised tax losses		Accelerated tax depreciation		Employee share plan		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of financial year	–	–	–	–	2,240	2,462	2,240	2,462
Credited/(Charged) to profit or loss	696	–	2,168	–	441	(86)	3,305	(86)
Charged to equity	–	–	–	–	(460)	(136)	(460)	(136)
Balance at end of financial year	696	–	2,168	–	2,221	2,240	5,085	2,240

The Group – deferred tax liabilities

	Intangible asset arising from business combination							
	Cash flow hedge reserve		Accelerated tax depreciation		Intangible asset arising from business combination		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of financial year	30	80	16,476	17,164	4,498	–	21,004	17,244
Acquisition of subsidiary (Note 21(c))	–	–	–	1,397	–	4,614	–	6,011
Charged/(credited) to profit or loss	–	–	1,662	(2,085)	(154)	(116)	1,508	(2,201)
Charged/(credited) to equity	409	(50)	–	–	–	–	409	(50)
Balance at end of financial year	439	30	18,138	16,476	4,344	4,498	22,921	21,004

The Company – deferred tax assets

	Employee share plan	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year		2,240
Credited/(charged) to profit or loss		441
Charged to equity		(460)
Balance at end of financial year	2,221	2,240

25. Income taxes (continued)

(d) Deferred income tax (continued)

The Company – deferred tax liabilities

	Cash flow hedge reserve		Accelerated tax depreciation		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of financial year	15	–	7,912	6,815	7,927	6,815
(Credited)/charged to profit or loss	–	–	(1,763)	1,097	(1,763)	1,097
(Credited)/charged to equity	(15)	15	–	–	(15)	15
Balance at end of financial year	–	15	6,149	7,912	6,149	7,927

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

	The Group	
	2016 \$'000	2015 \$'000
Tax losses	22,705	23,572
Unutilised capital allowances	615	615

These items principally relate to four (2015: five) entities within the Group of which four (2015: four) entities are dormant. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The tax losses and unutilised capital allowances are subject to the relevant provisions of the Singapore Income Tax Act and confirmation by the tax authorities.

(e) Tax effects on other comprehensive income

	The Group			The Company		
	Before tax \$'000	Tax benefit/ (liability) \$'000	Net of tax \$'000	Before tax \$'000	Tax benefit/ (liability) \$'000	Net of tax \$'000
2016						
Other comprehensive income						
Net currency translation differences of financial statements of subsidiary and associated company	(490)	–	(490)	–	–	–
Fair value gains/ (losses) on cash flow hedges	2,415	(409)	2,006	(86)	15	(71)
	<u>1,925</u>	<u>(409)</u>	<u>1,516</u>	<u>(86)</u>	<u>15</u>	<u>(71)</u>
2015						
Other comprehensive income						
Net currency translation differences of financial statements of associated company	210	–	210	–	–	–
Fair value gains/ (losses) on cash flow hedges	(295)	50	(245)	86	(15)	71
	<u>(85)</u>	<u>50</u>	<u>(35)</u>	<u>86</u>	<u>(15)</u>	<u>71</u>

26. Provisions

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Provision for SGX-MAS Market Development Scheme (Note (a))	1,802	1,802	—	—
Provision for unutilised leave (Note (b))	4,972	4,385	3,695	3,195
Provision for dismantlement, removal or restoration of property, plant and equipment (Note (c))	3,001	3,246	2,982	2,977
	9,775	9,433	6,677	6,172

(a) Provision for SGX-MAS Market Development Scheme

Provision for SGX-MAS Market Development Scheme is used to fund projects that raise awareness of the securities and derivatives market among investors.

The provision recorded at the Group as at 30 June 2016 is \$1,802,000 (2015: \$1,802,000).

(b) Provision for unutilised leave

Provision for unutilised leave is the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Movements in this provision are as follows:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of financial year	4,385	2,909	3,195	2,183
Acquisition of subsidiary (Note 21)	—	311	—	—
Provision made during the financial year, net	587	1,165	500	1,012
Balance at end of financial year	4,972	4,385	3,695	3,195

(c) Provision for dismantlement, removal or restoration of property, plant and equipment

Provision for dismantlement, removal or restoration is the estimated cost of dismantlement, removal or restoration of leased premises. The provision is expected to be utilised upon return of the leased premises.

Movements in this provision are as follows:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of financial year	3,246	3,435	2,977	3,435
Acquisition of subsidiary (Note 21)	—	269	—	—
Provision (utilised)/made during the financial year, net	(245)	(458)	5	(458)
Balance at end of financial year	3,001	3,246	2,982	2,977

27. Share capital

(a) Share capital and treasury shares

The Group and The Company

	Number of shares		Amount	
	Issued shares '000	Treasury shares '000	Share capital \$'000	Treasury shares \$'000
2016				
Balance at beginning of financial year	1,071,642	1,487	428,568	(12,049)
Purchase of treasury shares	—	1,746	—	(12,637)
Vesting of shares under share-based remuneration plans	—	(1,449)	(2,123)	12,291
Tax effect on treasury shares	—	—	—	(460)
Balance at end of financial year	1,071,642	1,784	426,445	(12,855)
2015				
Balance at beginning of financial year	1,071,642	1,742	428,332	(13,865)
Purchase of treasury shares	—	920	—	(8,025)
Vesting of shares under share-based remuneration plans	—	(1,175)	236	9,977
Tax effect on treasury shares	—	—	—	(136)
Balance at end of financial year	1,071,642	1,487	428,568	(12,049)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company, except for shares held as treasury shares.

The Company purchased 1,746,100 of its shares (2015: 920,000) in the open market during the financial year. The total amount paid to purchase the shares was \$12,637,000 (2015: \$8,025,000). The Company holds the shares bought back as treasury shares and plans to use these shares to fulfil its obligations under the Company's share-based remuneration plans.

(b) Performance share plans

(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				
	FY2012 grant*	FY2013 grant**	FY2014 grant**	FY2015 grants**	FY2016 grant**
2016					
Balance at beginning of financial year	—	640,300	710,500	785,700	—
Granted	—	—	—	—	487,500
Vested	—	(398,300)	—	—	—
Lapsed	—	(242,000)	(63,700)	(76,500)	(31,500)
Balance at end of financial year	—	—	646,800	709,200	456,000
2015					
Balance at beginning of financial year	1,040,100	670,300	742,000	—	—
Granted	—	—	—	811,600	—
Vested	(395,400)	—	—	—	—
Lapsed	(644,700)	(30,000)	(31,500)	(25,900)	—
Balance at end of financial year	—	640,300	710,500	785,700	—

* The number of shares vested represents the level of achievement against the performance conditions.

** Represents the number of shares required if participants are to be awarded at 100% of the grant. However, the shares to be awarded at the vesting date may range from 0% to 150% of the grant, depending on the level of achievement against the performance conditions.

The terms of the performance share plans are set out in the Directors' Statement under the caption "SGX Performance Share Plan".

(ii) Fair value of performance shares

The fair value of the performance shares at grant date and the key assumptions of the fair value model for the grants were as follows:

	FY2016 grant	FY2015 grants	FY2014 grant	FY2013 grant	FY2012 grant
Date of grant	30.10.2015	15.08.2014 and 30.06.2015	15.08.2013	15.08.2012	04.04.2012
Vesting date	01.09.2019	01.09.2017 and 01.09.2018	01.09.2016	01.09.2015	01.09.2014
Number of performance shares at grant date	487,500	811,600	753,900	702,000	1,088,100
Fair value per performance share at grant date	\$6.30	\$5.27 to \$5.54	\$5.77	\$5.19	\$5.27
Assumption under Monte-Carlo Model					
Expected volatility					
Shares of Singapore Exchange Limited	16.30%	14.44% to 16.03%	19.81%	19.82%	27.36%
FTSE Mondo Visione	–	11.77% to 18.94%	21.14%	23.02%	28.29%
Shares of selected peer exchanges	18.51% to 51.53%	–	–	–	–
Historical volatility period	36 months	36 months	36 months	36 months	36 months
Risk-free interest rate					
Date on which yield of Singapore government bond was based	30.10.2015	15.08.2014 and 30.06.2015	15.08.2013	15.08.2012	03.04.2012
Term (years)	3	3	3	3	3
Cost of funding					
Risk-free interest rate	1.42%	0.71% to 1.27%	0.34%	0.28%	0.37%
Expected dividend yield based on management's forecast	4.11%	3.97%	4.85%	4.91%	3.73%
Share price reference	\$7.38	\$7.08 to \$7.94	\$7.58	\$6.90	\$6.63

27. Share capital (continued)

(c) Deferred long-term incentives scheme

(i) Outstanding deferred long-term incentives shares

Details of deferred long-term incentives shares awarded to recipients at the balance sheet date are as follows:

Number of shares	The Group and The Company					Total
	FY2012 award	FY2013 award	FY2014 award	FY2015 awards	FY2016 award	
2016						
Balance at beginning of financial year	–	307,172	748,365	1,232,700	–	2,288,237
Awarded	–	–	–	–	956,200	956,200
Lapsed	–	–	(12,968)	(23,600)	(34,000)	(70,568)
Vested	–	(307,172)	(374,135)	(369,430)	–	(1,050,737)
Balance at end of financial year	–	–	361,262	839,670	922,200	2,123,132
2015						
Balance at beginning of financial year	59,800	650,305	1,195,000	–	–	1,905,105
Awarded	–	–	–	1,283,800	–	1,283,800
Lapsed	(800)	(19,338)	(50,469)	(51,100)	–	(121,707)
Vested	(59,000)	(323,795)	(396,166)	–	–	(778,961)
Balance at end of financial year	–	307,172	748,365	1,232,700	–	2,288,237

The terms of the deferred long-term incentives scheme are set out in the Directors' Statement under the caption "SGX Deferred Long-Term Incentives Scheme".

(ii) Fair value of deferred long-term incentives shares

The fair value of deferred long-term incentives shares was estimated by the present value of the share price adjusted for future expected dividends and funding cost. The fair value of shares at award date and the key assumptions of the fair value model for the awards were as follows:

FY2016 Award				
Date of award	17.08.2015			
Vesting date	01.09.2016	01.09.2017	01.09.2018	
Number of shares at award date	318,690	318,690	318,820	
Fair value per deferred long-term incentives share at award date	\$7.72	\$7.74	\$7.69	
Assumption used in fair value model				
Risk-free interest rate	0.97%	1.17%	1.43%	
Date on which yield of Singapore government bond was based	17.08.2015	17.08.2015	17.08.2015	
Cost of funding				
Risk-free interest rate	0.97%	1.17%	1.43%	
Expected dividend yield based on management's forecast	3.91%	3.65%	4.36%	
Share price reference	\$8.02	\$8.02	\$8.02	

FY2015 Awards				
Date of award	← 15.08.2014 and 30.06.2015 →			
Vesting date	01.09.2015	01.09.2016	01.09.2017	01.09.2018
Number of shares at award date	386,460	427,893	428,013	41,434
Fair value per deferred long-term incentives share at award date	\$6.88	\$6.82 to \$7.48	\$6.77 to \$7.50	\$7.45
Assumption used in fair value model				
Risk-free interest rate	0.34%	0.47% to 0.86%	0.69% to 0.99%	1.28%
Date on which yield of Singapore government bond was based	14.08.2014	14.08.2014 and 29.06.2015	14.08.2014 and 29.06.2015	29.06.2015
Cost of funding				
Risk-free interest rate	0.34%	0.47% to 0.86%	0.69% to 0.99%	1.28%
Expected dividend yield based on management's forecast	4.35%	3.91%	3.65%	4.36%
Share price reference	\$7.21	\$7.21 to \$7.83	\$7.21 to \$7.83	\$7.83
FY2014 Award				
Date of award	← 15.08.2013 →			
Vesting date	01.09.2014	01.09.2015	01.09.2016	
Number of shares at award date	407,797	407,797	407,906	
Fair value per deferred long-term incentives share at award date	\$7.34	\$7.34	\$7.26	
Assumption used in fair value model				
Risk-free interest rate	0.22%	0.26%	0.33%	
Date on which yield of Singapore government bond was based	14.08.2013	14.08.2013	14.08.2013	
Cost of funding				
Risk-free interest rate	0.22%	0.26%	0.33%	
Expected dividend yield based on management's forecast	4.43%	4.49%	5.63%	
Share price reference	\$7.61	\$7.61	\$7.61	

27. Share capital (continued)**(c) Deferred long-term incentives scheme (continued)****(ii) Fair value of deferred long-term incentives shares (continued)**

FY2013 Award				
Date of award	15.08.2012			
Vesting date	02.09.2013	01.09.2014	01.09.2015	
Number of shares at award date	348,092	348,092	348,216	
Fair value per deferred long-term incentives share at grant date	\$6.68	\$6.65	\$6.61	
Assumption used in fair value model				
Risk-free interest rate	0.22%	0.25%	0.28%	
Date on which yield of Singapore government bond was based	14.08.2012	14.08.2012	14.08.2012	
Cost of funding				
Risk-free interest rate	0.22%	0.25%	0.28%	
Expected dividend yield based on management's forecast	4.44%	4.90%	5.54%	
Share price reference	\$6.96	\$6.96	\$6.96	
FY2012 Award				
Date of award	05.08.2011			
Vesting date	01.11.2012	01.11.2013	01.11.2014	
Number of shares at award date	77,900	73,550	73,550	
Fair value per deferred long-term incentives share at award date	\$7.09	\$7.06	\$7.04	
Assumption used in fair value model				
Risk-free interest rate	0.18%	0.14%	0.33%	
Date on which yield of Singapore government bond was based	04.08.2011	04.08.2011	04.08.2011	
Cost of funding				
Risk-free interest rate	0.18%	0.14%	0.33%	
Expected dividend yield based on management's forecast	4.16%	4.54%	4.85%	
Share price reference	\$7.33	\$7.33	\$7.33	

28. Dividends

	The Group and The Company	
	2016	2015
	\$'000	\$'000
Interim tax exempt dividends of 15.0 cents per share (2015: 12.0 cents)	160,697	128,527
Proposed final tax exempt dividends of 13.0 cents per share (2015: 16.0 cents)	139,082	171,225
	299,779	299,752

The directors have proposed a final tax exempt dividend for 2016 of 13.0 cents (2015: 16.0 cents) per share amounting to a total of \$139,082,000 (2015: \$171,225,000). The proposed dividend has been transferred from retained profits to the proposed dividends reserve.

29. Segment information

Management determines the operating segments based on the reports reviewed and used by the Executive Management Committee for performance assessment and resources allocation.

The Group operates primarily in Singapore and is organised into four segments as follows:

- (i) Equities and Fixed Income – provision of issuer services, securities trading and clearing, post trade services, membership and collateral management.
- (ii) Derivatives – provision of derivatives trading and clearing services, membership and collateral management.
- (iii) Market Data and Connectivity – provision of market data and connectivity services.
- (iv) Corporate – A non-operating segment comprising corporate activities which are not allocated to the three operating segments described above.

Segment performance is evaluated based on operating profits of the segment. Management monitors the operating results of the segments for the purpose of making decisions on performance assessment and resource allocation.

29. Segment information (continued)

	Equities and Fixed Income \$'000	Derivatives \$'000	Market Data and Connectivity \$'000	Corporate \$'000	The Group \$'000
2016					
Operating Revenue	405,763	325,304	87,042	–	818,109
Operating profits	225,633	138,224	45,283	–	409,140
Other gains - net	–	–	–	5,709	5,709
Share of results of associated company	–	–	–	1,112	1,112
Tax	–	–	–	(66,944)	(66,944)
Net profit after tax					349,017
Segment Assets	911,405	235,164	37,979	920,936	2,105,484
Segment assets includes:					
– Investment in associated company	–	–	–	9,387	9,387
– Additions to:					
– Property, plant and equipment and software	23,269	46,574	5,288	–	75,131
– Intangible asset	–	–	–	–	–
– Goodwill	–	–	–	–	–
Segment Liabilities	842,465	163,675	9,988	99,775	1,115,903
Other Information					
Depreciation and amortisation	32,124	21,864	5,867	–	59,855
2015					
Operating Revenue	401,552	295,791	81,174	–	778,517
Operating profits	232,614	131,673	37,548	–	401,835
Other gains – net	–	–	–	7,811	7,811
Share of results of associated company	–	–	–	1,903	1,903
Tax	–	–	–	(62,937)	(62,937)
Net profit after tax					348,612
Segment Assets	584,948	263,288	42,719	910,657	1,801,612
Segment assets includes:					
– Investment in associated company	–	–	–	9,426	9,426
– Additions to:					
– Property, plant and equipment and software	35,607	31,733	9,018	–	76,358
– Intangible asset	–	27,140	–	–	27,140
– Goodwill	–	9,614	–	–	9,614
Segment Liabilities	497,641	215,145	10,692	101,738	825,216
Other Information					
Depreciation and amortisation	27,198	25,123	4,952	–	57,273

30. Securities Clearing Fund

The Securities Clearing Fund was established under the clearing rules of the securities clearing subsidiary, The Central Depository (Pte) Limited ("CDP"). The clearing fund is to provide resources to enable CDP to discharge its obligations and the liabilities of defaulting clearing members arising from transactions in approved securities and futures.

The Securities Clearing Fund uses a scalable structure to better align members' contributions to their clearing risk exposure with CDP. Contributions by clearing members will vary with the value of securities and futures traded.

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

(a) Contribution by CDP

	The Group	
	2016 \$'000	2015 \$'000
Cash at bank - contributed by CDP	60,000	60,000

Cash contributions by CDP are denominated in SGD and placed in interest bearing accounts with two banks (2015: 2 banks). The initial \$25,000,000 contribution by CDP into the Securities Clearing Fund is recorded in the securities clearing fund reserve.

(b) Contribution by Clearing Members

The cash contributions from CDP clearing members are not recorded in the consolidated statement of financial position of the Group as these contributions are held in trust by the Group.

	The Group	
	2016 \$'000	2015 \$'000
Contributions by CDP clearing members – cash at bank, held in trust	45,328	44,680

The Securities Clearing Fund is a trust asset held subject to the trust purposes set out in CDP Clearing Rule 7.1.2.

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

- (1) Contributions by defaulting clearing members;
- (2) Contributions by CDP of an amount not less than 15% of the Securities Clearing Fund size or \$30,000,000, whichever is higher;
- (3) Collateralised contributions by all other non-defaulting clearing members on a pro-rata basis in the proportion of each clearing member's required Collateralised Contribution to the total required Collateralised Contributions of all other non-defaulting clearing members at the time of default;
- (4) Contingent contributions by all other non-defaulting clearing members on a pro-rata basis in the proportion of each clearing member's required Contingent Contributions to the total required Contingent Contributions of all other non-defaulting clearing members;
- (5) Insurance (if any); and
- (6) Any other contributions (The last layer of the Securities Clearing Fund contributed by CDP amounted to \$30,000,000 (2015: \$30,000,000)).

31. Singapore Exchange Derivatives Clearing Limited (“SGX-DC”) Clearing Fund

The SGX-DC Clearing Fund structure specifies the apportionment and sequence of use of resources in the event of single and multiple defaults.

The Group has committed cash amounting to \$200,021,000 (2015: \$150,021,000) (Note 12) to support the SGX-DC Clearing Fund. The SGX-DC Clearing Fund is made up of the following:

	2016 \$'000	2015 \$'000
SGX-DC share capital	152,000	102,000
Derivatives clearing fund reserve (Note a)	34,021	34,021
Other SGX-DC's contributions	14,000	14,000
	200,021	150,021

Except for the \$200,021,000 (2015: \$150,021,000) mentioned above, other resources available for the SGX-DC Clearing Fund are not included in the consolidated statement of financial position of the Group. These are third party obligations towards the SGX-DC Clearing Fund and where they are held by SGX-DC, these resources are held in trust (Note 32(b)(iii)).

(a) Derivatives clearing fund reserve

Upon the dissolution of the SGX-DT Compensation Fund on 24 November 2007, the cash proceeds of \$34,021,000 were set aside as the Group's derivatives clearing fund reserve to support the SGX-DC Clearing Fund. This reserve is not available for distribution as dividend.

(b) Utilisation of SGX-DC Clearing Fund

The SGX-DC clearing rules enable resources to be mobilised should any derivatives clearing member be unable to meet its obligations. Under the SGX-DC Clearing Fund structure, the resources available would be utilised in the following priority:

- (1) the defaulting derivatives clearing member's collateral deposited with or provided to SGX-DC;
- (2) SGX-DC's contributions of an amount equivalent to 15% of its Clearing Fund size;
- (3) security deposits of non-defaulting derivatives clearing members participating in the same Contract Class as the defaulted derivatives clearing member;
- (4) further assessments on non-defaulting derivatives clearing members participating in the same Contract Class as the defaulted derivatives clearing member;
- (5) SGX-DC's contributions of an amount equivalent to 10% of its Clearing Fund size;
- (6) security deposits of other non-defaulting derivatives clearing members not participating in the same Contract Class as the defaulted derivatives clearing member;
- (7) further assessments on other non-defaulting derivatives clearing members not participating in the same Contract Class as the defaulted derivatives clearing member; and
- (8) any other contributions to the SGX-DC Clearing Fund.

The rules of SGX-DC provide for SGX-DC to continually draw down resources in the above sequence in the event of multiple defaults occurring within a period of 90 days. Upon utilisation of the SGX-DC Clearing Fund, SGX-DC will be obliged to contribute at least 25% of the SGX-DC Clearing Fund size in relation to paragraph 31(b)(2) and 31(b)(5) above.

32. Security, margin and other deposits

The Group, in its normal course of business, through subsidiaries operating as clearing houses, holds assets in trust or contingent assets such as irrevocable letters of credit, government securities or on-demand guarantees. None of these assets or contingent assets, together with the corresponding liabilities, are included in the consolidated statement of financial position of the Group.

(a) The Central Depository (Pte) Limited (“CDP”)

(i) Margin and other deposits

As the clearing house for securities and marginable futures contracts traded on Singapore Exchange Securities Trading Limited (“SGX-ST”), CDP becomes the novated counterparty for these instruments.

The rules of CDP require its clearing members to provide collateral in the form acceptable to CDP as margin deposits to guarantee the performance of the obligations associated with marginable futures contracts and securities traded on SGX-ST. The total collateral required by CDP at 30 June 2016 were approximately \$106,930,000 (2015: \$35,566,000).

In addition, the CDP Clearing Rules provides that CDP may request its clearing members to place additional collateral with CDP in respect of its securities clearing activities from time to time.

Forms of collateral acceptable by CDP as margins include cash, government securities, selected common stocks and other instruments as approved by CDP from time to time.

As at 30 June 2016, clearing members had lodged the following collateral with CDP:

	2016 \$'000	2015 \$'000
Margin deposits		
Cash	<u>157,393</u>	120,535
Other collateral		
Irrevocable letters of credit	20,000	20,000

All cash deposits in the financial year are placed in interest-bearing accounts with banks. Interest earned on the cash deposits is credited to the securities clearing members, with a portion retained by CDP.

(b) Singapore Exchange Derivatives Clearing Limited ("SGX-DC")

(i) Margin deposits

As the clearing house for futures and options traded on Singapore Exchange Derivatives Trading Limited ("SGX-DT"), Over-The-Counter ("OTC") commodities contracts and Over-The-Counter Financial ("OTCF") derivatives contracts, SGX-DC becomes the novated counterparty for these derivative instruments.

The rules of SGX-DC require its derivatives clearing members to provide collateral in the form acceptable to SGX-DC as margin deposits to guarantee the performance of the obligations associated with derivative instruments positions.

The total margins required by SGX-DC at 30 June 2016 were approximately \$7,616,398,000 (2015: \$6,489,597,000).

As at 30 June 2016, clearing members had lodged the following collateral with SGX-DC:

	2016 \$'000	2015 \$'000
Margin deposits		
Cash	8,784,395	7,288,661
Quoted government securities, at fair value	1,124,613	1,034,307

All cash deposits are placed in interest-bearing accounts with banks. Interest earned on the cash deposits is credited to the derivatives clearing members, with a portion retained by SGX-DC.

(ii) Performance deposits and deposits received for contract value

For commodities contracts which are physically-settled, the rules of SGX-DC and its contract specifications require its clearing members to provide collateral in the form acceptable to SGX-DC as performance deposits to secure the performance of a delivery contract. In its capacity as escrow agent to the physical delivery of the contract, SGX-DC also collects the contract value of the commodities to be delivered through the exchange.

As at 30 June 2016, the following were lodged with SGX-DC for performance deposits purposes:

	2016 \$'000	2015 \$'000
Performance deposits and deposits received for contract value	-	538

32. Security, margin and other deposits (continued)

(b) Singapore Exchange Derivatives Clearing Limited ("SGX-DC") (continued)

(iii) Security and other deposits

The rules of SGX-DC require its clearing members to deposit security for their derivatives clearing obligations to SGX-DC:

- (i) Clearing Members who clear exchange-traded derivatives and OTC commodities contracts are required to post the higher of \$1,000,000 or up to 4.5% (currently 3.3%) of the daily average of risk margin during the preceding three-month period, in cash, government securities or any forms of collateral acceptable to SGX-DC;
- (ii) Clearing Members who clear OTCF derivatives contracts are required to post the higher of US\$5,000,000 or 6.0% of the daily average of risk margin during the preceding three-month period, in cash or government securities or any forms of collateral acceptable to SGX-DC;
- (iii) Clearing Members who clear exchange-traded derivatives, OTC commodities contracts and OTCF derivatives contracts will be required to post the aggregate of (1) and (2).

As at 30 June 2016, the following security and other deposits were lodged with SGX-DC for clearing fund purpose:

	2016 \$'000	2015 \$'000
Security and other deposits		
Cash	543,785	461,729
Quoted government securities, at fair value	6,453	6,448

(iv) Collateral for Mutual Offset Settlement Agreement

As at 30 June 2016, irrevocable letters of credit amounting to approximately \$1,026,001,000 (2015: \$618,654,000) were lodged by The Chicago Mercantile Exchange with SGX-DC. This is to fulfill collateral requirements under the Mutual Offset Settlement Agreement.

33. Financial requirements

(a) CDP

The rules of CDP impose financial requirements on its clearing members. As at 30 June 2016, clearing members had lodged the following collateral with CDP to support their financial requirements:

	2016 \$'000	2015 \$'000
Cash	10,000	10,000

None of these assets or contingent assets nor the corresponding liabilities are included in the consolidated statement of financial position of the Group.

(b) SGX-DC

The rules of SGX-DC impose financial requirements on its clearing members. As at 30 June 2016, clearing members had lodged the following collateral with SGX-DC to support their financial requirements:

	2016 \$'000	2015 \$'000
Cash	510,835	581,659

None of these assets or contingent assets nor the corresponding liabilities are included in the consolidated statement of financial position of the Group.

34. Collaterals for Securities Borrowing and Lending

CDP operates a Securities Borrowing and Lending ("SBL") programme for its Depositors and Depository Agents. SBL involves a temporary transfer of securities from a lender to a borrower, via CDP, for a fee. The SBL programme requires the borrowers of securities to provide collateral in the form of cash and/or certain designated securities.

As at 30 June 2016, borrowers had lodged the following collateral with CDP for SBL purpose:

	2016 \$'000	2015 \$'000
Cash	24,747	20,797
Securities, at fair value	19,022	18,790

None of these assets or contingent assets nor the corresponding liabilities are included in the statement of financial position of the Group.

35. 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:

	2016 \$'000	2015 \$'000
Securities Exchange Fidelity Fund	35,705	35,325
Derivatives Exchange Fidelity Fund	24,269	24,011
	59,974	59,336

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

- (a) to compensate any person (other than an accredited investor) who has suffered a pecuniary loss from any defalcation committed
 - (i) in the course of, or in connection with, dealing in securities, or the trading of a futures contract;
 - (ii) by a member of a securities exchange or a futures exchange or by any agent of such member; and
 - (iii) in relation to any money or other property entrusted to or received:
 - by that member or any of its agents; or
 - by that member or any of its agents as trustee or on behalf of the trustees of that money or property.
- (b) to pay the Official Assignee or a trustee in bankruptcy within the meaning of the Bankruptcy Act (Cap. 20) if the available assets of a bankrupt, who is a member of SGX-ST or SGX-DT, are insufficient to satisfy any debts arising from dealings in securities or trading in futures contracts which have been proved in the bankruptcy by creditors of the bankrupt member.
- (c) to pay a liquidator of a member of SGX-ST or SGX-DT which is being wound up if the available assets of a member are insufficient to satisfy any debts arising from dealings in securities or trading in futures contracts which have been proved in the liquidation of the member.

Any reference to dealing in securities or trading of a futures contract refers to such dealing or trading through the exchange which establishes, keeps and administers the fidelity fund or through a trading linkage of the exchange with an overseas securities exchange or an overseas futures exchange.

No further provision has been made in the financial year ended 30 June 2016 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.

35. Securities and Derivatives Fidelity Funds (continued)

	2016 \$'000	2015 \$'000
The assets and liabilities of the Funds are as follows:		
Assets		
Fixed deposits with banks	59,700	58,800
Bank balance	417	608
Interest receivable	30	27
	60,147	59,435
Liabilities		
Other payables and accruals	3	7
Taxation	165	87
Deferred tax liabilities	5	5
	173	99
Net assets	59,974	59,336

The assets and liabilities of the Funds are not included in the consolidated statement of financial position of the Group as they are held in trust.

36. Contingent liabilities

At the balance sheet date, the Group and the Company's contingent liabilities are as follows:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Unsecured guarantees by SGX-DC to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange ("CME") for members' open positions on CME. These guarantees are supported by members' collateral balances (Note 32(b))	423,900	476,094	-	-

37. Commitments

(a) Operating lease commitments

The Group and Company lease its office premises, data centre and equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments payable under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Not later than one financial year	20,624	21,017	20,025	18,604
Later than one financial year but not later than five financial years	66,457	53,704	66,205	53,197
Later than five financial years	3,048	-	3,048	-
	90,129	74,721	89,278	71,801

(b) Capital commitments

Capital commitments contracted for at year end but not recognised in the financial statements are as follows:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Property, plant and equipment	82	-	-	-
Software	8,305	14,873	-	256
	8,387	14,873	-	256

38. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

Directors' fees and key management's remuneration

Key management's remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or the Company did not incur any costs, the value of the benefit is included. The directors' fees and key management's remuneration are as follows:

	The Group	
	2016	2015
	\$'000	\$'000
Salaries and other short-term employee benefits	12,907	13,759
Employer's contribution to Central Provident Fund	121	120
Share-based payment to key management	2,114	8,195
	15,142	22,074

Included in the above is total remuneration to directors of the Company amounting to \$5,162,000 (2015: \$10,000,000).

During the financial year, 237,300 shares (2015: 590,800 shares) under SGX performance share plan and 264,100 shares (2015: 590,800 shares) under SGX deferred long-term incentives scheme were granted to key management of the Group. The shares were granted under the same terms and conditions as those offered to other employees of the Company.

39. 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. The Risk Management Committee ("RMC") assists the Board in discharging its oversight responsibility. The RMC's primary function is to review, recommend to the Board for approval, and where authority is delegated by the Board, approve:

- (1) the type and level of business risks (risk appetite) that the Group undertakes on an integrated basis to achieve its business strategy; and
- (2) the frameworks and policies for managing risks that are consistent with its risk appetite.

Management is responsible for identifying, monitoring and managing the Group's financial risk exposures.

The main financial risks that the Group is exposed to and how they are managed are set out below.

Market risk – Currency risk

The Group managed its main currency exposure as follows:

- (a) Revenue receivables from clearing of derivative products
Interest receivables from placements of margin deposits

The Group's revenue from the clearing of derivative products is mainly in SGD and USD. Interest receivables from placements of margin deposits with banks are mainly denominated in USD, JPY and Euro. For these receivables denominated in USD, JPY and Euro, the Group manages the currency exposure through currency forward contracts which are designated as cash flow hedges. Upon settlement of the currency forward contracts and payment obligations denominated in foreign currency, any excess foreign currencies are converted back to SGD in a timely manner to minimise currency exposure. As at 30 June 2016 and 30 June 2015, there are no significant currency risk exposures arising from receivables. These receivables are also exposed to credit risks.

- (b) Investment in available-for-sale financial asset

The Company has invested in unlisted equity security in BSE. This investment is denominated in INR and forms part of the Group's long-term strategic investments in line with its strategy to position SGX as an Asian Gateway. Management monitors the Group's currency exposure by tracking the INR currency movement on a regular basis. As this investment is long-term in nature, the Group does not hedge the currency exposure of this investment. This investment is also exposed to price risk.

39. Financial risk management (continued)

Market risk – Currency risk (continued)

(c) Cash and cash equivalents

As at 30 June 2016 and 30 June 2015, the cash balances of the Group and the Company are mainly denominated in SGD and USD. USD cash balances placed in banks to meet the short-term USD payment obligations were not hedged. The cash balances are also exposed to credit risks.

The Group and Company's currency exposures are as follows:

	The Group At 30 June 2016				
	SGD ^(a) \$'000	USD \$'000	INR \$'000	HKD \$'000	Others \$'000
Financial assets					
Cash and cash equivalents	860,970	4,489	27	–	820
Trade and other receivables					
– Daily settlement of accounts for due contracts and rights	686,409	73,527	–	2,942	–
– Receivables under NEMS	81,702	–	–	–	81,702
– Others	65,985	3,308	16	99	264
Available-for-sale financial asset	–	–	44,956	–	–
					44,956
Financial liabilities					
Trade and other payables					
– Daily settlement of accounts for due contracts and rights	(686,409)	(73,527)	–	(2,942)	–
– Payables under NEMS	(89,904)	–	–	–	(89,904)
– Others	(135,128)	(24,162)	(4)	(72)	(816)
Currency exposure	783,625	(16,365)	44,995	27	268
Currency forward contracts ^(b)	–	81,675	–	–	1,155
					82,830

^(a) The SGD balances have been included for completeness.

^(b) Currency forward contracts entered by the Group are to hedge future revenue receivables arising from clearing of various derivative products denominated in USD, interest receivables denominated in USD, JPY and EUR, and capital expenditure denominated in USD.

	The Group At 30 June 2015				
	SGD ^(a) \$'000	USD \$'000	INR \$'000	HKD \$'000	Others \$'000
Financial assets					
Cash and cash equivalents	836,543	11,435	46	–	1,878
Trade and other receivables					
– Daily settlement of accounts for due contracts and rights	355,011	60,735	–	583	1
– Receivables under NEMS	134,122	–	–	–	–
– Others	72,029	10,815	58	123	3,634
Available-for-sale financial asset	–	–	50,956	–	–
					50,956
Financial liabilities					
Trade and other payables					
– Daily settlement of accounts for due contracts and rights	(355,011)	(60,735)	–	(583)	(1)
– Payables under NEMS	(141,402)	–	–	–	–
– Others	(129,431)	(32,001)	(29)	(6)	(934)
Currency exposure	771,861	(9,751)	51,031	117	4,578
Currency forward contracts ^(b)	–	37,382	–	–	6,649
					44,031

^(a) The SGD balances have been included for completeness.

^(b) Currency forward contracts entered by the Group are to hedge future revenue receivables arising from clearing of various derivative products denominated in USD, interest receivables denominated in USD, JPY and EUR, and capital expenditure denominated in USD.

	The Company At 30 June 2016				
	SGD ^(a) \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	439,785	640	27	273	440,725
Trade and other receivables	7,722	27	16	69	7,834
Available-for-sale financial asset	—	—	44,956	—	44,956
Financial liabilities					
Trade and other payables	(370,554)	—	(4)	(334)	(370,892)
Currency exposure	76,953	667	44,995	8	122,623
Currency forward contracts	—	—	—	—	—

^(a) The SGD balances have been included for completeness.

	The Company At 30 June 2015				
	SGD ^(a) \$'000	USD \$'000	INR \$'000	Others \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	435,533	482	46	376	436,437
Trade and other receivables	5,532	37	58	67	5,694
Available-for-sale financial asset	—	—	50,956	—	50,956
Financial liabilities					
Trade and other payables	(418,512)	(531)	(29)	(43)	(419,115)
Currency exposure	22,553	(12)	51,031	400	73,972
Currency forward contracts ^(b)	—	1,614	—	—	1,614

^(a) The SGD balances have been included for completeness.

^(b) Currency forward contracts entered by the Company are to hedge capital expenditure denominated in USD.

A currency risk sensitivity analysis is not provided as the Group and the Company are not expected to have significant currency exposures other than from available-for-sale financial asset.

The currency risk sensitivity analysis for available-for-sale financial asset is as follows:

Assumption	Change in assumption	Impact to profit after tax \$'000	Impact to other comprehensive income \$'000
INR currency movement	Increase by 0.5%	—	200
	Decrease by 0.5%	300	—

Market risk – Price risk

The Group is exposed to equity security price risk arising from its investment in BSE, an unlisted long-term strategic investment classified as available-for-sale financial asset. In managing the price risk, the management of SGX regularly monitors the latest developments and business performance of BSE and assesses the financial performance of BSE on an on-going basis.

The fair value of available-for-sale financial asset is sensitive to changes in the assumptions used. The impact on fair value of available-for-sale financial asset from a reasonable change in these assumptions is as follows:

Assumption	Change in assumption	Impact to profit after tax \$'000	Impact to other comprehensive income \$'000
Long term growth rate	Increase by 0.5%	—	1,000
	Decrease by 0.5%	1,000	—
Discount rate	Increase by 0.5%	1,500	—
	Decrease by 0.5%	—	1,700

39. Financial risk management (continued)

Market risk – Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group and the Company are not subject to significant cash flow and fair value interest rate risks as the Group's and the Company's fixed deposit placements are mainly short-term in nature. Fixed deposits are placed with banks that offer the most competitive interest rates.

The tables below set out the Group's and the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

The Group

	Variable rates		Fixed rates			Non-interest bearing \$'000	Total \$'000		
	Less than 6 months \$'000	6 to 12 months \$'000	Less than 6 months \$'000	6 to 12 months \$'000	Over 1 year \$'000				
At 30 June 2016									
Financial assets									
Cash and cash equivalents	58,352	–	598,207	202,021	–	7,726	866,306		
Trade and other receivables	–	–	8	2	–	914,242	914,252		
Available-for-sale financial asset	–	–	–	–	–	44,956	44,956		
Financial liabilities									
Trade and other payables	–	–	–	–	–	(1,012,964)	(1,012,964)		
Net financial assets/(liabilities)	58,352	–	598,215	202,023	–	(46,040)	812,550		
At 30 June 2015									
Financial assets									
Cash and cash equivalents	32,121	–	756,371	50,000	–	11,410	849,902		
Trade and other receivables	–	–	8	3	–	637,100	637,111		
Available-for-sale financial asset	–	–	–	–	–	50,956	50,956		
Financial liabilities									
Trade and other payables	–	–	–	–	–	(720,133)	(720,133)		
Net financial assets/(liabilities)	32,121	–	756,379	50,003	–	(20,667)	817,836		

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				
At 30 June 2016									
Financial assets									
Cash and cash equivalents	2,320	—	436,200	—	—	2,205	440,725		
Trade and other receivables	—	—	3	1	—	7,830	7,834		
Available-for-sale financial asset	—	—	—	—	—	44,956	44,956		
Financial liabilities									
Trade and other payables	—	—	—	—	—	(370,892)	(370,892)		
Net financial assets/(liabilities)	2,320	—	436,203	1	—	(315,901)	122,623		
At 30 June 2015									
Financial assets									
Cash and cash equivalents	1,042	—	426,230	—	—	9,165	436,437		
Trade and other receivables	—	—	4	1	—	5,689	5,694		
Available-for-sale financial asset	—	—	—	—	—	50,956	50,956		
Financial liabilities									
Trade and other payables	—	—	—	—	—	(419,115)	(419,115)		
Net financial assets/(liabilities)	1,042	—	426,234	1	—	(353,305)	73,972		

As the Group and the Company are not exposed to significant interest rate risks, a sensitivity analysis is not provided.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The major classes of financial assets of the Group and of the Company are trade receivables and cash deposits.

The Group manages its main credit exposures as follows:

(a) Cash deposits

Cash balances of the Group and the Company are mainly placed in fixed deposits with financial institutions of high credit quality. The Board has approved policies that limit the maximum credit exposure to each financial institution. Exposure and compliance with counterparty limits set by the RMC are monitored by the relevant business units and reported by the Risk Management unit to the RMC. The Group placed 83% (2015: 77%) of its cash and cash equivalents with 4 (2015: 4) banks. The Company placed 99% (2015: 93%) of its cash and cash equivalents with 4 (2015: 4) banks.

(b) 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 assumes all rights and obligations to the counterparty. As a result, each clearing house faces considerable credit risk exposure should any of its clearing members be unable to meet its settlement obligations to the clearing house, resulting in a default. The Group has in place a sound and transparent risk management and 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 exposures to clearing members by having in place a system of financial safeguards.

39. Financial risk management (continued)

Credit risk (continued)

(b) Clearing and settlement (continued)

Credit risk management practices

The Group mitigates its exposures to risk by admitting clearing members which meet prescribed capital and financial requirements and have risk management systems to monitor their exposures. On an on-going basis, a clearing member must continue to comply with the financial requirements, and also set aside capital commensurate with its risk exposures. In addition, it must ensure that it has the necessary systems and procedures to preserve sound liquidity and financial position at all times.

Both SGX-DC and CDP have well-established risk management systems to monitor and measure the risk exposures of its members. In addition, SGX-DC and CDP require all derivative positions, securities contracts and marginable futures contracts to be sufficiently collateralised at all times and these collaterals protect SGX-DC and CDP against potential losses. SGX-DC also revalues and settles the daily mark-to-market variations with clearing members to prevent losses from accumulating. CDP requires all positions in securities contracts and Extended Settlement Contracts, being marginable futures contracts, to be sufficiently collateralised and these collaterals protect CDP against cumulative mark-to-market and potential losses. CDP also requires clearing members to monitor compliance with risk management measures such as monitoring for large exposures.

Financial safeguards

A clearing fund has been established for each of the securities and derivatives markets to be used in support of the clearing houses' roles as CCP. The Group and the relevant clearing members are required to contribute to the respective clearing funds.

Trade receivables arising from settlement of securities trades

Settlement for all securities transactions of securities clearing members are effected through the Group's subsidiary, CDP. Such settlements can be effected through designated settlement banks.

The "receivables from clearing members and settlement banks" included in trade receivables represent the aggregate of net settlement obligations of each of the clearing members and settlement banks to CDP for the last three trading days of the financial year. At 30 June 2016, there were 25 (2015: 25) securities clearing members and 7 (2015: 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.

(c) Receivables under NEMS

In relation to NEMS receivables in Note 14, EMC is required to ensure that market participants maintain certain levels of prudential security in discharging its obligations under the NEMS Market Rules ("Market Rules"). EMC is entitled to recover any default receivables from all market participants under the Market Rule and credit risk exposure to NEMS receivables is minimised.

Under the Market Rules, each market participant has to provide credit support which is not less than 30 times of individual estimated average daily exposure. The Market Rules specify the type of credit support to be provided and assigned to EMC. These include bankers' guarantees or irrevocable commercial letter of credit from reputable financial institutions, cash deposits and Singapore Government Treasury bills. The credit support received as at 30 June 2016 were in the form of bankers' guarantees and cash deposits and have an aggregate value of \$318,520,000 (2015: \$328,953,000). There is no significant concentration of credit risk for receivables under NEMS.

(d) Trade receivables (excluding balances arising from clearing and settlement of securities trades and NEMS)

Trade receivables of the Group and the Company comprise receivables from trading and clearing members, listed companies and other entities. Exposure from these trade receivables is continuously monitored and followed up by Finance and relevant business units.

Management believes that the credit risk with respect to trade receivables is limited. Impairment allowances are made for debts that are outstanding above 360 days and debtors that are under judicial management, scheme of arrangement or other financial difficulties. Management believes that there is no other additional credit risk beyond the amount of allowance for impairment made in these financial statements.

The Group, excluding the balances arising from clearing and settlement of trade and NEMS, has no significant concentration of credit risk on its trade receivables.

The Company has no significant concentration of credit risk on its trade receivables.

The maximum exposure to credit risk for trade receivables and cash deposits is the carrying amount of the financial assets presented on the statement of financial position as the Group and the Company do not hold any collateral against these financial assets.

As clearing houses, SGX-DC and CDP have general lien on all monies and other properties deposited by clearing members. The clearing house may combine any account of the clearing member with its liabilities to the clearing house. Such funds may be applied towards satisfaction of liabilities of the clearing member to the clearing house.

(e) Financial assets that are neither past due nor impaired

All of the Group's cash deposits are not impaired as the deposits are placed with banks of high credit quality.

Trade receivables that are neither past due nor impaired comprise companies with good collection track record with the Group. As at 30 June 2016, 99.7% (2015: 99.2%) and 93.0% (2015: 91.9%) of the Group and the Company's trade receivables fall into this category.

(f) 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Past due up to 90 days	484	2,893	220	293
Past due 91 days to 360 days	483	228	147	61
	967	3,121	367	354

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Gross amount	1,668	1,654	1	5
Less: Allowance for impairment	(1,668)	(1,654)	(1)	(5)
	—	—	—	—
Balance at beginning of financial year	1,654	2,162	5	21
Allowance made	1,084	1,422	27	345
Allowance utilised	(356)	(879)	(5)	—
Allowance written back	(714)	(1,051)	(26)	(361)
Balance at end of financial year	1,668	1,654	1	5

39. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(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 the remaining period from the balance sheet date to the contractual maturity dates. The amounts disclosed in the table below are contractual undiscounted cash flows.

The Group

	Up to 3 months \$'000	> 3 months to 1 year \$'000	Above 1 year \$'000	Total \$'000
At 30 June 2016				
Financial liabilities				
Trade and other payables ^(a)	1,012,562	90	312	1,012,964

^(a) Included the following:

- \$762,878,000 payables to clearing members and settlement banks for daily settlement of accounts for due contracts and rights with a corresponding amount in trade receivables; and
- \$89,904,000 payables under NEMS with corresponding amounts in cash and cash equivalents and trade receivables.

	Up to 3 months \$'000	> 3 months to 1 year \$'000	Above 1 year \$'000	Total \$'000
At 30 June 2015				
Financial liabilities				
Trade and other payables ^(b)	718,298	28	1,807	720,133

^(b) Included the following:

- \$416,330,000 payables to clearing members and settlement banks for daily settlement of accounts for due contracts and rights with a corresponding amount in trade receivables; and
- \$141,402,000 payables under NEMS with corresponding amounts in cash and cash equivalents and trade receivables.

The Company

	Up to 3 months \$'000	> 3 months to 1 year \$'000	Above 1 year \$'000	Total \$'000
At 30 June 2016				
Financial liabilities				
Trade and other payables	370,892	—	—	370,892

At 30 June 2015

Financial liabilities

Trade and other payables	419,115	—	—	419,115
--------------------------	----------------	----------	----------	----------------

As at 30 June 2016, the gross notional value of outstanding currency forward contracts held by the Group and Company was \$82,830,000 (2015: \$44,031,000) and nil (2015: \$1,614,000), respectively. The Group and the Company'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:

The Group	At 30 June 2016			At 30 June 2015		
	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
	36,782	46,036	82,818	20,958	23,087	44,045
Currency forward contracts						
– gross outflows	38,206	47,211	85,417	21,085	23,187	44,272
The Company	At 30 June 2016			At 30 June 2015		
	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
	—	—	—	1,528	—	1,528
Currency forward contracts						
– gross inflows	—	—	—	1,614	—	1,614

(b) Contingent liabilities related risk

At the balance sheet date, the following guarantees may impact the liquidity positions in the earliest period in which the guarantees are called upon:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Unsecured guarantees by SGX-DC to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange	423,900	476,094	—	—

The settlement obligation of the above contingent liabilities is not determinable as the obligation arises from the occurrence of future events that are not within the control of the Group and the Company.

(c) Clearing and settlement-related risk

The clearing houses of the Group, CDP and SGX-DC, act as the novated counterparty for transactions of approved securities and derivatives. The Group is exposed to liquidity risk should any clearing member default. The Group has secured sufficient committed bank credit facilities of \$567,000,000 (2015: \$974,000,000), comprising of \$567,000,000 (2015: \$774,000,000) committed unsecured credit lines and nil (2015: \$200,000,000) committed share financing, for prudent risk management and to maintain adequate liquid resources.

Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

39. Financial risk management (continued)

Fair value measurements (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
The Group				
At 30 June 2016				
Assets				
Available-for-sale financial asset	–	–	44,956	44,956
Derivative financial instruments	–	2,665	–	2,665
Liabilities				
Derivative financial instruments	–	66	–	66
At 30 June 2015				
Assets				
Available-for-sale financial asset	–	–	50,956	50,956
Derivative financial instruments	–	311	–	311
Liabilities				
Derivative financial instruments	–	84	–	84
The Company				
At 30 June 2016				
Assets				
Available-for-sale financial asset	–	–	44,956	44,956
At 30 June 2015				
Assets				
Available-for-sale financial asset	–	–	50,956	50,956
Derivative financial instruments	–	86	–	86

There were no transfers between Level 1 and 2 during the year.

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

As the available-for-sale financial asset is not traded in an active market, its fair value is determined by using discounted cash flow model.

The available-for-sale financial asset has been classified under Level 3 in the fair value measurement hierarchy as the valuation technique includes market premium on the discount rate, which is an unobservable market data. The movement in fair value arising from reasonably possible changes to the market premium on the discount rate is assessed to be insignificant.

Impairment loss recognised during the financial year on available-for-sale financial asset is disclosed in Note 10 and Note 16.

The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to approximate their fair values.

Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liabilities simultaneously.

The following table shows the effect of netting arrangements on financial assets and liabilities that are reported net on the statement of financial position.

(a) Financial assets subject to offsetting arrangements

As at 30 June 2016

	Gross amounts of recognised financial assets \$'000	Less: Gross amounts of recognised financial liabilities set off in the statement of financial position \$'000	Net amounts of financial assets presented in the statement of financial position ⁽¹⁾ \$'000
Receivables from clearing members and settlement banks - Daily settlement of accounts for due contracts and rights	6,284,077	(5,521,199)	762,878

⁽¹⁾ The collaterals deposited by clearing members and settlement banks cannot be attributed directly to the individual transactions.
For information on the collaterals, please refer to Note 32(a).

As at 30 June 2015

	Gross amounts of recognised financial assets \$'000	Less: Gross amounts of recognised financial liabilities set off in the statement of financial position \$'000	Net amounts of financial assets presented in the statement of financial position ⁽¹⁾ \$'000
Receivables from clearing members and settlement banks - Daily settlement of accounts for due contracts and rights	5,309,323	(4,892,993)	416,330

⁽¹⁾ The collaterals deposited by clearing members and settlement banks cannot be attributed directly to the individual transactions.
For information on the collaterals, please refer to Note 32(a).

39. Financial risk management (continued)

Offsetting financial assets and financial liabilities (continued)

(b) Financial liabilities subject to offsetting arrangements

As at 30 June 2016

	Gross amounts of recognised financial liabilities \$'000	Less: Gross amounts of recognised financial assets set off in the statement of financial position \$'000	Net amounts of financial liabilities presented in the statement of financial position ⁽¹⁾ \$'000
Payables to clearing members and settlement banks - Daily settlement of accounts for due contracts and rights	6,284,077	(5,521,199)	762,878

⁽¹⁾ The collaterals deposited by clearing members and settlement banks cannot be attributed directly to the individual transactions. For information on the collaterals, please refer to Note 32(a).

As at 30 June 2015

	Gross amounts of recognised financial liabilities \$'000	Less: Gross amounts of recognised financial assets set off in the statement of financial position \$'000	Net amounts of financial liabilities presented in the statement of financial position ⁽¹⁾ \$'000
Payables to clearing members and settlement banks - Daily settlement of accounts for due contracts and rights	5,309,323	(4,892,993)	416,330

⁽¹⁾ The collaterals deposited by clearing members and settlement banks cannot be attributed directly to the individual transactions. For information on the collaterals, please refer to Note 32(a).

The amounts shown in the tables above that have been offsetted in the statements of financial position are measured using the same basis.

40. Capital requirement and management

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

Effective 1 July 2008, the Group is required, under the Regulatory Capital Framework ("the Framework") formalised by the Monetary Authority of Singapore 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 the member that is responsible for largest credit exposure, its affiliates and the two financially weakest members under simulated extreme but plausible market conditions. The Group has been in compliance with the Framework since 1 July 2008.

Given the dynamic nature of the Group's business and the framework, the Group regularly reviews and monitors its capital position to ensure that the business activities and growth are prudently funded. In addition, the Group will seek opportunities to optimise shareholders' returns by creating a more efficient capital structure to reduce the overall cost of capital. In line with its dividend policy, SGX maintains a base dividend commitment to its shareholders.

41. Comparatives

Revision to presentation of statements of comprehensive income and segment information

Effective from 1 January 2016, SGX Group implemented changes to the organisational structure to better serve customers and improve operational efficiency. The sales and product teams were combined to form three vertical businesses of Equities and Fixed Income (EQFI), Derivatives and Market Data and Connectivity (MDC).

Following the changes, the presentation of statements of comprehensive income and segment information has been revised as follows:

Statements of comprehensive income

- (a) The revenue line previously known as Securities has been renamed to Securities Trading and Clearing.
- (b) The revenue line previously known as Depository Services has been renamed to Post Trade Services.
- (c) The revenue lines Issuer Services, Securities Trading and Clearing and Post Trade Services have been consolidated under EQFI.
- (d) The revenue line Other, under Operating revenue, has been reclassified to EQFI, Derivatives and Other revenue including interest income. The comparatives have been restated.

This is to better reflect the nature of these revenue lines. Refer to the statement of comprehensive income for the revised presentation.

Segment information

- (a) The segment previously known as Securities Market has been renamed to EQFI. This segment continues to consolidate the results and balance sheet of Issuer Services, Securities Trading and Clearing and Post Trade Services but excludes the results and balance sheet of MDC related to the securities market.
- (b) The segment previously known as Derivatives Market has been renamed to Derivatives. This segment continues to consolidate the results and balance sheet of Derivatives but excludes the results and balance sheet of MDC related to the derivatives market.
- (c) MDC is disclosed as a separate segment.
- (d) The Corporate segment is a non-operating segment, and comprises results and balance sheet of the corporate activities which are not allocated to the other operating segments described above.
- (e) The segment information has been reclassified and accordingly, the comparatives for the segment information of the Group have been restated.

Refer to Note 29 for the revised presentation.

42. New accounting standards and FRS interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 July 2016 or later periods and which the Group has not early adopted:

FRS	Title	Effective date (annual periods beginning on or after)
Amendments to FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018

The Group is presently assessing the impact of adopting these new accounting standards, amendments and interpretations. The Group has not considered the impact of accounting standards issued after the balance sheet date.

43. Subsequent events

(a) Market disruption

Subsequent to the financial year ended 30 June 2016, the Company experienced a technology-related service disruption on 14 July 2016. The Company has identified the root causes and is taking corrective actions as required. Expenses related to the market disruption will be recorded as and when incurred.

(b) Establishment of subsidiary to undertake all front-line regulatory functions of the Company

On 18 July 2016, the Company announced its intention to establish a subsidiary with its own separate Board, which will undertake all of the regulatory functions that the Company is currently performing. The move aims to further enhance the governance of the Company as a self-regulatory organisation by making more explicit the segregation of its regulatory functions from its commercial and operating activities. The set up of the regulatory subsidiary is expected to take place by the second half of calendar year 2017.

44. Authorisation of financial statements

These financial statements have been authorised for issue by the Board of Directors on 27 July 2016.

Statistics of Shareholdings

As at 2 August 2016

Share Capital	: S\$ 410,553,725.94
Number of Issued and Paid-up Shares	: 1,071,642,400
Class of Shares	: Ordinary shares
Voting Rights	: One vote per share. The Company cannot exercise any voting rights in respect of shares held by it as treasury shares.

Distribution of Shareholdings

Size of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares)	% ¹
1 – 99	93	0.25	3,273	0.00
100 – 1,000	11,459	30.29	11,047,609	1.03
1,001 – 10,000	22,347	59.07	87,718,652	8.20
10,001 – 1,000,000	3,904	10.32	152,810,760	14.28
1,000,001 and above	27	0.07	818,277,966	76.49
Total	37,830	100.00	1,069,858,260	100.00

Based on information available to the Company as at **2 August 2016** approximately 99.93% 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
1	SEL HOLDINGS PTE LTD ²	249,991,184	23.37
2	CITIBANK NOMINEES SINGAPORE PTE LTD	226,196,677	21.14
3	DBS NOMINEES (PRIVATE) LIMITED	98,223,733	9.18
4	HSBC (SINGAPORE) NOMINEES PTE LTD	63,159,291	5.90
5	DBSN SERVICES PTE. LTD.	54,572,400	5.10
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	31,572,973	2.95
7	RAFFLES NOMINEES (PTE) LIMITED	21,941,403	2.05
8	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	13,746,275	1.28
9	PHILLIP SECURITIES PTE LTD	12,174,478	1.14
10	CITIGROUP GLOBAL MARKETS SINGAPORE SECURITIES PTE. LTD.	9,056,464	0.85
11	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	5,228,899	0.49
12	DB NOMINEES (SINGAPORE) PTE LTD	5,164,454	0.48
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,375,576	0.32
14	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,231,400	0.30
15	UOB KAY HIAN PRIVATE LIMITED	3,122,500	0.29
16	OCBC SECURITIES PRIVATE LIMITED	2,317,119	0.22
17	WONG KONG CHOO	1,745,700	0.16
18	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,711,608	0.16
19	LEONG KHUEN NYEAN	1,657,300	0.15
20	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,622,704	0.15
Total		809,812,138	75.68

¹ Percentage is calculated based on the total number of issued shares, excluding treasury shares of the Company.

² 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: **1,784,140**

Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury): **0.17%**¹

Substantial Shareholders

According to the Register of Substantial Shareholders maintained by the Company, the Company had no substantial shareholders as at **2 August 2016**.

Notice of Annual General Meeting

Singapore Exchange Limited

Company Registration No. 199904940D
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of Singapore Exchange Limited (the "Company") will be held at The Star Theatre, Level 5, The Star Performing Arts Centre, 1 Vista Exchange Green, Singapore 138617 on Thursday, 22 September 2016 at 10.00 a.m. to transact the following business:

ROUTINE BUSINESS

- 1 To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year **Ordinary Resolution 1** ended 30 June 2016 and the Auditor's Report thereon.
- 2 To declare a final tax exempt dividend of 13 cents per share for the financial year ended 30 June 2016 **Ordinary Resolution 2** ("Final Dividend").
(FY2015: 16 cents per share)
- 3 To re-elect the following directors who will be retiring by rotation under Article 99 of the Constitution of the Company and who, being eligible, offer themselves for re-election as directors of the Company:
 - Ms Jane Diplock AO; and **Ordinary Resolution 3(a)**
 - Ms Chew Gek Khim. **Ordinary Resolution 3(b)**
- 4 To re-elect Ms Lim Sok Hui (Mrs Chng Sok Hui) who will cease to hold office under Article 104 of the Constitution of the Company and who, being eligible, offers herself for re-election as a director of the Company.
- 5 To approve (i) the sum of \$750,000 to be paid to the Chairman as director's fees, and (ii) the provision to him of a car with a driver, for the financial year ending 30 June 2017.
(Same as for FY2016: \$750,000 and a car with a driver)
- 6 To approve the sum of up to \$1,600,000 to be paid to all directors (other than the Chief Executive Officer) as directors' fees for the financial year ending 30 June 2017.
(Same as for FY2016: up to \$1,600,000 for all directors other than the Chief Executive Officer)
- 7 To re-appoint PricewaterhouseCoopers LLP as Auditor of the Company and to authorise the **Ordinary Resolution 7** directors to fix its remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications, the following resolutions, of which Resolutions 8 and 9 will be proposed as Ordinary Resolutions and Resolution 10 will be proposed as a Special Resolution:

- 8 That authority be and is hereby given to the directors of the Company to:
 - (a) (i) issue shares 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) (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) (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) 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 Constitution 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.

9 That:

Ordinary Resolution 9

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchase(s) on the SGX-ST and/or any other securities exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or
 - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange, as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

Notice of Annual General Meeting

Singapore Exchange Limited

Company Registration No. 199904940D
(Incorporated in the Republic of Singapore)

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

- (i) the date on which the next Annual General Meeting of the Company is held;
- (ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and
- (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

“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, Other Exchange, 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 listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

“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;

“Maximum Percentage” means that number of issued Shares representing 10 per cent. of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

“Maximum Price” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a market purchase of a Share, 105 per cent. of the Average Closing Price of the Shares; and
- (ii) in the case of an off-market purchase of a Share, 110 per cent. of the Average Closing Price of the Shares; and

(d) the directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he/she may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

10 That the regulations contained in the new Constitution submitted to this meeting and, for the purpose of identification, subscribed to by the Chairman thereof, be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution. **Special Resolution 10**

By Order of the Board

Ding Hui Yun
Company Secretary
Singapore Exchange Limited
30 August 2016

EXPLANATORY NOTES

- 1 **Ordinary Resolution 2** is to declare a final tax exempt dividend of 13 cents per share for the financial year ended 30 June 2016 (FY2016). Together with the sum of 15 cents per share of interim base dividends declared over the first three quarters of FY2016, the total dividend for FY2016 is 28 cents per share. The total dividend for FY2016 remains unchanged from that for the preceding financial year, except that in the preceding financial year, the total dividend comprised 12 cents per share of interim base dividends and 16 cents per share of final dividend. From FY2016 onwards, the Company's dividend policy is to declare a base dividend of 5 cents per share per quarter, an increase of 1 cent per share per quarter compared to the preceding financial year. For each financial year, the Company intends to pay as dividend, an amount which is no less than 80% of the annual net profit after tax or 20 cents per share, whichever is higher. All dividends are tax exempted.
- 2 **Ordinary Resolutions 3(a) & 3(b)** are to re-elect Ms Jane Diplock AO and Ms Chew Gek Khim who will be retiring by rotation under Article 99 of the Constitution of the Company.

Ordinary Resolution 4 is to re-elect Ms Lim Sok Hui (Mrs Chng Sok Hui) who will cease to hold office under Article 104 of the Constitution of the Company.

Ms Jane Diplock AO will, upon re-election, continue to serve as Chairman of the Regulatory Conflicts Committee, as well as a member of the Audit Committee and Risk Management Committee. Ms Chew Gek Khim will, upon re-election, continue to serve as Chairman of the Risk Management Committee and a member of the Nominating & Governance Committee. Ms Lim Sok Hui (Mrs Chng Sok Hui) will, upon re-election, continue to serve as a member of the Risk Management Committee. Ms Diplock and Ms Chew are considered independent directors. Ms Lim is considered a non-executive non-independent director. Detailed information on these directors can be found under 'Board of Directors' in the Company's Annual Report 2016. Save as disclosed therein, there are no material relationships (including immediate family relationships) between each of these directors and the other directors or the Company.

Mr Lee Hsien Yang and Mr Chew Choon Seng are retiring from office by rotation, and have decided not to offer themselves for re-election to office.

- 3 **Ordinary Resolution 5** is to seek approval for (i) the payment of \$750,000 to the Chairman as director's fees for undertaking duties and responsibilities as Chairman of the Board, and (ii) the provision to him of a car with a driver, for the financial year ending 30 June 2017 (which is the same as that approved for the preceding financial year). As in the preceding financial year, the sum of \$750,000 does not include any director's fees payable for serving as chairman or member of any Board committee(s) or attendance fees for any Board committee meetings.
- 4 **Ordinary Resolution 6** is to seek approval for the payment of up to \$1,600,000 to all directors (other than the Chief Executive Officer) as directors' fees for the financial year ending 30 June 2017 (which is the same as that approved for the preceding financial year). The exact amount of director's fees received by each director for the financial year ended 30 June 2016 is disclosed in full in the Annual Report.
- 5 **Ordinary Resolution 8** is to empower the directors to issue shares 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) (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) at the time that Ordinary Resolution 8 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 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Although the Listing Manual of the SGX-ST enables the Company to seek a mandate to permit its directors to issue shares up to the 50% Limit if made on a *pro rata* basis to shareholders, and up to a Sub-Limit of 20 per cent. if made other than on a *pro rata* basis to shareholders, the Company is nonetheless only seeking a Sub-Limit of 10 per cent. The Company believes that the lower limit sought for the issue of shares made other than on a *pro rata* basis to shareholders is adequate for the time being and will review this limit annually.

Notice of Annual General Meeting

Singapore Exchange Limited

Company Registration No. 199904940D
(Incorporated in the Republic of Singapore)

- 6 **Ordinary Resolution 9** is to renew the mandate to allow the Company to purchase or otherwise acquire Shares, on the terms and subject to the conditions set out in the Resolution.

The Company intends to use its internal sources of funds to finance its purchase or acquisition of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on 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.

Based on the existing issued Shares (excluding treasury shares) as at 2 August 2016 (the "Latest Practicable Date"), and assuming no further Shares are issued or repurchased, or held by the Company as treasury shares, on or prior to the Annual General Meeting, the purchase by the Company of up to the maximum limit of 10 per cent. of its issued Shares (excluding treasury shares) will result in the purchase or acquisition of 106,985,826 Shares.

In the case of market purchases by the Company, assuming that the Maximum Price is \$8.03 for one Share (being the price equivalent to 5 per cent. above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date), having regard to the Company's share capital and cash and cash equivalents of approximately \$426,445,000 and \$440,725,000 respectively, the maximum number of Shares the Company is able to purchase or acquire out of capital to be held as treasury shares or to be cancelled for the duration of the proposed Share Purchase Mandate is 53,106,476 Shares representing 4.96 per cent. of the total number of issued Shares (excluding treasury shares) as at the Latest Practicable Date.

In the case of off-market purchases by the Company, assuming that the Maximum Price is \$8.41 for one Share (being the price equivalent to 10 per cent. above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date), having regard to the Company's share capital and cash and cash equivalents of approximately \$426,445,000 and \$440,725,000 respectively, the maximum number of Shares the Company is able to purchase or acquire out of capital to be held as treasury shares or to be cancelled for the duration of the proposed Share Purchase Mandate is 50,706,897 Shares representing 4.74 per cent. of the total number of issued Shares (excluding treasury shares) as at the Latest Practicable Date.

In the case of market purchases by the Company, assuming that the Maximum Price is \$8.03 for one Share (being the price equivalent to 5 per cent. above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date), having regard to the Company's retained profits and cash and cash equivalents of approximately \$243,475,000 and \$440,725,000 respectively, the maximum number of Shares the Company is able to purchase or acquire out of retained profits to be held as treasury shares or to be cancelled for the duration of the proposed Share Purchase Mandate is 30,320,672 Shares representing 2.83 per cent. of the total number of issued Shares (excluding treasury shares) as at the Latest Practicable Date.

In the case of off-market purchases by the Company, assuming that the Maximum Price is \$8.41 for one Share (being the price equivalent to 10 per cent. above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date), having regard to the Company's retained profits and cash and cash equivalents of approximately \$243,475,000 and \$440,725,000 respectively, the maximum number of Shares the Company is able to purchase or acquire out of retained profits to be held as treasury shares or to be cancelled for the duration of the proposed Share Purchase Mandate is 28,950,654 Shares representing 2.71 per cent. of the total number of issued Shares (excluding treasury shares) as at the Latest Practicable Date.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Company and the Group for the financial year ended 30 June 2016 based on the assumptions set out above are set out in paragraph 2.7 of the Letter to Shareholders dated 30 August 2016.

- 7 **Special Resolution 10** is to adopt a new Constitution following the wide-ranging changes to the Companies Act, Chapter 50 of Singapore (the "Companies Act") introduced pursuant to the Companies (Amendment) Act 2014 (the "Amendment Act"). The new Constitution will consist of the memorandum and articles of association of the Company which were in force immediately before 3 January 2016, and incorporate amendments to (*inter alia*) take into account the changes to the Companies Act introduced pursuant to the Amendment Act. Please refer to the Letter to Shareholders dated 30 August 2016 for more details.

NOTES

- (1) Each of the resolutions to be put to the vote of members at the Annual General Meeting (and at any adjournment thereof) will be voted on by way of a poll.
- (2) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

- (3) A proxy need not be a member of the Company.
- (4) Completion and return of the instrument appointing a proxy or proxies by a member will not prevent him/her from attending, speaking and voting at the Annual General Meeting if he/she so wishes. The appointment of the proxy(ies) for the Annual General Meeting will be deemed to be revoked if the member attends the Annual General Meeting in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy or proxies to the Annual General Meeting.
- (5) 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, if sent personally or by post, be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at Singapore Land Tower, 50 Raffles Place #32-01, Singapore 048623 or, if submitted by electronic communication (where the member has signed up for the electronic service provided by the Company to its members to receive notices of meetings, annual reports and other shareholder communications electronically, for online proxy appointment and for the access and use of an SGX-designated website (collectively "Electronic Service") and where such service has been made available), be received via the online proxy appointment process through the Electronic Service, in either case not less than 48 hours before the time appointed for holding the Annual General Meeting.

Notice of Annual General Meeting

Singapore Exchange Limited

Company Registration No. 199904940D
(Incorporated in the Republic of Singapore)

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

Subject to the approval of the shareholders for the Final Dividend being obtained at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 5.00 p.m. on 30 September 2016 (Friday) up to (and including) 3 October 2016 (Monday) for the purpose of determining shareholders' entitlements to the proposed Final Dividend. The Register of Members and the Transfer Books will re-open on 4 October 2016 (Tuesday).

Duly completed transfers in respect of ordinary shares of the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at Singapore Land Tower, 50 Raffles Place #32-01, Singapore 048623 up to 5.00 p.m. on 30 September 2016 (Friday) will be registered before entitlements to the proposed Final Dividend are determined. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on 30 September 2016 (Friday) will rank for the proposed Final Dividend.

The Final Dividend, if approved by shareholders at the Annual General Meeting, will be paid on 7 October 2016 (Friday).

Singapore Exchange Limited
Company Reg. No. 199904940D

2 Shenton Way
#02-02 SGX Centre 1
Singapore 068804
tel: +65 6236 8888
fax: +65 6535 6994

sgx.com

 Printed on 100% Recycled Paper