

CIRCULAR DATED 25 AUGUST 2005

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)

(Company Registration No. 199904940D)

**CIRCULAR TO SHAREHOLDERS
IN RELATION TO**

- (1) the proposed renewal of the Share Purchase Mandate; and**
- (2) the proposed SGX Performance Share Plan.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	: 20 September 2005 at 10.15 a.m.
Date and time of Extraordinary General Meeting	: 22 September 2005 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Sixth Annual General Meeting of the Company to be held at 10 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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CONTENTS

	Page
DEFINITIONS	2
LETTER TO SHAREHOLDERS	4
1. Introduction	4
2. The Proposed Renewal of the Share Purchase Mandate	4
3. The SGX Share Option Plan	12
4. The Proposed SGX Performance Share Plan	13
5. Directors' and Substantial Shareholder's Interests	22
6. Directors' Recommendations	22
7. Extraordinary General Meeting	23
8. Action to be taken by Shareholders	23
9. Inspection of Documents	23
10. Directors' Responsibility Statement	24
NOTICE OF EXTRAORDINARY GENERAL MEETING	25
PROXY FORM	

DEFINITIONS

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

“Associated Company”	:	A company in which at least 20% but not more than 50% of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over whose management the Company has control (as defined in the Listing Manual).
“Associated Company Employee”	:	Any employee of an Associated Company (including any Associated Company Executive Director) selected by the Committee to participate in the SGX Performance Share Plan in accordance with the provisions thereof.
“Associated Company Executive Director”	:	A director of an Associated Company who performs an executive function.
“Auditors”	:	The auditors of the Company for the time being.
“Award”	:	A contingent award of Shares granted under the SGX Performance Share Plan.
“Award Date”	:	In relation to an Award, the date on which the Award is granted pursuant to the SGX Performance Share Plan.
“CDP”	:	The Central Depository (Pte) Limited.
“Committee”	:	A committee comprising Directors duly authorised and appointed by the Board of Directors to administer the SGX Performance Share Plan.
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore.
“Companies (Amendment) Act”	:	The Companies (Amendment) Act 2005.
“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 25 to 27 of this Circular.
“EPS”	:	Earnings per Share.
“Group”	:	The Company and its subsidiaries.
“Group Employee”	:	Any employee of the Group (including any Group Executive Director) selected by the Committee to participate in the SGX Performance Share Plan in accordance with the provisions thereof.
“Group Executive Director”	:	A director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function.
“Income Tax Act”	:	The Income Tax Act, Chapter 134 of Singapore.
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 11 August 2005.
“Listing Manual”	:	The listing manual of the SGX-ST.
“Market Day”	:	A day on which the SGX-ST is open for trading in securities.
“MAS”	:	The Monetary Authority of Singapore.
“New Shares”	:	The new Shares which may be allotted and issued from time to time pursuant to the exercise of Options granted under the SGX Share Option Plan and/or pursuant to the vesting of Awards under the SGX Performance Share Plan.

DEFINITIONS

“NTA”	:	Net tangible assets.
“Options”	:	Options to subscribe for New Shares granted pursuant to the SGX Share Option Plan.
“Participant”	:	A Group Employee or an Associated Company Employee who has been granted an Award.
“ROE”	:	Return on equity.
“Securities Accounts”	:	Securities accounts maintained by Depositors with CDP, but not including securities sub-accounts maintained with a Depository Agent.
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore.
“SGX Performance Share Plan”	:	The proposed SGX Performance Share Plan, as modified or altered from time to time.
“SGX Share Option Plan”	:	The SGX Share Option Plan adopted by the Company on 1 November 2000, as modified or altered from time to time.
“SGX-ST”	:	Singapore Exchange Securities Trading Limited.
“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register.
“Shares”	:	Ordinary shares currently with a par value of S\$0.01 each in the capital of the Company.
“Singapore Exchange” or the “Company”	:	Singapore Exchange Limited.
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers.
“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)
(Company Registration No. 199904940D)

Directors:

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

Registered Office:

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

25 August 2005

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 September 2005 to seek Shareholders' approval for the following proposals:
- (a) the proposed renewal of the Share Purchase Mandate (as defined in paragraph 2.1 below); and
 - (b) the proposed adoption of the SGX Performance Share 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 **Listing of the New Shares.** The MAS has granted in-principle approval for the listing and quotation of the New Shares to be issued pursuant to the SGX Performance Share Plan. Admission of the New Shares to, and quotation of the New Shares on, the Main Board of the SGX-ST are in no way reflective of the merits of the Company, the Group or the SGX Performance Share Plan.
- 1.4 **MAS.** The MAS takes no responsibility for the accuracy of any statements or opinions made in this Circular.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

- 2.1 **Background.** At an extraordinary general meeting of the Company held on 17 September 2004 (the "**2004 EGM**"), Shareholders had approved, *inter alia*, the adoption of a mandate (the "**Share Purchase Mandate**") to enable the Company to purchase or otherwise acquire its issued Shares. The authority and limitations on the Share Purchase Mandate were set out in the Company's Circular to Shareholders dated 23 August 2004 (the "**2004 Circular**") and the Ordinary Resolution set out in the Notice of the 2004 EGM.

LETTER TO SHAREHOLDERS

The Share Purchase Mandate was expressed to take effect on the date of the passing of the Ordinary Resolution at the 2004 EGM and will expire on the date of the forthcoming Sixth Annual General Meeting (the “**AGM**”) which will also be held on 22 September 2005 immediately preceding the EGM to be held on the same date. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the EGM immediately following the Sixth AGM.

- 2.2 **Rationale for the Share Purchase Mandate.** The approval of the renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 2.4.1 below at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its Shares, as previously stated in the 2004 Circular, is as follows:

- (a) In managing the business of the Group, management will strive to increase Shareholders' value by improving, *inter alia*, the ROE of the Company. In addition to growth and expansion of the business, share purchases may be considered as one of the ways through which the ROE of the Company may be enhanced.
- (b) In line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner. A share repurchase programme will also allow management to effectively manage and minimise the dilution impact (if any) associated with share schemes.
- (c) Share repurchase programmes help buffer short-term share price volatility.
- (d) The Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

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

- 2.3 **Companies (Amendment) Act and its effect on future share purchases.** The Companies (Amendment) Act was gazetted on 6 June 2005 and will come into operation on such date as the relevant Minister may, by notification in the Gazette, appoint. As at the Latest Practicable Date, the Companies (Amendment) Act has not come into force. The Companies (Amendment) Act amends various provisions of the Companies Act. The amendments include the following:

- (a) a company will be permitted, pursuant to a share purchase mandate, to purchase or acquire its shares out of capital, in addition to purchasing or acquiring such shares using its distributable profits;
- (b) a company may elect to cancel ordinary shares which are purchased or acquired by a company pursuant to a share purchase mandate or not to cancel but to hold such shares as treasury shares; and
- (c) shares will no longer have any par value as the concept of par value of shares will be abolished.

LETTER TO SHAREHOLDERS

- 2.4 **Authority and Limits of the Share Purchase Mandate.** The authority and limitations placed on the Share Purchase Mandate, if renewed at the EGM, are substantially the same as previously approved by Shareholders at the 2004 EGM. The authority and limits on the Share Purchase Mandate are as follows:

2.4.1 ***Maximum number of Shares***

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company is limited to that number of Shares representing not more than 10% of the issued Shares of the Company as at the date of the EGM at which the Share Purchase Mandate is approved.

2.4.2 ***Duration of authority***

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

- (a) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied,

whichever is the earlier.

2.4.3 ***Manner of purchases or acquisitions of Shares***

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

- (a) on-market purchases ("**Market Purchases**"), transacted through the SGX-ST's Central Limit Order Book (CLOB) trading system or on any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchases**"), otherwise than on a securities exchange, in accordance with an equal access scheme.

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

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

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

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

LETTER TO SHAREHOLDERS

2.4.4 **Purchase price**

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Shares,

in each case, excluding related expenses of the purchase or acquisition (the “**Maximum Price**”).

For the above purposes:

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

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

2.5 **Source of Funds.** The Company intends to use its internal sources of funds to finance its purchase or acquisition of the Shares. The Company does not intend to obtain or incur any borrowings to finance its purchase or acquisition of the Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially and adversely affected.

2.6 **Current status of purchased Shares.** Under current law, a Share which is purchased or acquired by the Company is deemed cancelled immediately on purchase, and all rights and privileges attached to that Share shall expire on cancellation.

2.7 **Financial Effects.** Accordingly, under current law as at the Latest Practicable Date, Shares acquired by the Company are deemed cancelled on purchase and the Company’s total issued share capital will be diminished by the total nominal amount (or par value) of the Shares purchased or acquired by the Company. The consideration paid by the Company for the purchase or acquisition of Shares (including related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

The financial effects on the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate are based on current law as at the Latest Practicable Date and will depend on, *inter alia*, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

The issued and paid up ordinary share capital of the Company as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the EGM is 1,042,105,000 Shares.

LETTER TO SHAREHOLDERS

Based on the audited financial statements of the Company and the Group for the financial year ended 30 June 2005, the Company has distributable profits of approximately S\$29,649,000 that are available for payment as dividends (excluding any amount in the share premium account and the capital redemption reserve).

In the case of Market Purchases by the Company, assuming that the maximum price is S\$2.47 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), having regard to the Company's said distributable profits of approximately S\$29,649,000, the maximum number of Shares the Company is able to purchase or acquire for the duration of the proposed Share Purchase Mandate is 12,003,644 Shares representing 1.15% of the total issued ordinary share capital as at the Latest Practicable Date.

In the case of Off-Market Purchases by the Company, assuming that the maximum price is S\$2.59 for one Share (being the price equivalent to 10% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), having regard to the Company's said distributable profits of approximately S\$29,649,000, the maximum number of Shares the Company is able to purchase or acquire for the duration of the proposed Share Purchase Mandate is 11,447,490 Shares representing 1.10% of the total issued ordinary share capital as at the Latest Practicable Date.

As stated in paragraph 2.3 above, the Companies (Amendment) Act, which has not come into force as at the Latest Practicable Date, will allow a company to purchase or acquire its own shares out of capital. The Company will explore the benefits of this alternative for share purchase once the Companies (Amendment) Act comes into operation.

Purely for illustration purposes, on the basis of the assumptions set out above, and with the cancellation of the Shares purchased or acquired, the financial effects of the purchase or acquisition of such Shares by the Company for both Market Purchases and Off-Market Purchases on the audited financial statements of the Group for the financial year ended 30 June 2005 would be as follows:

Market Purchases

	Per Consolidated Financial Statements as at 30 June 2005	Proforma After Share Purchase
Shareholders' Funds (S\$'000)	474,569	444,446
NTA (S\$'000)	474,569	444,446
Current Assets (S\$'000)	797,082	766,840
Current Liabilities (S\$'000)	550,196	550,077
Cash and Cash Equivalents (S\$'000)	117,882	87,640
Number of Shares ('000)	1,042,078	1,030,074
Weighted average number of Shares for basic EPS ('000)	1,034,242	1,022,238
Weighted average number of Shares for diluted EPS ('000)	1,038,205	1,026,201

Financial Ratios

NTA per Share (cents)	45.54	43.15
EPS (cents)		
— Basic	10.58	10.66
— Diluted ⁽¹⁾	10.54	10.62
ROE (%)	23.1	24.5
Current Ratio (times)	1.45	1.39

LETTER TO SHAREHOLDERS

Off-Market Purchases

	Per Consolidated Financial Statements as at 30 June 2005	Proforma After Share Purchase
Shareholders' Funds (S\$'000)	474,569	444,446
NTA (S\$'000)	474,569	444,446
Current Assets (S\$'000)	797,082	766,840
Current Liabilities (S\$'000)	550,196	550,077
Cash and Cash Equivalents (S\$'000)	117,882	87,640
Number of Shares ('000)	1,042,078	1,030,631
Weighted average number of Shares for basic EPS ('000)	1,034,242	1,022,795
Weighted average number of Shares for diluted EPS ('000)	1,038,205	1,026,758

Financial Ratios

NTA per Share (cents)	45.54	43.12
EPS (cents)		
— Basic	10.58	10.66
— Diluted ⁽¹⁾	10.54	10.61
ROE (%)	23.1	24.5
Current Ratio (times)	1.45	1.39

Note:

⁽¹⁾ For purposes of calculating diluted EPS, the weighted average number of Shares in issue is adjusted as if all Options that are dilutive were exercised. An adjustment is made to determine the number of Shares that could have been issued upon the exercise of all dilutive Options less the number of Shares that could have been issued at market price (determined as the Company's average price for the financial year) for the same total proceeds.

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical numbers in respect of the financial year ended 30 June 2005, and are not necessarily representative of future financial performance.

The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

- 2.8 Tax Implications.** The following is a general overview of the Singapore tax implications of Share purchases by the Company based on current law as at the Latest Practicable Date.

Shareholders should note that the following general overview of the Singapore tax position is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of Share purchases by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

LETTER TO SHAREHOLDERS

Company's Treatment

Under Section 10J of the Income Tax Act, a Singapore company which repurchases its own ordinary shares using its distributable profits is deemed to have paid a dividend to its shareholders from whom the shares are purchased. As a company may only repurchase its own ordinary shares using distributable profits under the Companies Act, the Company will, in repurchasing its own Shares, be deemed to have paid a dividend to its Shareholders from whom the Shares are purchased. This is irrespective of whether the purchase of Shares is effected as a Market Purchase or as an Off-Market Purchase. With effect from 10 May 2005, the Company has moved to the one-tier corporate tax system for the purpose of paying dividends. In view of this, the repurchase of Shares by the Company will be deemed as payment of one-tier exempt dividend to its Shareholders.

Shareholder's Treatment

From a Shareholder's perspective, the tax treatment of the receipt from a share repurchase would depend on whether the sale is by way of a Market Purchase or an Off-Market Purchase.

A sale by a Shareholder of his Shares through a normal ready market counter will be treated like any other sale made on the SGX-ST. Whether the proceeds from such a sale are taxable in the hands of the Shareholder will depend on whether such proceeds are receipts of an income or a capital nature.

Proceeds received in an Off-Market Purchase effected by way of an equal access scheme will be treated as a receipt of one-tier exempt dividend in the hands of the Shareholder. Accordingly, the dividend will not be assessable to tax in the hands of that Shareholder. Where the Shareholder is a trader in shares, no deduction of the cost of the Shares sold will be allowed, but the cost base will be apportioned among the remaining Shares held by the Shareholder.

- 2.9 **Listing Rules.** The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company would not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company's full-year results and the period of two weeks before the announcement of the first quarter, second quarter and third quarter results.

The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities must be held by public Shareholders. As at the Latest Practicable Date, approximately 92% of the issued Shares are held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

LETTER TO SHAREHOLDERS

- 2.10 **Shareholding Limits.** The Company is an “approved holding company” as defined under the SFA. Section 81ZE of the SFA provides that no persons shall enter into any agreement to acquire shares by virtue of which he would, if the agreement is carried out, acquire a substantial shareholding in an approved holding company without first obtaining the approval of the MAS to his entering into the agreement. A person is regarded as acquiring a substantial shareholding of an approved holding company if that person acquires shares which, when aggregated with shares in which he has an interest, equal 5% or more of the voting shares of the approved holding company (the “**5% Limit**”). In addition to the 5% Limit, the SFA also prohibits any person from holding or controlling 12% or 20% of the voting shares of an approved holding company, without first obtaining the approval of the MAS (collectively, the “**Prescribed Limits**”).

Under current law, as the Company’s issued Shares will be reduced by the total number of Shares purchased or acquired by the Company, the shareholding percentage of a holder of Shares (whose Shares were not the subject of a share purchase or acquisition by the Company) in the issued capital of the Company immediately following any purchase or acquisition of Shares will increase correspondingly.

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

A PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY MAY INADVERTENTLY CAUSE THE INTEREST IN THE SHARES OF ANY PERSON TO REACH OR EXCEED ANY OF THE PRESCRIBED LIMITS (IN PARTICULAR, A PERSON WHOSE INTEREST IN SHARES IS CURRENTLY CLOSE TO SUCH LIMITS).

Shareholders whose current shareholdings are close to any of the Prescribed Limits and whose percentage shareholding may exceed such limits by reason of any purchase or acquisition of Shares by the Company **are advised to seek the prior approval of the MAS** to continue to hold, on such terms as may be imposed by the MAS, the Shares representing the number of Shares which they may hold in excess of any of the Prescribed Limits, as a consequence of a share purchase or acquisition by the Company.

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

2.11.1 ***Obligation to make a Take-over Offer***

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

2.11.2 ***Persons Acting in Concert***

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

LETTER TO SHAREHOLDERS

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

- (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
- (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

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

2.11.3 *Effect of Rule 14 and Appendix 2*

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

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

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

- 2.12 **No Previous Purchases.** The Company has not undertaken any purchase or acquisition of its Shares pursuant to the Share Purchase Mandate approved by Shareholders at the 2004 EGM.

3. THE SGX SHARE OPTION PLAN

- 3.1 **The SGX Share Option Plan.** The Company has an existing share option scheme, the SGX Share Option Plan, which was adopted at an extraordinary general meeting of the Company held on 1 November 2000, in connection with the initial public offering undertaken by the Company in 2000. The Rules of the SGX Share Option Plan were set out in Appendix S-C of the prospectus issued by the Company on 16 November 2000. The Rules of the SGX Share Option Plan were subsequently modified by the Committee (with the approval of the MAS only) and further modified, with the approval of the Shareholders, at an extraordinary general meeting of the Company held on 22 October 2003.

LETTER TO SHAREHOLDERS

- 3.2 **Termination of SGX Share Option Plan.** The Remuneration Committee (“RC”) of the Company intends to terminate the SGX Share Option Plan with regards to the grant of further Options, following the adoption of the SGX Performance Share Plan by Shareholders at the EGM. However, Options granted and outstanding prior to such termination will continue to be valid and be subject to the terms and conditions of the SGX Share Option Plan. The rationale for substituting the SGX Share Option Plan with the SGX Performance Share Plan is set out in paragraph 4.2 below.
- 3.3 **Maximum Limit for New Shares.** The SGX Share Option Plan currently provides for the issue of New Shares pursuant to the exercise of Options of up to a maximum of 15% of the Company’s total issued share capital from time to time. The Company will administer the SGX Share Option Plan and the SGX Performance Share Plan so that the maximum number of New Shares issued pursuant to the exercise of Options under the SGX Share Option Plan and/or the vesting of Awards under the SGX Performance Share Plan shall not exceed 10% of the Company’s total issued Shares from time to time.
- 3.4 **Existing Options.** As at the Latest Practicable Date, there were outstanding and unexercised Options granted to participants under the SGX Share Option Plan to subscribe for up to an aggregate of 30,451,200 Shares, representing approximately 2.92% of the issued Shares.

Details of the outstanding Options as at the Latest Practicable Date are as follows:

Date of Grant	Exercise Period	Subscription Price (\$)	Number of Shares comprised in the Existing Options	Number of Participants
20.11.2000	20.11.2002 to 20.11.2007	0.85	106,000	17
03.12.2001	03.12.2003 to 02.12.2008	0.94	548,000	52
15.01.2002	16.01.2004 to 15.01.2009	1.00	175,000	1
01.10.2002	01.10.2004 to 30.09.2009	0.90	2,441,000	91
27.01.2004	27.01.2006 to 26.01.2011	1.70	16,973,100	459
01.11.2004	02.11.2006 to 01.11.2011	1.60	10,208,100	315
			<u>30,451,200</u>	

4. THE PROPOSED SGX PERFORMANCE SHARE PLAN

- 4.1 **The SGX Performance Share Plan.** The Directors are proposing to implement a new share plan, the SGX Performance Share Plan. Further details on the SGX Performance Share Plan are set out in paragraph 4.5 below.
- 4.2 **Rationale for the SGX Performance Share Plan.** The SGX Performance Share Plan is based on the principle of pay-for-performance and is designed to enable the Company to reward, retain and motivate employees to achieve superior performance. The SGX Performance Share Plan will provide incentives to Participants to excel in their performance and encourage greater dedication and loyalty to the Company. Through the SGX Performance Share Plan, the Company will be able to recognise and reward past contributions and services and motivate Participants to continue to strive for the Group’s long-term prosperity. In addition, the SGX Performance Share Plan aims to foster an ownership culture within the Group which aligns the interests of Group Employees with the interests of Shareholders.

LETTER TO SHAREHOLDERS

- 4.3 **Operation of the SGX Performance Share Plan.** Awards granted under the SGX Performance Share Plan will be principally performance-based, incorporating an element of stretched targets for executive staff and significantly stretched targets for key senior management aimed at delivering long term shareholder value. While the Committee will have the discretion to grant time-based Awards, for example, to attract potential senior executive hires who may have to forego share options/share incentives when they join the Group, the use of time-based Awards will only be made on a case-by-case basis where business needs justify such Awards.

The SGX Performance Share Plan aims to benefit Shareholders, by setting pre-determined targets for executive staff and senior management which are designed to create and enhance economic value for Shareholders and incentivising and motivating such staff members to achieve those targets. The SGX Performance Share Plan aims to more directly align the interests of key senior management and senior executives with the interests of Shareholders, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst key senior management and senior executives.

The SGX Performance Share Plan uses methods fairly common among major local and multinational companies to incentivise and motivate employees to achieve pre-determined targets which create and enhance economic value for Shareholders. The Company believes that the SGX Performance Share Plan will be an effective tool in motivating employees to work towards stretched goals.

The SGX Performance Share Plan contemplates the award of fully paid Shares, when and after pre-determined performance or service conditions are accomplished.

A Participant's Awards under the SGX Performance Share Plan will be determined at the sole discretion of the Committee. In considering an Award to be granted to a Participant, the Committee may take into account, *inter alia*, the Participant's capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skills set.

Awards granted under the SGX Performance Share Plan are principally performance-based with performance targets to be set over a performance period (typically a three year period). Performance targets set are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long term growth. These targets will be tied in with the Directors' and the Chief Executive Officer's corporate key performance indicators.

Under the SGX Performance Share Plan, Participants are encouraged to continue serving the Group beyond the achievement date of the pre-determined performance targets. The Committee has the discretion to impose a further vesting period after the performance period to encourage the Participant to continue serving the Group for a further period of time.

- 4.4 **Maximum Limits on New Shares.** In order to reduce the dilutive impact of the SGX Share Option Plan and the proposed SGX Performance Share Plan, the Company will reduce the maximum number of New Shares issuable under the SGX Share Option Plan and the proposed SGX Performance Share Plan to 10% of the Company's total issued Shares from the existing limit of 15%, approved by Shareholders for the SGX Share Option Plan.

LETTER TO SHAREHOLDERS

4.5 **Summary of Rules of the SGX Performance Share Plan.** The following is a summary of the principal rules of the SGX Performance Share Plan.

4.5.1 ***Eligibility***

Group Employees or Associated Company Employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who have, as of the Award Date, been in the full time employment of the Group for a period of at least (12) twelve months (or in the case of any Group Executive Director or Associated Company Executive Director, such shorter period as the Committee may determine) unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders.

Non-executive Directors of the Group will not be eligible to participate in the SGX Performance Share Plan.

4.5.2 ***Awards***

Awards represent the right of a Participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

Shares which are allotted and issued or transferred to a Participant pursuant to the release of an Award shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during a specified period (as prescribed by the Committee in the Award letter), except to the extent approved by the Committee.

4.5.3 ***Participants***

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the SGX Performance Share Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his contribution to the success and development of the Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) (if any) within the performance period.

4.5.4 ***Details of Awards***

The Committee shall decide, in relation to each Award to be granted to a Participant:

- (a) the Award Date;
- (b) the number of Shares which are the subject of the Award;
- (c) the performance target(s) and the performance period during which such performance target(s) are to be satisfied, if any;
- (d) the extent to which Shares which are the subject of that Award shall be released on the prescribed performance target(s) (if any) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- (e) the vesting periods, if any;
- (f) the extent to which Shares, which are the subject of that Award, shall be released at the end of each prescribed vesting period; and
- (g) any other condition which the Committee may determine in relation to that Award.

LETTER TO SHAREHOLDERS

4.5.5 *Timing*

While the Committee has the discretion to grant Awards at any time in the year, it is currently anticipated that Awards would in general be made once a year. An Award letter confirming the Award and specifying (*inter alia*) the vesting period, the prescribed performance target(s), the performance period during which the prescribed performance target(s) are to be attained or fulfilled and the schedule setting out the extent to which Shares will be released on satisfaction of the prescribed performance target(s), will be sent to each Participant as soon as is reasonably practicable after the making of an Award.

4.5.6 *Events Prior to Vesting*

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

- (a) the misconduct on the part of a Participant as determined by the Committee in its discretion;
- (b) the Participant ceasing to be in the employment of the Group or the relevant Associated Company for any reason whatsoever (other than as specified in paragraph (e) below);
- (c) an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (d) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
- (e) the Participant ceasing to be in the employment of the Group or the relevant 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;
- (f) the death of the Participant;
- (g) any other event approved by the Committee; or
- (h) a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in paragraph (c) above or for reconstruction or amalgamation).

Upon the occurrence of any of the events specified in paragraphs (a), (b) and (c), an Award then held by a Participant shall, as provided in the rules of the SGX Performance Share Plan and to the extent not yet released, immediately lapse without any claim whatsoever against the Company.

LETTER TO SHAREHOLDERS

Upon the occurrence of any of the events specified in paragraphs (d), (e), (f) and (g) above, the Committee may, in its absolute discretion, preserve all or any part of any Award and decide either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the relevant vesting period. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and, in the case of performance-related Awards, the extent to which the applicable performance conditions and targets have been satisfied.

Upon the occurrence of the event specified in paragraph (h) above, the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will have regard to the proportion of the vesting period which has elapsed and the extent to which the applicable performance conditions and targets have been satisfied.

4.5.7 *Size and Duration of the SGX Performance Share Plan*

The total number of New Shares which may be issued pursuant to Awards granted under the SGX Performance Share Plan, when added to the number of New Shares issued and issuable in respect of (a) all Awards granted thereunder and (b) all Options granted under the SGX Share Option Plan, shall not exceed 10% of the issued Shares of the Company on the day preceding the relevant date of award.

The Company may also deliver Shares pursuant to Awards granted under the SGX Performance Share Plan in the form of existing Shares purchased from the market or, when the Companies (Amendment) Act comes into force, from Shares held in treasury. Such methods will not be subject to any limit as they do not involve the issuance of any New Shares.

The SGX Performance Share Plan shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the SGX Performance Share Plan is adopted by the Company in general meeting, provided always that the SGX Performance Share Plan may continue beyond the above stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the SGX Performance Share Plan, any Awards made to Participants prior to such expiry or termination will continue to remain valid.

4.5.8 *Operation of the SGX Performance Share Plan*

Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (a) an issue of New Shares; and/or
- (b) the delivery of existing Shares.

In determining whether to issue New Shares or to deliver existing Shares to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing New Shares or delivering existing Shares.

The financial effects of the above methods are discussed in paragraph 4.9 below. The Company has the flexibility, and if circumstances require, to approve the release of an Award, wholly or partly, in the form of cash rather than Shares.

LETTER TO SHAREHOLDERS

New Shares allotted and issued, and existing Shares procured by the Company for delivery, on the release of an Award shall be eligible for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

The Committee shall have the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make reference to the audited results of the Company or the Group or an Associated Company, to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the Committee decides that a changed performance target would be a fairer measure of performance.

- 4.6 **Adjustments and Alterations under the SGX Performance Share Plan.** The following describes the adjustment events under, and provisions relating to alterations of, the SGX Performance Share Plan.

4.6.1 **Adjustment Events**

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 or distribution, or otherwise) shall take place or if the Company shall make a declaration of a special dividend (whether in cash or in specie), then:

- (a) the nominal amount, class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the nominal amount, class and/or number of Shares over which future Awards may be granted under the SGX Performance Share Plan,

shall be adjusted in such manner as the Committee may determine to be appropriate.

The issue of securities as consideration for an acquisition or a private placement of securities or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force shall not normally be regarded as a circumstance requiring adjustment, unless the Committee considers an adjustment to be appropriate.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

4.6.2 **Modifications or Alterations to the SGX Performance Share Plan**

The SGX Performance Share Plan may be modified and/or altered from time to time by a resolution of the Committee subject to the prior approval of the MAS and such other regulatory authorities as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration except with the written consent of such number of Participants under the SGX Performance Share Plan who, if their Awards were released to them, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued in full of all outstanding Awards under the SGX Performance Share Plan.

LETTER TO SHAREHOLDERS

No alteration shall be made to particular rules of the SGX Performance Share Plan to the advantage of the holders of the Awards, as the case may be, except with the prior approval of Shareholders in general meeting.

4.7 Disclosures in Annual Reports. The Company will make such disclosures in its annual report for so long as the SGX Performance Share Plan continues in operation as from time to time required by the Listing Manual including the following (where applicable):

- (a) the names of the members of the Committee administering the SGX Performance Share Plan;
- (b) in respect of the following Participants of the SGX Performance Share Plan:
 - (i) Directors of the Company; and
 - (ii) Participants (other than those in paragraph (i) above) who have been granted Options under the SGX Share Option Plan and/or who have received Shares pursuant to the release of Awards granted under the SGX Performance Share Plan which, in aggregate, represent 5% or more of the aggregate of:
 - (1) the total number of New Shares available under the SGX Share Option Plan and the SGX Performance Share Plan collectively; and
 - (2) the total number of existing Shares purchased for delivery of Awards released under the SGX Performance Share Plan,

the following information:

- (aa) the name of the Participant;
- (bb) the following particulars relating to Options granted under the SGX Share Option Plan:
 - (i) Options granted during the financial year under review (including terms);
 - (ii) the aggregate number of Shares comprised in Options granted since the commencement of the SGX Share Option Plan to the end of the financial year under review;
 - (iii) the aggregate number of Shares arising from Options exercised since the commencement of the SGX Share Option Plan to the end of the financial year under review; and
 - (iv) the aggregate number of Shares comprised in Options outstanding as at the end of the financial year under review;
- (cc) the following particulars relating to Awards released under the SGX Performance Share Plan:
 - (i) the number of New Shares issued to such Participant during the financial year under review; and
 - (ii) the number of existing Shares transferred to such Participant during the financial year under review; and
- (c) the number and proportion of Shares comprised in options granted under the SGX Share Option Plan during the financial year under review:
 - (i) at a discount of 10% or less of the Subscription Price (as defined in the SGX Share Option Plan) in respect of the relevant option; and
 - (ii) at a discount of more than 10% of the Subscription Price in respect of the relevant option;
- (d) in relation to the SGX Performance Share Plan, the following particulars:
 - (i) the aggregate number of Shares comprised in Awards granted since the commencement of the SGX Performance Share Plan to the end of the financial year under review;
 - (ii) the aggregate number of Shares comprised in Awards which have vested during the financial year under review and in respect of such Awards, the proportion of:
 - (1) New Shares issued; and

LETTER TO SHAREHOLDERS

- (2) existing Shares purchased, including the range of prices at which such Shares have been purchased,
upon the release of the vested Awards; and
- (iii) the aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review.

4.8 **Role and Composition of the Committee.** The RC, whose function is to assist the Board of Directors in reviewing remuneration and human resource matters in the Company as set out in their Terms of Reference, will be designated as the Committee responsible for the administration of the SGX Performance Share Plan, and will comprise Directors to administer the SGX Performance Share Plan.

In compliance with the requirements of the Listing Manual, a Participant of the SGX Share Option Plan and the SGX Performance Share Plan who is a member of the RC shall not be involved in its deliberations in respect of Options or Awards (as the case may be) to be granted to or held by that member of the RC.

4.9 **Financial Effects of the SGX Performance Share Plan.** Financial Reporting Standard 102, Share-based payment (“**FRS 102**”) is effective for the financial statements of the Company for the financial year beginning 1 July 2005. Participants may receive Shares or their equivalent cash value, or combinations thereof. In the event that the Participants receive Shares, the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the income statement over the vesting period of an Award. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and where there are non-market conditions attached (see the following paragraph), the number of Shares vested at the vesting date, with a corresponding credit to reserve account. Before the end of the vesting period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the income statement with a corresponding adjustment to the reserve account. After the vesting date, no adjustment to the charge to the income statement is made. This accounting treatment has been referred to as the “modified grant date method”, because the number of Shares included in the determination of the expense relating to employee services is adjusted to reflect the actual number of Shares that eventually vest but no adjustment is made to changes in the fair value of the Shares since the grant date.

The amount charged to the income statement would be the same whether the Company settles the Awards using New Shares or existing Shares. The amount of the charge to the income statement also depends on whether or not the performance target attached to an Award is measured by reference to the market price of the Shares. This is known as a market condition. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Shares granted at the grant date, and no adjustments to the amounts charged to the income statement are made whether or not the market condition is met. However, if the performance target is not a market condition, the fair value per share of the Shares granted at the grant date is used to compute the amount to be charged to the income statement at each accounting date, based on an assessment at that date of whether the non-market conditions would be met to enable the Awards to vest. The amount charged to the income statement for time-based Awards is similarly determined, as this is a non-market condition. Thus, where the vesting conditions do not include a market condition, there would be no charge to the income statement if the Awards do not ultimately vest.

In the event that the Participants receive cash, the Company shall measure the fair value of the liability at grant date. Until the liability is settled, the Company shall re-measure the fair value of

LETTER TO SHAREHOLDERS

the liability at each accounting date and at the date of settlement, with changes in the fair value recognised in the income statement.

The following sets out the financial effects of the SGX Performance Share Plan.

4.9.1 **Share capital**

The SGX Performance Share Plan will result in an increase in the Company's issued Shares only if New Shares are issued to Participants. The number of New Shares issued will depend on, *inter alia*, the size of the Awards granted under the SGX Performance Share Plan. In any case, the number of New Shares to be issued under the SGX Performance Share Plan and the SGX Share Option Plan will be subject to the maximum limit of 10% of the Company's total issued Shares. If, instead of issuing New Shares to Participants, existing Shares are purchased for delivery to Participants, the SGX Performance Share Plan will have no impact on the Company's issued Shares.

4.9.2 **NTA**

As described in paragraph 4.9.3 on EPS, the SGX Performance Share Plan is likely to result in a charge to the Company's income statement over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with the modified grant date method under FRS 102. If New Shares are issued under the SGX Performance Share Plan, there would be no effect on the NTA. However, if instead of issuing New Shares to Participants, existing Shares are purchased for delivery to Participants or the Company pays the equivalent cash value, the NTA would be impacted by the cost of the Shares purchased or the cash payment, respectively.

It should be noted that the delivery of Shares to Participants under the SGX Performance Share Plan will generally be contingent upon the Participants meeting the prescribed performance targets and conditions.

4.9.3 **EPS**

The SGX Performance Share Plan is likely to result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with the modified grant date method under FRS 102.

It should again be noted that the delivery of Shares to Participants under the SGX Performance Share Plan will generally be contingent upon the Participants meeting the prescribed performance targets and conditions.

4.9.4 **Dilutive Impact**

It is expected that the dilutive impact of the SGX Performance Share Plan on the NTA per Share and EPS will not be significant.

The SGX Share Option Plan currently provides for the issue of New Shares pursuant to the exercise of Options of up to a maximum of 15% of the Company's total issued share capital from time to time. Accordingly, there will be no significant dilution of Shareholders' shareholding percentages as a result of the introduction of the SGX Performance Share Plan as the SGX Performance Share Plan provides that the aggregate number of New Shares to be issued under the said Plan and the SGX Share Option Plan will be subject to a lower maximum limit of 10% of the Company's total issued Shares.

LETTER TO SHAREHOLDERS

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

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

Director	Direct Interest		Deemed Interest		Number of Shares comprised in outstanding Options granted by the Company
	Number of Shares	%	Number of Shares	%	
J Y Pillay	—	—	262,000 ⁽¹⁾	0.025	—
Hsieh Fu Hua	—	—	800,000 ⁽²⁾	0.077	4,000,000
Lee Hsien Yang	—	—	—	—	—
Robert John Richard Owen	—	—	—	—	—
Chew Choon Seng	—	—	—	—	—
Olivia Lum Ooi Lin	—	—	—	—	—
Ho Tian Yee	—	—	—	—	—
Low Check Kian	—	—	—	—	—
Ng Kee Choe	—	—	—	—	—
Loh Boon Chye	—	—	—	—	—
Tang Wee Loke	—	—	—	—	—
Geoffrey Wong Ee Kay	—	—	—	—	—

Notes:

⁽¹⁾ J Y Pillay is deemed to have an interest in the 262,000 Shares held by his spouse.

⁽²⁾ Hsieh Fu Hua is deemed to have an interest in the 800,000 Shares held by his spouse.

5.2 **Substantial Shareholder's Interests in Shares.** The interests of the substantial Shareholder in Shares as at the Latest Practicable Date are set out below:

Substantial Shareholder	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Capital Group Companies, Inc.	—	—	78,448,575 ⁽¹⁾	7.5279	78,448,575	7.5279

Note:

⁽¹⁾ The Capital Group Companies, Inc. holds an interest in the 78,448,575 Shares through nominees.

6. DIRECTORS' RECOMMENDATIONS

6.1 **Proposed Renewal of the Share Purchase Mandate.** The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 1, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate.

6.2 **Proposed Adoption of the SGX Performance Share Plan.** The Directors (other than Mr J Y Pillay and Mr Hsieh Fu Hua who are eligible to participate, and are therefore interested, in the proposed SGX Performance Share Plan) are of the opinion that the adoption of the proposed SGX Performance Share Plan 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 adoption of the proposed SGX Performance Share Plan.

LETTER TO SHAREHOLDERS

Mr J Y Pillay and Mr Hsieh Fu Hua shall also decline to accept appointment as proxies for any Shareholders to vote in respect of Resolution 2 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 Resolution 2.

Save as disclosed above, none of the Directors has any interest, direct or indirect, in the proposed SGX Performance Share Plan.

7. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 25 to 27 of this Circular, will be held on 22 September 2005 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 Sixth Annual General Meeting of the Company to be held at 10 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 Ordinary Resolutions as set out in the Notice of EGM.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

- 8.1 **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 September 2005. 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.
- 8.2 **Abstention from Voting.** Any Shareholder who is eligible to participate in the SGX Performance Share Plan (such as employees of the Company and its subsidiaries) must abstain from voting in the EGM in respect of Resolution 2, being the Ordinary Resolution relating to the adoption of the SGX Performance Share Plan. Such Shareholder should also not accept nominations to act as proxy, corporate representative or attorney to vote in respect of Resolution 2 unless that Shareholder appointing him indicates clearly how votes are to be cast in respect of Resolution 2.
- 8.3 **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.

9. 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 2005;
- (b) the Memorandum and Articles of Association of the Company;
- (c) the 2004 Circular;
- (d) the rules of the SGX Share Option Plan; and
- (e) the proposed rules of the SGX Performance Share Plan.

LETTER TO SHAREHOLDERS

10. 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

NOTICE OF EXTRAORDINARY GENERAL MEETING

SINGAPORE EXCHANGE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199904940D)

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 September 2005 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Sixth Annual General Meeting of the Company to be held at 10 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 Ordinary Resolutions:

Resolution 1: Ordinary Resolution

The Proposed Renewal of the Share Purchase Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the “**Companies Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares currently with a par value of S\$0.01 each fully paid in the capital of the Company (“**Shares**”) not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchase(s) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) transacted through the Central Limit Order Book trading system and/or any other securities exchange on which the Shares may for the time being be listed and quoted (“**Other Exchange**”); and/or
 - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);
- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next Annual General Meeting of the Company is held; and
 - (ii) the date by which the next Annual General Meeting of the Company is required by law to be held;
- (c) in this Resolution:

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

“**date of the making of the offer**” means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares stating therein the relevant terms of the equal access scheme for effecting the off-market purchase;

NOTICE OF EXTRAORDINARY GENERAL MEETING

“Maximum Percentage” means that number of issued Shares representing 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

“Maximum Price” in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

- (i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and
 - (ii) in the case of an off-market purchase of a Share, 110% of the Average Closing Price of the Shares; and
- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

Resolution 2: Ordinary Resolution **The Proposed SGX Performance Share Plan**

That:

- (a) the Singapore Exchange Share Option Plan (the **“SGX Share Option Plan”**) be terminated on such date as determined by the Committee of Directors administering the SGX Share Option Plan, provided that such termination shall be without prejudice to the rights of holders of options accepted and outstanding under the SGX Share Option Plan as at the date of its termination;
- (b) a new performance share plan to be known as the **“SGX Performance Share Plan”** (the **“SGX Performance Share Plan”**), the rules of which, for the purpose of identification, have been subscribed to by the Chairman of the Meeting, under which awards (**“Awards”**) of fully paid-up Shares, their equivalent cash value or combinations thereof will be granted, free of payment, to selected employees of the Company, its subsidiaries and its associated companies, including executive Directors of the Company, details of which are set out in the Circular to Shareholders dated 25 August 2005 (the **“Circular”**), be and is hereby approved;
- (c) the Directors of the Company be and are hereby authorised:
 - (i) to establish and administer the SGX Performance Share Plan; and
 - (ii) to modify and/or alter the SGX Performance Share Plan from time to time, provided that such modification and/or alteration is effected in accordance with the provisions of the SGX Performance Share Plan, and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the SGX Performance Share Plan; and
- (d) the Directors of the Company be and are hereby authorised to grant Awards in accordance with the provisions of the SGX Performance Share Plan and to allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the vesting of Awards under the SGX Performance Share Plan, provided that the aggregate number of new Shares to be allotted and issued pursuant to the SGX Share Option Plan and the SGX Performance Share Plan shall not exceed 10 per cent of the total issued Shares from time to time.

By Order of the Board

Joyce Fong Foong Chao
Company Secretary

Singapore
25 August 2005

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.
3. The Company intends to use its internal sources of funds to finance its purchase or acquisition of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired.

The issued and paid up ordinary share capital of the Company as at the Latest Practicable Date (as defined in the Circular) and assuming no further Shares are issued on or prior to the EGM is 1,042,105,000 Shares.

Based on the audited financial statements of the Company and the Group for the financial year ended 30 June 2005, the Company has distributable profits of approximately S\$29,649,000 that are available for payment as dividends (excluding any amount in the share premium account and the capital redemption reserve).

In the case of Market Purchases by the Company, assuming that the maximum price is S\$2.47 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), having regard to the Company's said distributable profits of approximately S\$29,649,000, the maximum number of Shares the Company is able to purchase or acquire for the duration of the proposed Share Purchase Mandate is 12,003,644 Shares representing 1.15% of the total issued ordinary share capital as at the Latest Practicable Date.

In the case of Off-Market Purchases by the Company, assuming that the maximum price is S\$2.59 for one Share (being the price equivalent to 10% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), having regard to the Company's said distributable profits of approximately S\$29,649,000, the maximum number of Shares the Company is able to purchase or acquire for the duration of the proposed Share Purchase Mandate is 11,447,490 Shares representing 1.10% of the total issued ordinary share capital as at the Latest Practicable Date.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the consolidated financial statements of the Company and its subsidiaries for the financial year ended 30 June 2005 based on the assumptions set out above are set out in paragraph 2.7 of the Circular.

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SINGAPORE EXCHANGE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199904940D)

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			

or failing *him/her, the Chairman of the Extraordinary General Meeting (“**EGM**”) of the Company, as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf, at the EGM of the Company to be held at 2 Shenton Way, SGX Centre 1, 2nd Level SGX Auditorium, Singapore 068804 on 22 September 2005 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Sixth Annual General Meeting of the Company to be held at 10 a.m. on the same day and at the same place) and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the EGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the EGM shall be *my/our *proxy/proxies to vote, for or against the Resolution to be proposed at the EGM as indicated hereunder, for *me/us and on *my/our behalf at the EGM and at any adjournment thereof.

**delete as appropriate.*

	For	Against
Resolution 1: Ordinary Resolution To approve the renewal of the Share Purchase Mandate.		
Resolution 2: Ordinary Resolution To approve the adoption of the SGX Performance Share Plan.		

Dated this 2005

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

Total number of Shares held

IMPORTANT: PLEASE READ NOTES ON THE REVERSE



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 (together with the power of attorney, if any, under which it is signed or a certified copy thereof) must be deposited at the registered office of the Company, at 2 Shenton Way #19-00 SGX Centre 1, Singapore 068804 not less than 48 hours before the time appointed for the Extraordinary General Meeting.

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Affix
Postage
Stamp

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

First fold along this line

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.