

CIRCULAR DATED 26 SEPTEMBER 2003

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your ordinary shares in the capital of Singapore Exchange Limited (the "Company"), please forward this Circular and the attached Proxy Form immediately to the purchaser or to the agent through whom the sale was effected for onward transmission to the purchaser.



SINGAPORE EXCHANGE LIMITED

(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) proposed alterations to the Articles of Association of the Company;**
- (2) proposed Share Issue Mandate;**
- (3) proposed Special Dividend; and**
- (4) proposed modifications to the SGX Share Option Plan.**

Independent Financial Adviser

in relation to

**the proposed adjustments to the subscription prices
of outstanding Options**



IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form : 20 October 2003 at 10.15 a.m.

Date and time of Extraordinary General Meeting : 22 October 2003 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Fourth Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place).

Place of Extraordinary General Meeting : 2 Shenton Way, SGX Centre 1,
2nd Level, SGX Auditorium,
Singapore 068804

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

“Articles”	:	The Articles of Association of the Company.
“CDP”	:	The Central Depository (Pte) Limited.
“Committee”	:	The Compensation & Management Development Committee, being the committee appointed by the Board of Directors of the Company to administer the SGX Share Option Plan.
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore.
“DBS Bank”	:	DBS Bank Ltd
“Directors”	:	The Directors of the Company for the time being.
“EGM”	:	The extraordinary general meeting of the Company, notice of which is given on pages 45 to 47 of this Circular.
“Group”	:	The Company and its subsidiaries.
“Instruments”	:	Offers, agreements or options 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.
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 15 September 2003.
“Listing Manual”	:	The listing manual of the SGX-ST, which became effective on 1 July 2002 including any amendments made thereto up to the Latest Practicable Date.
“Market Day”	:	A day on which the SGX-ST is open for trading in securities.
“MAS”	:	The Monetary Authority of Singapore.
“Options”	:	Options to subscribe for new Ordinary Shares granted pursuant to the SGX Share Option Plan.
“Ordinary Shares”	:	Ordinary shares of S\$0.01 each in the capital of the Company.
“Participant”	:	The holder of an Option.
“Securities Accounts”	:	Securities accounts maintained by Depositors with CDP, but not including securities sub-accounts maintained with a Depository Agent.
“SGX-ST”	:	Singapore Exchange Securities Trading Limited.
“SGX Share Option Plan”	:	The SGX Share Option Plan adopted by the Company on 1 November 2000 and as modified by the Committee from time to time.
“Shareholders”	:	Registered holders of Ordinary Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors who have Ordinary Shares entered against their names in the Depository Register.

DEFINITIONS

“ Singapore Exchange ” or the “ Company ”	:	Singapore Exchange Limited.
“ Special Dividend ”	:	The proposed special dividend of S\$0.2652 (net) (or approximately S\$0.3400 gross before deduction of tax at the rate of 22%) for each Ordinary Share.
“ S\$ ”, “ \$ ” and “ cents ”	:	Singapore dollars and cents, respectively.
“ % ” or “ per cent ”	:	Per centum or percentage.

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

LETTER TO SHAREHOLDERS

SINGAPORE EXCHANGE LIMITED

(Incorporated in the Republic of Singapore)

Directors:

J Y Pillay (*Chairman*)
Hsieh Fu Hua (*Chief Executive Officer*)
George Teo Eng Kim
Goh Yew Lin
Hidetoshi Mine
Ho Tian Yee
Low Check Kian
Richard Gnodde
Robert Stein
Tang Wee Loke
Victor Liew Cheng San
Wong Ngit Liong

Registered Office:

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

26 September 2003

To: The Shareholders of
Singapore Exchange Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 **EGM.** The Directors of Singapore Exchange are convening the EGM to be held on 22 October 2003 to seek Shareholders' approval for the following proposals:

- (a) alterations to the Articles;
- (b) share issue mandate;
- (c) Special Dividend; and
- (d) modifications to the SGX Share Option Plan.

1.2 **Circular.** The purpose of this Circular is to provide Shareholders with information relating to the proposals to be tabled at the EGM.

1.3 **MAS.** The MAS takes no responsibility for the accuracy of any statements or opinions made in this Circular.

2. THE PROPOSED ALTERATIONS TO THE ARTICLES

2.1 **Listing Manual and Companies Act Amendments.** The Listing Manual has been amended in respect of various continuing listing requirements such as the contents of articles of association of listed companies, certificates for shares (such as registration of transfers of physical scrip), and the issue of securities or additional securities (such as by way of a general share issue mandate). Changes have also been made to the Companies Act. The Company is therefore proposing, *inter alia*, to update the Articles generally to reflect the current requirements of the SGX-ST as well as changes to the Companies Act.

2.2 **Other Alterations.** The opportunity is also being taken to rationalise and update certain other provisions of the Articles.

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2.3 **Articles Proposed for Alteration.** The following Articles are proposed for alteration:

2.3.1 **Article 4A**

It was a previous listing requirement that the Articles of Association of a listed company should contain a provision that no shares shall be issued to transfer a controlling interest in a company without the prior approval of its shareholders in general meeting. This was set out in paragraph (a) of Article 4A.

The provision is no longer required to be inserted in the Articles of Association of a listed company. Accordingly, it is proposed that paragraph (a) of Article 4A be deleted. Notwithstanding that this provision is no longer required to be inserted in the Articles, it will still be necessary for the Company under Rule 803 of the Listing Manual to obtain the approval of its shareholders to any issue of shares to transfer a controlling interest in the Company.

In addition, a minor change is proposed to be made to Article 4A to clarify that it is subject to Article 8.

2.3.2 **Article 8A(B)**

Article 8A(B) currently provides that the Company may by ordinary resolution give the Directors a general authority to issue shares, provided that the aggregate number of such shares does not exceed 50 per cent of the issued share capital of the Company for the time being (the “**50% Limit**”), of which the aggregate number of shares to be issued other than on a *pro rata* basis to Shareholders does not exceed 20 per cent of the issued share capital of the Company for the time being (the “**20% Sub-Limit**”).

Article 8A(B) is proposed to be altered in line with Listing Rule 806 which was amended by the SGX-ST with effect from January 3, 2003 which permits Directors to seek a general authority to issue not only shares but also securities or other instruments which are convertible into shares, subject however to the same 50% Limit and the 20% Sub-Limit.

The alterations proposed to Article 8A(B) will extend the general authority which may be given to the Directors to the making or granting of Instruments that might or would require shares to be issued. This would include the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares. Notwithstanding that such authority may have ceased to be in force, shares may be issued in pursuance of any Instrument made or granted while the authority was in force. The aggregate number of shares to be issued pursuant to such authority, including shares to be issued in pursuance of Instruments made or granted pursuant thereto, will continue to be subject to the 50% Limit and the 20% Sub-Limit.

The proposed alteration to Article 8A(B) will facilitate the grant of the share issue mandate as described in paragraph 3 below.

For the purpose of determining the aggregate number of shares that may be issued under the extended general authority, the percentage of issued share capital shall be based on the issued share capital of the Company at the time that the mandate is passed, after adjusting for:

- (a) new shares arising upon 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 the mandate is passed; and
- (b) any subsequent consolidation or subdivision of shares.

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In exercising the power conferred under the share issue mandate, the Company will comply with the provisions of the Listing Manual, unless such compliance has been waived by the MAS.

2.3.3 **Article 10(A)**

Previously, the Companies Act only allowed a company, if expressly permitted by its articles, to purchase or otherwise acquire its issued ordinary shares. The Companies Act was amended on 22 January 2001 to allow a company to purchase or otherwise acquire ordinary shares, stocks and preference shares issued by it, if expressly permitted by its articles. Article 10(A) is therefore proposed to be altered to allow the Company to purchase or otherwise acquire shares (including, for example, preference shares) which it may issue from time to time subject to, and in accordance with, the Companies Act.

2.3.4 **Article 18A**

Article 18A is proposed to be altered to reflect the Listing Rule requirements relating to the time-line (which has been reduced from 15 Market Days to 10 Market Days) by which a share certificate has to be issued and ready for delivery following lodgement of a registrable transfer of physical scrip.

2.3.5 **Article 92(B), Article 95A and Article 99A**

The Code of Corporate Governance issued in March 2001 recommends that all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

Article 95A currently provides that a Chief Executive Officer (or Managing Director) shall not while he continues to hold that office be subject to retirement by rotation and he shall not be taken into account in determining the rotation by retirement of Directors. Article 99A currently provides that at each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that no Director holding office as Chief Executive Officer (or Managing Director) shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire.

In accordance with the best practices of good corporate governance, it is proposed that all Directors of the Company (including the Chief Executive Officer (or Managing Director)) be subject to re-nomination and re-election at regular intervals and at least once every three years.

Accordingly, Article 95A and Article 99A should be altered so as to require all Directors, including a person holding the office of Chief Executive Officer (or Managing Director), to be subject to retirement by rotation.

Existing Article 92(B) provides, *inter alia*, that the appointment of any Director to the office of Chief Executive Officer shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company. Similarly, Article 95A also provides that if a Chief Executive Officer (or Managing Director) ceases to be a Director, he shall *ipso facto* cease to be a Chief Executive Officer (or Managing Director). As a consequence of the above proposed alterations to Articles 95A and 99A, Articles 92(B) and 95A should be altered so as to provide that a person who ceases to be a Director of the Company does not, *ipso facto*, cease to hold the position of Chief Executive Officer (or Managing Director), unless the contract or resolution under which he holds office shall expressly state otherwise.

Other minor consequential changes are proposed to be made to Article 92(B).

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2.3.6 **Article 112**

Currently, Article 112 allows a resolution in writing, signed by a majority of the Directors for the time being in Singapore and constituting a quorum, to be valid and effective as a resolution duly passed at a meeting of the Directors. To facilitate Directors approving circulating resolutions by any electronic means, it is proposed that Article 112 be altered so as to give effect to circulating resolutions signed by Directors when such signatures are communicated electronically in accordance with the procedures approved by the Directors, in addition to the traditional forms of writing and signatures.

2.3.7 **Article 117**

Article 117 is proposed to be altered to be in line with the provision of new Section 157A of the Companies Act. New Section 157A was introduced pursuant to the Companies (Amendment) Act 2003, which came into effect on 15 May 2003. New Section 157A makes it clear that the powers of management of a company reside with the directors of the company, except for those powers which the Companies Act or the memorandum or articles of association specify are to be exercised by the company in general meeting.

2.3.8 **Article 126**

Article 126 currently empowers any Director, the Company Secretary or any other person appointed by the Directors to authenticate or certify any document affecting the constitution of the Company, resolutions passed by the Company, the Directors or any committee, and any books, records, documents and accounts relating to the business of the Company.

It is proposed that Article 126 be altered to permit any such authentication or certification to be effected by electronic means in accordance with procedures approved by the Directors, in addition to the traditional forms of writing and signatures.

2.3.9 **Article 141**

Section 201(1) of the Companies Act has been amended to require a company listed or quoted on a stock exchange in Singapore to lay before the company at its annual general meeting accounts of the company made up to a date not more than four months before the date of the meeting. It is proposed that Article 141, which currently provides for the interval between the close of a financial year of the Company and the issue of its accounts to be not more than six months, be altered.

2.3.10 **Article 151**

Article 151 relates to the obtaining of members' approval for the payment of any fee or commission to the liquidator in a members' voluntary liquidation of the Company. The Listing Rules no longer require a provision such as this to be included in the Articles. It is therefore proposed that Article 151 be deleted accordingly.

Notwithstanding the deletion of Article 151 from the Articles, where so required by the Companies Act, the Listing Manual or other applicable laws and regulations, the relevant authorisation or clearance (including members' approval) would have to be sought by the Company in respect of the payment of any fee or commission to the liquidator in a members' voluntary liquidation of the Company.

- 2.4 **Appendix 1.** The text of the Articles which are proposed to be altered is set out in Appendix 1 to this Circular. The proposed alterations to the Articles are subject to Shareholders' approval.

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3. THE PROPOSED SHARE ISSUE MANDATE

3.1 **Proposed Share Issue Mandate.** Subject to Article 8A(B) being amended as proposed in paragraph 2.3.2 above, the Company is seeking approval of Shareholders at the EGM for a mandate (the “**Share Issue Mandate**”) to be given to the Directors to:

- (a) issue shares whether by way of rights, bonus or otherwise; and/or
- (b) make or grant Instruments,

and (notwithstanding that the authority so conferred may have ceased to be in force) to issue shares pursuant to any Instrument made or granted by the Directors while the authority was in force.

3.2 **Limit on Shares.** The aggregate number of shares to be issued pursuant to the Share Issue Mandate, including shares to be issued under the Instruments, will be subject to the 50% Limit and the 20% Sub-Limit calculated based on the issued share capital of the Company at the time of the passing of the Share Issue Mandate, after adjusting for:

- (a) new shares arising upon the conversion or exercise of any convertible securities or Options or vesting of share awards which are outstanding or subsisting at the time of the passing of the Share Issue Mandate; and
- (b) any subsequent consolidation or subdivision of shares.

The Options and share awards referred to in sub-paragraph (a) above are those, if any, granted by the Company pursuant to share plans governed by Part VIII of Chapter 8 of the Listing Manual.

In exercising the authority conferred under the Share Issue Mandate, the Company will comply with the provisions of the Listing Manual, unless such compliance has been waived by the MAS.

3.3 **Duration of Share Issue Mandate.** The Share Issue Mandate will take effect from the passing of the resolution approving the Share Issue Mandate at the EGM and will continue in force until the next Annual General Meeting of the Company unless, prior thereto, issues of shares are made to the full extent permitted by the Share Issue Mandate or the Share Issue Mandate is revoked or varied by the Company in general meeting. The Share Issue Mandate, in the form proposed, is intended to be placed before Shareholders for renewal at each subsequent Annual General Meeting of the Company.

3.4 **Rationale for Share Issue Mandate.** If approved, the Share Issue Mandate will, as well as enabling the Company to issue shares, enable the Company to make or grant Instruments during the validity period of the Share Issue Mandate, and to issue shares in pursuance of such Instruments subject to the specified limits. A general (as opposed to specific) approval for the Directors to make or grant Instruments will also enable the Company to act quickly and take advantage of market conditions and will reduce expense.

It is for the above reasons that the Directors believe that the Share Issue Mandate in the extended form, as proposed, is in the best interests of the Company and its Shareholders.

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4. THE PROPOSED SPECIAL DIVIDEND

- 4.1 **The Special Dividend.** In addition to the final dividend of S\$0.0273 (net) (or approximately S\$0.0350 gross before deduction of tax at the rate of 22%) per Ordinary Share which will be placed before Shareholders for approval at the Fourth Annual General Meeting to be held immediately before the EGM, the Company is proposing a special cash dividend of S\$0.2652 (net) (or approximately S\$0.3400 gross before deduction of tax at the rate of 22%) for each Ordinary Share.
- 4.2 **Rationale for the Special Dividend.** In the prospectus issued by the Company on 16 November 2000 in connection with its initial public offering (the "**Prospectus**"), the Company stated that its board expects to declare and pay annual dividends of not less than 50% of the annual net profit after tax and after contribution (if any) to the fidelity funds. Declaration of payment of any dividend, and the timing and amount of any dividend, was subject to the discretion of the board. Any determination by the board to pay dividends was to be based on the Company's earnings, cash flow, financial condition, capital requirements and any other conditions which the board may deem relevant.

The Company has paid annual dividends consistent with the stated dividend policy. The Company has also proposed a final dividend of S\$0.0273 (net) (or approximately S\$0.0350 gross before deduction of tax at the rate of 22%) for Shareholders' approval at the Fourth Annual General Meeting to be held immediately before the EGM.

The Company has reviewed its regulatory capital requirements and cash requirements for the Group's operations and future expansion, and the credit facilities available to the Group. Taking these factors into account, the Company has determined that, in addition to the proposed final dividend, it is able to return to Shareholders excess cash of approximately S\$270.6 million. Accordingly, the Directors have proposed the Special Dividend for the approval of Shareholders at the EGM. The cash return in the form of the Special Dividend will enable the Company to pass on its Section 44 tax credits to Shareholders.

5. THE PROPOSED MODIFICATIONS TO THE SGX SHARE OPTION PLAN

- 5.1 **The SGX Share Option Plan.** The SGX Share Option Plan was adopted at an extraordinary general meeting of the Company held on 1 November 2000. The Rules of the SGX Share Option Plan were set out in Appendix S-C of the Prospectus.

Certain modifications have been made to the SGX Share Option Plan by the Committee with the approval of the MAS, including the following modifications:

5.1.1 *Shortening of the exercise period for Options*

The exercise period for Options granted to a Group Employee (as defined in the SGX Share Option Plan) has been shortened. Previously, the exercise period in respect of such Options would commence on the 1st anniversary of the date of grant and expire on the 10th anniversary of such date. The exercise period for such Options was changed so as to commence on the 2nd anniversary of the date of grant and expire on the 7th anniversary of such date.

5.1.2 *Removal of the provisions for the grant of Options at a discount to the Market Price*

The SGX Share Option Plan permitted the Company to grant Options to subscribe for Ordinary Shares at a subscription price set at a discount to the market price of the Ordinary Shares at the time of the grant, so long as the maximum discount does not exceed 20% of the market price.

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To date, the Company has not granted Options at discounted subscription prices. The Committee had reconsidered the provisions in the SGX Share Option Plan as regards the grant of Options with discounted subscription prices in the light of prevailing market practices. These provisions have been removed.

These modifications did not require Shareholders' approval.

- 5.2 **The Proposed Modifications to the SGX Share Option Plan.** The following provisions in the Rules of the SGX Share Option Plan are proposed to be modified:

5.2.1 **Modifications to Rule 11.1**

Existing Rule 11.1 of the SGX Share Option Plan permits the Committee to adjust outstanding Options if a variation in the issued ordinary share capital (whether by way of a capitalisation of profit or reserve or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place.

Rule 11.1 currently does not allow any adjustments to be made in the event of a declaration of a dividend (whether in cash or in specie). Normally, such a declaration does not involve a variation in the issued share capital of the Company. It is proposed that Rule 11.1 be modified to give the Committee the discretion to adjust outstanding Options in the event that the Company makes a declaration of a dividend (whether interim, final or special or whether in cash or in specie).

Any determination by the Committee as to whether to make an adjustment and if so, the manner in which such adjustment should be made, would have to be confirmed by the auditors of the Company to be fair and reasonable, and comply with Listing Rule 850(2).

5.2.2 **Modifications to Rule 7.3(b)**

Existing Rule 7.2(b) of the SGX Share Option Plan provides that an Option shall, to the extent unexercised, lapse, *inter alia*, where the Participant ceases at any time to be in the employment of the Group or any Associated Company (both as therein defined), subject to Rule 7.3(b).

Under existing Rule 7.3(b), the Committee has the discretion to allow an Option to continue and to determine how many Ordinary Shares may be exercised in respect of such Option in the event of the Participant ceasing to be in the employment of the Group or any Associated Company by reason of:

- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age;
- (d) retirement before the legal retirement age with the consent of the Committee; or
- (e) the company in which the Participant is employed ceasing to be a company within the Group or an Associated Company or the undertaking or part of the undertaking of such company being transferred to a company other than to a company in the Group or to an Associated Company.

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Modifications are proposed to be made to Rule 7.3(b) to permit the Committee to exercise such discretion where the Participant's employment in a Group company or an Associated Company ceases by reason of (i) his transfer to any government ministry, governmental or statutory body or corporation at the direction of the Company or any Group company or the relevant Associated Company or (ii) any other event approved by the Committee.

- 5.3 **Rationale for the Proposed Modifications.** The rationale for the proposed modifications is set out below:

5.3.1 ***Modifications to Rule 11.1***

Currently, adjustments to outstanding Options may only be made in the event of a variation in the issued ordinary share capital of the Company, for example, where the Company implements a bonus issue of Ordinary Shares.

The proposed alteration to Rule 11.1 will give the Committee the ability to determine whether an adjustment should be made (and if so, the manner in which it should be made) where the interests of Participants are diluted due to a declaration of a dividend (whether in cash or in specie).

While the Committee may have such discretion, any adjustment would have to be confirmed by the auditors of the Company to be fair and reasonable and cannot be made in a way that would confer a benefit not received by Shareholders as required in Listing Rule 850(2).

5.3.2 ***Modifications to Rule 7.3(b)***

Currently, Rule 7.3(b) gives the Committee the discretion to allow an Option to continue in the event of the Participant ceasing to be in the employment of the Group or any Associated Company by reason of (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee); (b) redundancy; (c) retirement at or after the legal retirement age; (d) retirement before the legal retirement age with the consent of the Committee; or (e) the company in which the Participant is employed ceasing to be a company within the Group or an Associated Company or the undertaking or part of the undertaking of such company being transferred to a company other than to a company in the Group or to an Associated Company.

The proposed modifications to Rule 7.3(b) will give the Committee the discretion to permit the continuation of Options in the event of the Participant being transferred to any government ministry, governmental or statutory body or corporation by the Company or any Group company or the relevant Associated Company. The Committee will also have the discretion to permit the continuation of Options in any other event which the Committee may deem to be appropriate. Such discretion will not be exercised lightly. The Committee may exercise such discretion, for example, where the employment of a Participant ceases for "no fault" reasons and on amicable terms and the Committee wishes to recognise the past contributions and performance of the Participant.

- 5.4 **Appendix 2.** The proposed modifications to Rules 11.1 and 7.3(b) of the SGX Share Option Plan are set out in Appendix 2 to this Circular. The MAS has no objections to the proposed modifications to Rules 11.1 and 7.3(b) of the SGX Share Option Plan. The proposed modifications are subject to Shareholders' approval at the EGM.

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- 5.5 **Proposed Adjustments to the Outstanding Options.** The Company is proposing the Special Dividend for Shareholders' approval at the EGM. If the proposals relating to the Special Dividend and the modification to Rule 11.1 of the SGX Share Option Plan are approved by Shareholders at the EGM, it is the opinion of DBS Bank that adjustments should be made to the subscription prices of the outstanding Options as a result of the Special Dividend and the appropriate methods for such adjustments to be made to the subscription prices of the outstanding Options are set out in paragraph 6.2 below. Given the objectives of the Committee, DBS Bank suggests that the Committee adjusts the subscription prices of the outstanding Options using the following formula:

$$S_1 = (C-D)/C * S_0$$

where:

- S_1 = the adjusted Option subscription price;
 S_0 = the existing Option subscription price;
 C = the average of the closing prices for the Ordinary Shares over the five consecutive Market Days immediately preceding the date of announcement of the Special Dividend;
and
 D = the amount of the Special Dividend (net) attributable to each Ordinary Share.

If applied, the adjustment formula would result in the subscription prices of the outstanding Options to be adjusted as follows:

<u>Date of Grant</u>	<u>Current Subscription Price (S\$)</u>	<u>Adjusted Subscription Price (S\$)</u>
20.11.2000	1.10	0.92
03.12.2001	1.21	1.01
15.01.2002	1.29	1.08
01.10.2002	1.16	0.97

The Committee has accepted the suggestion of DBS Bank to use the above formula to adjust the subscription prices of the outstanding Options. PricewaterhouseCoopers ("PwC"), the auditors of the Company, has confirmed such adjustments to be, in its opinion, fair and reasonable.

The Committee has taken into account the opinion of DBS Bank and the confirmation of PwC and has determined that it would be appropriate to make the recommended adjustments to the subscription prices of the outstanding Options granted under the SGX Share Option Plan. In arriving at its decision, the Committee has taken the following factors into consideration:

- (a) The SGX Share Option Plan was established with the objective of giving the Participants thereof a stronger and more lasting sense of identification with the Company. The plan was also intended to attract and retain employees and provide Participants who are in the employment of the Group with incentives to reach higher standards of performance and to encourage greater dedication and loyalty.
- (b) The outstanding Options are principally held by Participants who are still in the employment of the Group. It is important that the Participants remain motivated and contribute towards the prosperity of the Group, thereby contributing towards shareholder value.
- (c) There are precedent examples of other companies listed on the SGX-ST which, having the ability to do so under their respective share option schemes, made adjustments to outstanding options granted under their respective share option schemes when they declared special dividends.

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Accordingly, subject to the approval of Shareholders to the Special Dividend and the proposed modification to Rule 11.1 of the SGX Share Option Plan, the subscription prices of outstanding Options will be adjusted in the manner stated above. Such adjustments will take effect on the date on which the Ordinary Shares trade on an “ex” Special Dividend basis on the SGX-ST in respect of Options outstanding and unexercised on that date.

- 5.6 **Details of Existing Options and Adjustment to Subscription Price.** As at the Latest Practicable Date, there were outstanding and unexercised Options granted under the SGX Share Option Plan to subscribe for up to an aggregate of 26,209,000 Ordinary Shares, representing approximately 2.6 per cent of the issued ordinary share capital of the Company. Details of outstanding Options as at the Latest Practicable Date and the adjusted subscription price in respect of such Options are as follows:

<u>Date of Grant</u>	<u>Exercise Period</u>	<u>Number of Ordinary Shares comprised in outstanding Options</u>	<u>Current Subscription Price (S\$)</u>	<u>Adjusted Subscription Price (S\$)</u>
20.11.2000	21.11.2002 - 20.11.2007	3,132,000	1.10	0.92
20.11.2000	21.11.2002 - 20.11.2003	34,000	1.10	0.92
20.11.2000	21.11.2002 - 29.06.2004	84,000	1.10	0.92
20.11.2000	21.11.2002 - 29.06.2005	175,000	1.10	0.92
03.12.2001	04.12.2003 - 03.12.2008	5,974,000	1.21	1.01
03.12.2001	04.12.2003 - 03.12.2004	157,000	1.21	1.01
03.12.2001	06.05.2003 - 29.06.2004	250,000	1.21	1.01
03.12.2001	06.05.2003 - 29.06.2005	350,000	1.21	1.01
03.12.2001	22.05.2003 - 29.06.2004	44,000	1.21	1.01
03.12.2001	30.05.2003 - 29.06.2004	4,000	1.21	1.01
03.12.2001	10.06.2003 - 29.06.2004	36,000	1.21	1.01
15.01.2002	16.01.2004 - 15.01.2009	175,000	1.29	1.08
01.10.2002	02.10.2004 - 01.10.2009	14,327,000	1.16	0.97
01.10.2002	02.10.2004 - 01.10.2005	131,000	1.16	0.97
01.10.2002	06.05.2003 - 29.06.2004	343,000	1.16	0.97
01.10.2002	06.05.2003 - 29.06.2005	875,000	1.16	0.97
01.10.2002	22.05.2003 - 29.06.2004	36,000	1.16	0.97
01.10.2002	30.05.2003 - 29.06.2004	8,000	1.16	0.97
01.10.2002	10.06.2003 - 29.06.2004	74,000	1.16	0.97
		26,209,000		

- 5.7 **Financial Effects.** There would be no immediate financial effect to the financial statements of the Company.

Solely for the purpose of illustration, and based on the consolidated financial statements of the Company for the financial year ended 30 June 2003, the potential *pro forma* effects of the adjustment to the subscription prices of the Options only are as follows:

Assuming no exercise of Options

<u>S\$' 000</u>	<u>As at 30 June 2003</u>	<u>Movement due to exercise of Options</u>	<u>Post exercise of Options</u>
Share capital	10,030	—	10,030
Share premium	308,858	—	308,858
Retained profits	161,082	—	161,082
Other reserves	25,973	—	25,973
Proposed dividends	293,381	—	293,381
	799,324	—	799,324

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Assuming full exercise of “in-the-money” Options outstanding as at the Latest Practicable Date at existing subscription prices ⁽¹⁾

S\$' 000	As at 30 June 2003	Movement due to exercise of Options	Post exercise of Options
Share capital	10,030	262	10,292
Share premium	308,858	30,298	339,156
Retained profits	161,082	—	161,082
Other reserves	25,973	—	25,973
Proposed dividends	293,381	—	293,381
	799,324	30,560	829,884

Assuming full exercise of “in-the-money” Options outstanding as at the Latest Practicable Date at adjusted subscription prices ⁽¹⁾

S\$' 000	As at 30 June 2003	Movement due to exercise of Options	Post exercise of Options
Share capital	10,030	262	10,292
Share premium	308,858	25,281	334,139
Retained profits	161,082	—	161,082
Other reserves	25,973	—	25,973
Proposed dividends	293,381	—	293,381
	799,324	25,543	824,867

Note:

⁽¹⁾ The above illustrations assume that new Ordinary Shares issued pursuant to the exercise of Options are not entitled to the proposed annual dividend and the Special Dividend as at 30 June 2003.

6. INDEPENDENT FINANCIAL ADVISER'S OPINION

- 6.1 **Independent Financial Adviser.** DBS Bank has been appointed the independent financial adviser to the Directors to advise whether adjustments should be made to the subscription prices of the outstanding Options as a result of the Special Dividend (the “**Option Adjustment Opinion**”) and the appropriate methods for such adjustments to be made to the subscription prices of the outstanding Options, if applicable (the “**Appropriate Adjustment Methods**”). A copy of the letter dated 26 September 2003 from DBS Bank setting out its Option Adjustment Opinion and the Appropriate Adjustment Methods to the Directors (the “**IFA Letter**”) is set out in Appendix 3 of this Circular.

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6.2 **Opinion of Independent Financial Adviser.** Taking into consideration all the factors set out in the IFA Letter and subject to the assumptions and qualifications set out therein and the circumstances prevailing as at the Latest Practicable Date, DBS Bank is of the opinion that, as at the Latest Practicable Date, adjustments should be made to the subscription prices of the outstanding Options as a result of the Special Dividend and that the Appropriate Adjustment Methods are as follows:

(a) ***Proportional Method:***

$$S_1 = (C - D)/C * S_0$$

where:

S_1 = the adjusted Option subscription price;

S_0 = the existing Option subscription price;

C = the average of the closing prices for the Ordinary Shares over the five consecutive Market Days immediately preceding the date of announcement of the Special Dividend; and

D = the amount of the Special Dividend (net) attributable to each Ordinary Share.

(b) ***Absolute Method***

$$S_1 = S_0 - D$$

where S_0 , S_1 , D are as defined in sub-paragraph (a) above.

DBS Bank has discussed the Appropriate Adjustment Methods with the Committee and it understands that the Committee's objectives are as follows:

- (i) the adjustment formula chosen should be widely adopted for convertible securities that are listed and traded on the local capital markets; and
- (ii) in order to be fair and reasonable to the Shareholders, the adjustment formula chosen should not accord the Participants the same level of benefits received by Shareholders. Participants, who hold vested Options, can choose to convert their vested Options into Ordinary Shares if they wish to enjoy the same benefits as the Shareholders.

DBS Bank notes that the Proportional Method meets the aforesaid objectives of the Committee and accordingly, DBS Bank suggests that the Committee uses the Proportional Method for the adjustment of the subscription prices of the outstanding Options.

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7. DIRECTORS' INTERESTS

7.1 **Interests in Ordinary Shares.** The interests of the Directors in Ordinary Shares as at the Latest Practicable Date are set out below:

<u>Director</u>	<u>Number of Ordinary Shares</u>				<u>Number of Ordinary Shares comprised in outstanding Options granted by the Company</u>
	<u>Direct Interest</u>	<u>%</u>	<u>Deemed Interest</u>	<u>%</u>	
J Y Pillay	262,000	nm ⁽¹⁾	—	—	—
Hsieh Fu Hua	—	—	430,000 ⁽²⁾	nm ⁽¹⁾	—
George Teo Eng Kim	—	—	—	—	—
Goh Yew Lin	—	—	2,500,000 ⁽³⁾	0.2	—
Hidetoshi Mine	—	—	—	—	—
Ho Tian Yee	—	—	—	—	—
Low Check Kian	—	—	—	—	—
Richard Gnodde	—	—	—	—	—
Robert Stein	8,000	nm ⁽¹⁾	—	—	—
Tang Wee Loke	—	—	—	—	—
Victor Liew Cheng San	—	—	—	—	—
Wong Ngit Liong	—	—	—	—	—

Notes:

⁽¹⁾ "nm" means not meaningful.

⁽²⁾ Hsieh Fu Hua is deemed to have an interest in the 430,000 Ordinary Shares held by his spouse.

⁽³⁾ Goh Yew Lin is deemed to have an interest in the 2,500,000 Ordinary Shares held by G.K. Goh Strategic Holdings Pte Ltd.

7.2 **Abstention from voting.** As of the Latest Practicable Date, none of the Directors has been granted Options under the SGX Share Option Plan. Nonetheless, all Directors are eligible to participate in, and are therefore interested in, the SGX Share Option Plan. As required by Listing Rule 859, each Director shall abstain from voting his Ordinary Shares, if any, in respect of Resolutions 4 and 5, being the Ordinary Resolutions relating to the proposed modifications to the SGX Share Option Plan at the EGM. Each Director shall also decline to accept appointment as proxies for any Shareholder to vote in respect of Resolutions 4 and 5, unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolutions 4 and 5.

8. DIRECTORS' RECOMMENDATIONS

8.1 **Proposed Alterations to Articles.** The Directors are of the opinion that the proposed alterations to the Articles are in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 1, being the Special Resolution relating to the proposed alterations to the Articles.

8.2 **Proposed Share Issue Mandate.** The Directors are of the opinion that the proposed Share Issue Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 2, being the Ordinary Resolution relating to the proposed Share Issue Mandate.

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- 8.3 **Proposed Special Dividend.** The Directors are of the opinion that the proposed Special Dividend is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 3, being the Ordinary Resolution relating to the proposed Special Dividend.
- 8.4 **Proposed Modifications to SGX Share Option Plan.** The Directors, who do not hold any Options under the SGX Share Option Plan, are of the opinion that the proposed modifications to the SGX Share Option Plan are in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolutions 4 and 5, being the Ordinary Resolutions relating to the proposed modifications to the SGX Share Option Plan.

9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 45 to 47 of this Circular, will be held on 22 October 2003 at 2 Shenton Way, SGX Centre 1, 2nd Level, SGX Auditorium, Singapore 068804 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Fourth Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without any modifications, the Special and Ordinary Resolutions as set out in the Notice of EGM.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

- 10.1 **Abstention from voting.** As required under Listing Rule 859, any Shareholder who is eligible to participate in the SGX Share Option Plan (such as employees of the Company and its subsidiaries) must abstain from voting in the EGM in respect of Resolutions 4 and 5, being the Ordinary Resolutions relating to the proposed modifications to the SGX Share Option Plan. Such Shareholder should also decline to accept appointment as proxies for any Shareholder to vote in respect of Resolutions 4 and 5, unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolutions 4 and 5.
- 10.2 **Appointment of Proxies.** If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 2 Shenton Way #19-00, SGX Centre 1, Singapore 068804 not later than 10.15 a.m. on 20 October 2003. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes.
- 10.3 **When Depositor regarded as Shareholder.** A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

11. CONSENTS

- 11.1 **PwC.** PwC has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and its letter of confirmation to the Company dated 26 September 2003 relating to the adjustments to the subscription prices of the outstanding Options granted under the SGX Share Option Plan, and all references thereto, in the form and context in which they appear in this Circular.
- 11.2 **DBS Bank.** DBS Bank has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and its IFA Letter and all references thereto, in the form and context in which they appear in this Circular.

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12. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 2 Shenton Way #19-00, SGX Centre 1, Singapore 068804 during normal business hours from the date of this Circular up to the date of the EGM:

- (a) the Annual Report of the Company for the financial year ended 30 June 2003;
- (b) the Memorandum and Articles of Association of the Company;
- (c) the SGX Share Option Plan;
- (d) the letter of confirmation from PwC to the Company dated 26 September 2003;
- (e) the IFA Letter set out in Appendix 3 to this Circular; and
- (f) the letters of consent of PwC and DBS Bank referred to in paragraph 11 above.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Circular are fair and accurate and that there are no material facts the omission of which would make any statement in this Circular misleading.

Yours faithfully

J Y Pillay
Chairman
Singapore Exchange Limited

THE PROPOSED ALTERATIONS TO THE ARTICLES

The alterations which are proposed to be made to the Articles are set out below. For ease of reference and where appropriate, the full text to the Articles proposed to be altered has also been reproduced.

Existing Article 4A

4A. *In the event that the shares of the Company are listed on the SGX-ST, and for as long as they are listed on the SGX-ST, this Article 4A shall apply in substitution of Article 4 above. Subject to these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over shares or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors; Provided always that:-*

- (a) *no shares shall be issued to transfer a controlling interest in the Company without the prior approval of the members in a General Meeting;*
- (b) *no shares shall be issued at a discount except in accordance with the Statutes;*
- (c) *(subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the third sentence of Article 8A(A) with such adaptations as are necessary shall apply; and*
- (d) *any other issue of shares, the aggregate of which would exceed the limits referred to in Article 8A(B), shall be subject to the approval of the Company in General Meeting.*

Proposed Alterations to Existing Article 4A

By deleting Article 4A in its entirety and substituting therefor the following:

4A. In the event that the shares of the Company are listed on the SGX-ST, and for as long as they are listed on the SGX-ST, this Article 4A shall apply in substitution of Article 4 above. Subject to these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 8, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over shares or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors; Provided always that:-

- (a) no shares shall be issued at a discount except in accordance with the Statutes;
- (b) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the third sentence of Article 8A(A) with such adaptations as are necessary shall apply; and

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- (c) any other issue of shares, the aggregate of which would exceed the limits referred to in Article 8A(B), shall be subject to the approval of the Company in General Meeting.

Existing Article 8A(B)

8A. (B) *In the event that the shares of the Company are listed on the SGX-ST, and for so long as they are listed on the SGX-ST, this Article 8A(B) shall apply. Notwithstanding Article 8A(A), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to issue shares (whether by way or rights, bonus or otherwise) where:-*

- (a) *the aggregate number of shares to be issued pursuant to such authority does not exceed 50 per cent. (or such other limit as may be prescribed by the SGX-ST) of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20 per cent. (or such other limit as may be prescribed by the SGX-ST) of the issued share capital of the Company for the time being; and*
- (b) *unless previously revoked or varied by the Company in General Meeting, such authority to issue shares does not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).*

Proposed Alterations to Existing Article 8A(B)

By deleting Article 8A(B) in its entirety and substituting therefor the following:

8A. (B) In the event that the shares of the Company are listed on the SGX-ST, and for so long as they are listed on the SGX-ST, this Article 8A(B) shall apply. Notwithstanding Article 8A(A), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
- (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

provided that:-

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) does not exceed 50 per cent. (or such other limit as may be prescribed by the SGX-ST) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) does not exceed 20 per cent. (or such other limit as may be prescribed by the SGX-ST) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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- (2) (subject to such manner of calculation as may be prescribed by the 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 share capital shall be based on the issued share capital of the Company at the time that the Ordinary Resolution is passed, after adjusting for:-
 - (i) new shares arising upon 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 the Ordinary Resolution is passed; and
 - (ii) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by the Ordinary 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 is waived by the Monetary Authority of Singapore) and these presents; and
- (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).

Existing Article 10(A)

10. (A) *The Company may, subject to and in accordance with the Statutes, purchase or otherwise acquire ordinary shares in the issued share capital of the Company on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share that is so purchased or acquired by the Company shall be deemed to be cancelled immediately on purchase or acquisition. On the cancellation of a share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.*

Proposed Alterations to Existing Article 10(A)

By deleting Article 10(A) in its entirety and substituting therefor the following:

10. (A) The Company may, subject to and in accordance with the Statutes, purchase or otherwise acquire issued shares in the capital of the Company on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share that is so purchased or acquired by the Company shall be deemed to be cancelled immediately on purchase or acquisition. On the cancellation of a share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.

Existing Article 18A

18A. *In the event that the shares of the Company are listed on the SGX-ST, and for as long as they are listed on the SGX-ST, this Article 18A shall apply in substitution of Article 18 above. Subject to the payment of all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require, every person whose name is entered as a member in the Register of Members shall be entitled to receive, within ten Market Days of the closing date of any application of shares (or such other period as may be approved by the stock exchange upon which shares of the Company may be listed) or within 15 Market Days after the date of lodgement of a registerable transfer (or such other period as may be approved by any stock exchange upon which shares of the Company may be listed), one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred.*

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Where such a member transfers part only of the shares comprised in a certificate or where such a member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such member shall pay all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require and a maximum fee of \$2 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which shares of the Company may be listed.

Proposed Alterations to Existing Article 18A

By deleting Article 18A in its entirety and substituting therefor the following:

18A. In the event that the shares of the Company are listed on the SGX-ST, and for as long as they are listed on the SGX-ST, this Article 18A shall apply in substitution of Article 18 above. Subject to the payment of all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require, every person whose name is entered as a member in the Register of Members shall be entitled to receive, within ten Market Days (or such other period as may be approved by any stock exchange upon which the shares in the Company may be listed) of the closing date of any application for shares or, as the case may be, the date of lodgement of a registrable transfer, one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Where such a member transfers part only of the shares comprised in a certificate or where such a member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such member shall pay all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require and a maximum fee of \$2 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which shares of the Company may be listed.

Existing Article 92(B)

92. (B) *The appointment of any Director to the office of Chairman or Deputy Chairman or a Chief Executive Officer shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.*

Proposed Alterations to Existing Article 92(B)

By deleting Article 92(B) in its entirety and substituting therefor the following:

92. (B) The appointment of any Director to the office of Chairman or Deputy Chairman shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.

Existing Article 95A

95A. In the event that the shares of the Company are listed on the SGX-ST, and for as long as they are listed on the SGX-ST, this Article 95A shall apply in substitution of Article 95 above. A Chief Executive Officer (or Managing Director) shall not while he continues to hold that office be subject to retirement by rotation and he shall not be taken into account in determining the rotation of retirement of Directors but he shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director from any cause he shall ipso facto and immediately cease to be a Chief Executive Officer (or Managing Director).

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Proposed Alterations to Existing Article 95A

By deleting Article 95A in its entirety and substituting therefor the following:

95A. In the event that the shares of the Company are listed on the SGX-ST, and for as long as they are listed on the SGX-ST, this Article 95A shall apply in substitution of Article 95 above. A Chief Executive Officer (or Managing Director) who is a Director shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to retirement by rotation, resignation and removal as the other Directors of the Company.

Existing Article 99A

99A. *In the event that the shares of the Company are listed on the SGX-ST, and for as long as they are listed on the SGX-ST, this Article 99A shall apply in substitution of Article 99 above. At each Annual General Meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, Provided that no Director holding office as Chief Executive Officer (or Managing Director) shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire.*

Proposed Alterations to Existing Article 99A

By deleting Article 99A in its entirety and substituting therefor the following:

99A. In the event that the shares of the Company are listed on the SGX-ST, and for as long as they are listed on the SGX-ST, this Article 99A shall apply in substitution of Article 99 above. At each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

Existing Article 112

112. *A resolution in writing signed by a majority of the Directors for the time being in Singapore and constituting a quorum shall be as effective as a resolution duly passed at a meeting of the Directors and may consist of several documents in the like form, each signed by one or more Directors. The expressions "in writing" and "signed" include approval by telefax, telex, cable or telegram by any such Director.*

Proposed Alterations to Existing Article 112

By deleting Article 112 in its entirety and substituting therefor the following:

112. A resolution in writing signed by a majority of the Directors for the time being in Singapore and constituting a quorum shall be as effective as a resolution duly passed at a meeting of the Directors and may consist of several documents in the like form, each signed by one or more Directors. The expressions "in writing" and "signed" include approval by any such Director by telefax, telex, cable or telegram or any form of electronic communication approved by the Directors for such purpose from time to time incorporating, if the Directors deem necessary, the use of security and/or identification procedures and devices approved by the Directors.

Existing Article 117

117. *The business and affairs of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not by the Statutes or by these presents required to be exercised by the Company in General Meeting, subject nevertheless to any regulations of these presents, to the provisions of the Statutes and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by Special Resolution of the Company, but no regulation so made by the Company shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made; Provided that the Directors shall not carry into effect any proposals for selling or disposing of the whole or substantially the whole of the Company's undertaking unless such proposals have been approved by the Company in General Meeting. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Directors by any other Article.*

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Proposed Alterations to Existing Article 117

By deleting Article 117 in its entirety and substituting therefor the following:

117. The business and affairs of the Company shall be managed by or under the direction of the Directors. The Directors may exercise all such powers of the Company as are not by the Statutes or by these presents required to be exercised by the Company in General Meeting, subject nevertheless to any regulations of these presents and to the provisions of the Statutes. The Directors shall not carry into effect any proposals for selling or disposing of the whole or substantially the whole of the Company's undertaking unless such proposals have been approved by the Company in General Meeting. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Directors by any other Article.

Existing Article 126

126. *Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the Directors or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts are elsewhere than at the Office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Directors or any committee which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed, or as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting.*

Proposed Alterations to Existing Article 126

By deleting Article 126 in its entirety and substituting therefor the following:

126. Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the Directors or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts are elsewhere than at the Office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Directors or any committee which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed, or as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting. Any authentication or certification made pursuant to this Article may be made by any electronic means approved by the Directors from time to time for such purpose incorporating, if the Directors deem necessary, the use of security procedures or devices approved by the Directors.

Existing Article 141

141. *In accordance with the provisions of the Act, the Directors shall cause to be prepared and to be laid before the Company in General Meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as may be necessary. The interval between the close of a financial year of the Company and the issue of accounts relating thereto shall not exceed six months.*

Proposed Alterations to Existing Article 141

By deleting the word "six" in the last sentence of Article 141 and substituting therefor the word "four".

APPENDIX 1

Existing Article 151

151. *On a voluntary winding up of the Company, no commission or fee shall be paid to a Liquidator without the prior approval of the members in General Meeting. The amount of such commission or fee shall be notified to all members not less than seven days prior to the General Meeting at which it is to be considered.*

Proposed Alterations to Existing Article 151

By deleting Article 151 in its entirety.

APPENDIX 2

THE PROPOSED MODIFICATIONS TO THE SGX SHARE OPTION PLAN

The proposed modifications to the SGX Share Option Plan are set out below. For ease of reference and where appropriate, the full text of the relevant Rules of the Plan which are proposed to be modified have been reproduced.

Part 1

Existing Rule 11.1

11.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:-

- (a) the Subscription Price of the Shares, the nominal amount, class and/or number of Shares comprised in an Option to the extent unexercised; and/or*
- (b) the nominal amount, class and/or number of Shares over which future Options may be granted under the Plan,*

shall be adjusted in such manner as the Committee may determine to be appropriate. Any adjustment under this Rule should, unless otherwise determined by the Committee, give a Participant the same proportion of the equity capital as that to which he was previously entitled.

Proposed Modification to Existing Rule 11.1

Existing Rule 11.1 shall be deleted in its entirety and the following substituted therefor:

11.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place or if the Company shall make a declaration of a dividend (whether interim or final and whether in cash or in specie), then the Committee may determine whether:-

- (a)** the Subscription Price of the Shares, the nominal amount, class and/or number of Shares comprised in an Option to the extent unexercised; and/or
- (b)** the nominal amount, class and/or number of Shares over which future Options may be granted under the Plan,

shall be adjusted and, if so, the manner in which such adjustment shall be made. Any adjustment under this Rule should, unless otherwise determined by the Committee, give a Participant the same proportion of the equity capital as that to which he was previously entitled.

Part 2

Existing Rule 7.3(b)

7.3 In any of the following events, namely:-

- (b)** where the Participant ceases at any time to be in the employment of the Group or an Associated Company by reason of:
 - (i)** ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (ii)** redundancy;

APPENDIX 2

- (iii) retirement at or after the legal retirement age;*
- (iv) retirement before the legal retirement age with the consent of the Committee; or*
- (v) the company by which he is employed ceasing to be a company within the Group or an Associated Company or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group or to an Associated Company;*

Proposed Modification to Existing Rule 7.3(b)

Existing Rule 7.3(b) shall be deleted in its entirety and the following substituted therefor:

- (b) where the Participant ceases at any time to be in the employment of the Group or an Associated Company by reason of:-
 - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (ii) redundancy;
 - (iii) retirement at or after the legal retirement age;
 - (iv) retirement before the legal retirement age with the consent of the Committee;
 - (v) the company by which he is employed ceasing to be a company within the Group or an Associated Company or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group or to an Associated Company;
 - (vi) his transfer to any government ministry, governmental or statutory body or corporation at the direction of any company within the Group or, as the case may be, the relevant Associated Company; or
 - (vii) any other event approved by the Committee;

APPENDIX 3

LETTER FROM DBS BANK LTD TO THE DIRECTORS OF SINGAPORE EXCHANGE LIMITED

DBS BANK LTD
6 Shenton Way
DBS Building Tower One
Singapore 068809

26 September 2003

To: The Directors
Singapore Exchange Limited
2 Shenton Way #19-00
SGX Centre 1
Singapore 068804

Dear Sirs

THE PROPOSED ADJUSTMENTS TO THE SUBSCRIPTION PRICES OF THE OPTIONS PURSUANT TO THE SPECIAL DIVIDEND

1. INTRODUCTION

This letter has been prepared for inclusion in the Circular to Shareholders dated 26 September 2003 ("**Circular**") in connection with, *inter alia*, the proposed modifications to the SGX Share Option Plan. Unless otherwise defined or where the context otherwise requires, the definitions used in the Circular shall apply throughout this letter.

On 11 September 2003, the Company announced that its board of Directors ("**Board**") will be proposing the Special Dividend for Shareholders' approval at the EGM.

In connection with the Special Dividend, DBS Bank has been appointed as the independent financial adviser to the Directors to advise whether adjustments should be made to the subscription prices of the outstanding Options as a result of the Special Dividend ("**Option Adjustment Opinion**") and the appropriate methods for such adjustments to be made to the subscription prices of the outstanding Options, if applicable ("**Appropriate Adjustment Methods**").

The existing Rule 11.1 of the SGX Share Option Plan ("**Existing Rule 11.1**") currently does not allow any adjustments to be made in the event of the declaration of a dividend (whether in cash or in specie). The Board has proposed to modify the Existing Rule 11.1 ("**Proposed Rule 11.1 Modification**") to give the Committee the discretion to adjust the outstanding Options in the event that the Company makes a declaration of a dividend (whether interim, final or special or whether in cash or in specie). Subject to the Proposed Rule 11.1 Modification being approved by the Shareholders at the EGM, the Committee will have the discretion to, amongst others, adjust the subscription prices of the outstanding Options as a result of the Special Dividend ("**Proposed Subscription Price Adjustment**"). Any determination by the Committee as to whether to make such an adjustment and if so, the manner in which such adjustment should be made, would have to be confirmed by the auditors of the Company to be fair and reasonable.

2. TERMS OF REFERENCE

DBS Bank has been appointed by the Company to advise whether adjustments should be made to the subscription prices of the outstanding Options as a result of the Special Dividend and the appropriate methods for the adjustments to be made to the subscription prices of the outstanding Options, if applicable. For the avoidance of doubt, our Option Adjustment Opinion and the Appropriate Adjustment Methods are rendered on the assumption that the Proposed Rule 11.1 Modification will be approved by Shareholders at the EGM such that the Proposed Subscription Price Adjustment can be carried out. This letter sets out, *inter alia*, our Option Adjustment Opinion and the Appropriate Adjustment Methods.

We were neither a party to nor were we involved in the discussions between the Directors in relation to the Special Dividend. We were also not involved in the deliberations leading to the Company's decision to propose the Special Dividend.

In carrying out our role, we have confined our Option Adjustment Opinion and the Appropriate Adjustment Methods to the likely impact of the Special Dividend on the underlying market price of the Ordinary Shares and consequently, on the interests of the Participants. In rendering our Option Adjustment Opinion and recommending the Appropriate Adjustment Methods, we have not had regard to the specific investment objectives, financial situation, tax status, risk profile or particular needs and constraints of any individual Participant.

Our terms of reference do not require us to render an opinion on whether adjustments should be made to the subscription prices of the outstanding options that the Company had granted and are not governed by the rules of the SGX Share Option Plan. We note that as at the Latest Practicable Date, the Company had 8,000,000 outstanding options that were not granted pursuant to the SGX Share Option Plan.

It is not within our terms of reference to evaluate, comment or express an opinion on the financial impact, commercial rationale, risks or merits of the Special Dividend or our Option Adjustment Opinion and the Appropriate Adjustment Methods on the Shareholders, or the potential impact on either the current or future financial performance or prospects of the Company or the Group after payment of the Special Dividend or completion of the Proposed Subscription Price Adjustment after taking into account our Option Adjustment Opinion and the Appropriate Adjustment Methods. Such evaluation or comment remains the responsibility of the Directors and the management of the Company, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our Option Adjustment Opinion and the Appropriate Adjustment Methods. We are therefore not expressing any view herein as to the prices at which the Ordinary Shares may trade from the first Market Day on which the Ordinary Shares trade on an ex-Special Dividend basis ("**Ex-Special Dividend Date**") onwards or upon the Committee effecting the Proposed Subscription Price Adjustment after taking into account our Option Adjustment Opinion and the Appropriate Adjustment Methods.

In evaluating the financial impact of the Special Dividend on the Participants and arriving at our Option Adjustment Opinion and the Appropriate Adjustment Methods, we have relied on information set out in the Circular, publicly available information collated by us and information provided by the Directors and management of the Company, including those relating to the Company and the Group. We have not independently verified any such information or representations provided to us by the Directors and the management of the Company. We have relied on the assurance of the Directors that, to their respective best knowledge and belief, all material information in connection with our Option Adjustment Opinion and the Appropriate Adjustment Methods has been disclosed to us and such information is accurate, complete and true in all material respects, and that there is no other information or fact the omission of which would cause any information disclosed to us or set out in the Circular to be inaccurate, incomplete or misleading in any material respect. Accordingly, no representation or warranty, expressed or

APPENDIX 3

implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of the information. We have, nevertheless, made such enquiry and exercised such judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

Our Option Adjustment Opinion and the Appropriate Adjustment Methods in this letter are based on economic, market, industry and other conditions prevailing on, and information made available to us as at the Latest Practicable Date. Such conditions and public information may change subsequent to the Latest Practicable Date. Our Option Adjustment Opinion and the Appropriate Adjustment Methods do not and cannot take into account such subsequent developments and we assume no responsibility to update, revise, or reaffirm our opinion in light of any subsequent developments after the Latest Practicable Date that may affect our Option Adjustment Opinion and the Appropriate Adjustment Methods contained herein.

Our Option Adjustment Opinion and the Appropriate Adjustment Methods in this letter are addressed to the Directors to advise them on whether adjustments should be made to the subscription prices of the outstanding Options as a result of the Special Dividend and the appropriate methods for the adjustments to be made to the subscription prices of the outstanding Options, if applicable. Any recommendation of the Directors to the Shareholders in respect of the Proposed Rule 11.1 Modification as set out in Section 8.4 of the Circular shall remain the responsibility of the Directors. While a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purposes at any time and in any manner without the prior consent of DBS Bank in each specific case.

Our Option Adjustment Opinion and the Appropriate Adjustment Methods should be considered in the context of the entirety of this letter and the Circular.

3. DETAILS OF THE SPECIAL DIVIDEND

On 11 September 2003, the Company announced that the Board will be proposing the Special Dividend of approximately S\$270.6 million on aggregate or S\$0.2652 (net) (or approximately S\$0.3400 gross before deduction of tax at the rate of 22 per cent.) per Ordinary Share. The Special Dividend will be paid from the Company's accumulated reserves and will be fully franked out of the Company's available tax credits under Section 44 of the Companies Act, in respect of the financial year ending 30 June ("FY") 2003. The Special Dividend will be subject to Shareholders' approval at the EGM.

4. DETAILS OF THE OUTSTANDING OPTIONS

As at the Latest Practicable Date, there were 26,209,000 outstanding and unexercised Options granted under the SGX Share Option Plan to subscribe for up to an aggregate of 26,209,000 Ordinary Shares, representing approximately 2.6 per cent. of the issued ordinary share capital of the Company. The details of the outstanding Options as at the Latest Practicable Date are set out in Section 5.6 of the Circular.

5. EVALUATION OF ADJUSTMENTS TO THE SUBSCRIPTION PRICES OF THE OUTSTANDING OPTIONS PURSUANT TO THE SPECIAL DIVIDEND

The theoretical basis for adjustments to the subscription prices of the Options is founded on the principle that a corporate action that results in a dilution of interests in, or a diminution in market value of, the underlying Ordinary Shares justifies an adjustment to the terms of the Options. This principle is embodied in the Existing Rule 11.1, which allows corporate actions such as a bonus issue of new Ordinary Shares or a capital distribution in cash to qualify as events justifying an adjustment to the terms of the Options.

In a bonus issue, a company capitalises accumulated reserves to issue new shares ("**Bonus Shares**"). As the issuance of Bonus Shares is likely to cause the share price of the company to decline, the company's employee share option holders' interests in the underlying shares are diluted. Accordingly, it is an accepted market practice to adjust the terms of the employee share options for the theoretical effects of an issuance of bonus shares.

Likewise, in a distribution of cash to shareholders by way of the cancellation of shares, par value or share premium account ("**Capital Reduction**"), the issued share capital is varied. A Capital Reduction normally has a negative impact on the market price of the underlying shares. Accordingly, it is also an accepted market practice to adjust the terms of the employee share options for the theoretical effects of a cash distribution through a Capital Reduction.

On the basis of the principle above, the payment of the Special Dividend would justify an adjustment to the subscription prices of the Options if there is likely to be a significant negative impact on the market price when the Ordinary Shares commence trading on an ex-Special Dividend basis. Options Holders may, in the absence of an adjustment to the subscription prices of the Options, be disadvantaged because the subscription prices of the Options are based on market prices of the underlying Ordinary Shares prior to the Special Dividend. The market price of the Ordinary Shares at the time when the Options were issued would have taken into account, amongst others, the Shareholders' equity and cash reserves of the Company prevailing at that point in time. Upon the distribution of the Special Dividend, there would be a diminution in the market value of the underlying Ordinary Shares.

Accordingly, adjustments to the subscription prices of the Options for the effects of the Special Dividend would be appropriate in such circumstances.

In rendering our opinion on whether adjustments should be made to the subscription prices of the Options as a result of the Special Dividend, we have evaluated the likelihood of a significant downward adjustment in the market price of the underlying Ordinary Shares upon payment of the Special Dividend. For the purposes of such evaluation, we have considered the following:

- impact of the Special Dividend on Shareholders' equity and cash reserves of the Company;
- similarity between the Special Dividend and a Capital Distribution; and
- empirical evidence of market price reaction of shares of companies listed on the SGX-ST that have made a significant distribution of shareholders' equity.

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5.1 Impact of the Special Dividend on Shareholders' equity and cash reserves of the Company

	FY2000	FY2001	FY2002	FY2003	Simple Average
Cash and cash equivalents ⁽¹⁾ (S\$'million)	638.4	560.5	588.5	578.0	N.A.
Shareholders' equity ⁽²⁾ (S\$'million)	797.4	830.9	836.6	799.3	N.A.
Cash and cash equivalents / Shareholders' equity	80.1%	67.5%	70.3%	72.3%	72.6%
Aggregate amount of interim and final dividends paid (S\$'million)	N.A.	55.1	56.9	50.8	54.3
Profit after tax and minority interests on a group basis (S\$'million)	N.A.	49.0	60.9	16.0	42.0
Dividend payout ratio ⁽³⁾	N.A.	112.4%	93.4%	317.5%	174.4%

Source: Company's prospectus, annual reports and announcements

Notes:

- (1) The cash and cash equivalents of the Company stated above include investments for FY2000 and available-for-sale investments for FY2001, FY2002 and FY2003.
- (2) The Shareholders' equity of the Company is the aggregate of the share capital and reserves of the Company.
- (3) The dividend payout ratio is derived by dividing the aggregate amount of interim and final dividends paid by the profit after tax and minority interests on a group basis for the respective financial year.

(a) Cash and cash equivalents is a substantial component of Shareholders' equity and is likely to have been factored into the market price of the Ordinary Share

As illustrated in the table above, the Shareholders' equity of the Company, since the listing of the Company on the Main Board of SGX-ST on 23 November 2000 ("**Listing Date**"), has been and is substantially backed by cash reserves of the Company. The cash and cash equivalents has been at least approximately 67.5 per cent. of the Shareholder's equity at the end of each financial year since FY2000 (the financial year immediately preceding the Listing Date). The cash and cash equivalents of approximately S\$578.0 million as at 30 June 2003 is approximately 72.3 per cent. of the Shareholders' equity of approximately S\$799.3 million as at 30 June 2003. Both the cash and cash equivalents and Shareholders' equity of the Company have not changed significantly since the Listing Date.

The cash and cash equivalents backing each Ordinary Share ("**Cash Per Ordinary Share**") was approximately S\$0.64 at the Listing Date, which constituted 58.0 per cent. of the initial public offer price of S\$1.10 for the Ordinary Shares and 47.6 per cent. of the closing market price of S\$1.34 for the Ordinary Shares on the first Market Day of trading in the Ordinary Shares. The Cash Per Ordinary Share is approximately S\$0.58 as at FY2003 and constitutes 34.5 per cent. of the closing market price of S\$1.68 for the Ordinary Shares as at the Latest Practicable Date. Given the significance of the Cash Per Ordinary Share relative to the aforesaid market prices of the Ordinary Shares, we are of the view that the market has probably factored the cash and cash equivalents into the price of the Ordinary Shares.

(b) Magnitude of Special Dividend would differentiate it from a normal dividend

The Company's dividend policy, as disclosed on page 25 of the prospectus of the Company dated 16 November 2000, is to declare and pay annual dividends of not less than 50 per cent. of annual net profit after tax and after contribution (if any) to the fidelity funds. Consistent with the stated dividend policy, the Company has paid annual dividends of approximately S\$55.1 million in FY2001 and approximately S\$56.9 million in FY2002, which is equivalent to dividend payout ratios of approximately 112.4 per cent. and approximately 93.4 per cent. respectively. The simple average of the annual dividend paid and the dividend payout ratio from FY2001 to FY2003 are approximately S\$54.3 million and approximately 174.4 per cent. respectively. In contrast, the Special Dividend is approximately 5.0 times the simple average of the annual dividend paid and amounts to a dividend payout ratio of approximately 1,691.3 per cent. based on the Company's profit after tax and minority interests of approximately S\$16.0 million for FY2003. Therefore, we are of the view that the market would perceive the Special Dividend as a distribution of Shareholders' equity of the Company and not as part of its regular annual dividends, which is mainly paid out of the current year's earnings.

The Special Dividend of approximately S\$270.6 million is approximately 46.8 per cent. of the cash and cash equivalents and approximately 33.9 per cent. of Shareholders' equity as at 30 June 2003. Hence, the Special Dividend is a significant distribution of the Company's holdings of cash and cash equivalents and its Shareholders' equity as at 30 June 2003.

Based on our observations above, the Special Dividend is significant relative to the Company's historical annual dividend payouts, cash and cash equivalents and existing Shareholders' equity as at 30 June 2003. Given its significance, the Special Dividend is likely to result in a downward adjustment in the market price of the Ordinary Shares. This drop in the market price of the Ordinary Shares would adversely affect the interests of the Participants.

5.2 Similarity between the Special Dividend and a Capital Distribution

The Special Dividend seeks to return to Shareholders cash holdings in the Company which is in excess of its operational, regulatory and expansion requirements. A cash distribution to Shareholders by way of a Capital Reduction achieves the same objective. Section 73 of the Companies Act requires a Capital Reduction to be subject to the approval of the Shareholders by way of a special resolution and the approval of the High Court of the Republic of Singapore ("**Court**"). The Special Dividend, on the other hand, is subject to the approval of Shareholders by way of an ordinary resolution. Given the more stringent approval threshold for Capital Reduction, we are of the view that a cash distribution through a special dividend would be preferred.

Special dividends, however, can only be paid out of the accumulated reserves. The amount of the accumulated reserves available for distribution limits the amount of the special dividend that companies listed on the SGX-ST ("**SGX Listed Companies**") can distribute. Prior to 2003, another factor which constrained the payment of special dividends was the amount of the SGX Listed Companies' available tax credits under Section 44 of the Companies Act ("**Section 44 Tax Credits**"). If the SGX Listed Company does not have enough Section 44 Tax Credits to frank the entire amount of the special dividend declared, the SGX Listed Company would have to pay an advance tax. If the advance tax payable is considerable, the SGX Listed Company could effect the distribution of the remaining cash by way of a Capital Reduction. Since 2003, the requirement for the Section 44 Tax Credits to frank the payment of the dividends has been lifted.

In accounting terms, shareholders' equity includes issued and paid-up share capital, share premium account and accumulated reserves. Issued share capital includes only issued and paid-up share capital and share premium account.

A cash distribution by way of a capital reduction results in a variation in the issued share capital. The Existing Rule 11.1 gives the Committee the discretion to adjust the terms of the outstanding Options in the event of a variation in the issued share capital of the Company. The Special Dividend results in a reduction in the accumulated reserves of the Company but it does not constitute a variation in the issued share capital of the Company.

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The Special Dividend and a cash distribution of an equivalent amount effected through a Capital Reduction (“**Similar Capital Reduction**”) both have the same effect on the Shareholders’ equity of the Company. In addition, if the accumulated reserves of the Company are capitalised through a bonus issue of new Ordinary Shares (“**SGX Bonus Shares**”), a subsequent Capital Reduction through the cancellation of the SGX Bonus Shares would be deemed as a variation in the issued share capital of the Company.

The principal difference between the Special Dividend and the Similar Capital Reduction is the manner in which the cash distribution is effected. The Special Dividend and the Similar Capital Reduction are effected via a reduction in the accumulated reserves and issued share capital of the Company, respectively. Accordingly, we are of the view that fundamentally the Special Dividend is conceptually similar to a cash distribution effected through a Capital Reduction.

5.3 Empirical evidence of market price reaction of shares of companies listed on the SGX-ST that have made significant distribution of shareholders’ equity

We consider it appropriate and relevant to review recent special dividends and capital distributions declared and paid by the SGX Listed Companies during the period from 1 January 2000 to 30 June 2003 (“**Review Period**”). We have limited our review to the special dividends and capital distributions of SGX Listed Companies during the Review Period which are similar to the Special Dividend in terms of the amount in relation to the respective SGX Listed Companies’ historical annual dividend payouts and/or their existing shareholders’ equity (“**Comparable Significant Distributions**”).

The table below sets out the details of the Comparable Significant Distributions during the Review Period.

Company	Announcement Date	Mode of Distribution ⁽²⁾	Amount Distributed Per Share	Amount Distributed Against Average Annual Dividends ⁽¹⁾	% Amount Distributed over Shareholders’ Equity
Keppel TatLee Finance Limited	Jan-00	SD in cash	S\$0.35	8.8x	25.0%
NatSteel Limited	Dec-00	SD in cash	S\$0.71	13.3x	26.7%
	Jan-01	CD in cash	S\$0.87	16.3x	23.1%
Hong Leong Finance Limited	Mar-01	SD in cash (S\$0.52) and CD in specie of 1.53 Singapore Finance Limited share	S\$2.94 ⁽³⁾	33.9x	67.4%
Singapore Finance Limited	Mar-01	SD in cash	S\$0.35	4.4x	14.1%
Intraco Limited ⁽⁴⁾	Oct-01	SD in cash	S\$0.11	2.8x	5.8%
	Mar-02	CD in cash	S\$0.50	12.5x	38.4%
Keppel Corporation Limited	Aug-01	CD in cash	S\$0.50	4.5x	13.9%
Simple Average				16.1x	35.7%
Singapore Exchange	Sep-03	SD in cash	S\$0.2652	5.0x	33.9%

Source: Bloomberg and company’s annual reports and announcements

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Notes:

- (1) The average annual dividend is the simple average of the amount of annual dividends paid by the respective SGX Listed Companies in the three years preceding the declaration of special dividend or capital distribution.
- (2) For the purpose of illustration in the table above, “SD” and “CD” are defined as special dividend and capital distribution respectively.
- (3) The amount of S\$2.94 per Hong Leong Finance Limited share distributed is the aggregate of the cash special dividend of S\$0.52 and the capital distribution of 1.53 Singapore Finance Limited shares valued at S\$1.58 per share which is the closing market price of Singapore Finance Limited share as at the Ex-Distribution Date (as defined below).
- (4) The special dividend of S\$0.11 per Intraco Limited share was announced in conjunction with a capital reduction of S\$0.40 per share on 26 October 2001. Subsequently on 4 March 2002, Intraco Limited revised the amount of capital reduction from S\$0.40 to S\$0.50 per Intraco Limited share.

The table below sets out the differences in the closing share prices of the Comparable Significant Distributions on the first Market Day on an ex-distribution basis (“**Ex-Distribution Dates**”) vis-à-vis the closing share prices on the Market Day prior to the announcement dates and the closing share prices on the Market Day prior to the Ex-Distribution Dates.

Company	Amount Distributed Per Share	Drop / (Increase) in Closing Share Price from the Market Day preceding the Declaration Date to Ex-Distribution Date	Drop in Closing Share Price from the Market Day preceding the Ex-Distribution Date to Ex-Distribution Date
Keppel TatLee Finance Limited	S\$0.35	S\$0.26	S\$0.48
NatSteel Limited	S\$0.71	S\$0.69	S\$0.75
	S\$0.87	S\$0.84	S\$0.86
Hong Leong Finance Limited	S\$2.94	S\$2.88	S\$2.90
Singapore Finance Limited	S\$0.35	S\$0.34	S\$0.37
Intraco Limited	S\$0.11	S\$(0.37)	S\$0.12
	S\$0.50	S\$0.37	S\$0.52
Keppel Corporation Limited	S\$0.50	S\$0.62	S\$0.40

We note from the table above that, except for the special dividend of Intraco Limited (“**Intraco**”) announced in October 2001, the closing share prices of the other Comparable Significant Distributions on the Ex-Distribution Dates were significantly lower compared to the respective share prices on the Market Day prior to the announcement dates.

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The closing price of Intraco shares on the Ex-Distribution Date for its special dividend was S\$0.37 higher than its closing share price on the announcement date. We note that Intraco share price reacted favourably after the announcement of the special dividend of S\$0.11 and capital distribution of S\$0.40 on 26 October 2001. On 29 October 2001, the Market Day immediately after the announcement date, Intraco's share price closed at S\$1.01, or S\$0.34 higher than its closing share price on the Market Day prior to the announcement date. This seems to suggest that the market had not factored the amount of Intraco's cash distribution into its share price and hence, the announcement of the cash distribution resulted in a significant re-rating in its share price immediately after the announcement.

The significant decline in the closing share prices of the Comparable Significant Distributions (other than Intraco) on the Ex-Distribution Dates from the closing share prices on the Market Day prior to the announcement dates appears to suggest that the market had, to a large extent, factored in the amount distributed into its valuation of the respective market prices of the shares.

We note that the period between the announcement dates and the Ex-Distribution Dates for each of the Comparable Significant Distributions ranges from 9 Market Days to 110 Market Days. Share price movements during such periods could be influenced by factors other than the amount distributed, such as stock market conditions.

We have also set out in the table above, the decline in closing share prices of the Comparable Significant Distributions on the Ex-Distribution Dates from the closing share prices on the Market Day preceding the Ex-Distribution Dates. We note that the corresponding decline in the closing share prices of the Comparable Significant Distributions on the Ex-Distribution Dates over the Market Day preceding the Ex-Distribution Dates more closely approximates the corresponding amount distributed per share than the decline in the closing share prices on the Ex-Distribution Dates compared to the Market Day preceding the announcement dates. The former measures the one Market Day decline in share price and hence, minimises the effects of other factors that could affect share prices over a period of time.

On the basis of the analysis above, we are of the view that the Comparable Significant Distributions present sufficient empirical evidence to demonstrate that the declines in share prices on the Ex-Distribution Dates are likely to be attributable to the special dividends and capital distributions paid by the respective SGX Listed Companies. Hence, the above empirical evidence supports the view that there is a high probability of a significant decline in the market price of the Ordinary Shares to reflect the return of part of the Shareholders' equity to Shareholders as a result of the Special Dividend.

The list of Comparable Significant Distributions reviewed and highlighted in this Section 5.3 is by no means exhaustive and is meant as an illustrative guide only. Notwithstanding the above observations, we wish to highlight that each of the Comparable Significant Distributions must be judged on its own merits. We also wish to highlight that the companies in the list of Comparable Significant Distributions set out above are not directly comparable to Singapore Exchange in terms of size, market capitalisation, business activities, asset base, geographical spread, track record, future prospects and other relevant criteria and each of the Comparable Significant Distributions had occurred under market conditions which may be different from those of the Special Dividend. The list of Comparable Significant Distributions above has been compiled from publicly available information and serves as a guide as to the decline in market price, if any, of the SGX Listed Companies as a result of the Comparable Significant Distributions.

5.4 Conclusion

Having carefully considered all the factors in Sections 5.1 to 5.3 of this letter, we are of the opinion that, as at the Latest Practicable Date and in the absence of any factors having a significant effect on stock market conditions, the market price of the Ordinary Shares is expected to decline significantly such that the interests of the Participants would be materially diluted as a result of the Special Dividend. Hence, we are of the view that the declaration and payment of the Special Dividend justifies adjustments to the subscription prices of the outstanding Options.

APPENDIX 3

6. PRECEDENT CASES

We have reviewed some of the employee share option schemes (“**ESOS**”) of SGX Listed Companies that were adopted or subsequently amended during the period from 1 January 1999 to 30 June 2003. The purpose of the review is to:

- identify ESOS of SGX Listed Companies which give their respective ESOS committees the discretion to adjust the terms of their employee share options pursuant to the declaration of dividends (“**Precedent Cases**”);
- examine the terms and rationale used by such Precedent Cases to give their respective ESOS Committees the discretion to adjust the terms of their employee share options pursuant to the declaration of dividends;
- examine whether the ESOS of such Precedent Cases prescribe a formula for the adjustment to the subscription prices of their employee share options pursuant to the declaration of dividends; and
- examine whether such Precedent Cases had actually adjusted their ESOS pursuant to the declaration of special dividends.

6.1 Companies with ESOS which allow for Adjustment Pursuant to the Declaration of Dividends

Among the ESOS of SGX Listed Companies that we have reviewed, we have identified ten Precedent Cases, that is, the ESOS of the SGX Listed Companies which give their respective ESOS committees the discretion to adjust the terms of their employee share options pursuant to the declaration of dividends.

(a) Companies with ESOS that allow for adjustment pursuant to the declaration of dividends

We set out in the table below the Precedent Cases.

Precedent Cases	Year of Adoption ⁽¹⁾	Year of Amendment ⁽²⁾
Singapore Post Limited	2003	N.A.
Times Publishing Limited	2001	N.A.
Cycle & Carriage Limited	2000	2001 ⁽³⁾
G K Goh Holdings Limited	2000	N.A.
Intraco Limited	2000	N.A.
The Hour Glass Limited	2000	N.A.
United Engineers Limited	2000	N.A.
SBS Transit Limited	2000	N.A.
NatSteel Limited	1998	2000 ⁽⁴⁾
Singapore Telecommunications Ltd	1994, 1999 ⁽⁵⁾	1999 ⁽⁵⁾

Source: Companies' prospectus and circulars

APPENDIX 3

Notes:

- (1) The year of adoption is defined as the year in which the ESOS was adopted by shareholders of the SGX Listed Company in a general meeting.
- (2) The year of amendment is defined as the year in which shareholders of the SGX Listed Company approved the amendment of the ESOS to give the ESOS committee the discretion to adjust the terms of their employee share options in the event of the declaration of dividends.
- (3) The Cycle & Carriage Limited Share Options Scheme 2000 was amended on 3 May 2001 to, amongst others, give its ESOS committee the discretion to adjust the terms of their employee share options when it declares dividends.
- (4) On 17 April 2000, the NatSteel Executives' Share Options Scheme 1998 was renamed the "NatSteel Ltd Share Option Scheme" and was amended to, amongst others, give its ESOS committee the discretion to adjust the terms of the employee share options if NatSteel Limited declares dividends.
- (5) On 29 September 1999, Singapore Telecommunications Ltd ("**Singtel**") amended the ESOS adopted in 1994 to, amongst others, give its ESOS committee the discretion to adjust the terms of the employee share options if Singtel declares dividends. On the same date, Singtel adopted a new ESOS, which also has the same provision.

We observed that the ESOS of the SGX Listed Companies listed above do not prescribe a formula for the adjustment to the terms of their options in the event of a payment of a dividend. Their ESOS however stipulate that any adjustment to be made to the terms of the options must be confirmed in writing by the auditors of the respective SGX Listed Companies (acting as experts and not as arbitrators) to be, in their opinion, fair and reasonable.

(b) Companies that amended their original ESOS to allow for adjustment pursuant to the declaration of dividends

We note that three of the Precedent Cases listed above had amended their original ESOS to, amongst others, give their respective ESOS committees the discretion to adjust the terms of their employee share options when these SGX Listed Companies declare dividends ("**Adjustment Provision**"). We have examined the circulars to shareholders on the proposed amendments to the ESOS of these three Precedent Cases and set out below the rationale for such Adjustment Provisions as disclosed in their respective circulars.

Companies that amended their original ESOS to allow for adjustment pursuant to the declaration of dividends	Rationale given for amendment
Cycle & Carriage Limited	<ul style="list-style-type: none">■ "to provide the Committee with greater discretion in the administration of adjustment exercises"■ "to offset the dilution in option value as a consequence of significant distribution ... a typical interim or final dividend declaration would not ordinarily give rise to any adjustment having to be made"
NatSteel Limited	<ul style="list-style-type: none">■ (no rationale given)
Singapore Telecommunications Ltd	<ul style="list-style-type: none">■ "to cater to a situation where the interests of option holders are inadvertently diluted due to a declaration of a dividend"

Source: Companies' circulars

APPENDIX 3

We observed that a common rationale given for amending the ESOS to include the Adjustment Provision is to compensate their respective option holders for the decline in their employee share options' value as a result of the declaration of dividends.

Our observations above demonstrate that some other SGX Listed Companies also consider a declaration of dividends as an event that may warrant an adjustment to the terms of their ESOS.

Notwithstanding the foregoing observations, we wish to highlight that the above analysis merely serves as a guide to some of the terms and rationale used by these Precedent Cases for allowing the adjustments to the terms of their employee share options in the event of the declaration of dividends. Each of the Precedent Cases set out above must be judged based on its own merits. The SGX Listed Companies set out in the Precedent Cases above are also not comparable to the Singapore Exchange in terms of size, market capitalisation, business activities, asset base, geographical spread, track record, future prospects and other relevant criteria and each of the above ESOS implementation or amendment to allow for adjustment pursuant to the declaration of dividends have occurred under market conditions which may be different from those prevailing at the time of the Special Dividend. The Precedent Cases set out above are by no means exhaustive and have been compiled from publicly available information.

6.2 Companies that Paid Special Dividends and Had Actually Adjusted the Subscription Prices Pursuant to the Special Dividend Payouts

Among the ten Precedent Cases highlighted in Section 6.1(a) above, we note that five SGX Listed Companies had declared and paid special dividends during 1 January 2000 to 30 June 2003. The table below sets out these five Precedent Cases, the details of the special dividends declared and paid, and whether they adjusted the subscription prices of the employee share options as a result of the special dividends.

Company	Special Dividend Declared Date	Special Dividend Per Share	Special Dividend Against Average Annual Dividends ⁽¹⁾	% Special Dividend / Shareholders' Equity	Was Option Subscription Prices Adjusted?
Singapore Telecommunications Ltd	Nov-99	S\$0.12	2.4x	21.7%	Yes
	Nov-00	S\$0.075	1.4x	13.2%	Yes
NatSteel Limited	Dec-00	S\$0.71	13.3x	26.7%	Yes
SBS Transit Limited	Mar-01	S\$0.0325	0.7x	4.4%	No
	Mar-02	S\$0.01	0.2x	1.2%	No
The Hour Glass Limited	Jun-01	S\$0.0125	2.1x	1.1%	No
Intraco Limited	Oct-01	S\$0.11	2.8x	5.8%	Yes
Singapore Exchange	Sep-03	S\$0.2652	5.0	33.9%	N.A.

Source: Bloomberg and companies' annual reports and announcements

Note:

- (1) The average annual dividend is the simple average of the amount of annual dividends paid by the respective SGX Listed Companies in the three years preceding the declaration of special dividend.

APPENDIX 3

From the table above, we observed that three of the five Precedent Cases above adjusted the subscription prices of their employee share options pursuant to the declaration of special dividends. They are Singtel, NatSteel Limited ("**NatSteel**"), and Intraco. With the exception of Intraco, Singtel and NatSteel had declared special dividends that were similar in significance to the Special Dividend, as compared to their respective historical annual dividend payouts and/or prevailing shareholders' equity. The adjustments made by these SGX Listed Companies to the subscription prices of their employee share options pursuant to the declaration of special dividends were reported in their respective annual reports for the years in which the special dividends were declared.

In the case of Intraco, and as highlighted in Section 5.3 of this letter, the special dividend of S\$0.11 per Intraco share was announced in conjunction with a capital reduction of S\$0.40 per Intraco share on 26 October 2001. Subsequently on 4 March 2002, Intraco revised the amount of capital reduction per Intraco share to S\$0.50. As stated on page 6 of Intraco's circular to its shareholders dated 12 April 2002 in relation to the proposed capital distribution and capital restructuring, Intraco adjusted the subscription prices of its employee share options as a consequence of its special dividend of S\$0.11 and capital reduction of S\$0.50 per Intraco share.

On the other hand, we also observed that two of the Precedent Cases in the table above, namely, SBS Transit Limited and The Hour Glass Limited, did not adjust the subscription prices of their employee share options pursuant to the declaration of special dividends. We are of the view that these two SGX Listed Companies did not adjust the subscription prices of their employee share options pursuant to the declaration of special dividends because the special dividends were not significant when compared to their respective historical annual dividend payouts and existing shareholders' equity.

Based on the above observations, we are of the view that the SGX Listed Companies listed above only adjusted the subscription prices of their employee share options when the special dividends declared were significant in relation to their respective historical annual dividend payouts and existing shareholders' equities.

Notwithstanding the above observations, we wish to highlight that the above analysis merely serves as a guide to some of the adjustments made by the SGX Listed Companies to the subscription prices of their employee share options pursuant to the declaration of special dividends. Each of the Precedent Cases set out above must be judged based on its own merits. The SGX Listed Companies in the Precedent Cases above are also not comparable to the Singapore Exchange in terms of size, market capitalisation, business activities, asset base, geographical spread, track record, future prospects and other relevant criteria and each of the adjustments to the subscription prices of the employee share options of the SGX Listed Companies pursuant to their declarations of special dividends occurred under market conditions which may be different from those prevailing at the time of the Proposed Subscription Price Adjustment. The Precedent Cases set out above have been compiled from publicly available information and are by no means exhaustive.

7. SUGGESTED ADJUSTMENT FORMULAE

As mentioned in Section 6.1(a) above, the ESOS of the Precedent Cases do not prescribe any formula for the adjustments to the subscription prices of their options. However, we suggest two methods, which are deemed fair and reasonable by PwC, that are appropriate for adjusting the subscription prices of the Options pursuant to the Special Dividend.

APPENDIX 3

7.1 Proportional Method

$$S_1 = (C - D)/C * S_0$$

where

S_0 : is the existing Option subscription price

S_1 : is the adjusted Option subscription price

C : is the average of the closing prices for the Ordinary Shares over the five consecutive Market Days immediately preceding the announcement date of the Special Dividend

D : is the amount of Special Dividend (net) attributable to each Ordinary Share

We have reviewed the terms and conditions of several convertible securities, such as warrants and redeemable convertible preference shares. We observe that rules, terms and conditions of warrants stipulate that adjustment to the terms of such convertible securities in the event of a capital distribution shall be determined in the manner prescribed in the Proportional Method regardless of whether such convertible securities are “in-the-money” or “out-of-money”.

We note that the adjustment to the subscription price under the Proportional Method aims to preserve the percentage return to the Participant regardless of whether the Options are “in-the-money” or “out-of-money” or the extent to which they are “in-the-money” or “out-of-money”.

However, the use of the Proportional Method may be counter to the objectives of the SGX Share Option Plan if Participants are compelled to exercise their “in-the-money” Options to enjoy the full benefits of the Special Dividend. For employees of the Company who have to utilise bank loans to exercise their Options, they may have to sell the resultant Ordinary Shares after the Special Dividend to repay the loan thereby defeating the purpose of allowing employees to participate in the medium to long term growth of the Company.

7.2 Absolute Method

$$S_1 = S_0 - D$$

where

S_0 , S_1 , D are as defined in section 7.1 of this letter

The Absolute Method serves to accord to the Participant the same status as a Shareholder and the Participant enjoys the same absolute benefit (as an adjustment to the subscription price) as the Shareholder. The Absolute Method also serves to avoid a situation where the Participant must exercise his “in-the-money” Options if he wishes to enjoy the full benefits of the Special Dividend. This is because an adjustment to the subscription prices of the outstanding Options pursuant to the Special Dividend using the Proportional Method would only be in proportion to the market price of the Ordinary Shares vis-à-vis the subscription prices of the outstanding Options.

We note that Ezyhealth Asia Pacific Limited had used this method to adjust the subscription prices of its options pursuant to a capital distribution in 2002.

PwC has confirmed that these two methods have been used by SGX Listed Companies in the past to adjust the subscription prices of options pursuant to the declarations of capital distributions and special dividends and both, in their opinion, are fair and reasonable.

APPENDIX 3

7.3 Committee's objective and choice of method

We have discussed with the Committee and we understand that the Committee's objectives are as follows:

- (a) The adjustment formula chosen should be widely adopted for convertible securities that are listed and traded on the local capital markets; and
- (b) In order to be fair and reasonable to the Shareholders, the adjustment formula chosen should not accord the Participants with the same level of benefits received by Shareholders. Participants, who hold vested Options, can choose to convert their Options into Ordinary Shares if they wish to enjoy the same benefits as the Shareholders.

We note that the Proportional Method, stated in Section 7.1 of this letter, meets the aforesaid objectives of the Committee and accordingly, we suggest that the Company use the Proportional Method for the adjustment of the subscription prices of the outstanding Options.

8. RECOMMENDATION

In arriving at our conclusion as to whether the market price of the Ordinary Shares is expected to decline significantly as a result of the Special Dividend such that the interests of the Participants would be materially diluted as a result of the Special Dividend, we have based our Option Adjustment Opinion on the considerations set forth in this letter and having taken into account, *inter alia*, the following key factors:

- (a) The market has probably factored the cash and cash equivalents of the Company into the price of the Ordinary Shares given the significance of the Cash Per Ordinary Share relative to the market prices of the Ordinary Shares reviewed in Section 5.1(a) of this letter.
- (b) The Special Dividend, which is significant in terms of the amount of the Special Dividend relative to the Company's historical annual dividend payouts, is likely to be perceived by the market as a distribution of the Shareholders' equity and not as part of its regular annual dividends.
- (c) The Special Dividend is a significant distribution of the Company's holdings of cash and cash equivalents and its Shareholders' equity as at 30 June 2003.
- (d) The Special Dividend is conceptually similar to a cash distribution effected through a Capital Reduction.
- (e) The empirical evidence, as demonstrated by the Comparable Significant Distributions set out in Section 5.3 of this letter, supports the view that there is a high probability of a significant decline in the market price of the Ordinary Shares as a result of the Special Dividend.

Having carefully considered the above factors, we are of the opinion that, as the Latest Practicable Date, adjustments should be made to the subscription prices of the outstanding Options as a result of the Special Dividend and that the Appropriate Adjustment Methods are as follows:

(i) Proportional Method:

$$S_1 = (C - D)/C * S_0 \text{ (as defined in Section 7.1 of this letter)}$$

(ii) Absolute Method:

$$S_1 = S_0 - D \text{ (as defined in Section 7.2 of this letter)}$$

APPENDIX 3

We have discussed with the Committee and taking into account the Committee's objectives as set out in Section 7.3 of this letter, we note that the Proportional Method meets the aforesaid objectives of the Committee and accordingly, we suggest that the Company use the Proportional Method for the adjustment of the subscription prices of the outstanding Options.

The Directors should also note that the market price and the trading pattern of the Ordinary Shares is subject to, *inter alia*, the performance and prospects of the Group, prevailing economic conditions, economic outlook, stock market conditions and sentiments. Accordingly, our advice on the Option Adjustment Opinion does not and cannot take into account future trading activities or patterns or price levels that may be established for the Ordinary Shares after the Latest Practicable Date since these are governed by factors beyond the ambit of our review.

Yours faithfully
For and on behalf of
DBS BANK LTD

Mahesh P. Rupawalla
Managing Director
Mergers and Acquisitions Advisory
Investment Banking Group

Susan Khew
Vice President
Mergers and Acquisitions Advisory
Investment Banking Group

NOTICE OF EXTRAORDINARY GENERAL MEETING

SINGAPORE EXCHANGE LIMITED

(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Singapore Exchange Limited (the “**Company**”) will be held at 2 Shenton Way, SGX Centre 1, 2nd Level, SGX Auditorium, Singapore 068804 on 22 October 2003 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Fourth Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications, the following Resolutions, of which Resolution 1 will be proposed as a Special Resolution and Resolutions 2, 3, 4 and 5 will be proposed as Ordinary Resolutions:

Resolution 1: Special Resolution

The Proposed Alterations to the Articles of Association

That Articles 4A, 8A(B), 10(A), 18A, 92(B), 95A, 99A, 112, 117, 126, 141 and 151 of the Articles of Association of the Company be and are hereby altered, in the manner and to the extent as set out in Appendix 1 to the circular to shareholders dated 26 September 2003 (the “**Circular**”).

Resolution 2: Ordinary Resolution

The Proposed Share Issue Mandate

That authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (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 share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the Monetary Authority of Singapore) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Resolution 3: Ordinary Resolution Proposed Declaration of Special Dividend

That a special cash dividend of S\$0.2652 (net) (or approximately S\$0.3400 gross before deduction of tax at the rate of 22%) (“**Special Dividend**”) be and is hereby declared and approved in respect of each ordinary share of S\$0.01 each in the capital of the Company held as at a books closure date to be determined by the Directors and that the Directors and any of them be and are hereby authorised to do all such things and execute all such documents as they or he may consider necessary or appropriate to give effect to this Ordinary Resolution 3 as they or he may deem fit.

Resolution 4: Ordinary Resolution The Proposed Modifications to Rule 11.1 of the SGX Share Option Plan

That Rule 11.1 of the SGX Share Option Plan (the “**SGX Share Option Plan**”) be modified in the manner as set out in Part 1 of Appendix 2 to the Circular.

Resolution 5: Ordinary Resolution The Proposed Modifications to Rule 7.3(b) of the SGX Share Option Plan

That Rule 7.3(b) of the SGX Share Option Plan (the “**SGX Share Option Plan**”) be modified in the manner as set out in Part 2 of Appendix 2 to the Circular.

By Order of the Board

Joyce Fong Foong Chao
Company Secretary

Singapore
26 September 2003

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 2 Shenton Way #19-00, SGX Centre 1, Singapore 068804, not less than 48 hours before the time appointed for the Extraordinary General Meeting.

NOTICE OF BOOKS CLOSURE DATE AND PAYMENT DATE FOR SPECIAL DIVIDEND

The Company gives notice that, subject to the approval of the shareholders to the Special Dividend at the Extraordinary General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 30 October 2003 after 5.00 p.m. to 31 October 2003, both dates inclusive, for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 3 November 2003. Duly completed registered transfers of ordinary shares of S\$0.01 each in the capital of the Company received by the Company's Share Registrar, Lim Associates (Pte) Ltd, at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315 before 5.00 p.m. on 30 October 2003, will be registered in the Register of Members and the Transfer Books of the Company to determine shareholders' entitlements to the Special Dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the Special Dividend will be paid by the Company to CDP which will, in turn distribute the entitlements to the Special Dividend to CDP account holders in accordance with its normal practice.

The Special Dividend, if approved by shareholders, will be paid on 12 November 2003.

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SINGAPORE EXCHANGE LIMITED

(Incorporated in the Republic of Singapore)

IMPORTANT

1. For investors who have used their CPF moneys to buy shares in the capital of Singapore Exchange Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We _____ (Name)

of _____ (Address)

being a member/members of Singapore Exchange Limited (the "**Company**") hereby appoint

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

--	--	--	--

or failing whom, the Chairman of the Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held on 22 October 2003 at 2 Shenton Way, SGX Centre 1, 2nd Level, SGX Auditorium, Singapore 068804 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Fourth Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Extraordinary General Meeting.)

	For	Against
Resolution 1: Special Resolution To approve the proposed alterations to the Articles of Association.		
Resolution 2: Ordinary Resolution To approve the proposed Share Issue Mandate.		
Resolution 3: Ordinary Resolution To approve the proposed Special Dividend.		
Resolution 4: Ordinary Resolution To approve the proposed modifications to Rule 11.1 of the SGX Share Option Plan.		
Resolution 5: Ordinary Resolution To approve the proposed modifications to Rule 7.3(b) of the SGX Share Option Plan.		

Dated this 2003.

Total number of Shares held

Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES ON THE REVERSE



Second fold along this line

Affix
Postage
Stamp

THE COMPANY SECRETARY
Singapore Exchange Limited
2 Shenton Way #19-00
SGX Centre 1
Singapore 068804

First fold along this line

NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 2 Shenton Way #19-00, SGX Centre 1, Singapore 068804 not less than 48 hours before the time appointed for the Extraordinary General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
8. The Chairman shall decline to accept appointment as proxies for any member to vote in respect of Resolutions 4 and 5, unless the member concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolutions 4 and 5.